

EUROPEAN SEMESTER 2017

**ETUC REPORT ON NATIONAL
TRADE UNIONS INPUTS FOR
THE EARLY-STAGE CONSULTATION
ON COUNTRY REPORTS 2017**

DRAFT



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BELGIUM

CGSLB

LABOUR MARKET AND EMPLOYMENT

All the figures are in the attached document

Insufficient employment growth: several causes

Despite a series of measures on the labour market and in the tax system, we see no increase in the employment rate in Belgium. Compared to the rest of the Eurozone, we perform poorly. For the past two years, we've gone downhill, while the rest of the Eurozone has seen its employment increase. Given the low rate of employment, Belgium should score better than the average to make up for the historic deficit.

Figure 12

Figure 13

In recent years, initiatives have been taken by various governments to facilitate the inflow into the labour market and impede the outflow. Consider the abolition of the integration benefits for +25 olds, the drastic extension of the waiting period, or the fact that these governments have made unemployment benefits digressive and under stricter controls. The tax shift had to make work more attractive. On the other side of the labour market, retirement age was sharply increased. It's therefore all the more remarkable that the employment rate is not rising.

What can be observed, however, is an outflow to other systems. For example, the number of people dependent on living wage rose sharply. And this increase has recently grown even stronger. But the number of people, who are physically falling apart, is also significantly on the rise. Disability figures confirm this tendency.

Figure 14

The explanation for this is multi-fold. Actually, the employment conditions under which many employees work are a determining factor. Recent research shows increasing stress levels, while combining work and family, is becoming increasingly difficult. People under severe pressure and then pushed beyond their limits, sometimes can't take it anymore.

Figure 15

1.1. Increased flexibility: counterproductive

So we can ask ourselves whether the policy consisting in further increasing flexibility as it now stands will not generate a stagnation/decline in our employment rate. Only by providing manageable employment, where workers are respected in terms of wages, working hours and physical wellbeing, can employment rates be increased. It is cynical to ask employees to work longer while making it more difficult for them to handle it all. Moreover, the economic policy implemented by the Michel Government is not supported by enough demand to create employment.

It is also clear that it is mainly disadvantaged groups who experience difficulties to access the labour market. These groups will not be activated by putting them on the labour market for cheap. This will only favour abuse and strengthen (the already growing) inequality

Figure 16

If we want to improve the chances of the relevant target groups on the labour market, it is time that companies significantly increase their training efforts. The government also has to play an important role here. Not only should it force companies to make more efforts, it should also strive to develop an efficient system of dual learning and increased investment in education. Earlier in this paper we evidenced Belgium's poor performance in the field of Lifelong Learning.

Figure 17

An additional problem is that the integration of employees with a migration background is tackled very timidly by the government, despite clear indications of discrimination.

Figure 18

A final theme that is highlighted in this analysis indirectly has a significant impact on productivity and employment. It's about the evolution of prices and the related issues in the field of market forces.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

All the figures are in the attached document

1. Structural competitiveness is the key

As evidenced by the country report on Belgium from the European Commission (2016), Belgium's main exports are lower-quality goods with low added value. Consequently, we are competing with countries that compete mainly on price. It is a losing strategy for the European economy to compete on price alone. Only a strategy consisting in upgrading our production structure will be able to guarantee maintaining our long-term prosperity. A unilateral approach involving a reduction of labour costs and a more flexible labour market generates a race to the bottom that will eventually provide no winner. Keeping labour costs under control while aiming at higher productivity is the only correct approach.

Belgium has a historically strong productivity, allowing our wages to be higher. To date, these higher wage costs have been entirely compensated by higher productivity (see Table 1).

Figure 1

2. Wage costs should not be approached lightly

Apart from the (important) debate on structural competitiveness, nuance should be applied to the debate regarding labour costs. The social contract between employers and employees implies that productivity gains are distributed evenly. However, since 1996, it has been established that wages do not evolve in the same way (see chart). In the industry, this tendency appears to be even stronger. The NBB indicates that productivity increased by 19% since 1996 while wages increased over the same period by 14%. For the country report, it would be interesting to confront the figures of the European Commission with those from the NBB. An analysis of the methodology used by the EGW in [their 2013 report](#) can be interesting to put the various figures that are circulating in their context. Actually, the productivity growth evidenced in the Country Report is significantly less favourable than those shown in the chart of the NBB.

Belgium's lead in terms of productivity is down. We believe that our greatest challenge lies in increasing productivity. Two elements are central: education and innovation. Belgium has been praised for years for its efforts (and results) in the field of education and on-going training. Belgium, however, is rapidly losing its lead (see table Lifelong Learning).

Figure 3

The Belgian employee is increasingly productive, but the extra revenue this entails is not translated into equivalent wage increases. Among other factors, this can be explained by the fact that the share of earnings from work continuously decreases compared to the value of companies.

Figure 4

But then, where does the wealth produced go? Over the 1996-2014 period only a substantial increase in dividends can be evidenced. The evolution of the dividends also shows a remarkable parallel with the assigned wage subsidies and cuts in employers' contributions

Figure 5

The increase in wage subsidies should not be underestimated (see below). These subsidies represent more than 4.5% of the wage bill in Belgium. Wage subsidies paid in neighbouring countries are very limited (on average 0.5% of the total wage bill). When comparing our competitiveness with the neighbouring countries in terms of costs, these subsidies should be taken into account, which is often not the case now (even in this case, by the European Commission).

Figure 6

3. Conclusions

Competitiveness is an economic concept that requires a nuanced approach. As for cost competitiveness, workers have made great efforts in recent years. Therefore, one should seize this momentum to bet on those aspects of competitiveness capacities that will determine in the longer term to what extent the Belgian economy can remain sufficiently competitive. A sustainable competitive strategy focuses on improving productivity that is fuelled by investments in human capital, innovation and infrastructure. However, the current Belgian government is failing to make progress on these issues. On the contrary, with a stricter wage formation process ('96 law) and a flexible labour market, it sends the wrong signals.

EDUCATION AND SKILLS

All the figures are in the attached document

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Figure 2



A clear vision, commitments and the associated investment in training are therefore urgently needed. As social partners, we've had a clear objective in mind for years: 1.9% of the total wage bill should be invested in training, with a target participation rate of 50%. In 2013 (latest figures, CRB), these indicators were respectively 1.52% and 36%. Since 2015, employers have suspended their involvement in this area. In another field, R & D, the Belgian firms have not met their commitments. At only 1.56%, the 2% target for R & D has not been reached. That's why it's not surprising that our productivity figures are down.

If we want to improve the chances of the relevant target groups on the labour market, it is time that companies significantly increase their training efforts. The government also has to play an important role here. Not only should it force companies to make more efforts, it should also strive to develop an efficient system of dual learning and increased investment in education. Earlier in this paper we evidenced Belgium's poor performance in the field of Lifelong Learning.

PENSIONS, WELFARE STATE, POVERTY

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In recent years, initiatives have been taken by various governments to facilitate the inflow into the labour

market and impede the outflow. Consider the abolition of the integration benefits for +25 olds, the drastic extension of the waiting period, or the fact that these governments have made unemployment benefits digressive and under stricter controls. The tax shift had to make work more attractive. On the other side of the labour market, retirement age was sharply increased. It's therefore all the more remarkable that the employment rate is not rising.

What can be observed, however, is an outflow to other systems. For example, the number of people dependent on living wage rose sharply. And this increase has recently grown even stronger. But the number of people, who are physically falling apart, is also significantly on the rise. Disability figures confirm this tendency.

Figure 14

Disability increases	Average number of people living of a living wage and evolution per year		
Number of disabled individuals	Increase in % compared to 2010	Average number per month	Annual growth percentage

The explanation for this is multi-fold. Actually, the employment conditions under which many employees work are a determining factor. Recent research shows increasing stress levels, while combining work and family, is becoming increasingly difficult. People under severe pressure and then pushed beyond their limits, sometimes can't take it anymore.

Figure 15

	2005	2015
TOTAL		
15-29 years old		
30-49 years old		
50-64 years old		
Men		
Women		
Low-skilled		
Average-skilled		
Highly skilled		

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

All the figures are in the attached document

Slow productivity growth and low employment rates cannot be completely attributed to developments in the private market. The government has to play a major role. They should create a favourable economic environment that encourages companies to increase productivity and create jobs. In that context and in their current state, there are two major bottlenecks, which represent a threat rather than an opportunity.

1. Need for more public investment

- IMF, [Is it time for an infrastructure push? The macroeconomic effects of public investment](#), 2014;
- Central Economic Council, [Diagnose publieke investeringen in België](#), (*Diagnosis of public investments in Belgium*) 2016;
- National Bank of Belgium, [Moeten de overheidsinvesteringen worden gestimuleerd?](#), (*Must public investments be stimulated?*) 2016.
- National Bank of Belgium, [Verslag 2015](#), (*2015 Report*) 2016.

The first significant problem is the low level of public investment. With a percentage of 2.3 %, they are currently at an historic low level.

Figure 7

If we look at the average level of public investment over the past 15 years, we see that Belgium leaves only Germany behind.

Figure 8

The low level of investment is taking its toll. Because public investments have been at a low level for decades, we can observe a downward trend in the state's net assets. This implies that new investments are insufficient to offset the depreciation of the old infrastructure. Public infrastructure is therefore systematically moving backwards. There is also a structural deterioration compared to the three reference countries.

Figure 9

Figure 10

Public infrastructure in Belgium and its density (road, rail and waterways), together with our geographic location, is one of the major strengths of our competitive potential. Yet we risk losing this asset by under-investment and consequent aging of the infrastructure. This generates problems including congestion, train delays, shortages in energy and the like. It is necessary to re-invest in public infrastructure and also to allow Belgium to finance them with debt. Especially now that interest rates are historically low and the Belgian State can obtain practically free money.

A study by the IMF shows that an increase in public investment by 1% of GDP in developed economies such as Belgium generates on average an additional GDP growth of 0.4% in one year and an increase of 1.5% in four years. In the longer term, the growth potential of the economy is strengthened and reduces the national debt. In a study based on the EAGLE model, the ESCB illustrates clearly the strong positive multiplier effects of public investment financed by debt. An increase in public investment by 1% leads already in an additional GDP growth of 1.5% within 1 to 2 years, and an additional GDP growth of 2% within 10 years. However, the short-term effect disappears almost entirely if financing is done through cost cuts.

2. The tax shift needs to be amended

Source : K. BREMERS en J. KONINGS, [De terugverdieneffecten van een lastenverlaging op arbeid](#), (*The payback effects of a reduction in labour charges*; Federal Planning Bureau), [Macro-economische en budgettaire effecten van de tax shift maatregelen van de federale regering](#), (*Macro-economic and budgetary effects of the tax shift measures of the Federal Government*) 2015.

An adjustment of the tax shift is necessary. The adjustment should consist of two parts:

- 1) Increased targeted tax cuts on low-skilled workers. Several studies clearly show that the net employment effect is much higher here. The higher labour supply in this segment of the labour market will provide an easier filling of the additional jobs created by the targeted reduction in charges. Furthermore, the studies illustrate that the payback effects are also higher here. Since the implementation of charge reductions will be spread over several years, an adjustment is possible.
- 2) Fixing the financing part of the tax shift by further diversifying funding. We could resort to certain types of assets, such as real estate rental income and capital gains on shares. This would damage the economy less than additional cost cuts and higher consumption taxes,

also generating higher inflation, what should be avoided in the Belgian context.

STATE BUDGET AND FISCAL CONSOLIDATION

All the figures are in the attached document

The tax shift needs to be amended

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In the summer of 2015, the Michel Government has developed a tax shift, in which the charges on labour are reduced, funded through various channels. It soon turned out that the financing of this tax shift was absolutely inadequate and, in both the short and medium term, and would impose large deficits on the budget. According to figures from the Planning Bureau, the tax shift will generate an additional 6.6 billion euro hole in the budget by 2020.

Figure 11

Source: Federal Planning Bureau

This is not only due to a systematic overestimation of revenues from new taxes and the income from cost cuts. Actually, the return on investment is estimated unrealistically. Since only 17 to 20% of charge reductions are related to targeted tax cuts on low wages, the net employment effect will be much lower than expected. Consequently, the government is missing out on important tax revenues here.

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1.2. Conclusions

From the findings above, we can conclude that the Belgian government has enough policy space to stimulate productivity, growth potential and employment in a sustainable manner. By making productive public investment, better diversifying the financing of the tax shift and focusing planned reductions in charges more on low-skilled employment, our economy could make a number of important steps in a

relatively short time.

Although targeted tax cuts could contribute to employment growth, there are other factors that have a greater impact on employment in Belgium. We will briefly discuss them in next chapter.

DRAFT

BULGARIA

CITUB

LABOUR MARKET AND EMPLOYMENT

The pace of the labour market recovery is inadequate at the background of relatively sustainable GDP growth. Structural obstacles are only one side of the unsatisfactory employment level. The low domestic investment activity and weak inflow of foreign direct investments (FDI) do not contribute to the creation of sufficient number of new jobs. Due to these reasons, the problems related to labour market access of the both main risk groups - long-term unemployed and young people not involved in any form of employment, education or training - still dominate despite some reported improvements.

The level of long-term unemployment declined over the past three years and from 7.4% in 2013, reached 5.6% in 2015, but still remains well above the EU28 average at 4.5% in 2015. It is noteworthy that the men long-term unemployment is higher by 1-2 percentage points than that of women and this is a consequence of the fact that the crisis affected mostly "male industries" such as construction, mining and some branches of manufacturing, while the services sector with predominantly female workforce as a whole was preserved and retail and clothing industry quickly recovered after 2009. Long-term unemployed are mostly people with low levels of education and training and this is a huge challenge for the labour market. The employment rate (20-64) by educational attainment level "Less than primary, primary and lower secondary education" in 2015 was barely 39% (EU28 nearly 53%). Some of these people are illiterate or low-literate without work habits. Thus, it might be difficult for them to realize in the primary labor market. The main source of their income is from social benefits, from the secondary labour market in the segment subsidized employment and episodic employment in the informal sector.

The other main challenge for the labour market are the young people (15-24) neither in employment, education or training (NEET's). Their relative share is decreasing slowly in the last 5 years - from 21.8% in 2011 to 19.3% in 2015, but remains on the top position in the EU along with Italy. Along with the people discouraged to seek for work, they are relatively unexplored contingent, which must be taken seriously because of the risks that potentially exist:

- Mismatch of their skills and knowledge and the labour market demands;
- Lack of interests to take up the provided opportunities to acquire education and vocational training;
- Inclusion into the gray forms of employment with the concomitant risk of poverty and social exclusion;

- And last, but not least, their transition to criminal contingents;

Measures provided for them should include, at first place - conducting a detailed study of the causes for their status and real conditions for their activation; at second place - the planning of programmes and measures with national and European funding to unite the efforts of the two responsible ministries - the Ministry of Labour and Social Policy and the Ministry of Education.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

We rely on effective social partnership for the elaboration of a clear mechanism for setting/negotiating the minimum wage. Although Bulgaria has not yet ratified ILO Convention 131, CITUB insists to consider the requirements of this Convention for the implementation of social and economic criteria in the elaboration of such mechanism for the minimum wage. In this context is our conceptual proposal for annual negotiation of minimum wage in ranges between 1.3 of the official poverty line (lower limit) and 60% of the average wage (upper limit).

We don't share the concerns of the European Commission that the minimum wage is growing too fast. At first, it was frozen for more than two and half years in the period January 2009 - September 2011; at second, its present size (BGN 420) represent only 44.6% of the average wage (BGN 941 for the third quarter of 2016). This correlation is among the usual EU values and we must recall once again the Recommendation of the European Parliament in the Resolution on the European Platform against Poverty and Social Exclusion from 15/11/2011 to 60% correlation - it is especially important for countries with high differentiation and polarization of incomes, as the case with Bulgaria is.

By no means, at the background of the lowest labour costs in the EU, there is no reason for fears of a threat to the competitiveness of the Bulgarian economy. Moreover - now the main driving force for the labour income growth is not the pressure of the minimum wage, but the demand and the appointment of mainly highly skilled workforce and strong competition in the common European labour market.

Data for the past five years 2011-2015 show that almost parallel to the GDP growth per capita in PPS as a relative country position in the EU (from 45 to 46% of the EU28 average) increased also the labour productivity per employee in PPS (from 42 to 45% of the EU28 average). At the same time compensation per employee in PPS is systematically lagging behind compared to the previous two indicators. In 2015, it represents 40% of the average level. As a consequence, this hindered the realisation of a more accelerated policy of catching up to the average wage level in its optimal volume.

By 2015, this potential is estimated at a minimum of additional 888 compensation per employee. However the low employee participation in sharing the produced product is proved also by the data on the relative share of labour compensation in GDP. Average for the five-year period it is 38.8 percent, and only in the last two years it managed to slightly exceed the limit of 40% (respectively 41.0 and 41.3%). By this indicator Bulgaria is on one of the last places in the

EU28 (average 47-48%), while in most old Member States it is over 50% of GDP. Obviously there are serious problems in the distribution, which can not be compensated in some periods of nominal and real wage growth.

EDUCATION AND SKILLS

The challenges Bulgaria has to address in 2017 can be summarized as following:

Bulgaria is affected by high percentage of early school leavers (over 12% mainly from the ethnic minorities), ageing of the population, based both on low fertility; emigration / free movement, incl. brain drain processes mainly among engineers (such as IT specialists), medical doctors, nurses, teachers.

The access to and the participation of the population in the LLL initiatives is still very low (1,4% of the working age citizens) mainly because of financial barriers and shortage of variety of different appropriate incentives to increase the motivation and to proof the benefit for the concrete target groups such as national and/ or sectoral funds for VET, treatment of VET as state aid, introduction of requirement for cofinancing of VET and key competences by employed people etc.

The employers' state shortage in the field of: € € € € € Soft socio-emotional skills such as interpersonal relations, adaptability, self-discipline, perseverance, and ability to work well with others, lingual skills, etc.; Professional / task competences; Cognitive skills, such as functional literacy and numeracy.

The best policy options to address the shortly presented challenges are:

Activating of the social dialogue in the area of interconnection of development strategies in education and training and the employment / labour market needs of skills at sectoral / branch and regional levels.

Promoting the participation in LLL initiatives by introduction of variety of instruments and financing mechanisms (sectoral funds for education, training and qualification, individual learning accounts etc.).

Strengthening of the vocational and career guidance practices both in the education system and the adult education centers towards skills needed within country perspective branches/sectors with high added value and investment potential according systematic research and needs' and effectiveness analyses.

Development of a multilateral model for possible and accelerated transition between the education levels within the National qualification framework up to tertiary vocational training. This approach can enable multidisciplinary skills' development and their implementation and to increase the adaptability and employability of the labour force.

To promote public-private partnership in the area of education and training, i.e. to motivate employers to invest in education and training according their middle- and long-term needs' forecasts for the labour force skills and competences.

Enlargement of the possibilities for upskilling of the pedagogical staff offered in a systematic way. Introduction of incentives for attraction and motivation of young and teachers to join and work in the education system who are more open for innovative methodological approaches.

Investment in skills' development of the most disadvantaged groups at the labour market: youngsters NEETs, long term unemployed, people over 55, low educated and underqualified, disabled people.

Promoting blended and distance learning to enhance the participation of employed and self-employed people in requalification and / or upskilling within the period of the digital revolution.

Further implementation of successful programs and schemas with assessed high effectiveness such as: voucher training for employed, self-employed and unemployed; students' practices' system; VET Validation system, social partners' combined packages motivation-training-employment; higher school rating system etc. Establishment of a national system for monitoring the transition of the graduated people from education to employment or their further development based on education or training.

PENSIONS, WELFARE STATE, POVERTY

The Commission's findings for a broad segment of the population living at risk of poverty or social exclusion and high levels of inequality are beyond contest. Moreover, recent Eurostat data for 2015 show still worse results for Bulgaria for these indicators, the most dramatic being the new values of the *Gini coefficient* (37.0) and Income quintile ratio S80/S20 (7.1). The negative developments affect not only the vast majority of the poor, pensioners and the unemployed with a minimum amount of compensation, but a fair share of workers as well (the phenomenon of "working poor" is well known in Bulgaria).

Serious "merits" for the inequalities and social exclusion have the inadequate policies in the field of health care, social support and integration measures. In this finding, the Commission uses the evasive term "challenges" but CITUB believes that the deficit of efficient policies in the social sector (especially healthcare) is a generator of inequality, poverty and social exclusion. It is indicative that some of the proposed health reforms were returned for reconsideration by the Constitutional Court.

EC has too high expectations concerning the impact and effect of the so-called "Health Card". Tying it to the recommendations for better efficiency of health care expenditure (CITUB understands this as a limitation of expenditures) is in conflict with the recognized by the EC need for planning these expenditure in accordance with the territorial criteria and the population needs. Currently, the Health Card is challenged in court by the municipal hospitals. These circumstances reinforce the lack of access to health care of large groups of people, mainly living in smaller settlements and disadvantaged groups.

CITUB believes that commercial logics, respectively the market rules on which the functioning of the health system is based, including the behaviour of a fair share of the personnel, the lack of a

resolute will to cut off the practice of requiring additional payments from the insured, which is detrimental to the poor, needy and unemployed Bulgarians, will not be corrected by the creation/introduction of this Health Card. The efforts of the Bulgarian authorities should address this challenge. The EC recommendations should also recognize that particularly in hospital health care, where the state owns a substantial part of the establishments, there should be better order, guarantees for the rights of the population and provision of financing for the activities, that is not subordinate to the market rules. In this regard, CITUB welcomes the guidelines of the European Commission to improve the efficiency of the healthcare system "by improving access and funding."

We confirm the findings of the Commission for shortcomings in the scope and level of social support through the toolbox of the so-called guaranteed minimum income" The guaranteed minimum income (GMI) has not been changed since 2011 and its value is only BGN 65 (EUR 33). Furthermore, this value is based solely on fiscal considerations. The presence of an official poverty line in Bulgaria, which currently is BGN 300 (EUR 153) is totally ignored, and that means only one thing - that the very limited GMI has a very large contribution to broadening the basis of poverty and social exclusion.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

The recovery of the Bulgarian economy is not based on significant structural changes and intensive development, and because of that the labour productivity (growth of 1.9% in the first quarter and 0.1% in the second) reacted negatively to employment.

At the background of a restrictive fiscal policy aimed at strict fiscal consolidation, the domestic demand would hardly generate the expected GDP growth. According to CITUB to guarantee the leading role of domestic demand as a factor for growth in the coming years, more variables-incentives should be outlined.

The recorded increase of household consumption by 2.5 and 1.2 percent in the first two quarters of 2016 is not expected to be confirmed by the end of the year, while it is worth mentioning that there is a decline in collective consumption and public consumption expenditure. Growth in gross fixed capital formation by 1.4% in the first quarter was followed again by a decline of 0.3% in the second quarter and it marked a long-term trend of low absolute value and weak dynamics of investment in the country, which are unable to drive effectively the economy and employment. The level of foreign direct investment is also low - at about 3-4% of the GDP, and the latest estimates show a decrease by 18.7% in the first half of 2016 compared to the same period of the previous year.

Against this background, we consider that at this stage the investments are not able to be the main driver of growth. The weak private-investment activity testifies to the uncertain economic situation, unfavourable financial and credit environment, but also to the existence of bureaucratic, corrupt and administrative and procedural obstacles.

The economy urgently needs fresh investment - to boost growth and create new jobs. With regard to this it is necessary to:

- Stimulate domestic demand and investment activity through measures to increase income and improve the business environment and economic climate;
- Accelerate the state investment policy within reasonable fiscal parameters and debt tools aiming at more rapid and successful recovery of the Bulgarian economy and creating new, sustainable jobs;
- Develop and implement proposals under the window "Infrastructure and Innovation" of EFSI according to *Juncker Plan* for reconstruction and development of infrastructure and industrial sectors.

STATE BUDGET AND FISCAL CONSOLIDATION

The planned deficit for 2017 is -1.4% and according to the government medium-term budget forecast it should drop to -0.5% in 2019. An obvious priority is to preserve the stability of public finances and to follow the already identified targets for fiscal consolidation. CITUB is not opposing to fiscal consolidation efforts aimed at reducing the deficit, nevertheless the Confederation considers that this should not be an end in itself, but a function of a balanced and stimulating growth economic policy. Deficit budgeting of public investment and social spending within the margins of reference value does not bear negative effect on the economy. CITUB supports the idea of a moderate and prudent fiscal consolidation, along with taking into account the social effects.

As far as the revenues are considered we do not accept stubbornly maintained conservative tax policy, which has led to unprecedented for Europe ratio of indirect and direct taxes of 74:26, which does not solve, but exacerbates poverty. It is well known that the priority taxing of consumption rather than income affects mostly low- and middle- income populations.

With maximum insurable earnings, the effect of the flat tax on personal income is transposed directly into regressive tax and social security burden in the range above the maximum insurable earnings, which favours only high-income groups. We therefore believe that in addition to technical changes, which we support as a tool to improve compliance, it is high time to undertake adequate changes in tax model itself and in the principles of tax policy of Bulgaria

SOCIAL DIALOGUE

The trade union representatives were included in the Working group 31 to the Council of European Affairs (CEA), where the social partners have been consulted on the documents of the European Semester, especially on the National Reform Programme, only in August this year. The Government did not make any effort for a public debate with the participation of social

partners in the course of preparation of documents and response to specific recommendations. Thus, our opinions and positions were developed when these documents were already published. And last but not least - generally there is a lack of government willingness for active social partners' involvement in the European Semester and the appropriate procedures and mechanisms for this participation were not elaborated as yet. The activity of the Working group 31 to CEA is episodic.

However we can indicate two cases of social partners' involvement - in the discussion and adoption by consensus of the pension reform parameters in 2015 as well as the creation of a mechanism and transparent procedure for negotiating and determining the minimum wage for the country in 2016. Work on the second measure continues with several months of delay and social partners and government are currently trying to find a mutually acceptable solution. Both measures resulted from the European Commission country specific recommendations under the European Semester. In this relation were created working groups involving, besides representatives of the social partners and the government, as well as academic experts. The result of the first measure is the finding a compromise and elaboration of steps and actions over the long term - till 2029 and 2037, in order to ensure tolerability of the population towards unpopular reforms of the pension system and the distribution of its burden over more generations. The result of the second measure is expected to be the adoption of clear procedures and mechanism with specific criteria and indicators for negotiations on minimum wage at national level. Currently the minimum wage is determined by the Government after consultations with the social partners within the NCTC, but the government was accused by European and national experts for taking insufficiently justified and transparent decisions on the size of the minimum wage.

PODKREPA

LABOUR MARKET AND EMPLOYMENT

Labour precarity - the recommendations for combatting informal sector are largely limited in frame of requests for implementation of measures against undeclared work. As a measure against grey employment it is often given example with the introduction of one-day labour contract. This facilitation for employers was adopted in 2015, despite the opposition of Confederation of Labour "Podkrepa" (Podkrepa CL). When introducing it, the Minister of Labour and Social Policy promised that at the beginning of 2016 will be realized an analysis on the effects of one-day labour contracts. This had not been done. The only information, which were given to us, was the total number of already used one-day contracts, namely - 72,000. We would like to underline that these are not the number of employed people, but it is only the number of working days. The Ministry of Labour and Social Policy was expecting 100,000 people to be hired on one-day labour contracts. This did not happen.

Taking into account the absence of analysis of the influence of one-day labour agreements on the budget, on the labour rights and on the social-security status of employed people, "Podkrepa" CL believes that there is enough other information, clearly showing that this type of contracts was introduced only in order to serve to unscrupulous

employers as a cover, behind which to continue using the majority of workers without concluding any contracts with them. In addition, probably part of the typical labour contracts have been replaced by one-day contracts.

One-day labour contracts do not reduce undeclared work. They undermine workers' rights, eliminating their ability to be united and limiting also their rights to social security.

The grey employment, informal payments and the violations of labour legislation can be reduced by:

- enhancing the possibilities for inspection and control, realized by the Labour Inspectorate. Inspectors must have a mechanism for real verification of the conditions. Including implementation of policy for "secret officer" on the example of the corporative practice "secret client".

Establishment of working labour courts - labor disputes currently being delayed by several years. During this time the employee, which was illegally released from work, must stay without job and wait for cancellation of illegal dismissal. Unemployment payments often do not allow the unemployed to lead a dignified life. In addition convicted dishonest employer is obliged to pay missed wages only for the first six months.

Due to these problems the workers refuse to defend their rights in court, violations go unpunished and the unemployed are discouraged from looking for work.

Unemployment benefits - for a consecutive year the level of minimum unemployment benefit is not changed. Its daily size remains at the rate of 7.20 levs. On a monthly basis, it makes about 150 levs or only 50% of the poverty line. The minimum daily unemployment allowance should at least be doubled. We remind that these are payments to social-secured people who have paid their contributions. It is not a charity.

The long-term unemployed people (over 1 year of unemployment) receive no benefits.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Minimum salary - we still do not have a mechanism and procedure for determining the minimum wage. Several times "Podkrepa" CL is sending its proposals to the Ministry of Labour and Social Policy, the other nationally representative trade union also has done it. The problem is consisted from the fact that employers' organizations insist that economic factors have to play a decisive role, while trade unions are focusing on the social dimension. The dialogue has been interrupted after employers have launched a national offensive against the organizations of employees and workers - they boycotted negotiations, hurling insults and spreading lies. The lies were subsequently disproved, but the good relations between the social partners were already dishonored. It is critical the development of a reliable mechanism for negotiating the minimum wage, which foreseen sanctions in case of denial of negotiations by a representative of the social partners.

The ratio between minimum and average wage - This indicator increased in last six years, which shows that the increase of the minimum wage outpaced the growth of the average wage. In some areas of the country this ratio reached almost 80%. Obviously, the employers in these regions are taking advantage of the deficit of free job places in order to keep wages at extremely low levels. Therefore, workers cannot rely only on an increase in the national minimum wage.

Labour productivity and salaries - for partial periods wage growth exceeds productivity growth, but it is insufficient. Analysis of the Ministry of Finance "Labour market developments, competitiveness and the

minimum insurance thresholds influence" from 2013 indicates that the difference between the compensation per employee and labour productivity remains, it is sustainable and in favor of the productivity.¹ This trend can be also monitored in 2015, when the actual cost of labour unit decreased by 1.1% and labour productivity achieved growth of 2.6%.²

1 "Labour market developments, competitiveness and the minimum insurance thresholds influence" - Analysis of the Ministry of Finance, Figure 11: Relative compensation per employee and productivity (PPS), EU 27=100
<http://www.minfin.bg/document/13399:1>

2 Monthly Report on Bulgarian Economy - March 2016, Ministry of Finance, page 9, Key economic indicators <http://www.minfin.bg/document/18041:1>

Only illustratively is the comparison of the performance of Bulgaria with the EU average levels. While the productivity during the period for which data is published by Eurostat, fluctuates within 40-50% of the average European, the wage costs are far lower - 10-20% of the average European salaries. This indicates the necessity for faster increase in wages in comparison to labour productivity. We can compare the changes (in the growth) of both indicators only when they occupy approximately same proportion of the average European indicators.

Minimum social security incomes - Employers boycotted negotiations and the government did what they want and does not increase administratively the minimum social security incomes. Without any arguments. There is currently no analysis that clearly indicate a negative correlation between the increase of minimum social security incomes and employment among low-skilled workers, as it has been stated. Even fewer evidence could be found for the damages, caused by the administrative increase of minimum social security incomes in sectors, where no agreements have been reached between the social partners. Short overview of the tables for minimum social security incomes and average social security income for the 2016 could be found in attached file.

EDUCATION AND SKILLS

Mismatch between the demanded and acquired/supplied professional skills - Most frequently this is considered as a major disadvantage on the labour market. In order to determine the mismatches, it is used one very controversial indicator: what part of the population with higher education is employed, what proportion - with secondary and medium and what proportion of citizens with lower education were employed (Skills mismatches measured by dispersion rates and mismatch gaps).³

3 Country Report Bulgaria 2016, Graph 2.3.6, page 30
http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_bulgaria_en.pdf

4 Labour supply and demand forecasts for Bulgaria for the period 2014-2028, page 22,
https://www.mlsp.government.bg/ckfinder/userfiles/files/politiki/zaetost/informaciq%20za%20pazara%20na%20trud a%20tekusto%20systoqnie%20i%20prognozi/Doklad_prognozirane.pdf

The global economic and financial crisis led to market distortions in Bulgaria. The employers firstly cut the low-skilled employees and laded with more responsibilities and obligations the highly qualified workers and employees. This does not mean that they no longer need the skills of low-skilled employees, mostly indicate that has risen the exploitation of workers with higher skills.

An example of unrealistic conclusions, made on base of the above-described assumptions:

Report for Bulgaria for 2016 argued that the need for computer specialists is equivalent to 6,000 a year. There is no analysis or prognosis method which confirm such expectations. Ministry of Labour and Social Policy assign the

forecast for labour demand to a consortium of organizations. The indicated therein expectations for demand for IT experts are about 15 times lower than those, cited in the Report (less than 400 per year).⁴

Ministry of Labour and Social Policy conducts a project in frame of which employed by the institution economists and labour relations experts are trying to forecast labour needs in the coming years. A scientist from Bulgarian academy of science, who has conducted the focus groups with employers, claim that from the business cannot be expected to plan, because mass answer of the question: What kind of staff you will need in the next few years? was: We do not know how many workers we will need after 2 years. And you are asking for even more distant future!. With this in mind, there is no way the policymakers to meet the needs of the business when **the business itself does not know what specialists need.**

The only data on demand and supply of labour can be found in the Employment Agency. The analysis of the published job offers, conducted twice till this moment by "Podkrepa" CL (October 2015 and June 2016), shows that **the announced free jobs are occupied very quickly.** It is extremely low the proportion of vacant positions that lasts more than a month, and after two months remain only the offers, which are most likely never be occupied. The reasons - they are published by incorrect employers or the conditions which are offered are unacceptable even for less developed economic regions.

Suggestions:

According to "Podkrepa" CL, the need for experts in frame of the labour market can be forecasted only when there are clear national priorities which are the sectors that will develop in the next two decades. This solution must be result from an objective, expert analysis of the Bulgarian economy, together with state readiness, if necessary, to take an active economic role in order to strengthen the country's priority sectors.

The current situation of the labour market could be clarified far more quickly. There is no unified database on the number of people seeking work and the number of job vacancies by qualification and skills. "Podkrepa" CL suggests all employers to declare at the divisions of the Employment Agency the free job places in their enterprises. This will fill the shortage of available information on job vacancies in job centers due to which these Labour offices often can be found only unprofitable and less favorable job offers.

In case that there are not made efforts in correct direction, the process of brain drain will continue, and the purposeful attraction of nationals of third countries will not solve the country problems.

PENSIONS, WELFARE STATE, POVERTY

Social protection - for a consecutive year in the reasoning of the draft Law on State Budget it has been recorded following goal: "reducing the dependency from social benefits." The dimensions of social benefits do not allow even just a survival of people, but from government are explaining all national hardships with too high social payments.

The guaranteed minimum income, which serve also as a base for determining the monthly social assistance benefits, is amounted to 65 Levs from 2009 - only 21% of the poverty line. Once again it is frozen the amount of parental leave compensation (maternity/ paternity benefits, which are paid between 1st and 2nd year) - 340 Levs, which is even below the minimum wage.

For 10 years it has not been changed the amount of social assistance for children up to one year old - it is only 100 Levs.

From 2011 onwards it is halted the practice of payments to the fund "Guaranteed Receivables of Workers and Employees (GRWE) Fund." "Podkrepa" CL suggest the practice to be restarted, contributions to be collected and also the not working application procedure to be corrected. Currently employees are blocked by prolonged

insolvency cases, as well as by the possibility to delay in the case openings.

Energy subsidies - in connection with the energy sector liberalization, as of April this year it was foreseen to be prepared concrete measures for reducing the negative effects from it. Unfortunately, they are still not ready. We are afraid that this institutional inaction may cause serious consequences for the extremely poor households.

Pension system - Second Pillar. Via legislative amendments to the workers and employees it was given an opportunity to choose whether to pay their social security contributions - in private pension funds or only in National Social Security Institute. This democratic approach was also prompted by the alarming signals about the status of the universal pension funds or so called Second Pillar. Official data about the financial situation of the pension insurance companies and the managed by them universal and professional pension funds indicates that the real financial return on pension funds over the past 10 years is negative - more concretely minus 1.7% and the main reason is a global financial crisis.

Here are some of the defects in their management:

- **The insured persons have no clear information on their effectiveness - "Podkrepa" CL insists in the annual summary, sent by pension insurance companies to all insured persons, to be included information for the individual account - contributions to National Revenue Agency (NRA), transferred amounts, total amount of retentions, as well as the real financial return.**

- **Fee for receiving monthly contributions** - there is no reason during depositing financial resources the contributor to pay fee of 4-5% of the amount. The pension insurance company does not provide any service in return for this fee.

- **Investment tax** - currently it is charged on net asset value. This amount also depends on the compulsory social contributions, not only by the work of the Fund. It is necessary this type of investment fee to become function of the declared by the company results.

- **Minimum profitability** - according to the current definition in CSR, it is possible also to be negative. We suggest changes to be made in order not to be accepted any negative minimum profitability of universal and professional pension funds. The existence of private pension funds is determined by the expectations for an increasing funds accumulation in personal accounts by increasing profitability. Allowing negative financial return contradicts the idea of security and fairness of pension system.

- **Payment of pensions** - CSR texts are unclear. In addition, there is no fund to cover the "life-expectancy risk " of pensioners, when they surprise actuarial calculations and live longer than expected. If we do not found urgent solution of this issue, two options are expecting us - either pensioners will have to survive only by the pensions, paid from National Social Security Institute, or the National Social Security Institute will have to take also this burden, because the private pension funds will not be able to perform their duties.

Poverty - generally the vast majority of the poor people are not covered by public systems. It is necessary to pay more attention on assessing the "gray poverty". Like the gray economy, it remains outside of the range of official statistics. But although documentary invisible, the gray poverty definitely exists, and citizens do not receive any institutional support. Part of this problem is also the group of persons, who are not paying social security and more concretely healthcare contributions. Analysis of the NRA from December 2013 indicated that around 460 thousand persons do not have access to health care, because they are long-term unemployed and are facing serious financial difficulties.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

For another year, the taxation system remains unchanged. We consider that the flat tax of 10% for natural persons and for profits does not generate sufficient funds for the functioning of the state. Moreover, regardless of its low rate, it does not attract significant foreign investment. In this regard, we definitely recommend the tax policy to be reconsidered in following two directions:

- If it is decided the flat tax to remain, in any case, it must be increased. It should necessarily be introduced tax-free threshold and find a way for joint family taxation only through which it could be conducted an effective demographic policy.
- Other option would be the introduction of a progressive (income) taxation with more progressive tax scale in combination with an increase in corporate taxation. Tax policy should be synchronized with those in the old Member States of European Union.

We remind that the Economic and Financial Affairs Council configuration (ECOFIN) has proposed the introduction of a minimum effective taxation. "Podkrepa" CL would like to express its disappointment by the fact that Ministry of Finance refused to accept this proposal and we insist the Ministry to reconsider its decision. The budget is composed mainly by revenues from indirect taxes, which are paid once again by workers and by consumers. This structure of taxation is unstable. We have to note that the fight against gray economy, smuggling and corruption must not be implemented by reducing tax burden, but with concrete actions in area of control and the judiciary.

- During the last year, they were published data about unpaid taxes from major foreign corporations, which operate on the territory of Bulgaria. "Podkrepa" CL draws the attention to the necessity for introduction of mechanisms country-by-country reporting - certain information announcement by countries in order to be monitored if the respective companies are paying taxes somewhere else.

SOCIAL DIALOGUE

Social partners actually are involved in specific policies.

Every year the social partners receive draft version of the State Budget for next year. This happens only one or two days before its official discussion in the National Council for Tripartite Cooperation (NCTC). This practice is not allowing an actual participation of trade unions and employers' organization. For the preparation of Statement on the draft budget for 2017 it was given to us less than 24 hours. This clearly indicates that the governments use NCTC only as a cover and does not accept the trade union and employers' organizations as equal partners.

CROATIA

SSSH

LABOUR MARKET AND EMPLOYMENT

In recent years there has been significant increase in non-standard work in the Croatian labour market. Proportion of fixed-term labour contracts increased sharply, and is high above the EU average. This is especially affecting young workers. Reforms of labour legislation over the last decade, and especially in 2013 and 2014, have continuously increased flexibility of the labour market, while failing to offer any compensatory measures. This resulted in creation of the two (or more) tiers labour market. Without addressing and reversing this trend, labour market will remain dysfunctional, while in-work poverty and social inequality will continue to rise.

In order to promote standard employment, Croatia should stimulate use of open ended contracts through active labour market policy measures. Financial support and other incentives for non-standard forms of employment should be gradually lowered or abolished, while those for standard employment should be increased. Employers should be stimulated to offer transition from fixed-term to open-ended contracts to their employees.

Jurisdiction of the Labour Inspectorate should be extended to scrutinizing justifications for using flexible forms of employment (as defined by labour legislation), and compliance with the collective agreements. Capacities of the Labour Inspectorate should be further strengthened.

Measures should be taken to address current discrimination of workers in non-standard employment. For example, Act on Employment Mediation and Unemployment Rights should be amended, in order to give proportional rights to the workers working part-time for more employers. They should have the right for proportional amount unemployment benefit after the end of each contract (i.e. not depending on other on-going contracts).

At the end of 2013, share of fixed-term contracts in total employment was 13.8% (EU28 13.6%), increasing by end of 2015 to 22.1% (EU28 13.8) (Eurostat). In 2015, 92.5% of those employed from the register of Croatian Employment Service (CES) were employed on fixed-term contracts (CES Yearbook 2015). Share of fixed-term contracts in employed population aged 15-29 increased from 32.6% in 2011 (EU28 31.4%) to 47.0% in 2015 (EU28 32.4) (Eurostat).

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Current level of minimum wage in Croatia is too low to effectively tackle in-work poverty and rising inequality. Changes in the income tax implemented in recent years have demonstrated that increasing disposable income can positively influence domestic demand and GDP growth. At the same time, proportion of the minimum wage in average wage is stagnating, although 2013 Minimum Wage Act sets the aim of its gradual increase. Moreover, legal definition of the minimum wage is unclear. It allows for legally stipulated entitlements for remuneration increase (such as for arduous working conditions, night work or working on holidays) to be calculated as part of the

minimum wage.

Minimum wage should be increased to the level of 50 percent of the average wage. Available data indicates that such increase should not have negative economic consequences, nor negatively affect employment levels in labour intensive sectors. At the same time, increase of minimum wage would have positive effects on aggregate demand and fiscal consolidation (due to increased revenue from pension and healthcare contributions).

Minimum Wage Act should be amended to provide more precise definition of the minimum wage, thus preventing misuse of this institute. Definition should clearly state that legally stipulated entitlements for remuneration increase are not part of the minimum wage.

Gross minimum wage amounted to 42.8% of the gross average wage in 2013, 43.1% in 2014 and 42.4% in 2015 (calculated from the Croatian Bureau of Statistics-CBS data). During the same period, at-risk-of-poverty rate has increased from 19.5 to 20.0%. In March 2015, 5.4% of employed workers received less than 2,500 HRK net wage (minimum wage + 3.2%) (CBS). Increase of minimum wage to 50% of the average wage would have positive effect of 5.45 million HRK per month to the pension system (calculated by UATUC based on CBS data on wage distribution). Estimation that increase of minimum wage would not cause negative effects for employment is based on the fact that 2013 Minimum Wage Act allows setting the minimum wage at 95% of legally stipulated amount, but only through collective agreement. However, the Ministry of Labour and Pension System has registered first company level collective agreements using this provision only in second part of 2015 (i.e. more than 2 years later), and so far in only 3 companies.

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Non-payment of wages remains an issue affecting significant number of workers. In spite of measures taken in recent years, and certain decrease in number of employers not paying the wages in due time, systematic solution for eradicating this unacceptable practice remains to be found.

Supervision over payment of wages should be enhanced through establishing the central register of workers and employers. Such register should allow for interconnecting and comparison of data collected by different supervisory bodies (such as Financial Agency, Tax Administration, Central Registry of Affiliates, Croatian Institute for Pension Insurance, Croatian Institute for Health Insurance).

Legal changes should be enacted in order to prevent possibility of paying taxes and social contributions without simultaneously paying the wage to the worker.

Act on Income Tax should be amended in order to allow exemption for the workers who do not receive their wages regularly. Tax free income and progressive income tax rates should be calculated for each wage separately, without regard to the month in which the wage was paid. Income of such worker should not be further endangered by the tax system through cumulative taxation of multiple wages paid in the same month. Workers on low wages, who are most usually affected by irregular payment of wages, cannot afford waiting for the next fiscal year to receive tax return.

According to available data, in December 2016 there was 3,071 employers not paying wages regularly, employing total of 9,025 workers (Tax Administration data).

PENSIONS, WELFARE STATE, POVERTY

Low employment and activity rates of population over 50 years of age is one of the main challenges faced by Croatian labour market. However, this cannot be solely explained by legal incentives for early retirement. Older workers are facing discrimination on the labour market. Working environment and system of life-long learning are

not adjusted nor stimulating for keeping the older workers on the labour market.

Croatia should expand and better target active labour market policy measures which stimulate employment and re-qualification of older workers. This should include incentives for employers for adjusting workplaces to older workers, and employing or retaining older workers, especially women.

Legal provisions which de-stimulate retainment or employment of older workers should be eliminated. (For example, provision of the Health Insurance Act which puts total cost of sick-leave for workers older than 65 at the expense of the employer).

Concrete measures for combating discrimination of older workers should be put in place, as well as those for adjusting jobs for older workers.

Penalisation for early retirements should not be increased. Early retirement is more often economic necessity for the worker than a free choice. However, incentives for working beyond the statutory retirement age should be increased.

System of life-long learning should be reformed, and adjusted to the needs of older workers, in order to allow them to retain a job, or find a new one. Measures should be taken to increase participation rate, providing incentives for both employers and workers.

Provision of the Pension Insurance Act, which allows retired person to continue receiving pension after entering employment relationship, should be abolished. This provision is causing unjustified additional burden for the pension system, while decreasing number of jobs available to those who are unemployed.

Accelerating transition to the higher statutory retirement age should not be considered before objective obstacles for participation of the older workers on the labour market are appropriately and efficiently tackled. Otherwise, Croatia will face increased unemployment and poverty among older population, and any positive fiscal impacts for the pension system will be offset by the negative impact on the social protection expenditure.

Increasing contributions for the second pillar of the pension system at the expense of contributions for the first pillar should not be considered. Croatia already has one of lowest overall levels of pension contributions in the EU, while transitional cost to the state budget, caused by introduction of the second pillar in early 2000s is already too high, and such a measure would only increase it.

Life expectancy at birth (1980-2014) in Croatia is 81.0, comparing to 83.9 in EU28 (Eurostat), while Croatia already has higher statutory retirement age than many member states. Activity rate for 50 to 64 age bracket amounted to only 52.3% in 2Q of 2016, compared to 84.8 for 25 to 49 group (Labour Force Survey - LFS). While the LFS indicates retirement as the single most important cause of inactivity in older age groups, early retirement is usually not a free choice of the worker, but a result of collective redundancy programmes installed by employers, or of long term unemployment. Current penalisation of early retirement already lowers retirement for 1/5 for 1/8 shorter period spent in work, which is more than proportionately.

CYPRUS

DEOK

LABOUR MARKET AND EMPLOYMENT

(a) Challenges:

Even though macroeconomic indicators show a positive increase 2,0-2,5% increase of GDP in 2016, employment remained more or less the same up in the 2Q of 2016 compares to 2Q 2015. Unemployment according to the Labour Force Survey had a moderate decline to 12,1% in 1Q from 14,1% in 2Q of 2016 basically due to seasonal hiring in tourism (hotel and catering sector of the year.) The critical and persistent challenges concerning unemployment are: (a) The high (26,8%) percentage of youth unemployment (persons age 15-24), and (b) the 46,5% rate of long term unemployed out of total number of unemployed in 2Q-2016 compared to 33,8% of 2Q-2015.

Continuing convergence in unemployment rates reflects stronger-than-average decreases in a number Cyprus. It has recorded favorable developments in the overall and youth unemployment rates, as well as in the NEET rate, all decreasing from very high levels. **However, gross disposable household income growth is still negative in 2015, and the at-risk-of-poverty rate shows the largest increase.** Cyprus faces a number of substantial employment and social challenges, though their situation is mixed in terms of recent developments. **According to the summary of the scoreboard of key employment and social indicators, Cyprus scoring on unemployment, especially youth and long term unemployment, is weak but improving (DRAFT JOINT EMPLOYMENT REPORT - AGS 2017).**

Labour market data/analysis shows higher percentage of part-time, low skilled - low wage new jobs and an increase of precarious work. We note that job creation is extremely limited to the tourism-hotel industry for low skilled - low wage jobs. In addition, we are beginning to observe more and more sliding of women participation in the labour market and employment. Not adequate improvement has been made to enhanced capacity of the public employment services towards young and long termed unemployment to tackle non-registered unemployment as it is requested in the Cyprus SCRs (2016).

Cyprus economy, employment growth and its recovery is once again driven by the tourist/hotel/catering industry and relevant supplementary services. Unfortunately, we are returning back to growth based on a long - tradition and long-term but short-sited recipe that drives economic growth via few sectors.

(b) Options

Cyprus is in urgent need to design and develop its economic growth and social progress on a new economic model and new or enhanced sectors.

Sectors with a clear perspective to create new, high-skilled and quality jobs, especially for young unemployed persons. Such sectors must include renewable energy and green economy, healthcare and recovery services, education and social care-children and elderly - enterprises and self employment. Meanwhile, there is a need to bring back to the labour market long termed - middle aged unemployed persons. Schemes and incentives for businesses to train-retrain and or hire new staff that have already been implemented are to the right direction but we need more, stronger efforts and certainly increased funding for such measures of Active Labour market Participant. Public employment services and the fight against non-registered unemployment and undeclared work must be a priority in 2017.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

(a) Challenges

The Ministry of Labour and other relevant public authorities, employers and workers organizations need to work together to put an end to the dismantling of a long traditional and beneficial collective bargaining and collective agreements system. Extensive violation and or total denunciation of collective agreements by many employers/firms/enterprises in the name of the crisis during the last years have caused major setbacks in labour standards, wages and decent employment.

Cyprus displayed wage falls in nominal terms in 2015, though more limited than in previous years. That is contrary to data recording moderate increase in productivity (2014 - 2015). There is a sharp decrease of wages/income for workers due to the crisis - even after collective bargaining and negotiations - that set a major drawback in the overall standard of living for employees and households.

Additional problems derive from very low wages and phenomena of precarious jobs, undeclared work and lower health and safety at work conditions even in some sectors that perform well in recent years (tourism/hotel sector).

Gender pay gap has a drop of 3% from 2008 to 2014 (from 19% to 16%) but this change is mostly attributed to the sharp decrease in men wages during this same period. Thus, in addition to low full-time equivalent employment rates, Cypriot women also suffer from significant pay gap (DJER - AGS 2017).

Wages and incomes are also deprived due to inefficiency and low productivity rates in some critical sectors that are resulting from unwillingness or avoidance of firms/enterprises to invest and increase both capital and human resource factors of productivity.

(b) Options

There is a vital need to reinforce our labour relations system putting greater emphasis to the compliance and respect of collective bargaining and collective agreements. We have proposed a new path that will make fundamental provisions of sector collective agreements universal in the entire economic sector, and legally binding. Cyprus needs an extension of the Minimum Wage Ministerial Decree/Order set for and binding for only eight occupations to a General Minimum Wage for all/any occupations throughout the land. Both of the above concrete policy options will become drivers for wage/income increase necessary to restore lost living conditions standards for employees and households.

All stakeholders should enter a social dialogue to decide and take steps toward raising productivity rates. Innovation, research and development can play a significant role in that effort. Measures must also be taken to set the track for closing the gender pay gap. During the past five years women participation in the labour market is dropping due to, among other causes, unattractive/low wages paid to women especially in low-skilled jobs. Thus, many years of efforts and lobbying to tackle and reduce gender pay gap have suffered a major setback.

EDUCATION AND SKILLS

(a) Challenges

As it is the case in many other EU countries, Cyprus is also suffering a wide miss-match between labour skills demand vs supply. A high percentage of young University graduates - education, social and human science disciplines - are unemployed. On the other hand, there is a vital lack of technical and occupational skills graduates.

Typical education is still far from interacting and working interdependently with industry and or commerce stakeholders. There is no co-operation and effective partnership between school/education system, including vocational training and decision makers in major sectors of the economy in order to coordinate the needs of labour market and employees skills.

Technical and vocational training needs real boosting and strategic direction and planning. The Apprenticeship system is quite outdated and severely undervalued in the overall vocational training system.

Reorganizing and modernizing the Apprenticeship system remained an issue of much/long term designing but not implementing for many years.

The concept, policies and measures to enhance vocational experience attaining for young University and or secondary education graduates is very new in Cyprus. This is an area where we need to focus more since a critical disadvantage for young people to enter the labour market is their lack of experience.

(b) Options

Cyprus needs a strategic plan to tackle the issue of miss-matching of education/vocational skills offered to young persons with the skills needed (demand) by the real economy and labour market. There is also a need to restructure and reinforce vocational/technical education, while taking extra measures to direct

training and long-life-learning towards the labour market's clear and eminent skills deficit.

Vocational training and skills agenda must also cover new demands and skills deficit in new areas like renewable energy, oil and gas, environment preservation, forestry and green economy.

As mentioned above, there is also an urgent need for reorganization and restructuring of the Apprenticeship system.

PENSIONS, WELFARE STATE, POVERTY

a) Challenges

Cyprus is the only Member State with negative change (-0,8%) in GHDI, as measured by the S80/S20 key employment/social scoreboard indicators, between 2014-2015. The at-risk-of poverty and social exclusion (AROPE) in Cyprus experienced substantial increases over the year 2015 (by 1.5 pps). It is among MS rated 'at critical situations' in the scoreboard of key employment/social indicators. Monetary poverty has slightly increased for the working age population as well due to the increasing phenomenon of '*working poor*' especially among young workers.

A vast majority of pensioners have very low pension income. Even though a great number of low pensioners get an extra/supplementary welfare benefit, still they live in poverty or at risk of poverty. Figures published in 2015 by Eurostat show that 28% of Cyprus population - majority pensioners - live in conditions below or at poverty level. This 28% is 1,5% higher than the year before thus the situation is deteriorating.

Social protection and welfare policies have suffered severe cuts during the crisis years (2013-2016), 23-25%. For example, child and student allowance to most households with children/students was terminated, while those who still get it they get lower amount in allowance.

There were also severe cuts and or termination of housing support/subsidies for many low income families/households. The public health system is on the verge of total collapse, while there is still no introduction-implementation of the National health Insurance Scheme (Law passed in 2001). Out of the pocket health-care-services expenditure for households is a major drawback of the GHDI.

(b) Options

Cyprus is in desperate need of the introduction - implementation of the NHIS as it is envisioned/described in the law of 2001 (CSR 2016). There is also a need to discuss a fairer social security pension system with the aim to plan for a more equitable distribution of pension incomes. Meanwhile, low pensions must be subsidized even further by social welfare policies-budget.

The minimum Guaranteed Income is an effective reform introduced by the government in 2014 and it has

given a 'break' to tens of thousands of workers/households who lost all/any income during the crisis. We now need to focus on two directions: (a) to prepare and manage to put into the labour market most of those MGI beneficiaries who are able to work and (b) to increase even further, but with reason, the MGI especially to households with children/students.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

(a) Challenges

Clearly Cyprus economy lacks investment, both public and private, in the real economy but even more so in a new economic model and direction. Foreign direct investment was concentrated during the crisis years in the banking consolidation field and, to some extent, in the real estate sector.

Taxation was unevenly burdensome for families and households. There was an increase in VAT in many consumers' necessities from 2011 onwards. There was also an increase on consumer's tax for oil and petrol, smoking products and alcohols. A new Real Estate Ownership tax was also introduced in 2013.

Tax evasion is high and tax collection is still very problematic. Large companies are in great tax debt for income/profits and for Real Estate Ownership taxes. Tax incentives to boost growth do not consider employment growth and job creation when they are designed, and during the period of implementation.

(b) Options

Cyprus economy and its growth model should concentrate more on public - private investment in new sectors to create high-skilled jobs.

Health care services, education (more and open universities), and social care are among the economic activities that with adequate and effective investment can create high-skilled quality jobs.

The introduction of the National Health Insurance Scheme (NHIS) will definitely create a new environment and growth, both economic and social, in the medical-paramedical and curing sector as well as in so many other economic activities surrounding/supplementing these services. A national plan which could include tax, other incentives and subsidies could help to develop a robust tertiary education system attracting students from the wider Middle - East/ Arab region since Cyprus Universities are offering graduates European accredited university education. Social care services for children elderly have enormous space for fresh and productive growth to boost employment and job creation.

Investments could/should also be pushed via tax or other incentives for innovation, research and development via directing/recruiting highly skilled university graduates into firms/businesses or self employment.

Extraordinary efforts including public investment is needed to reform public services both for individual citizens, but foremost for private businesses/ enterprises and the real economy investors. Growth and job creation is generated by investment thus public authorities/services must be able to respond quickly

to business applications and/or inquiries. Effective and efficient public services and limited to absolutely necessary 'red tape' and minimum bureaucratic procedures is a critical challenge to push private investment, especially in new areas/fields of economic activity and production.

The Banking system needs to support the real economy - job creation process. Access for financing and lending to Small and Medium Enterprises is still very difficult and interest rates are still the higher in Europe. Banks must ease lending procedures and unreasonable demands for investment projects that fall within the previously described new economic model and business sectors (no improvement despite CSR 2016).

STATE BUDGET AND FISCAL CONSOLIDATION

(a) Challenges

Though Cyprus has completed its Readjustment Program and the MoU (2013-2016), it is still facing a heavy national debt, close to 105% of GDP. Meanwhile, efforts were, and still are, enormous to (a) consolidate the banking system and (b) tackle the huge problem of non-performing loans (contrary to CSR 2016).

Despite the fact that public finances and budget have started to show moderate primary surplus (2015 and 2016) there is still a heavy burden on the public budget to pay the annual national debt interest rates cost.

Public investment, public service restructuring and other relevant activities/initiatives to restart the economy have been dramatically restrained during the crisis years.

Wages/benefits cuts and/or terminations for many thousands employees in the wider public administration, including semi-government organizations and local authorities, imposed in the MoU austerity/readjustment program are still in place pressing these workers' and families' disposable income. Austerity measures, especially wage cuts in the wider public sector, have a negative spill-over effect on consumers' demand that hinders the possibility of recovery, GDP increase and new tax revenues for the government. This vicious cycle is observed vividly during the last years damaging the real economy where thousands of SMEs and jobs have been destroyed.

(b) Options

There must be a lift of wage freezing. Moderate return/increase of wage/income for low and medium income/wage employees should be granted in 2017 in the wider public sector. This measure will increase GHDI and will enhance consumer demand and spending thus pushing towards a recovery in the real economy and for SMEs.

Public investment in infrastructure projects, innovation-research and development subsidies will give an impetus to hiring and employment while reducing unemployment.

Instead of prioritizing further austerity and fiscal discipline policies, there should be a progressive and offensive growth and job creation period of 2-3 years targeting robust and speedy public service/support to new investments in the framework of the economic-social growth model described earlier (ie national health scheme and relevant services, education industry, social care services, green environment presentation economic activity, renewable energy and new oil and gas sector).

Public spending must be also increased and be focused in raising productivity with concrete actions. (a) Measures for restructuring/reorganizing public services including stronger training/retraining efforts for public servants/employees. (b) Design a national plan of effective incentives for private firms/organizations projects/programs to raise productivity including training and life long learning in the various sectors of the economy. Increase in productivity is critically correlated to both higher results of GDP through recovery of the real economy and creation of new quality jobs. That will benefit workers wages via increases.

SOCIAL DIALOGUE

a) Challenges

Cyprus has indeed a long tradition of social dialogue both on national tripartite level as well as on bipartite sector level collective bargaining and negotiations. **However, that was not the case and practice, especially on national level social dialogue, during the period when Cyprus was under the MoU (2013-2016).** With respect to the European Semester, trade unions and employers organizations were adequately involved and consulted, prior to the MoU period, in the NRP discussion and preparation.

Thus, a major challenge is to bring back the traditional meaningful and effective social dialogue we have established in Cyprus for decades prior to the recent harsh economic and social crisis we have experienced since 2011. Exchange of views on the main priorities in a non-structured efficient participative approach does not enhance the ownership and participation of the NRP as the government states its objective. Trade unions and social partners have limited resources and staff expertise thus we are unable to have first hand facts, numbers and figures relevant ES policies setting and targeted measurable objectives. We also need improved capability to observe and assess results and or benefits of ES process especially with respect to social growth and progress.

b) OPTIONS

We should reinforce the recognition of the need for ownership and participation to implement NRP through social dialogue and expression of government's will to follow this path. The assignment of the task to one overall national authority for coordination/consolidation of SD and social partners involvement. The body responsible instead of a new unit (Unit for Administrative Reform) could be a

Minister' Committee appointed by the Council of Ministers under the Responsibility of Minister of Labour who has maximum experience and efficiency to monitor social dialogue.

We also have to overcome Implications arising from the reluctance of other ministries (ie Finance, Commerce and Trade) to accept and adopt participative social dialogue practices with social partners and other relevant stakeholders in the ES policy design and implementation process.

DRAFT

ESTONIA

EAKL

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Minimum wage

In Estonia minimum wage is negotiated between social partners and established after that by government for all employees. In September, when The ECFIN delegation met with Estonian social partners, it was mentioned more than one time, that our minimum wage is growing too fast (was recommended, that social partners should involve outside experts) and unions fear that (considering fast average wage growth) commission will come up with recommendations to slow minimum wage growth.

EAKL is of the opinion that in spite of good minimum wage growth in the last years, the level of MW is still too low and has to rise faster than average wage.

	2015	2016	2017
Minimum wage, EUR	390	430	470
MW Growth y/y, %	9,9	10,3	9,3
Average wage, EUR	1065	1137	1199
AVW Growth y/y, %	6,0	6,8	5,5
MW share in AVW, %	36,6	37,8	39,2
MW share in median wage, %			54

ETUC recommendation: MW has to be not less than 50% of AVW or 60% of median wage. IMF experts, commenting the Estonian MW level, mentioned that according to their analyses, MW starts to have effects on employment from the level of 45%.

Gender pay gap

Estonia has the highest gender pay gap in the EU (28,3% in 2014).

EAKL thinks that government should, among other measures, improve data collection, give labour inspectorates the task of monitoring how employers apply the principle of equal pay, promote wage transparency, provide fathers with incentives to take up part of the parental leave and increase access to childcare facilities. Wages should be transparent for employees and their representatives (unions).

SOCIAL DIALOGUE

Social dialogue in Estonia can be improved. EAKL would like to see launch of regular tripartite negotiations with the trade unions, the employers and the government to solve the problems concerning the labor market and to make tripartite income policy agreements.

Such tripartite negotiations broke down about 15 years ago and since that time there has been information and consultation between government and social partners.

DRAFT

FINLAND

AKAVA

LABOUR MARKET AND EMPLOYMENT

Currently we work on legislation to improve the social security of self-employed. There is a two-person working group, one of them from our confederation. The group will present their conclusions and suggestions by 12.12.2016.

Trade unions are pushing for reform of parental leave with the main goal to moderately prolong the total duration of the parental leave and at the same time to apportion 1/3 of the total length of the leave to the fathers only. The objective is that mothers return faster to work. Mothers in Finland spend on average longer spells outside work compared to their peers in other Nordic countries. The idea seems to enjoy large political support in principle, but due to financial constraints the proposition should be cost-neutral, meaning that some other elements of the family supports schemes, e.g. the home care allowance paid mostly to mothers staying at home after the income-related parental leave, might have to be weakened. This is a sensitive issue in Finland and for example Akava has not still taken a formal stand on this point.

The government has cut the length of the income-related unemployment benefit period by 100 days (to max. 400) and has made more stringent the eligibility conditions (requirements to accept job offers are tightening).

We have put forward at least three issues, which are related to employment, but not related to the generosity of the unemployment benefit scheme. First is the issue of mothers' incentives to re-enter the labor market (see the previous point). Second that there are around 16 % of the 25-29 age cohort with only compulsory education level (9 years). These people are vulnerable to falling into unemployment / precarious employment traps. The share has increased after mid-2000. Cuts in primary and secondary education spending will most likely worsen the situation. A third issue is that Finnish employment rates among elderly workers (59 -) are still clearly lower than in other Nordic countries, though improvement has occurred during recent years (during the crisis too). The reasons are most likely depleted skills combined with unfavorable employers' attitudes towards elderly workers.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

The Finnish bargaining system is most probably facing a fundamental change. The Confederation of Finnish Industries (EK) changed its rules and has no more the right to conclude wage agreements. Moreover Finnish Forest Industry, a key employer organisation, left EK altogether.

This means, that no centralised wage-bargaining is possible any more. The employer organisations in the manufacturing sector are promoting a model by which they will open the negotiation round, and everybody will have to follow. The reason is that the export sector will determine the wage growth-rate to ensure competitiveness. There is in principle some understanding of the idea, but from workers' point of view this is not fundamentally different from centralised agreement with the difference that centralised agreements involved the participation of all unions, not only those in the manufacturing sector. Unions outside manufacturing are not willing to be "silent partners" in the process.

Next round will begin somewhere in early autumn 2017

EDUCATION AND SKILLS

The current and the previous government have cut dramatically education expenditure in Finland. All educational sectors and institutions have been affected - from pre-schools to universities. This is reflected in the Commission's publication Education and Training monitor 2016, where it is stated that cuts are not supported by demographics and that although still best performing in Europe in many respects, Finnish education systems shows signs of decline. Growing differences in educational outcomes were also one of the main findings for Finland in the 2012 OECD Programme for International Student Assessment.

Meanwhile the number of NEET (Not in Employment Education or Training) young people has grown by 50 % since 2008.

The good news is that the Government has committed itself not to cut education spending any further and has promised to provide universities with substantial amount of new capital (on a one-off basis), which universities will invest to generate additional income inflow in the future. This of course by far does not cover the loss of annual funding from the budget incurred until now.

A major priority for us will be to reduce the share of young adults with only compulsory education. The share of 25-29 years old with only basic education is currently at 16 % up from 14 % in 2004. This will require substantial investment in the education chain from pre-school to secondary education, since these people are likely to have unfavorable family background and other problems hindering educational achievement.

PENSIONS, WELFARE STATE, POVERTY

The new long-term projections of the Finnish Centre for Pensions show, that an increase of about 0,4 percentage points in pension contributions may be needed during the 2020's to ensure sustainability. This sounds like a small increase, but employers are currently not willing to accept any increases in social security contributions. This need will not arise if employment rate in the 2020's is 1 percentage point better than projected.

A profound reform of the social and health-care system to be completed by the government has repercussions on the financing of the municipal pension system, since pension fund payments are based on wage sum of the municipalities but, in consequence of the reform, the number of people directly employed by the public sector in the

social- and health-care sector is likely to decline. Social partners and the government are currently working to find a solution.

A citizen initiative to tie pension increases to wage increases has gained considerable support and has, by law, to be discussed in Parliament. Currently pensions are tied to an index with 80 % CPI weight and 20 % wage-index weight. Although current government will most certainly not take any action to change pension indexation, due to the growing importance of pensioners in the electorate, the issue is may stay on the political agenda in the next parliamentary elections. Trade Unions cannot support the initiative, since all professional calculations show, that full indexation of pensions to wages means, before long high increases in pension fund payments. Such increases will not be to be accepted by the employers, so we will end up cutting future pensions, which is completely unfair for current workers.

Despite unpopular actions taken by the current and the previous government such as freezes of the indexes on different social transfers and some cuts targeted at the higher level income-related unemployment benefits, the overall picture is that income disparities in Finland have not increased during the crisis but rather slightly decreased. The Labour Institute of Finnish research has calculated examples for the developments of the purchasing power of different types of households between 2010-2017. According to these examples the purchasing power workers and employee families has been stagnating. Pensioners purchasing power has developed much better. The purchasing power on unemployeed on income-related benefit scheme has slightly declined. On the other hand the purchasing power of persons receiveing only the basic unemployment support has developed better than the purchasing power of employed, mainly due to a large increase of the basic support level in 2012.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Government cut taxes on wages by about 0,6 percentage points in 2017. This is part of the so-called competitiveness pact concluded this year. This is welcome, since it will stimulate domestic demand despite very low nominal wage growth (0,8 %) next year.

The government has appointed an expert group to evaluate the need for changes in corporate taxation in an investment-friendly direction. The group will conclude its work in December this year. It seems unlikely that the group makes any dramatic propositions. Some form of R&D super-deduction (or extra tax allowance) is likely to be suggested. It is also very likely, that one conclusion will be that the Finnish corporate tax rate (20 %) is currently competitive, but if fiscally feasible, a further cut is a good thing for investment.

The main concern of Akava is that Finnish R&D investment dropped in 2015 below 3 % of GDP. After the decline in Finnish communication sector the private R&D-spending has fallen dramatically. The Government spending has shifted from permanent budgetary funding of basic research towards allocating temporary funds to different "programmes" and "initiatives". The overall level of public R&D funding has fallen in real terms.

By the end of 2016, a National Energy and Climate Strategy will be prepared. The Energy and Climate Strategy will comprehensively examine energy sources, energy production and energy consumption and outline the measures by which the energy targets stated in the Government Programme will be achieved.

STATE BUDGET AND FISCAL CONSOLIDATION

Since autumn 2013 the Commission has been warning that Finland is at risk of significant deviation from the required structural balance adjustment path towards the MTO. Until now though the final view every year has been that Finland is following in broad terms the preventive arm of the SGP. Finland is once again at risk of deviating substantially from the required deficit adjustment path in 2017. The Commission has required additional information on the budgetary plan for 2017 on grounds that the structural deficit position will improve by much less than the requirement of 0,6 per cent of GDP next year.

In our view Finland is in a difficult situation, because despite very large nominal cuts in spending, the deficit is improving much less than expected, because growth is much lower than expected. Although growth may not suffice to solve all deficit and debt problems Finland faces, it is obvious that insufficient growth prospects are the major problem even in the medium term and beyond. Finland as a small open economy cannot unilaterally do much if anything to boost demand for its export-oriented manufacturing, but stands to gain much by a coordinated support of consumption and especially investment demand across Europe.

SOCIAL DIALOGUE

Finnish social partners have managed until now to retain their role in the field of wage bargaining and social security issues. However the role of the trade unions is constantly challenged by the parties within the government coalition. It is clear, that the Confederation of Finnish Industries has no more mandate to conclude contracts affecting branch-level wage agreements. It is less clear what their role in the future is when social security and pensions issues have to be negotiated.

FRANCE

CFDT

LABOUR MARKET AND EMPLOYMENT

Allier croissance économique et cohésion sociale, c'est le double enjeu de la CFDT. La sécurisation des parcours professionnels (SPP), avec des droits attachés à la personne et non plus à son statut, devient une condition indispensable dans un contexte de révolution économique, numérique et écologique. La CFDT entend la consolider dans la voie d'une responsabilité collective, permettant des choix individuels, pour répondre aux mutations de l'économie et nouveaux besoins. Cette construction exige un dialogue social, à tous les niveaux, et sa capacité à anticiper, à préparer et à gérer les restructurations des activités économiques et des mobilités professionnelles et l'investissement dans la formation dans les entreprises et les territoires. Pour la CFDT, les personnes les plus en difficultés doivent bénéficier d'appuis supplémentaires, dans et hors l'emploi.

Au-delà des réformes engagées depuis plusieurs années, les axes prioritaires pour la CFDT restent les suivants :

L'insertion durable des jeunes sur le marché de l'emploi, des ressources accrues pour les plus vulnérables

La lutte contre la précarité

La montée en compétences (voir encadré 3)

La responsabilisation des employeurs, notamment :

- dans la mise en œuvre de la dernière réforme de la formation professionnelle.
- quant à l'utilisation abusive des contrats de très courte durée. La CFDT revendique une modulation des cotisations chômage en fonction de la durée dans l'emploi.

La mise en œuvre effective du compte personnel d'activité (CPA) (voir encadrés 2 et 7)

Les mouvements des salariés très importants que l'on observe sur le marché du travail démontrent que celui-ci est déjà hyper-flexible et que le débat sur une flexibilisation plus importante encore ne se justifie pas.

Si la répartition entre CDI et CDD (87/ 13) quasi-stable depuis 15 ans, on observe :

Un accès à l'emploi durable (CDI) très variable selon l'âge : problèmes d'insertion des jeunes et pour certains seniors.

Une part croissante des embauches en CDD depuis 30 ans. En 2015, 87% des 23,4 millions d'embauches (hors intérim) le sont en CDD.

Des CDD de plus en plus courts et récurrents : parmi les demandeurs d'emploi indemnisés, 2 reprises d'emploi sur 3 se font chez un ancien employeur.

Mais aussi plus d'un tiers des CDI rompus avant un an (en hausse).

Émergence des formes atypiques d'emploi, parfois à la frontière du salariat :

le temps partiel, en CDD ou CDI (23% des demandeurs d'emploi indemnisés, structurellement féminin),

dans une relation triangulaire : l'intérim, portage salarial, groupements d'employeurs, ...

dans une relation contractuelle et non salariale : auto-entrepreneuriat et travail indépendant .

Accès des femmes à l'emploi : 80% des temps partiels sont des femmes, 30% des femmes ayant un emploi travaillent à temps partiel (8% des hommes).

Nécessité de revalorisation des métiers des services à la personne (bas salaires, horaires morcelés, temps partiels contraints), très majoritairement occupés par des femmes.

Accueil des jeunes enfants aujourd'hui encore très insuffisant : accessibilité financière et diversification (y compris pour

permettre accueil des enfants quand parent en horaires atypiques] .

Les femmes les moins qualifiées s'arrêtent plus souvent de travailler : 90 % des enfants dont les parents appartiennent aux 20 % des revenus les plus bas sont gardés par leurs parents, contre 30 % des enfants des 20 % les plus riches.

Par ailleurs les inégalités territoriales sont considérables.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

La loi promulguée le 8 août 2016 sur le travail, la modernisation du dialogue social et la sécurisation des parcours professionnels a revu certains aspects de la négociation collective.

Pour qu'un accord collectif soit applicable, les organisations syndicales signataires doivent représenter au moins 50% des salariés concernés. Sous cette condition, un accord d'entreprise peut déroger aux règles de l'accord de branche en ce qui concerne le temps de travail, les congés ou la gestion de l'épargne-temps. La loi va permettre de développer les négociations d'entreprise dans un cadre contrôlé par les organisations syndicales. Entre autres mesures, cette loi donne plus de moyens aux délégués syndicaux pour préparer les négociations.

Le nombre d'accords collectifs signés en France est en constante augmentation (37800 en 2015, dont 36600 accords d'entreprise). Les nouveaux dispositifs vont renforcer cette tendance.

De plus, une réorganisation des branches professionnelles est nécessaire car elles sont trop nombreuses et certaines ne couvrent qu'un faible nombre de salariés pour pouvoir fonctionner correctement. Même si le taux de couverture par des accords collectifs est très élevé en France (98%). Cette réorganisation avec une réduction du nombre de branches est en cours.

La loi du 8 août 2016 a également permis la mise en place d'un système d'acquisition de droits pour l'ensemble des travailleurs quel que soit leur statut : le Compte personnel d'activité (CPA). Ce compte intégrera dans un premier temps des droits déjà existants et liés à la personne : compte de droits à la formation, compte « pénibilité » permettant à des salariés ayant occupé des emplois pénibles de partir plus tôt à la retraite. Il devra s'élargir à d'autres droits à l'avenir. Mais les organisations patronales freinent l'application du compte pénibilité malgré l'obligation légale.

Par ailleurs, l'année 2016 a été marquée par les difficultés du dialogue social avec l'échec, dans un premier temps, de la négociation sur l'assurance chômage. Cette négociation vient enfin d'être ré-ouverte.

Pour 2017, les priorités CFDT sont :

- veiller à la mise en place des décisions prises : application du compte pénibilité, lancement du CPA, réorganisation des branches, renforcement de la négociation d'entreprise ;
- suivi de la négociation sur l'assurance chômage visant à obtenir un accord qui permette de lutter contre les contrats de courte durée.

EDUCATION AND SKILLS

Diminuer le chômage constitue un défi que les politiques de formation doivent contribuer à relever. Sur le troisième trimestre 2016, le taux de chômage est de 10,0 % en France.

Augmenter le taux d'emploi des jeunes.

Améliorer la formation professionnelle pas suffisamment efficace en matière d'insertion dans l'emploi durable :

- articulation trop faible entre la formation professionnelle initiale et la formation professionnelle continue;
- inégalité d'accès à la qualification et à la formation qui pénalise les moins qualifiés. La multiplication des contrats de courte durée accentue le phénomène ;

forte valorisation du diplôme par rapport aux compétences. Le cadre de délabération des diplômes professionnels accorde une place trop faible aux partenaires sociaux ;

La combinaison de ces caractéristiques conduit au constat que la formation tout au long de la vie n'est pas encore une réalité pour tous.

Accompagner les transitions numériques (digitalisation de l'appareil productif ; économie de la connaissance...) et accompagner les changements provenant des enjeux énergétiques, et plus largement environnementaux, constituent un défi pour les métiers (évolutions des métiers, nouveaux métiers) et leurs conséquences sur les contenus et les méthodes de formation. Développer des pédagogies différenciées, des accès facilités et moins inégaux à la formation.

Les réformes réalisées s'inscrivent dans une trajectoire qui combine des réformes de la formation professionnelle, du dialogue social et de la négociation collective, de l'emploi et de la sécurisation des parcours professionnels autour de plusieurs lignes de force :

le développement de droits attachés à la personne, transférables d'une entreprise à l'autre, d'un statut à l'autre, que l'on soit salarié du privé, fonctionnaire ou travailleur indépendant (Droit individuel à la formation en 2004, Compte personnel de formation en 2014, intégré dans le Compte personnel de l'activité en 2016).

Symétriquement, l'affirmation d'une responsabilité renouvelée des entreprises. Leur obligation est devenue une obligation de résultat et non plus seulement de moyen : passage d'une obligation de financer la formation à une obligation de développer les compétences de chaque salarié.

Le CPF (compte personnel de formation) est au cœur des droits attachés à la personne.

L'émergence d'un droit à l'accompagnement à l'évolution professionnelle avec des modalités différentes selon les situations des personnes (Conseil en évolution professionnelle et accompagnement global).

La modularisation progressive des certifications professionnelles « découpées » en blocs de compétences dont l'acquisition progressive par les différentes voies de la formation (initiale, continue, par la validation des acquis de l'expérience) affirme une logique de parcours, d'acquisition et de reconnaissance des compétences réellement tout au long de la vie.

Une profonde modification de la gouvernance de la formation professionnelle marquée par une recherche de plus grande coordination des acteurs. Plan massif de formation des demandeurs d'emploi (passage de 500 000 à 1 million d'actions de formation en 1 an).

Le renforcement du dialogue économique et social dans l'entreprise autour des enjeux de Gestion des emplois et des parcours professionnels (GEPP dans la loi d'août 2015).

Augmenter les droits à la formation pour les personnes les moins qualifiées (Loi d'août 2016).

Environ 120 000 jeunes sortent chaque année sans qualification du système de formation initiale. Une partie d'entre eux vient grossir les rangs des Neets. Entre 900 000 et 1,5 million de jeunes ni en emploi, ni en formation, initiale ou continue.

Les enquêtes mettent en évidence les différences de parcours d'insertion dans l'emploi entre jeunes peu ou pas qualifiés et les jeunes qui vont au-delà du baccalauréat. Les jeunes faiblement qualifiés sont toujours dans l'emploi précaire, alternant emploi et chômage sans pouvoir sortir de ce cycle.

D'un point de vue quantitatif, le plan de formation des demandeurs d'emploi devrait atteindre son objectif. Des discussions sont en cours pour prolonger l'effort collectif sur ces publics.

PENSIONS, WELFARE STATE, POVERTY

Dans le domaine de la protection sociale, notre objectif est de participer à sécuriser les parcours de vie de toutes et tous, de la naissance jusqu'à la mort. C'est en rendant les transitions possibles pour lesquelles ne deviennent pas des ruptures non souhaitées. Pour cela :

Dans le domaine de la Protection complémentaire santé et prévoyance, nos objectifs sont :

- la généralisation effective de la complémentaire santé à tous les citoyens dans et hors de l'emploi
- mutualiser les cotisations pour une meilleure solidarité et développer des politiques de prévention
- de mettre en place la généralisation de la prévoyance complémentaire pour les gros risques (décès, invalidité, longue maladie, rente dépendance, éducation...) pour tous.

Dans le domaine de l'offre de soins nos objectifs sont :

- Un égal accès aux soins de qualité pour tous sur tout le territoire
- Une coordination, respectueuse des personnes, entre l'hôpital et la médecine de ville
- Une démocratie sanitaire qui permette l'expression et la prise en compte des besoins des patients

Dans le domaine de la perte d'autonomie :

- Une adaptation de la société au vieillissement de la population
- Une professionnalisation du secteur de l'aide à la personne
- La lutte contre l'isolement
- Une diversification des capacités de logement en fonction du degré de perte d'autonomie et de manière générale, penser une organisation spatiale plus inclusive
- Un soutien aux « aidants familiaux »

Dans le domaine des retraites, nos objectifs sont :

- Assurer une pension de retraite décente pour les bas salaires égale à 100% du SMIC
- Maintenir un niveau de vie correct pour tous les futurs retraités et les retraités actuels par une indexation sur les salaires et non sur les prix
- Réduire les inégalités entre les femmes et les hommes par une revalorisation des basses pensions, qui sont majoritairement celles des femmes
- Diminuer les écarts d'espérance de vie liés au travail par la prise en compte de la pénibilité dans les modalités de départ en retraite
- Assurer l'équité intra et inter générationnelle en actionnant le critère de la durée de cotisation et non celui de l'âge de départ
- Harmoniser les modalités de départ en retraite des différents régimes en faisant la promotion d'une réforme systémique, seule capable de redonner confiance aux jeunes générations

Le taux de pauvreté en France reste globalement stable à environ 14%, mais avec une augmentation chez les jeunes et les travailleurs indépendants, et une baisse chez les chômeurs et les retraités. Les familles monoparentales restent celles qui sont le plus touchées par la pauvreté, avec près de 36%.

Le plan de lutte contre la pauvreté (2013-2018) cible 6 domaines d'action : le logement, l'emploi, l'accès aux droits, l'éducation, la santé, l'inclusion bancaire. La CFDT est active pour faire appliquer ce plan en coordination avec tous les acteurs (politiques, associatifs, syndicaux, financeurs, ...). Nous avons obtenu la mise en place d'une prime d'activité, la revalorisation du revenu minimum, un plan pour le travail social, une garantie pour le logement, la reconnaissance des discriminations. Il faut aussi obtenir une simplification des procédures pour faciliter l'accès aux droits. L'accompagnement des personnes est un enjeu majeur dans la lutte contre la pauvreté et l'exclusion sociale.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Défis à relever : construire une croissance durable (au sens de soutenable), de qualité et inclusive. Pour ce faire relancer l'investissement matériel et immatériel.

Options politiques :

Mettre en œuvre la transition écologique et se saisir des opportunités de développement de secteurs et d'emploi que cela représente. Par exemple, réduire davantage les émissions de gaz à effet de serre, améliorer l'efficacité énergétique, développer les énergies renouvelables et diversifier la production d'électricité, réduire la pollution par les nitrates et les pesticides, améliorer la qualité de l'air et limiter l'artificialisation des sols, lutter contre l'utilisation prépondérante des réseaux routiers en développant le fret, à l'instar d'autres pays européens, etc.

Construire une cohérence d'ensemble dans les leviers d'investissements et les choix stratégiques des filières. Une meilleure cohérence d'ensemble permettrait par ailleurs d'améliorer la coopération et in fine de prendre davantage de risques en matière d'investissements d'avenir.

Inciter les entreprises à améliorer considérablement la qualité de leurs investissements. Elle fait défaut en France. Par ailleurs, les investissements pour la protection de l'environnement tendent à diminuer. Cela est contraire aux défis à relever.

Améliorer le passage entre l'investissement « Recherche et développement » à l'investissement « de mise en œuvre, opérationnalisation ».

Faire évoluer les normes et les règles pour une production de qualité et plus respectueuse socialement et environnementalement.

Conditionner les aides publiques aux entreprises pour une effectivité de l'investissement d'avenir responsable et de la création d'emploi.

Développer la formation tout au long de la vie et lutter contre le « tout initial », développer la reconnaissance des apprentissages informels, etc.

Accompagner les personnes les plus dépourvues de compétences pour mettre en œuvre leurs droits à la formation et à la reconnaissance des acquis de l'expérience.

Développer une fiscalité progressive (au sens de l'équité) et incitative (à la mise en œuvre de la fiscalité écologique par exemple, taxe pour lutter contre les changements climatiques, imposer pour inciter au développement du capital humain, etc.).

Participer à renforcer l'intégration budgétaire de l'UE

STATE BUDGET AND FISCAL CONSOLIDATION

Défis à relever : ne pas aggraver le déficit public, sauf s'agissant des dépenses d'investissement d'avenir responsable (social, environnement, infrastructures, etc.).

Options politiques :

Au regard du contexte macroéconomique actuel, ces dernières ne devraient pas rentrer dans le décompte du déficit ou de l'endettement public.

Conditionner les aides publiques aux entreprises pour une effectivité de l'investissement et de la création d'emploi.

Restaurer les capacités budgétaires de l'État en luttant contre l'optimisation fiscale. Mise en œuvre du projet BEPS et au-delà (notamment instaurer une obligation de reporting public pays par pays plus ambitieux).

Améliorer la qualité des analyses et évaluations de l'efficacité de la fiscalité.

SOCIAL DIALOGUE

L'année 2016 a été marquée par l'élaboration de la loi du 8 août 2016 sur le travail, la modernisation du dialogue

social et la sécurisation des parcours professionnels. Contrairement à d'autres législations récentes qui avaient été précédées par des négociations ou au moins des consultations, cette loi a été présentée dans un premier temps sans que le gouvernement n'en discute avec les partenaires sociaux, et elle contenait des mesures recommandées par la Commission européenne que l'ensemble des organisations syndicales françaises rejetaient : simplification des critères de licenciement économique et plafonnement des indemnités de licenciement en cas de licenciement abusif. Mais le gouvernement a ensuite ouvert une concertation qui a abouti au retrait de ces deux mesures et a amélioré de nombreux autres points. La CFDT est particulièrement satisfaite des avancées suivantes :

- renforcement de la négociation d'entreprise sur les questions d'organisation du travail
- création d'un compte personnel d'activité (CPA) étendu à tous les travailleurs quel que soit leur statut, qui permet d'attacher des droits à chaque travailleur tout au long de sa carrière professionnelle même s'il change de statut
- droits collectifs pour les travailleurs des plateformes numériques et des établissements franchisés
- extension de la garantie jeunes.

Pour la CFDT, cette loi démontre que le syndicalisme peut agir pour des réformes en profondeur qui apportent des progrès et préparent l'avenir, sans régression sociale contrairement à certaines recommandations européennes.

Une autre recommandation à la France rejetée par les organisations syndicales concernait la mise en place d'allocations chômage dégressives. Cette option a été écartée de la négociation sur l'indemnisation du chômage. Le système d'indemnisation du chômage est de toute façon du ressort des partenaires sociaux et la négociation est bipartite, même s'il existe toujours un risque de reprise par l'Etat en cas d'échec de la négociation. De fait, en 2016 la négociation a échoué dans un premier temps, mais elle a récemment repris. La CFDT compte aboutir à un accord qui combatte le recours aux contrats de travail de courte durée.

FORCE OUVRIÈRE

LABOUR MARKET AND EMPLOYMENT

Si l'économie française affiche un bilan plutôt favorable en termes de créations d'emplois dans le secteur marchand depuis le deuxième trimestre 2015 (le rythme de création d'emplois salariés est estimé à 40 000 par trimestre, soit la meilleure performance depuis 2011. Compte tenu de la faiblesse de la croissance, ces créations permettent à peine d'absorber les entrées dans l'emploi liées aux facteurs démographiques (la population active augmente actuellement de 0,5 % par an). Ainsi, le chômage reste à des niveaux historiquement élevés : près de 6 millions de personnes sont inscrites à Pôle Emploi, le service public de l'emploi.

Les derniers chiffres révèlent toutefois une légère amélioration : le nombre de demandeurs d'emploi recule légèrement et cette amélioration profite surtout aux jeunes. En revanche, le nombre de demandeurs d'emploi de plus de 50 ans continue d'augmenter, ces derniers bénéficient peu des reprises d'emplois même précaires. Le nombre de demandeurs d'emploi en activité réduite continue en revanche d'augmenter tout comme le nombre de personnes entrées en formation, donc dispensées de recherche active d'emploi. Ceci reflète la montée en puissance du plan 500 000 formations supplémentaires pour les demandeurs d'emploi annoncé en début d'année par le président de la République, qui permet également de sortir un certain nombre de chômeurs des statistiques du chômage. FO n'est bien sûr pas opposée à la formation des demandeurs d'emploi, mais la question de l'insertion dans l'emploi suite à la formation se pose.

Ces chiffres attestent également d'un enracinement de la précarisation des demandeurs d'emploi, exerçant une activité un nombre réduit d'heures dans le mois mais sans accéder à un emploi de qualité. La précarisation est particulièrement flagrante : le nombre de personnes qui exercent une activité courte, moins de 20 heures travaillées par mois, progresse de plus de 5% sur un an.

Le chômage de longue durée reste élevé, 44% des demandeurs d'emploi sont inscrits au chômage depuis plus d'un an. Si les chiffres baissent légèrement dans l'ensemble, le nombre de demandeurs d'emploi inscrits depuis plus de 3 ans progresse de près de 5% en un an, ce qui atteste d'une situation toujours plus difficile pour les personnes les plus éloignées du marché du travail.

FO soutient la mise en place d'un système de bonus/malus sur les contrats de travail de courte durée, pour réduire le nombre de contrats précaires. Ces chiffres démontrent également la nécessité d'un changement de politique économique, qui doit sortir de la logique de rigueur budgétaire et de recherche de compétitivité pour privilégier la relance par la consommation et l'investissement, notamment l'investissement public. La situation du marché du travail est aussi le résultat de la politique économique menée depuis 2012. L'OFCE a montré qu'elle avait eu un effet négatif sur le PIB (de l'ordre de -5 points en 4 ans).

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

FO conteste les réformes récentes du marché du travail et s'est opposée vigoureusement à la loi Travail adoptée en août 2016. Cette loi est en ligne avec la recommandation numéro 4 de 2015 adressée à la France qui préconisait notamment de « à faciliter, aux niveaux des entreprises et des branches, les dérogations aux dispositions juridiques générales, notamment en ce qui concerne l'organisation du temps de travail.

La loi travail conduit à l'inversion de la hiérarchie des normes sur le temps de travail, Les normes de niveau inférieur peuvent justement déroger aux normes de niveau supérieur : il en est ainsi des accords collectifs par rapport à la loi, des accords d'entreprise et de groupe par rapport aux accords de branche, de manière générale concernant la durée du travail et les congés, et à terme pour la totalité du code du travail. L'accord d'entreprise a désormais la primauté, l'accord de branche s'applique désormais seulement en l'absence d'accord d'entreprise.

La modération salariale continue de prévaloir. L'évolution des salaires de base s'est fortement ralentie en lien avec la désinflation observée depuis début 2013. Le salaire minimum a seulement bénéficié de la stricte revalorisation légale en janvier 2016 (+0,6%). Or, pour FO, un coup de pouce au SMIC permet de relancer le pouvoir d'achat mais aussi la dynamique de négociation salariale. Par la négociation, certaines branches arrivent à négocier, ainsi la branche de la sécurité privée vient de signer un accord qui concerne 152 000 salariés dont FO est signataire et qui prévoit + 1,5 % sur l'ensemble des minima dans une branche.

La loi travail va également contribuer à la poursuite de la modération salariale, en donnant notamment la possibilité de diminuer par accord d'entreprise la rémunération des heures supplémentaires.

En France, entre 2008 et 2014, le niveau de vie médian a diminué, cette hausse de la pauvreté qui touche surtout les ménages actifs et les familles monoparentales est révélatrice aussi de la problématique d'un chômage de masse et de l'emploi dans notre pays.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

FO demande prioritairement l'arrêt de la politique d'offre menée avec force depuis 2012 et avec constance depuis de nombreuses années. Pour Force Ouvrière, les réponses à la perte de compétitivité de l'économie française, et notamment à sa perte de compétitivité hors-prix, sont sans rapport avec une approche idéologique et partisane obnubilée par l'allègement des cotisations sociales et de la fiscalité, c'est-à-dire par la baisse du « coût du travail ».

Depuis 2014, le gouvernement a fait en effet le choix économique de mettre en œuvre une politique de l'offre d'une telle ampleur que le terme de choc d'offre s'est imposé parmi un grand nombre d'économistes. Les montants en jeu sont considérables. En 2017, avec le crédit d'impôt compétitivité emploi (CICE) et le Pacte de responsabilité, la politique d'allègement de cotisations et de fiscalité des entreprises va s'élever à 40 mds. Au total, d'après le chiffre officiel du *comité de suivi des aides publiques*, l'enveloppe globale des aides aux entreprises atteindra, en 2017, 137 mds dont les $\frac{3}{4}$ correspondent à des dépenses fiscales et à des exonérations sociales - celles-ci représentent à elles seules 30% de ce montant (autour de 46 mds en 2017).

Force Ouvrière n'est pas opposée au principe des aides publiques. Il convient d'ailleurs de rappeler que FO revendique la paternité de la Banque Publique d'investissement (BPI) créée en 2012. FO n'est pas opposée au principe d'aider des entreprises ou des secteurs d'activité en difficulté, mais considère que cela ne peut se faire hors d'un cadre contraignant. La position que FO défend en matière d'aide publique est claire : une aide publique doit être ciblée, contractualisée avec des engagements du bénéficiaire (investissements productifs, emplois) avec ex-post un contrôle public sur le respect des engagements et, le cas échéant, la possibilité que des aides soient restituées.

Depuis plus de 10 ans les gouvernements successifs multiplient les exonérations sociales ou les dépenses fiscales et créent des outils sans coordination ni cohérence, ce qui ne construit pas une politique en faveur de l'investissement et de l'emploi. Pour Force Ouvrière, la question de la restauration de la « compétitivité française » se trouve dans les problématiques liées à la recherche (publique et privée) ; à l'innovation et au développement (FO demande une transformation du dispositif du Crédit Impôt Recherche, le crédit recherche le plus « généreux » de tous les pays de l'OCDE selon l'OCDE) ; à la présence de services publics (qui est un facteur d'attractivités des zones d'emplois potentiels). Elle est également liée au règlement des problèmes entre donneurs d'ordres et sous-traitants, mais également à la capacité de l'Etat à « donner du sens », « des caps » et de la cohérence, par des grandes politiques publiques, par des grands projets,

Comme FO l'avait anticipé dès le début, la distribution de dizaines de milliards par an à toutes les entreprises sans distinction, sans ciblage, sans contrôle, ni contrepartie, était une stratégie vouée à l'échec. Inefficace pour redresser l'économie, le choix de faire financer « ce choc d'offre » par une réduction très importante des dépenses publiques et par un transfert fiscal sur les ménages a, au

contraire, produit un effet inverse : celui d'empêcher une véritable reprise de l'activité en entamant fortement le pouvoir d'achat des ménages.

STATE BUDGET AND FISCAL CONSOLIDATION

ENCADRE 6. Budget de l'Etat et Assainissement budgétaire

Comme FO ne cesse de le dénoncer depuis plusieurs années, « l'ajustement » budgétaire réalisé en France depuis 2012 aura été considérable. Le déficit public en % du PIB s'est résorbé continûment pour approcher dès la fin de l'année 2016 la cible de Maastricht des 3% de déficit public. Pour 2017, il est même prévu de la dépasser avec un objectif de déficit à 2,7% du PIB.

Avec un taux de croissance quasi nul en 2012, 2013 et 2014, la réduction du déficit public ne s'est pas faite par magie. Le gouvernement français a mobilisé deux leviers qui ont fortement pesé sur la reprise de l'activité et de la croissance : une maîtrise absolue des dépenses publiques (Etat, administrations de sécurité sociale et collectivités locales) et une forte augmentation des prélèvements obligatoires qui, à partir de 2014, a exclusivement porté sur les ménages, qui ont subi un transfert fiscal massif de plusieurs dizaines de milliards. La maîtrise des dépenses publiques qui est incontestable - et pourtant contestée - a abouti à une division par trois du taux de croissance annuel moyen des dépenses publiques sur la période 2013-2017 par rapport à la décennie 2000-2012. S'agissant de la sécurité sociale, la fixation de taux d'évolution de la dépense aux niveaux le plus bas depuis le milieu des années 90 va conduire à un quasi retour du régime général de la Sécurité sociale à l'équilibre pour 2017. Les collectivités locales n'ont pas été épargnées par ce programme d'économies. Elles devraient enregistrer pour 2017 un solde positif - une première depuis 2003 -, ce qui témoigne des efforts que ces dernières ont consentis pour diminuer leurs dépenses de fonctionnement mais également leurs dépenses d'investissement.

La stratégie budgétaire annoncée pour 2017 s'inscrit dans la continuité de celle initiée depuis 2015. Il s'agit toujours de faire financer une politique de l'offre, à hauteur de 40 milliards en 2017, par des économies sur l'action publique. Si le gouvernement parvient à réaliser en 2017 ses objectifs budgétaires, 46 milliards d'économies en dépenses publiques auront été ainsi réalisés sur la période 2015-2017 - 18,6 milliards sur le périmètre des administrations de sécurité sociale, 18,6 milliards sur le budget de l'Etat et près de 10 milliards sur les collectivités locales.

Force Ouvrière dénonce depuis le début la logique libérale de ce plan d'économies dont l'impact négatif sur la croissance, la consommation et l'emploi est largement admis. Alors que l'investissement des entreprises ne soutient toujours pas la croissance, cette troisième coupe budgétaire risque de coûter cher en nouveaux points de croissance perdus, en chômage qui ne se résorbe toujours pas mais également du point de vue de la capacité de nos services publics à remplir leur mission. Pour FO, la désertification des services publics, en particulier en milieu rural, est un problème majeur tant du point de vue des conséquences économiques et sociales de cette désertification sur ces territoires et leurs habitants qu'au plan démocratique.

SOCIAL DIALOGUE

Le semestre européen constitue le pilier essentiel de la gouvernance économique européenne. Pour FO cet exercice est biaisé à la fois dans la méthode et dans ses objectifs : il privilégie la rigueur voire l'austérité budgétaire et les réformes structurelles régressives.

Les partenaires sociaux sont néanmoins consultés au cours des différentes étapes du semestre européen, au moment de l'examen annuel de la croissance, avant la publication du rapport pays, lors de l'élaboration du PNR et sur les recommandations pays. En 2016, plus que les années précédentes, le rapport pays a été l'occasion de plusieurs consultations avec le ministère du travail (au sein du comité du dialogue social européen et international) et la commission européenne, y compris sa représentation française.

Malgré cet effort de consultation, FO considère que leur impact sur les orientations reste très limité tant le parti pris des institutions européennes est important en faveur de la rigueur budgétaire, de politiques pro-business, de la dérèglementation des marchés du travail.

FO considère qu'une consultation devrait se tenir en amont de l'élaboration des recommandations pays, ce qui n'est pas le cas aujourd'hui où l'exercice se tient après leur publication.

Pour FO, ces consultations sont aussi une opportunité de rappeler nos demandes en faveur d'un rééquilibrage du semestre européen en faveur du social au-delà des seules considérations économiques.

DRAFT

GERMANY

DGB

LABOUR MARKET AND EMPLOYMENT

Challenges:

Despite positive developments on the labour market, concerning number of jobs and the decrease in the unemployment rate, Germany still has significant problems on the labour market. The number and share of irregular and often precarious jobs increased in the last decades and is still high.

Deregulation in the last decades has led to an increase of people employed by temporary working agencies, part time workers, so called Minijobs (where social security contributions are not mandatory) and other forms of irregular jobs.

Deregulation of the labour market increased the share of the low pay sector in Germany, thereby pushing the overall wage level down and adding to the problem of low domestic demand and high current account surpluses.

Policy Options:

Although the introduction of a statutory minimum wage in 2015 was an important step to tackle the problems of the low pay sector (and was an economic success as well - boosting domestic demand and job creation and leading to transformation of so called Minijobs into regular jobs), further steps are needed. The minimum wage needs to be strengthened - for example by getting rid of exemptions, intensifying controls and making employers prove, how many hours an employee has worked. Temporary work /subcontracted labour must be regulated, for example to ensure equal pay compared to regular employed persons, doing the same job. The Minijob-system must be reformed, all employment relationships need to be subject to mandatory social security contributions. Worker's codetermination needs to be strengthened. Unemployment insurance (Arbeitslosengeld I) must be strengthened - also in order to prevent unemployed from slipping into social welfare programmes (Arbeitslosengeld II) too fast.

Facts:

The enclosed PDF-document shows the increase of irregular jobs in Germany:

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Challenges:

To strengthen the overall wage level and thereby tackle the problem of low domestic demand and high current account surpluses it is also necessary, to strengthen collective bargaining coverage in Germany. In particular digitization of the working sphere challenges politics, trade unions and employers.

The parties to the collective agreements form the economic terms and terms of employment of a branch by

wage agreements and form the frame of working conditions of a branch with regional collective agreements. This frame creates order and transparency, it gives orientation of the actors of an economic area. Collective agreements contain all essential regulations for the employees. The arrangement by co-determination and individual options is also possible in that legal frame. Regional collective agreements have also a basic meaning for the acceptance and the effectiveness of the social market economy.

Policy Options:

From the German Confederation of Trade Unions standpoint this underlines the importance of the strengthening of collective bargaining systems. Besides many other ways to give collective agreements a higher degree of coverage some examples should be pointed out:

- a.) Facilitating the legal requirement of generally binding declaration ("erga omnes", Allgemeinverbindlicherklärung). In particular change of the voting procedures in the bargaining committee of the Federal Ministry of Labour and Social Affairs. The background to this assessment was the coming into force of the national law on strengthening of collective bargaining (Tarifautonomiestärkungsgesetz), which is intended to ensure the simplification of a general binding declaration. The new legislation has not taken any effect.
- b.) Strengthening of the operational co-determination
- c.) Union-Membership growth and retention strategies
- d.) Strengthening admission rights for trade unions in companies
- e.) Prevention of abandoning the collective agreements by employers
- f.) Restriction of employer's withdrawal from the employers association or change to a non-tariff membership

Facts:

Many Organisations meanwhile point out the importance of collective bargaining coverage:
<https://www.socialeurope.eu/2016/02/collective-bargaining-rising-inequalities-oecd-imf-get/>

The attached files show the decline in collective bargaining coverage in Germany.

IAB: Collective Bargaining coverage (branche level) of employees down from 70% to 51% in western germany (1996-2015) and from 56% to 37% in eastern germany.

IAB/ WSI: Collective Bargaining coverage (branche and company level) down from 76% to 59% in western germany (1998-2015) and from 63% to 49% in eastern germany.

EDUCATION AND SKILLS

Challenges:

The economic structural change in Germany leads to increasing demands on many employees. At the same time, a growing number of migrants and refugees has to be integrated into education and work. Many specialists are missing, in crafts, in technical professions, but also in social and education and care. Forecasts also indicate that the shortage of professional qualifications will increase.

The VET system in Germany still does not live up to the demands of a modern society, despite some progress in the recent past. Social selection remains a characteristic feature. Germany is far from offering equal educational opportunities for all people. Unrestricted access to good education for all people is indispensable.

Policy Options:

The priorities has to put the attention on high quality education at all levels and on qualification (which are described as knowledge, skills and competences) and not exclusively on skills. Work-related aspects of qualifications that formally recognize skills are particularly important in the wage-setting process as important formal elements used by social partners in collective bargaining.

In the area of initial vocational training the coming years will focus on increasing quality, securing funding and establishing the equivalence between academic and vocational training. At the same time, it is important to create a framework for continues (CVET) training and to build up structures.

In order to increase the quota of training enterprises, all enterprises must participate adequately in the costs of training.

The objectives must be to strengthen the integrative power of the dual system (especially for young people with poor start-up opportunities) and to develop the quality of the training.

More training places need to be created and a training guarantee has to be introduced.

Concerning CVET the following is to be considered:

A training law to ensure effective access, secure financing, more advice and transparency as well as for better quality and certification. Professional development as workplace-based qualification is in principle financed by the companies.

The training in the company is to improve and actively shape the future of the workers and their councils. These activities are already in the needs assessment, program development and review of the involvement of the measure. Collective agreements promote participation, structuring and common responsibility. Open access and learning time requirements must be secured for all employee groups.

Professional skills will be renewed, replaced and replaced at an ever-growing pace. Employees acquire many competences directly in the process of work. It is important to consider the validation of non-formal and informally acquired competences by a legally anchored national validation strategy.

A Paid Educational Leave to allow workers to upgrade their skills according to the new needs in their sector, and ensure them access to training not related to job-specific needs and lifelong learning in general.

Facts:

Around 1.3 million young people between the ages of 20 and 29 - 14% of this age group - do not have completed training. Every year almost 50,000 young people leave the school without a degree. Nearly 270,000 young people are stuck in the transition system between school and training. Only 20,3% of all companies providing training (2.120.000 companies, 431.121 providing training).

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PENSIONS, WELFARE STATE, POVERTY

Pension System:

Challenges:

The partly privatized pension system in Germany leads towards widespread inadequacy of pension by lag in coverage and efficiency as well as low return of occupational and private pensions. Foremost in case of inability to work. Additional social compensation in case of low wage, unemployment or education is almost missing in occupational and private pension. In result the three-pillar approach in Germany fail to safeguard adequacy and poverty in old age provision as well as in case of inability to work.

Policy Options:

Consolidate first pillar to ensure adequate provision. These implies stable or even higher replacement rate in first pillar. Complementary tax subsidies for private pensions shall be cut and occupational pension may provide provision on top without need for.

Facts:

Actual 31% of male and 12 % of female pensioners have occupational pensions.

In the active working population about 70 % have occupational and/or private pensions, foremost only 20 % have really both, occupational and private pension. Whereby coverage nothing says about quality of the provision in question of height of value and covering the risks of old-age, inability or death. Necessary contribution rate in an ideal-model-type of three pillar is according to Bundesregierung actual almost 25 Percent and will raise to 2030 up to about 29 percent. Thereby in 2030 workers will carry 18 percent while employers are limited to maximum of 11 percent.

Poverty:

Challenges:

a) Basic social welfare payment (Die Grundsicherungsleistungen (SGB II/SGB XII)) is to low and doesn't fulfill basic needs. b) There are too many working poor in germany. c) Poverty among children is a big problem in Germany.

Policy options:

- a) There is need for an expert commission, consisting of social partners, academia, welfare-organisations and other civil society representatives in order to make proposals for new calculations concerning the correct and acceptable amount of individual social welfare payments.
- b) There is need for labour market regulation in order to get rid of precarious and atypical jobs (see box 1)
- c) Higher welfare payments for children, more education and active labour market programmes for long term unemployed with children.

Facts:

Poverty rate among people in precarious jobs is 19,2%, which is higher than average (15,4%) and especially than the one in the group of regularly employed persons (5,6%) - See Poverty Report of the federal government 2016.

2 Million children in Germany live in poverty (14,7% of the underaged according to Bertelsmann Foundation) and depend on social welfare.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Challenges:

There is a massive lack of investment - both public and private - in Germany. This on the one hand leads to macroeconomic problems and adds to the severe macroeconomic imbalances Germany produces. The lack of investment is a major reason for the lack of domestic demand that led to the high current account surpluses. On the other hand the lack of investment in infrastructure, in new equipment and expansion of production threatens the quality of life of the German people and the long term competitiveness of the german economy. Rotten roads and bridges bring additional costs for the industrial sector, lack of digital infrastructure challenges long term competitiveness, lack of education and child care infrastructure and staff threatens also quality of life.

Policy Options:

Increase public expenditure, strenghten tax revenues and accept higher public debt.

Germany must make full use of its budget surplus and its financial leeway under the rules of the debt brake (2016 = approx. EUR 10 billion) to invest. (Apart from this, we demand, among other things, general exemptions for investments in debt rules).

In order to increase private Investment: Strengthen final domestic demand. An Increase in public expenditure will have positive effects on private investment, at the same time germany needs higher wages, which can be achieved by setting rules on the labour market [box 1] and by increasing collective bargaining coverage [box 2].

The lack of private investment ist demand-driven. Supply-side measures (tax incentives; deregulation in

the services and other markets etc. will NOT have positive effects on private investment most of the time). Such measure could even be counterproductive by deminishing government's fiscal space and putting additional pressure on wages & private consumption demand. It should be remembered, that major tax cuts for corporations were carried out at the beginning of the millenium in order to stimulate investment - however since then there was a drop in the private investment ratio.

Facts:

Graph 8, Page 16 in attached "KfW Kommunalpanel" shows the composition of the 136 Billion-Euro-Investment gap only on the level of municipalities in Germany.

Table 3.1 in attached excel file shows, that public net investment was negative on average since 2001.

The attached study by Fabian Lindner indicates, that investment problems in the private sector are demand driven.

STATE BUDGET AND FISCAL CONSOLIDATION

Challenges:

German Government is adding public savings to the huge amount of net savings in the private sector (households and non-financial corporations) which leads to macroeconomic imbalances on the european and international level, while at the same goes along with growing public investment needs in germany (see box 5).

The government currently is not only following the rules of the stability and growth pact and of the german debt brake (both instruments that the DGB has critisised for hampering stabilising fiscal policies, necessary public investments and expenditure). The German government is currently following an own - even stricter goal - aiming at surplusses in the public households on a regular basis or at least a zero-deficit (so called Schwarze Null [black zero]).

Policy Options:

Germany needs a much more expansionary fiscal policy. Germany must make full use of its budget surplus and its financial leeway under the rules of the debt brake (2016 = approx. EUR 10 billion) in order to invest. (Apart from this, we demand, among other things, general exemptions for investments in debt and deficit rules ["golden rule"]). (see also box 5 above).

Facts:

Page 17 in the attached file shows Bundesbank-numbers on the positive fiscal balance of the government and the private sector, leading to 263 billion Euros in overall net lending to other countries.

SOCIAL DIALOGUE

Challenges:

Due to the lack of an institutionalized social dialogue in Germany, the involvement of the social partners in governmental and legislative affairs is highly dependant on the origins of issues being discussed and restricted to a subject-based approach instead of a general discussion of possible measures and strategies. This leads to the problem of irregular / ad-hoc consultations with often short preliminary phases and an uncertain perspective about the possible influence and outcome of social dialogue and the involvement of social partners.

Policy options:

Adressing these challenges may happen in a direct approach towards the usually involved public authorities, which will be the Ministry of Labour and Social policy (BMAS) or the Ministry of Economics (BMWi). However, it might be insufficient to limit such an approach to certain public authorities, since the highly subject-based and irregular involvement allows no preview of future issues and the related structures on governmental side. In general, any form of enhancing institutionalization of social dialogue und fostering its capacities in terms of availeable time to handle discussed issues might be helpful.

Facts:

Can you provide figures / data: No. Please examine the social partner template prepared for the last EMCO meeting in October 2016, where both social partners and public authorities have explained the case in detail.

DRAFT

HUNGARY

MOSZ

PENSIONS, WELFARE STATE, POVERTY

As elaborated in the first box, the substantial minimal wage increase will have a beneficial impact with reducing the number of working poor. The only exception is the case of workers employed on public works. This 200 000 people who are assigned to this type of work in order to avoid the payment of unemployment benefit will not have any increase in their salary level frozen already the second consecutive year. As the payment level of public workers is lagging behind by 40% from the minimum cost of living, the vast majority of these workers are really people working poor. The explanation for not increasing the wages of people on public work was, that the decreasing unemployment rate and the increasing labor shortage is making easier for the persons concerned to find a job on the unprotected labor market.

The trade unions however fully agree with the valuation included in the country report of the EU commission concerning the role of public work in Hungary. The almost exclusive reliance on this scheme as a means of providing employment with state support, is hard to justify, given the limited positive effect it has on participants chances of finding employment subsequently. There is a risk that, rather than providing temporary income support in times of recession, an extensive public works scheme may create a significant lock-in effect and may become a permanent replacement for the system of welfare benefits for groups who are unlikely to find regular employment. The scheme is seen as a major component of the anti-poverty measures, but, regardless of providing work opportunities for many, it has not reduced poverty due to the low achievable wage level.

The other bigger group of working people living in poverty are the disabled. There are close to 800 000 working age persons having serious physical, or mental limitations having a negative impact on their chances to get a job on the labor market. The employment rate among disabled is 25%, that is less than half of the European average. The system of getting disability pension was screwed strongly a few years ago. In 2010, 555 000 persons received disability pension, in 2015 20% less and the amount of the pension itself was reduced to 30%-55% of the cost of the minimum standard of living in Hungary. The total elimination of the early retirement scheme in our country for people working in hazardous or physically and/or mentally burdening conditions is creating in the future a permanent reserve for the disabled. The early retirement scheme liquidated without any prior consultation with the social partners in 2015 is still an unacceptable situation for the Hungarian trade unions. We are trying to bring back this issue on the agenda of social dialogue. The trade union demand is either to restore the system in a modified way, or to create protected, fairly paid jobs for those working in extremely burdening conditions and not being able to continue this work in the older age.

In the area of the standard pension system, there are no imminent tensions to mention. The poverty rate among pensioners in Hungary is below the average. The risk lies in the future: the unfavourable demographic trends, the extensive share of undeclared work, and the extensive share of workers paid on the minimal wage is threatening the future pensioners with lower living standards than the present ones have. In this situation the voluntary, additional pension funds financed by the employers and employees together should play a bigger role. Until recently substantial tax benefits incentivized the payment by the employers to these funds, the tax benefits will be however reduced from the next year despite the opposition on behalf of the trade unions to the restrictions.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Hungary's economic growth has generally been weak since the start of the crisis, and growth accelerated significantly only since 2014. After five years of continuous decline, 2013 was the first year when gross fixed capital formation turned positive. GDP has only reached the level of the pre-crisis period but lags behind regional peers. The Hungarian GDP had reached its 2008 level by 2014, while Poland's and Slovakia's GDP far exceed the pre-crisis levels.

GDP picked up in 2014, in 2015 the growth was at 2,9%, for 2016 the forecast is at this range as well. The latest forecast for 2017 is however is 4% GDP growth due to the major minimum wage increases. GDP growth is more and more attributed to growing domestic demand. Domestic demand is expected to remain the main driver of economic growth in the coming years, with a shift from investment to private consumption. Due to measures easing the burden of mortgage loans on households, real disposable income will be affected positively in 2016-2018, and this would stimulate consumption.

The introduction of the household final consumption scheme for household loans, which requires banks to compensate borrowers for unfairly applied terms, elevates the consumption path. The reduced uncertainty concerning mortgage loans, the precautionary savings attitude of households is expected to start to gradually decrease. Finally, there is the effect of low inflation which increases the purchasing power of wages and pensions. Inflation was on average around 5% until 2011, but has started to decrease rapidly since 2012 to a level between 0-1%. The fall in inflation was driven by regulated and utility price cuts. Inflation decelerated also because of falling oil prices as well as by imported disinflation. Inflation expectations have adjusted downwards, core inflation in 2016 remained with 1,4% in positive territory. With the weaker exchange rate, increasing wages and consumption passing through to prices, inflation is expected to increase gradually to reach the 3% target of the central bank by the end of 2018.

With the start of the new Multiannual Financial Framework period for EU structural and investment funds, the absorption of EU funds is expected not to be at full speed in 2016. The associated drop will have a visible impact on investment activity, particularly in the public sector, and as a result investment growth is projected to be negative in 2016. Export growth was at 8,4% in 2015, it is expected to slow down a bit to 6,5% in 2016 and to 5,2% in 2017. Trade balance is in the positive range in both 2015 and 2016, but increasing import (due to the increasing consumption) and the slow down of export growth in 2017 will result a slightly negative balance for 2017.

Trade unions were opposing vehemently the introduction of the one key, flat rate personal income tax scheme. The consequences of the system had increased inequalities in the income and in the living standards of families in itself, but the connected additional tax credits are just deepening the unfavourable impact. The family tax credits available upon the number of children are much higher in case of high earning parents, than in case of low earners. The fix subsidy for the children is also existing, but was not indexed since 5 years, it had been devaluated by 20%. The subsidized housing program of the government is also focusing on the high income families as it is targeting the increase of home ownership (building of family houses, or purchasing of flats). There are no government programs for facilitating social housing, the building of cheap rentable flats.

The energy saving projects financed from EU funds are planned to be financed via bank loans and even with the preferential interest rate, many of the poor families will not have a chance to get an access to these resources leaving them behind with much higher fuels and energy costs as the upper income classes.

STATE BUDGET AND FISCAL CONSOLIDATION

The government in office since 2010 has executed a successful monetary and fiscal policy. Following the exit from the Excessive Deficit Procedure in 2013, Hungary's general government deficit has been kept under control. The government deficit is projected to be at 1,5% of the GDP in 2016, compared with the former 2.5% of GDP in the previous years. **Government debt is expected to increase moderately in the short term, partly due to prefinancing of the EU structural fund payments and partly due to the consequences of the wage catch up process in the public sector.**

The debt-to-GDP ratio is decreasing from the 2014 figure of 77.7% to **75,5%**. This ratio is better than the EU average of 84,3% and ranks Hungary at the 16th place among the EU memberstates. mainly on account of the weakening of the exchange rate. Nevertheless **the relatively high level of public debt is a source of fragility for the Hungarian economy.** With the current level of the gross government debt-to-GDP ratio, the country occupies an outlier position within the group of low and middle income economies. This results in elevated risk premia containing investment and economic activity. Although the government debt has been declining since the beginning of the decade, it is not yet on a firmly decreasing path.

The situation in the financial sector continues to raise concerns. Although the sector seems to be adequately capitalised (the aggregate capital adequacy was hovering around twice of the regulatory minimum of 9% in recent quarters) and its liquidity position is relatively strong, the combination of a high level of tax and regulatory burdens as well as a high share of problematic loans does not provide the right incentives for banks to increase their lending activity. The persistence of banks' negative profits represents a risk to financial stability, which was exacerbated by costs of the ongoing settlements with foreign exchange borrowers and the new tightening regulatory steps.

The external balance of the country is stable. The current account turned positive in 2010, it is lastingly positive in the range of 4,4%-6,2% of GDP. According to the forecasts, it is expected to increase further, as the surplus in goods and services trade balance rises. The capital account surplus increased slightly in 2015 and declines in 2016, reflecting the dynamics of EU funds absorption. Similarly, the net lending position is permanently above 8% between 2014-2017, but with reducing EU fund inflows, it is projected by 2017 to decrease from 8.8% of the GDP to 8,3% .

We should not forget however, that the reduction of the government deficit was also due to serious cuts in social spending. The radical reduction of the eligibility time for unemployment benefits, the cuts in spending to operate the active labor market tools, the reform in the disability pension scheme, the elimination of the early retirement scheme in occupations with extreme burden, the freezing of the per capita child subsidies, the cuts in health care, social care and in higher education, the 10 year long freezing of the salaries of employees in the public sector played a major role in achieving the favourable deficit figures. The good news are that the government has recognized the limits of these types of public economy and in this year gradual wage increases have been launched in the public sector, to be continued in the next period as well.

SOCIAL DIALOGUE

At this box I could repeat only, that was already reported at EMCO meeting on the 24th of October. The so called Permanent Consultation Forum of the Private Sector and the Government that could be a more efficient body for discussing labour relation specific issues has been working infrequently, the activity is so far concentrating on the once a year negotiation about setting the minimum wage. Topics that are valued as not important, or uncomfortable for the government were delayed, or simply not put on the agenda. The most memorable example for the forgotten issues was the unexpectedly liquidated early retirement scheme in the mentally and physically stressful occupations. This measure influencing in a significantly negative way tens of thousands of employees in the transport sector, in the steel and chemical industries and in the public sector, like in the armed forces and policemen, firefighters, prison guards etc., was executed without any prior consultation. Since this year there is some hope for a change in this Forum, as on the request of social partners the meetings are more frequent and past topics decided without prior consultations are taken back on the agenda. The outcome of the new consultation rounds is however yet uncertain. The Public Sector has got own, from the private sector separated social dialogue system, but this is also operated with similar works inefficiency. Since 2010 on the National Council for the Reconciliation of Interests in the Public Sector (OKÉT) there have been no agreements between the unions and the government about the salaries and working conditions of the civil servants and workers, the endless consultations have no result. The government is informing the TUs only following the taken resolutions and legislation. In some branches of the Public Sector the salaries are frozen since 2008, like municipality civil servants, and the workers of libraries, museums.) The government will reduce nowadays the number of civil servant without prior consultation with the trade unions. The activity is similarly very poor is in the sectoral dialogue committees (ÁPB), where the sector specific government resolutions in a number of cases are not submitted for consultation. The budget aiming to finance the operation of the committees was reduced to 1/5 of the initial amount, and even the reduced funds are confirmed and transferred with several months delay. Several labour market legislation of high importance (like the abolition of the above mentioned early retirement scheme, the radical reduction of the eligibility time for unemployment benefit, the restructuring of the disability pension scheme, the major redistribution of the spending of the National Labour Market Fund paid by the employees and employers, the priorities given to public work budget on the expense of the active labour market spending, the reorganization of the vocational training system, and the supervision over the budget of the vocational training system was executed without any prior consultation with the trade unions.

Referring also to the recent EMCO meeting, Hungarian trade unions expressed several times to the European Commission that while the government institutions are receiving huge financial resources from the European Union to extend the quality and quantity of officials to implement projects also financed from EU funds, **the social partners in Hungary were not granted since years any amount of EU financing to extend and to develop their professional capacity** in order to evaluate, to assess the implementation, to do research, or to elaborate alternative proposals. The programmes available for the social partners are not suitable for direct capacity building, this financing is used for the implementation of sector specific development programmes in the economy, and at the companies. This financing can not be spent for the assessment of government policies, and for the elaboration of alternative policies. The Hungarian trade unions are far from having the necessary financial means to employ the appropriate professional capacity in order to follow, to assess the issues in the national reform program, not to speak about being to be prepared to elaborate alternative solutions for the topics included in the national reform program.

A lasting issue in Hungary that the European structural funds available for the social partners are distributed in a hardly visible way, sometimes making competition among the trade union confederations not along professional

criteria, but along political priorities.

DRAFT

IRELAND

ICTU

LABOUR MARKET AND EMPLOYMENT

1 The major issues are decent work and childcare. Congress has been engaging with all legislators and with civil society to get support for our decent work charter. One aspect of this is the need to curb excessive flexibility of hours, leading to uncertain earnings.

High childcare costs are a major disincentive to labour market participation. This needs to be addressed as a priority

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

2

A headline increase of 4% per annum, minimum 1000 per annum has been advised by the congress private sector committee for wage bargaining at enterprise level. In the public sector an accelerated programme of restoration of the cuts of the years 2009 to 2013 must be agreed

As regards sectoral bargaining it is again possible to make these agreements binding across the sector thanks to a recent change in the law. Work is advanced on negotiations for a sectoral employment order in construction.

Employers who refuse to engage in the sectoral wage formation process need to be tackled. An example of a worst practice sector is accommodation and food services. This is in contrast to employers in security and contract cleaning.

EDUCATION AND SKILLS

3 Take-up of lifelong learning is low in Ireland. The reasons for this must be analysed in order to arrive at effective solutions.

The recent broadening of the Irish apprenticeship system into new families of occupations needs to be fully supported

PENSIONS, WELFARE STATE, POVERTY

4 The issue of work-less households has emerged as a key issue in the previous semester reports;

The pensions regulator needs to radically change their approach to the funding of private sector defined benefit pension schemes

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

5 the main investment policy priorities are

Housing - supply now at crisis levels

Childcare - see above

Infrastructure such as public transport

STATE BUDGET AND FISCAL CONSOLIDATION

6 Further clarity needed on the fiscal space available in the Irish context. The Commission's 'road to Damascus' conversion as seen in the annual growth survey is a useful beginning.

SOCIAL DIALOGUE

7 Both ourselves and the employers have urged the government to reestablish the national employer labour conference. This would function as a forum for dealing with matters of mutually agreed interest (such as the pensions issue referred to above) and as a tool for dealing with otherwise intractable industrial disputes

ITALY

CGIL

LABOUR MARKET AND EMPLOYMENT

- **What challenges your county has to address?**

- To reduce **unemployment rate** which, despite the policies designed to promote employment, is still at very high levels (11.5% in the second quarter of 2016, with a difference of 4.8 percentage points compared to 2008, namely the last pre-crisis year);
- to implement inclusive labour market policies for **young people** who, in the various age groups, record the highest unemployment rate (35.5% in the second quarter of 2016, with a differential of 14.3 points compared to 2008), by favouring apprenticeship contracts and refinancing the Youth Guarantee;
- to increase the number of **women** entering the labour market since there is a structural employment gap compared to men, both through welfare policies and through incentives to reduced-flexible working time, as well as measures focused on greater work/life balance for male and female workers;
- to tackle the issue of Southern Italy, which is the area recording the most difficult problems (there the overall unemployment rate is 19.3% and the youth one is 48.8%);
- to improve active policies, thus making them effective and suited to their purposes, also through substantial structural investment and a good regulation of employment incentives.

- **What is the best policy option to address these challenges?**

We are now facing the ninth year of economic crisis, whose impact on employment - in terms of jobs lost - are evident on the basis of official statistical sources.

In recent years, within their respective spheres of competence, the Government and social partners have contributed to reduce the risk of job losses, both through incentives designed to hire with standard contracts and through the strong role played by social safety nets which have allowed to keep companies at risk of closure alive and to preserve jobs, thus preventing a further increase in the number of unemployed people.

However there are necessary, but not decisive measures - policies which are stop-gap solutions to face an emergency situation.

The 2015 and 2016 Stability Laws introduced incentives to hire with open-ended contracts and it seems that the next Budget Law for 2017 wants to extend this tool to provide incentives for companies' hirings in the South of Italy.

While the recent reform of the labour market, the so-called "Jobs Act", tries to address the inefficiency of our system for matching labour supply and demand, through the newly-established National Agency for Employment Policies (ANPAL) - in the commendable attempt to make it an efficient and effective institution to this end - there is the need to revise the measures relating to social safety nets, starting from an extension of their length, owing to the delay recorded in the implementation of active policies, the persisting crisis and reduced growth. In fact, the repeal of some of these measures, as of January 1, 2017, will deprive of coverage a significant number of workers (approximately 300,000 people).

We believe, however, that little has been done for a structural relaunch of employment. The best policy option to address all the challenges posed by our labour market is to invest in long-term economic and industrial policies so as to set domestic consumption and, hence, employment again into motion.

Therefore, with a view to creating more jobs, especially good jobs, it is not sufficient to act with rules and incentives, but it is important that the costs of stable employment for companies are much lower than the costs of not-standard work, especially in the South of Italy.

Furthermore the regulations regarding the use of vouchers must be corrected so that they can be used only in the case of actual occasional activities.

- **Could you provide figures/data/facts that justify your demands?**

There are now structural problems in our country, such as the issue of the South of Italy, the youth and women issues, as well as too low investment in active labour market policies which stultify the results of its mission regarding the matching of labour supply and demand.

The crisis has exacerbated these problems and between 2008 and 2015 it caused a decrease of employed people equal to 420,000 units. Young people, in particular, have suffered in these long years of crisis. Besides the crisis, they have also been negatively affected by the 2012 pension reform which has increases the retirement age, thus causing employment turnover problems.

The data and statistics regarding the 15-24 age are really tragic: the youth unemployment rate rose from 21.2% in 2008 to 40.3% in 2015. In the South of Italy the youth unemployment rate amounts to 54, 1%.

As to young people up to 29 years, the coming into force of the Youth Guarantee - as from May 1, 2014 -has led to over 1 million NEET young people registered, 800,000 of whom assisted by the Employment Services. Only 417,000 of these young people have been offered a measure of inclusion into the labour market (mainly traineeships).

There is also the pr

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Challenges:

Strengthening the role and autonomy of social partners in collective bargaining and in fixing wage floors and labour market regulations

Defending and extending social dialogue not only between unions and employers, but also with the government

Facilitating collective bargaining social conditions of workers, and to increase consumption and economic recovery

Contribute to fostering productivity and giving value to the role of workers and to their participation in organisation innovation at the workplace

Increasing the number of open-ended and quality jobs

Priorities:

- At the beginning of 2016, Italian unions have jointly launched a platform for a modern system of industrial relations
- On the basis of this document, several negotiations have been launched with the most representative sectoral employers organisations
- Several interconfederal agreements have been signed and other are about to be concluded
- The collective bargaining system is re-confirmed on two levels: national and company/territorial level
- The pay rise objective, beyond inflation, is reconfirmed: this should be reached through the synergy between national collective agreements and second level bargaining. The main way to determine wage floors is collective bargaining. Italian unions reaffirm that legislation should only determine the *erga omnes* validity of salaries defined by sectoral collective agreements i.e. validity for all workers in that sectors
- Productivity is a common objective for both workers and employers to be pursued also by contractual measure that increase workers' participation in work organisation and professional development
- There has been a re-opening of debates with the Government about general policies to be adopted in the country. This led to an important memorandum on the pension system and to the a law which allocates specific resources to promote second level bargaining: taxation has been decreased (10% flat tax); result-oriented prizes can be agreed in collective bargaining; and company/territorial level welfare measures agreed in collective agreements are exempted from taxation. This policy leads to an increased share of salary exempted from taxation and to the experiences of workers' participation in work organization.

AGREEMENTS

In order to achieve the above mentioned objectives the following interconfederal agreements have been signed by Italian confederations with the following employers organisations: CONFAPI (Industrial SMEs), CONFCOMMERCIO (tertiary and commerce); Confartigianato, CNA, CASA, CLAAI (artisans).

We are also in the concluding phase of agreements in the cooperative organisations and the negotiation with Confindustria will start in the next days.

When concluded, these agreements will cover more than 15 mn workers.

EDUCATION AND SKILLS

PRIORITY INTERVENTION AREAS

A national strategy for skills must at first ensure that every citizen and every worker have the skills to live and work in current society.

The reasons for this proposal are based on the awareness of the benefits inherent in investing in an action plan designed to overcome the problem of the people's low levels of skills.

The social and economic advantages are the following: increased productivity, competitiveness and growth, reduced unemployment and time needed to find another job, as well as reduced poverty and social exclusion, disease and non-self-sufficiency rates, and increased social and political participation.

The priority intervention areas are the following: young NEET without a diploma, workers and people looking for a job with insufficient skills, people over 50 years of age.

The plan shall be based on institutional coordination, the integrated use of resources, the implementation of lifelong learning through local networks, the active presence of social partners and other stakeholders through the establishment of local working groups/coordinating units, the reaching of regional agreements aimed at expanding citizens' and workers' right to education and training, and the definition of specific training pathways for the various targets.

We shall ensure services for identifying and validating skills when entering the labour market, guidance services, individualized training pathways and certification of the skills acquired when leaving the labour market.

The processes for identifying and validating skills shall be guaranteed when entering the labour market so as to customize and shorten the pathways, as well as when leaving the labour market so that the skills acquired can be used for subsequent training pathways, both at work for career and remuneration purposes and in the labour market for seeking other jobs.

THE POLICIES PROPOSED BY CGIL, CISL and UIL

The Italian unions are engaged in promoting the skills anyway acquired and deem it crucial to recognize them through the implementation of policies actually ensuring to people the right to lifelong learning:

the share of national wealth invested in knowledge shall be gradually and progressively increased up to reaching the OECD average;

the key skills for exercising active citizenship and lifelong learning shall be guaranteed to all

citizens through initial and continuing training pathways;
the quality of pathways alternating school and working periods, as well as of apprenticeships aimed at obtaining qualifications, shall be ensured by supporting the education institutions and promoting the companies' training ability;
the activity designed to raise the levels of skills shall also be targeted to the adult population through the establishment of the integrated lifelong learning system provided for by Law 92/2012, the implementation of an extraordinary plan to counter the literacy emergency, relapse into illiteracy and deterioration of basic skills;
the policies for the right to education and lifelong learning shall be strengthened to combat exclusion from access resulting from growing impoverishment;
the economic and time barriers hampering the adults' access to education shall be overcome through contractual arrangements ensuring to workers paid leaves for training, support to the public offer of education for adults and tax relief measures for the expenses borne for training.

THE DATA TO ADDRESS THE ISSUE

The fact that Italy is lagging behind in the education sector is evidenced both by the reduced number of graduates and diploma-holders compared to the average of developed countries and by the actual possession of literacy and numeracy skills (the so-called foundation skills): the recent OECD-PIAAC survey shows that 70% of the Italian population does not reach the minimum levels of skills required to live and work in contemporary society. 42% of Italians between 25 and 64 years of age attend junior high school and the adults who have access to training are 8%, while the European average is 10.7%. The companies which in 2011 organized training courses in-house or outside the company are slightly over one third while, on average, in the EU are more than 50%.

A national strategy for the population skills is essential for the economic, social and democratic development of the country.

PENSIONS, WELFARE STATE, POVERTY

CHALLENGES

- In Italy more than a quarter of people is at risk of poverty and this percentage is constantly growing: young, women, migrants and elderly who living alone, mainly in the southern regions of Italy, are particularly affected. We are also experiencing an increasing of Health inequalities.
- The extension of life expectancy is a good thing but it must be followed by actions

able to ensure good living conditions and dignity for people of all ages.

- The ageing population and the increase of people with chronic diseases and / or dependents, implies a greater need of long-term care and changes in welfare systems
 - the profound changes in families' composition and profiles make more difficult and onerous duties related to care and education, especially for women, and implies an increasing of demand for services and work life balance measures

the debt reduction constraints have been managed mainly by raising the pension requirements and reducing the revaluation of pensions. Future pensions of young people is quite uncertain. Serious are the difficulties of those workers over fifty who have lost their jobs because of the crisis and who have not yet reached the right to retired as well as of those who are engaged in arduous works. There is still a sound gap on the value of pensions especially for women.

The declining birth rate and reduction of fertility, the poor and fragmented experience of socio-educational services show a weak social protection capabilities devoted to children (both for young people and families), too often based on temporary and monetary measures only.

THE CHALLENGES

Generally, it is necessary to include the social protection dimension within the main drivers of investments for economic and employment development in order to ensure rights and social protection.

It urges to overcome fragmentations, dispersion and territorial divergence of social and social-health policies, through a strengthened and structured quality service system over the national territory based on: a clear multi-level governance, further and more stable investments in order to ensure a planning on specific objectives and the definition and protection of essential care basic levels.

Pensions

The sustainability of Italian pension system has been also recognizing by the EU Commission but the positive trend is influenced by productivity and employment, particularly youth. The Memorandum on security signed on 28 of September 2016 between the Government and CGIL CISL UIL includes several elements of trade union platform on pensions; furthermore the budget law plan 2017 foresees provisions such as: elevation of no tax area for retired people with less than 75 years, extension of support to pensions by 1.000 per month - "Advanced pension provision" - especially for impoverished and living in severe difficulties people, facilities to cumulate different contributions and other arrangements. For all these measures, the Government has allocated 7 billion euro in 3 years.

At a later time, it will be necessary to implement the second part of the Memorandum: that means, greater flexibility in accessing to retirement (taking into account the different life expectancy in relation to the type of work) , measures for young people and for discontinuous

careers, adequacy of future and current pensions, enhancement of care work in relation to its social security dimension, promotion of supplementary voluntary negotiated pension schemes and clearer analysis of statistical data related to social security and assistance.

Poverty

Since 2016 for the first time Italy has been experienced a structural funding for fighting against Poverty and Social Exclusion. Now the delegated draft law plan on poverty foresees the "inclusion income" (so called "REI"): it would be a major innovation, which combines monetary benefits with services for social and employment inclusion. We believe that the Funding for that measure must be certain and gradually increased in order to reach, through a multi-annual plan, all the people living in absolute poverty. The Government, in its proposal of budget law for 2017-19, foresees an increase of 500 millions of euro of the Fund against poverty, but with a starting point dated 2018. Together with the "Alliance against Poverty" in Italy (that bring tighter several associations) we asked to anticipate the increasing process starting from 2017.

Long-term care and non self sufficiency

A comprehensive strategy is needed , with policies that respond to the right of every person - even dependent or non self sufficiency - to live with dignity in all life dimensions: in term of living, leisure time, mobility and accessibility, active aging, etc. It is necessary to have an high quality, adequate and accessible social health services - ensuring uniform assessment, taking charge and care pathways through qualified professionals and regular employment, and support instruments, including on tax field. (.....)

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

The government measures included in the 2017 budget law are certainly useful for the country's competitiveness but, without strengthening domestic demand and without the support of public investment, also private investment finds it hard to be set again into motion.

In fact, the Budget Law tries to place the Project Industry 4.0 again at the core of the investment relaunch, particularly in the manufacturing sector. Hence we appreciate the measures relating to the so-called super-amortization for the purchase of capital goods by companies; the various measures in favour of research and skill development; the support for innovative start-ups, as well as for Inail, Social Security Funds and Pension Funds; the possibility of using part of the resources set aside for long-term investment in national and European companies. All these measures can be a first step for a new industrial policy based also on social dialogue.

The measures to relaunch agriculture and protect the Made in Italy are equally important.

We deem useful and positive the measures put in place by the government relating to *Sismabonus*, *Ecobonus* and the extension of deductions on restructuring, due to the novelties they contain, although we would have preferred they had been made structural. Once again, we hope that greater commitment by the Government will result from the exchange of views with the social partners, starting from protecting the country from the seismic risk, the hydrogeological imbalances and, more generally, from climate change.

However we are still convinced that, with a view to better orienting measures to growth, we should support the consolidation of domestic demand for consumption and investment more effectively and improve the equity of interventions. From this viewpoint, it would be advisable to strengthen the income redistribution activity towards medium and low-income social areas so as to quickly get out of the alternation between recession and stagnation. In our opinion, this could be achieved by means of a reversal of priorities for action and with a different complexion of the planned measures, by being more selective in the supply-side policies. From this viewpoint, we believe that an intervention designed to bring forward to 2017 the start of the IRPEF (personal income tax) reform is more effective, provided it is discussed with the social partners, as was the case for the tax measures in favour of pensioners included in the Budget Law.

The further postponement of safeguard clauses relating to the increase in VAT rates, the package of measures on pensions transposing the objectives of the arrangement reached on September 28 last between the Government and trade unions, the measures to improve the organization and functioning of the labour market and the resources to fund and strengthen the reduction of taxation on labor productivity are important measures which can contribute to a strong economic recovery.

Nevertheless they must be matched by further measures which can strengthen the purchasing power of wages. From this viewpoint, we have appreciated the fact that the government has increased the resources for contract renewal in the public sector but, after seven years of substantial freeze, we negatively view the inadequacy of the resources allocated.

Another way to strengthen growth is to maximize and make more efficient the use of the European Structural and Investment Funds.

Despite the actions designed to step up the spending of EU funds, unfortunately we realize once again that our country is lagging behind in the 2014-2020 programming period.

From this viewpoint, the current national and regional governance mechanism must be improved by accelerating spending on Administrative Strengthening Plans (PRA), which is a

prerequisite for an efficient and effective spending in the new programming period.

We are not opposed to a reduction of the tax burden on companies. In a European framework in which this type of taxation often acts as a form of dumping, the taxes on companies must be reduced. This reduction, however, should be matched by a deep and wide reduction of all tax expenditures in favor of currently existing companies. Once again we have to point out that the government does not address this issue which would provide more certain funds than other measures. The fight against tax evasion would be equally important, especially through a more structural and systematic activity in this regard.

STATE BUDGET AND FISCAL CONSOLIDATION

The setting of a budget deficit target for 2017 equal to 2.3% is due to the exceptional circumstances relating to the migrant's and earthquake emergencies and it is an essential adjustment to enable the Italian economy to grow and achieve a 1% GDP increase. We are aware that this growth target, already limited in itself compared to the country's needs, is affected both by the national operators' response to the proposed measures and by the international economic situation. We are convinced, however, that without this deficit target the Italian economy could fall into a new recession or into the limbo of a long stagnation with a strong risk of political regression. In our opinion we must soon get out of the morass in which the Italian economy is still stagnating so as provide new momentum to the economic recovery in a climate of social cohesion.

This is the reason why we maintain that the 2017 budget law is expansionary, but had to be more courageous in terms of flexibility.

This because we deem it essential to revise the mechanisms underlying the fiscal compact, since it is targeted only to austerity and not to growth policies.

Furthermore, speaking about flexibility of public accounts, growth and development is the best antidote to defeat the so-called "populism" and finally create a social and peoples' Europe.

Clearly growth and public finance sustainability must go hand in hand, but it is intolerable that the sustainability of public accounts always takes precedence over the needs of citizens and particularly of the most vulnerable people.

In this regard, the only possible way to make public accounts sustainable and gradually reduce the public debt is the sustainable growth of the economy.

With a view to growing, the economy needs stimuli and public investment which have decreased

steadily over the last 10 years.

In the revision of the fiscal compact parameters it would be advisable to remove from the deficit not only all the expenses to make public schools safe, but also all the expenses for education and innovation.

SOCIAL DIALOGUE

Our organizations are closely following all the steps, at national level, which are at the basis of the European Semester (Country Report, Economic and Financial Document, National Reform Programme, Country Specific Recommendations, Note for updating the economic and financial document, the Budget Law).

For each of these phases, upon its own initiative the organisations draft specific documents which are submitted at meetings, hearings, etc. It is worth noting that until June 2016 the social partners' involvement in the European Semester phases, at national level, was confined to hearings before the Parliamentary Committees on the Economic and Financial Document, the National Reform Programme and the yearly Budget Law. Again on the European Semester, in Italy the social partners are consulted by the European Commission on the "Country Report" and the Country Specific Recommendations.

Until June 2016 the social partners' involvement was insufficient because the involvement both on employment and on the other topics of interest for the social partners was weak or left to informal meetings or hearings with the Parliamentary Committees.

Since last June the situation has changed and the Government has opened discussion forums with the social partners on matters pertaining to some measures of the labour market, Industry 4.0, post-earthquake reconstruction and the housing plan Casa Italia, social safety nets, the revision of certain rules relating to the pension and tax system for low-income pensioners. It has also opened a regular discussion forum on development and cohesion policies. Many of the topics debated in these fora (early retirement for disabled unemployed people, workers who have worked from a young age, increase of the lowest pensions, tax reduction on pensions, investment with funds dedicated to cohesion policies, incentives for the hiring of young people and in the South of Italy) are part and parcel of the Budget Law adopted by the government a few days ago.

Italian trade union organisations think that discussion fora related to the Public Administration sector and the tax relief for productivity bonus are important, even though such policies were already being enforced.

LATVIA

LBAS

LABOUR MARKET AND EMPLOYMENT

Employers in Latvia are reporting the challenge of finding qualified workers and shortages of skills. According to the internal research of the Employers' Confederation of Latvia 70% of employers regularly report lack of qualified labour, 85% are reporting challenges to find workers that would be considered as good workers. At the same time Latvia has one of the lowest participation rates in the life-long learning in the EU: only 5.7% of the population aged 25 to 64 are participating in education and training comparing to the EU average 10.7% (Eurostat).

Taxation policy is not used to support individual education and training. Average costs of higher education and training constitute approximately 1500 EUR/per study year, however only 215 EUR/ per year are nontaxable amount for education and training (worker can receive pre-paid income tax contributions from this amount). This amount hasn't changed for years and does not comply with the average expenses for education and training. Trade Unions consider that this amount should be increased to support individual investment in education. There is lack of evidence of trade union cooperation with employers to provide trainings for employees at company level.

More public finance support is needed for persons who are in vulnerable situation at the labour market: undeclared workers and improperly declared workers (bogus self employed), workers with short working hours, low income and low education level.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Minimum wage in Latvia is set by the Regulations of the Cabinet of Ministers. The proposal to increase minimum wage is made by the Ministry of Welfare and discussed in the National Tripartite Cooperation Council (NTCC). Based on the decision of the NTCC, which however is not binding to the government, the government issues regulations on the minimum wage. Collective agreements provide for additional benefits, bonuses, social guarantees, however do not set minimum wages in Latvia. The only one branch collective agreement in private sector is concluded in railway sector. This is also *erga omnes* collective agreement. The agreement does not provide for pay rates in the relevant sector.

Minimum wage for 2016 is 370,00 EUR (gross). The government has decided to increase the minimum monthly wage to 380,00 EUR from 01.01.2017. According to the country report of the European Commission in 2015 in Latvia the tax wedge for a single wage earner is estimated at 42.7% for the average wage receivers. The tax wage on labour continues to be relatively high and is the highest in the Baltic States. This means that with the same gross wage Latvian workers receive less net wages than their colleagues in other Baltic States. Low wages and high tax burden on employee puts at risk sustainability of economy and labour force. It fosters emigration and precludes preservation of skilled labour force. It also impedes growth of middle class income earners. According to the ILO survey, the size of the core middle class in Latvia is only 23% the lowest in the EU (http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-brussels/documents/genericdocument/wcms_455739.pdf).

Disregarding the fact that average wage in Latvia is slowly increasing in 2015, 23,5% of workers were working for minimum wage or less.

One of the biggest priorities for trade unions is requiring raising wage levels in Latvia and shifting the tax burden from labour to more growth friendly sources of taxation (environment, capital). The European Commission has raised concerns that currently wages in Latvia are raising faster than productivity.

It must be highlighted that that during the economic crisis and after it productivity was much higher than wages which were experiencing severe cuts (in particular in public sector). Therefore currently wage growth compensates for previous lack of balance between wages and productivity.

EDUCATION AND SKILLS

Latvia has a large percentage of persons who have no specific professional education and skills. 22,7% of employees have general education, 7,7% - basic education. 28,5% of unemployed have general education and 19,4% - basic education. The statistics for young unemployed is higher. There is lack of second chance schools, as well as lack information and accessibility. The State Employment agency does not provide access to basic or general schools during unemployment period. However there are

opportunities to continue vocational education.

Improvement of VET system in Latvia in accordance with previous CSR to Latvia is slowly taking place. Both social partners (trade unions and employers) were involved in the ESF financed project (2010-2015) where new curricula for 56 programs were adopted. Only few VET schools started to implement new modular programs. There are implementation problems arising from lack of understanding of the ECVET principles and from insufficient material basis for implementation of the new content of curricula. The 2nd phase of modernization, during which schools can improve material base according to the new curricula, hasn't started yet.

The state doesn't allow investing the ESF finance in C modules which allow training of specializations. It is planned to continue the VET reform content with the support of the ESF finance but at the moment there is a break of more than one year in building new content of VET (occupational standards, curricula, qualification examinations) and work of sectoral skills councils. Currently new ESF projects for these activities are confirmed by the Central Finance and Contracting Agency (CFCA), however the project implementing institution - the State Education Centre - delays the implementation of the project. Social partners have drawn attention of the State Education Centre and the Ministry of Education and Science to the fact that further delay in the implementation of the project will endanger the outcomes of the project and its results. Both social partners will be involved in implementation of the VET content reform project.

Regarding introduction of work based learning (WBL) in Latvia and development of the ESF financed project for WBL it must be highlighted that trade unions were involved in the project planning process, but will not be involved in the project implementation process. At this moment - project proposal is submitted in the CFLA for review.

Development of the general regulatory framework for WBL (the Cabinet Regulation No.484 of July 15 2016) is raising concerns over its efficiency. Trade unions have four major concerns:

- 1) doubts that VET schools are introduced to the new legislation, in particular, teachers and also employers which are involved in the implementation of WBL;
- 2) the minimum remuneration or amount of scholarship is not stipulated in the regulation or any other legislative act, which means that employers can pay 10 euros/per month and it will be considered that they comply with the new regulations;
- 3) requirement for pedagogical education for in-company trainers. This requirement will be applied as of 01.01.2017, however up to now there is no training available and provided for in-company trainers. This means that the regulation threatens real implementation of the WBL project because only 10% of in-company trainers have this pedagogical training certificate;
- 4) additional remuneration for VET teachers for WBL due to extra working load adopting to the situation that some students of the group are training in company and others not involved in WBL - in the class, however both have to receive lecturing.

Another concern of trade unions is school governance institutions - educational convents. According to legislation trade unions are not involved in educational convents. Also there is no clear connection between work of sector education expert councils and convents. Half of functions fulfilled by convents sector education expert councils overlap.

More attention should be drawn to training provided for adults at the state and local municipalities VET schools. It is important that state and local municipalities VET schools provide for second-chance training for the all individuals and not only for unemployed. The ECVET instruments are not fully implemented in Latvia - no credit points in VET, low mobility of students. The link between the IVET and colleges and higher institutions should be promoted to improve permeability of VET students.

PENSIONS, WELFARE STATE, POVERTY

Latvia has one of the highest poverty rates among the EU Member States - 30,9% in 2014. In 2014-2015 discussions about minimum income level were very active. Social partners agreed that minimum income level should be set in order to allow persons to get out of the poverty. According to the resolution of the Prime minister minimum income level should be introduced from 2017, however the financing sources were not agreed by the stakeholders - neither public nor local government's budget was allocated to introduce minimum income level. Currently no implementation of this instrument is planned with the excuse - lack of budget resources.

More than 50% of unemployed do not receive any unemployment benefit, because 45,5 % of all registered unemployed are long term unemployed (longer than one year), who are not entitled to such benefits. The strategy how to involve them into labour market is insufficient.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Tax burden for labour is too high. Within the Baltic States in Latvia has the lowest net wage (real income) that employee receives after paying income and social taxes (23% income tax, comparing to 20% in Estonia and 15% in Lithuania and 10,5% social security contributions, comparing to 1.6% (+ 2% or 3%) in Estonia and 9% in Lithuania (including health insurance). With the same gross wage Latvian employee will receive less net wage.

According to the CSR Latvia should reduce tax burden for low income earners. Poverty risk for working persons was 9.4% in 2014. Progressive taxation was introduced starting with 2016 however it will not increase incomes of low wage earners due to difficult bureaucratic procedures. Maximum benefit (recalculated from gradual persons' incomes) for low income earners will be 69 euro per year and this amount will be paid only if the person will apply for it. Moreover it will be paid after one year, for instance, money from prepaid taxes of 2016 will be received starting from March 2017.

In order to increase social contributions and social security coverage starting with 2017 for all persons who are employed, with a few exceptions, social taxes will have to be paid as from minimum wage even if the person is receiving less than minimum wage. Still taxation for those who will receive the low incomes will be the highest.

STATE BUDGET AND FISCAL CONSOLIDATION

Trade unions for several years raise concerns over low contributions to the health care system. In the Country report for Latvia 2016 the Commission stated that access to healthcare is hampered by low public financing and high out-of-pocket payments, leaving a high proportion of the population with unmet healthcare needs. Total health expenditure is well below the EU average and a high share of it is covered by private out-of-pocket payments. Public spending is controlled by quotas that drive up the waiting times and make it more difficult for such groups as children and needy persons to receive guaranteed free healthcare. This leads to delayed treatment and high private out-of-pocket payments, including payments to avoid long waiting times. The Latvian population reports since 2010 the highest rates of unmet needs for medical examination. The insufficient public spending for health care was addressed in the CSR of 2014, 2015 and 2016. The government has initiated health care system reform and Latvia is eligible to an additional deviation of 0.1% of GDP in 2017 however the need for accessible healthcare is urgent and the reform is slow. This year there were already two demonstrations organized by the trade unions to draw attention to low public spending on health care system.

In order to meet the target to allocate 4% of GDP to healthcare in 2020 the GDP public investment in healthcare must reach at least 3.25% of GDP in 2017 which is not reflected in the budget of 2017 that lacks additional 23 million EUR to reach the goal. Health care personnel needs an urgent pay raise since remuneration for nurses in Latvia (with overtime) is meeting 90% of national average wage, for assistants of nurses 62%, and for other hospital staff - 64%.

SOCIAL DIALOGUE

The main instrument for discussing relevant policies and reforms, including those related to the European Semester or resulting from it, is National Tripartite Cooperation Council of Latvia (NTSP) and its sub-councils. LBAS is actively participating in the legislation and policy setting discussions in the NTSP.

In addition to the NTSP, certain discussions related to the issues of the European Semester are taking place during the Meetings of the Senior Officials on European Affairs (VAS) organized by the Ministry of Foreign Affairs. Both national level social partners - LBAS and Employers' Confederation of Latvia

(LDDK) - are taking part in the meetings and can express their opinions. Within the structure of the coordination of European issues (VAS) social partners receive weekly lists of policy and legislative initiatives of the EU (COM lists) and can apply to send their opinions on the initiative. The ministry responsible for the relevant issue has to send the prepared position for social partners for consultation. Timely sending of draft positions to the social partners and integration of the views of the social partners in the position depends on the ministry and their practice. It is not always clear how the positions and views of social partners are displayed further.

Annual Growth Survey and the Report for Latvia are most actively discussed during the meetings with the European Commission, that invites for consultation not only social partners but also other stakeholders, e.g. Foreign Investors Council in Latvia and The Latvian Chamber of Commerce and Industry.

National reform programme is discussed within a specific working group of experts. However the group, which involved social partners for consultation in 2015 during Latvian Presidency of the Council of the European Union, in 2016 was rather formal with no discussions of the Report and SCR for Latvia and no social partners' effective involvement in the preparation of the NRP. Therefore impact of trade unions on the NRP is can be described as limited.

DRAFT

MALTA

GWU

LABOUR MARKET AND EMPLOYMENT

The two main challenges that Malta is facing in the opinion of the GWU is the elimination of precarious employment and the integration of migrants particularly third country nationals. While real progress has been made to eliminate precarious employment in general specially in government departments and entities, there is still a challenge in the private sector where workers are not unionized. We have a situation where private entities for example sub-contract production work to contractors who's employees are paid an inferior wage then their colleagues who do the same job but are employees with the company on a full-time bases at the company. The GWU is pushing the Government to legislate a policy on the basis of equal pay for a job of equal value.

The other main challenge which is also linked to precarious employment is the integration of migrants in the labour market for those coming from outside the EU. The GWU has been for the last few years suggesting that the local Employment and Training Corporation (ETC) should set-up a unit within itself to take over the management of all these migrants and thus ensure that they are paid a fair wage, surely not less than the minimum wage, and thus put them in the formal economy for their benefit and society in general.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

One of the main issues that is currently being discussed at the Malta Council for Economic and Social Development (MCESD), which is the advisory forum for social partners to issue opinions the government, is an increase in the minimum wage. besides the yearly cost of living allowance that is linked to inflation. The Prime Minister has clearly indicated in the media that the government is committed to give an increase in the minimum wage but wants the social partners to come to an agreement before taking a final decision on this issue. The Prime Minister however has clearly indicated that in the absence of such an agreement between the social partners the government will decide just the same. In view of this the Chairman of the MCESD, together with an economist is meeting the social partners individually in order to find common ground and agree on principles / recommendations on the way forward.

The GWU is in favour of increasing the minimum wage, the question is how and when this can be implemented without jeopardizing current salary scales in collective agreements and their relativity to the minimum wage and competitiveness. Furthermore, the GWU is also recommending that the Household Budgetary Survey is updated on an annual basis to reflect present day spending patterns and weights so the COLA mechanism which is based on the Retail Price Index is more reflective to current needs.

While increasing the minimum wage will surely have a positive impact on those at risk of poverty, basically the working poor, it may not address those who are solely on social benefits and therefore the GWU is actively proposing the concept of initiating a National Study to identify those who are in absolute poverty or at risk of poverty and the introduction of the Living Wage as a form of complementary future proof measure to combat poverty.

EDUCATION AND SKILLS

Malta practically enjoys full employment with the latest unemployment rate standing at 4.7% while that of youth employment at 9.8% the second best within the EU. As regards the female participation rate Malta has also registered progress in this area with active labour market policies adopted with the change of government in 2013 such as free child care. In fact from a low 33.4% in 1997 this has increased to 53.6% of the female labour supply in 2015. The challenge still remains for those females who are not raising a family in the 45-61 age bracket to return to the labour market.

Another issue is that 40% of the workforce has only a secondary level of education. This is a major challenge for the country if we are to have a more flexible workforce that is dynamic and well trained to meet the growing demands of globalization. The Education Department is implementing a comprehensive strategy for lifelong learning, however participation in lifelong learning programmes is still limited, particularly among those with secondary level of education. Challenges remain in this area include targeted outreach, improved access to training and partnerships between education and training institutions and employers.

PENSIONS, WELFARE STATE, POVERTY

Increasing the minimum wage will have a positive impact on most pensioners as most pensions are linked to the minimum wage. Pensions have also been directly increased in the last Budget with the specific aim of these reaching 60% of the median income by 2027. Tax incentives has also been announced for both employers and employees for the introduction of the Third Pillar Pension system and voluntary collective pension schemes whereby both the employer and the employees contribute for the setting up of such schemes.

However there are still pockets of the population in absolute poverty or at risk of poverty who rely solely on social benefits and cannot join the labour force either due for example to severe permanent disabilities or because of some other reason such as caring for severely disabled persons or people of old age relatives. Therefore it is imperative that a clearly defined policy is aimed at this sector of society that is most vulnerable which policy should obviously have the necessary checks and balances to combat abuse.

As regards the health sector more needs to be done to decrease waiting lists, although progress has also been registered in this area as well. Of major satisfaction for the GWU is that nowadays there are no medicines out of stock for those entitled to free medicine.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Malta according to the EU commission is expected to have a GDP real growth rate of 4.1% in 2016 and is one of the best performing countries within the EU. This has come about through through public and private partnerships, for example in the energy sector government and private investment has resulted in a 25% decrease in electricity tariffs for both private households and industry and 5% decrease in water tariffs. This has made industry including the Tourism more competitive. With the expected conversion of the power plants from running on Heavy Fuel Oil to Liquefied Natural Gas the CO2 emissions are expected to be reduced drastically having a positive affect on the environment. The government through public and private partnership is also heavily investing in the both health and education sectors with contracts being awarded to International Investors for the managing of St. Luke's Hospital and the General Hospital in the sister Island of Gozo. This

partnership is expected to have a positive impact on the country's annual expenditure in this area though it remains to be seen what the actual savings will be.

In the education field a new American University is set to open in the coming years and this is expected to increase Malta's GDP growth by 1%.

Malta is also making excellent use of EU funds with an absorption rate of 78% in 2014. These funds have been used for a variety of projects such as the Oncology Hospital, the Life Sciences Complex, a digital hub, the Youth Guarantee Scheme and a Mechanical and Biological waste Treatment Plant to generate electricity from waste amongst other projects.

STATE BUDGET AND FISCAL CONSOLIDATION

Malta needs to ensure long term fiscal stability through implementing of economic structural reforms to provide for an increased long term economic stability and sustained growth. A more efficient judiciary system shall provide for a more streamlined commercial law and a fairer legal framework for our investors. The increased momentum in labour participation in particular the involvement of the female sector in our economy shall contribute to an increased economic productivity leading to a more sustainable economy and pensions. Government's policies towards free child care centres, tapering and in-work benefits and lower tax rates for rejoining sectors in our employment should be sustained in the medium to long term to achieve EU employability objectives. The Government should also direct policy towards the achievement of an increased accessibility of finance for our SMEs. Malta's economy is predominantly composed of SMEs and improvements in these areas will contribute to overall economic growth mainly from the private sector. In this regard government's decision in the last Budget towards the setting up of an Investment Finance Bank has been welcomed as it is hoped that this is in the right direction for SMEs to access the necessary finance at competitive interest rates.

The Government should continue with the overall policy of reducing its induced economic costs and try to achieve long term stability in fuel prices. The will provide added certainty and trust which is a key success factor in our long term fiscal objectives.

SOCIAL DIALOGUE

The Malta government actively involves the social partners in the European Semester process. However the GWU strongly feels that there is limited time for the social partners to actively prepare themselves due to time constraints and limited resources available at the disposal of Trade Unions.

More often than not the process is more of an informative nature of what the government intends to do rather than a constructive dialogue and exchange of ideas. However the GWU feels that this is not due to lack of willingness by the government of Malta but more due to the tight time constraints of the EU Semester process. Furthermore it is a well known fact that once the CSRs are issued it is very late in the day to influence and change these recommendations. This frustrates sometimes the social partners in that they feel that they do not own the policy recommendations coming out from the CSRs and therefore it becomes more difficult for government to implement.

NETHERLANDS

FNV

LABOUR MARKET AND EMPLOYMENT

Employment in the Netherlands grew rather quickly during the first nine month's of 2016 (plus 130.000) and unemployment decreases with 80.000 in the same period. Still , unemployment is as high as 502.000 (October 2016).

For youngsters it is easier as before to join the labour market. For elder workers there is still a mismatch between demand and supply. In October 2016 the CBS (Dutch Statistical Institute) counts 205.000 long term unemployed people (33.000 less in comparison to 2015). The majority of them - 127.000 - belongs to the age group 45-75 years. Around 50.000 are between 25 and 45 years old.

So, the conclusion is long term unemployment for older workers is also in 2016 a big problem, although the situation is improving. Many of 45plus unemployed has also a migrant background or have not the requested professional skills and qualifications (diploma's). Also handicaped workers have really big problems to find a suitable job.

The (next) Dutch government has to extend their programs to decrease the number of long term unemployed people.

Another problem is the increase of the number of so-called Flex workers in the Netherlands. Almost one third of the working population has a temporary contract. It means lower wages and less rights. FNV has the opinion workers need decent work and decent jobs. The Dutch government has to stimulate the transition of tempory jobs to permanent ones.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

During the last years the wage development was very moderate in the Netherlands. The pay rise for many sectors was around 1 a 1,5%.

Leading Dutch economists but also the minister of Finance, The National Bank and some employers organizations joins our position that a pay rise is good for the economy as well for the workers. In some recently negotiated Collective Agreements (cao's) we have reached pay improvement of 2% on yearly basis, but is has to speed up in our opinion.

EDUCATION AND SKILLS

Last year we mentioned Life Long Learning. Admission to public funded post-initial education. Right to education for employed persons and job seekers by individual training budgets. And special attention for flex workers, the low skilled and senior citizens. Life Long Learning is still an important issue.

Special attention is also useful for the youngsters who quit school without diploma or the right qualification. Although the number of this group is diminishing still 50.000 drop-outs left school and have problems to enter the labour market. In particular for youngsters with technical skills the growing economy offers many possibilities. But there is a large gap between supply and demand of labour within this segment of the labour market.

PENSIONS, WELFARE STATE, POVERTY

Although we have a solid pension system in the Netherlands there are severe problems. One issue is the changing rate between the number of the working people in comparison to the retired group. In the past the rate was 4:1 and in 2020 it will be less than 3:1.

Another issue is the interest rate for bonds. Pension funds in the Netherlands own quite large quantities of bonds. The interest is historically low - in some countries below zero for 10-years bonds - but moving a bit upwards since the election of Trump. Low interest in the Dutch system means larger obligations for the future and perhaps cuts in pension benefits for some funds on the short run. On December 31st, 2016 the situation will be more clear.

Poverty is a rather big phenomenon in the Netherlands. Relatively spoken we are a rich country, but on the other hand there is a group of almost 1 million people who lives in poverty according to our standards (1000 euro is a minimum income for an individual and 2000 euro for a family). Also after two years of economic growth the group is still stable and not decreasing. Special attention from the side of the government will be needed.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

After six years of recession the Dutch economy is in recovery since the second half of 2014. The rather good performance of the Dutch economy in 2015 continues in 2016, with quarterly growth of 0,6% during the first three quarters. Export was the stimulus during 2014 and 2015, in 2016 it is domestic demand which contributes to the growth. A tax relief in the beginning of 2016, improving consumer sentiments and slightly higher pay rises are responsible for this. Also investments are moving upwards, in particular housing is booming.

In our opinion more tax reliefs for workers would be favourable in the near future and also higher pay rises (as mentioned earlier). Additional investment programs on Research & Development, Care, Education and Infrastructure and (social) Housing are necessary. The state budget situation has improved during the last years and there is (almost) no deficit anymore. The right moment for a 'investment injection' according to the FNV

STATE BUDGET AND FISCAL CONSOLIDATION

The national debt in relation to the BNP moves to the 60% in 2017 and the budget deficit is almost zero. The deficit transforms to a surplus in 2018. So, there are possibilities for tax relief for workers in later years and investment stimulus on the short run. A budget deficit of 1 a 2% is acceptable in our opinion and that means additional investment plans of several billions euro's.

SOCIAL DIALOGUE

Social partners are involved in the process of the European semester, formally and informally. In December 2016 we will have a meeting with the officials of the Hague Bureau of the Union.

DRAFT

POLAND

NSZZ « SOLIDARNOŚĆ »

LABOUR MARKET AND EMPLOYMENT

1. Long-term unemployment.

An important problem of the Polish labor market is the large number of people unemployed in the special situation on the labor market - including the long-term unemployed. The long-term unemployed according to Polish law is a person remaining without work for 12 months during the two years-time. In art. 49 of the Act of employment promotion and labor market institutions is listed group of persons recognized as being in a special situation on the labor market. At the end of September 2016 status of a person in special situation on the labor market in Poland had 1 148 000 people, which means that 87 out of 100 unemployed met the criteria to be classified in this category. The number of long-term unemployed is 747.000 people, ie. 56.5% of all registered. Illustration of the scale of the problem of long-term unemployment and comparison can be data presented by GUS where at the end of the third quarter of 2015 the number of long-term was 638.200, which accounted for 51.5% of the total number of unemployed in register.

According to the above, action should be taken to set a priority in polish social policy - as preventing and combating long-term unemployment.

2. Uncontrolled external labor mobility.

Labor mobility is an important mechanism for resolving the problem of lack of professional skills in some EU countries. While certainly it will not cause the reduction of discrepancies in the labor market between countries. The outflow of people from the following countries of Central and Eastern Europe for the richer countries of North West Europe. It should be noted that the outflow of people is the largest in Spain and Poland, and migrants are usually young and well-educated. There is no doubt that at present the EU has not developed protective mechanisms for Member States, from which outflow of human resources is the highest. The Commission document COM (2015) 700 under the name "Joint Employment Report of the Commission and

the Council accompanying the Commission Communication on the Annual Growth Survey 2016" shortly states that such a situation is: "some challenge for left countries, even if they contribute to the cash flow. " In this respect, it is an analysis needed and protective measures must be taken for the regions which regularly occur outflow well educated and usually young workers. On the one hand, host countries, these individuals do not bear the costs of their upbringing and education, and on the other for their work building their own economic growth - at the expense of a growing diversity of regional labor markets. It is necessary to consider the possibility of co-financing from the EU institutions disadvantaged regions of the long-term outflow of human resources.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Challenges

- The main challenge in this field is weakness of collective bargaining system. It is highly decentralised with lack of sectoral collective agreements in private economy. Additionally the company level agreements are more and more often replaced by wage and work regulations introduced by the employer only after consultation with workers' representation.
- The low wage dynamics is the second important challenge.
- These 2 elements are closely linked. It means that Polish system of collective bargaining is not able to lead to a fair balance between the incomes of workers and the profits of business. The result is the transfer of savings from households to businesses. But the latter do not invest the resulting profits, not in human capital as well. In this way, Poland falls into the trap of average growth.
- The heavily labour market segmentation favors such a situation (high proportion of fixed-term contracts and growing number of solo self-employed economically dependent).
- Currently one can notice the changes on labour market. In many sectors it converted into the employee's market (as a result of the rapid fall in unemployment - 8,4% in September 2016). The absence of bargaining mechanism of wage determination causes that wage growth in private sector is chaotic and unpredictable what affects negatively the stability of the national economy.

Best policy options

- The promotion of collective agreements by public authorities and the removal of legal obstacles to their development (including the introduction of effective mechanisms for concluding and extension sectoral collective agreements) is a desirable political option. It can ensure that pay rise will be delivered in orderly manner through collective bargaining.
- In this respect we are of the opinion that European Commission should be more helpful and should reformulate its approach towards relationship between CB and competitiveness in Poland. For example the neutral expression included in Country Report 2016 that Poland competitiveness is safeguarded by contained wage growth which is attributed to the limited bargaining power of employees as a result of factors such as very decentralised wage bargaining system, seems to suggest that there is no objection to current situation.

Facts

- The collective bargaining coverage in Poland is amongst the lowest in the EU (15%, Visser 2015). It's difficult not to link this fact with data below
- For last 20 years the wage share in GDP has been declining. Although this phenomenon is observed around the world, it exceeds global trends in Poland. According to research made by Kalecki Foundation (<http://kalecki.org/udzial-plac-w-pkb/>) in years 1995-2014 this decline in Poland was the largest in the EU and amounted to 12% (UE 28 - 1%). In 2014, the share of wages in GDP in Poland amounted to 47% and was significantly lower than the EU average.
- There is a large gap between productivity growth and real wage growth. The OECD estimates that it amounted to 20% in the years 2002-2012 (OECD Economic Survey Poland - March 2014).

PENSIONS, WELFARE STATE, POVERTY

In October of 2017 the new pension age will be introduced. According to the new law, the pension age in Poland will be again 60 years for women and 65 years for men. The decision had been made by the government because of social expectations (first of all the trade unions), as the liberal government in 2012 despite of disagreement of majority of Polish society decided to gradually rise the pension age for men and women to 67 years. Nevertheless NSZZ Solidarno[], similarly to other representative Polish trade unions, expects to continue the changes in pension system in order to enable workers with long working lives to go on pension

irrespective of their age. The provisions are needed, as in Poland there is no possibility to go on early retirement for workers who have worked long periods (40 years for men and 35 years for women), and at certain age are not able to work intensively any longer. The changes in pension system are at the stage of consultation and so the nearest year the government should devote on bringing commonly agreed solutions.

There is an urgent need to start formulate framework for longtime care system in Poland. So far only few initiatives has been taken in order to meet the special needs of dependents and not always they are coordinated. The system should be complex and embrace all dependents: disabled, chronically ill or injured in accidents and especially those in elderly age, as according to the statistics the number of population in age of 65+ is growing every year. And within the group the needs are growing the most quickly. When the state supported care in not available or affordable, people in need of support or care have to rely on family members. These unpaid, informal carers - mostly women - struggle to reconcile work and care responsibilities. Without state support and regard for their situation in corporate policy, they often are forced to leave jobs. However the solutions should apply also to those who cannot relay on their families and for that reason the longtime care system should be well planned and consulted. The provisions should apply, among the others, to income support (care leave), institutional support for the dependents and their caregivers and also to development of geriatrics healthcare.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

The level of domestic investments remain at a low level. Year-on-year investment growth amounted to 5.8% in 2015, while the forecast for 2016 is 1.1% (data comes from the substantiation to the Budget Act for 2017). At the same time, the share of investment in GDP in 2013 in Poland was 19.4%, while in 2008 it was 22.6% (Eurostat data). So, noticeable is negative trend. It is worth noting that to a large extent investments depend on the foreign capital, which reduces the resilience of our economy to a sudden outflow of foreign capital. Action is needed to increase domestic savings, which in the long term will be conducive to investment and reduce the sensitivity of the economy to the situation abroad. This is favoured by a program of family support 500+ in which families have more than one child (or a child with income per family member below 800 z) receive every month 500 z. The first signs of growth in savings are noticeable, but it is difficult to determine how they will be developed in the long term.

It is also necessary to run as soon as possible funds from the EU. Poland is in transition period between the previous and current financial perspective. This is reflected in the data on investment expenditure of local governments. Especially low is level of enterprises investment. Most often they indicate as the cause of this situation, the complexity of Polish law, especially tax regulations. It is necessary to develop a much more clear regulations in this area.

It is important to invest in the real economy. There is a need to continue the debate on the re-industrialization. This course provides good jobs, and at the same time promotes innovation. Without them, the Polish economy in the long run will cease to grow. However, expenditure on research and development remained at a very low level. In 2015, it was 1% of GDP, when EU average was 2.04%.

Constitutional Court's judgment which indicated that the amount of tax-free amount should be at least a minimum of existence has not been implemented,. Currently, the value of tax-free amount is among the lowest in Europe, which burdens most people who earn less.

Still there are maintained increased rates of VAT - 23 and 8 percent. Solution introduced in 2011, was to be a temporary, related to the difficult economic situation. Now we observe that this become permanent solution.

In Poland remains still low level of tax progression, which definitely rewards those with higher earnings. Nearly 98% of people calculate personal income tax at the rate of 18%, which in practice means that in Poland there is a flat tax. Quite often people with the highest salaries obey a higher rate of tax (32%) by setting up one-man business, which provided for, among others, tax rate of 19%.

We observe the phenomenon of tax evasion. Currently, the amount of unpaid taxes is estimated at about 50 billion z. Clearly, this limits the capacity of the state in the implementation of social policy and pro-growth policies. We see the improvement of tax collection, which has a positive impact on budget revenues, however, difficult to assess to what extent it is a permanent phenomenon. It is very important that a lot of budget

The government announced the introduction of a single tax, which is to replace all public levies, or taxes, e.g. insurance contributions, health care contribution and others. Not known, however, detailed solutions. This will certainly be the subject of a broad debate among the social partners and the government in the near future.

An important social problem in Poland remain relatively high income inequality. In 2015, the Gini index in Poland was 30.6. Since 2005, it declined by 5 points, but it is not satisfactory for the

"Solidarity". We note that in the early '90s it fluctuated within 26-27. Through appropriate tax policy it is possible to reduce the income gap. In the economic debate, inequality is mentioned as one of the factors limiting growth, which is why the fight against this problem is so important for us.

The aim of the environmental policy in Poland is to search for a balance between economic growth and environmental protection. In Poland, this is particularly important because the Polish economy is based on energy from coal. "Solidarity" is in this regard in a moderate position. We believe that it is possible to use natural resources in a rational way, in order to protect jobs. Poland managed to reduce CO2 emissions by approximately 30% compared to 1988. Objective set out in the Kyoto Protocol is 6%. In this regard, the "Solidarity" believes that the tightening of climate policy is not advisable.

STATE BUDGET AND FISCAL CONSOLIDATION

The imbalance of public finances in Poland is structural and requires reform. Reforms in recent years focused on expenditure restraint

Activities in the field of socio-economic policy should help to increase the potential of the Polish economy. Indirectly, through a positive impact on revenue, they should also promote long-term sustainability of public finances. The main factor influencing the economy should focus on public investment and private investment.

Unfortunately, to date, fiscal policy was based on austerity rather than development, eg. by freezing wages in the public administration, to freeze the indexation of tax-free amount, the high rate of value added tax. This type of policy transfers the responsibility for the economic crises directly to the citizens.

2017 will be the first year in which the increased social expenditure related to the program to support families with children will be valid for the whole year. This program was created in response to ongoing since 1989, unfavorable demographic trends.

In connection with the support of disposable income of households under this program you can expect that in addition to the positive effects of economic growth associated with higher fertility rates and, consequently, higher labor supply in the medium and long term will also be positive effects on the growth potential associated with improving the quality of human capital.

Due to the high level of the deficit planned for 2017, should be further, the work in-depth on the revenue side of the budget in such a way that in the next year in a row, do not run out of funds necessary to raise wages in the public sector and the announced change in indexation of the lowest pensions .

Emphasis should be placed on the growth of budget revenues from the operations of sealing the tax system. It is estimated that the expected financial effect of these actions may cause an increase in tax revenues in the years 2017 -2019 in the amount of 22 to 33 billion z.

SOCIAL DIALOGUE

In 2012 the Interdepartmental Team for "Europe 2020" was established as an advisory and consultative body of the Prime Minister. It is chaired by the Minister of Development.

The tasks of the Team include:

- 1) issuing opinions on draft National Reform Programmes, and other documents prepared in connection with the monitoring and implementation of the strategy "Europe 2020";
- 2) issuing opinions on draft strategic documents prepared by government administration bodies in terms of their compliance with the NRP in order to ensure complementarity of actions implementing the national strategy "Europe 2020";
- 3) participation in monitoring and evaluation of the implementation of structural reforms referred to in the NRP, and preparing recommendations for increasing the effectiveness of the strategy "Europe 2020";
- 4) strengthening of cooperation and co-responsibility for the implementation of the strategy "Europe 2020" at the national level through the promotion and ensuring effective communication with the socio-economic partners.

The Team gathers organizations of employers and trade unions representative within the meaning of the Law on the Council of Social Dialogue. The experience of the Team led to the establishment of the Working Group on European Semester within the Council of Social Dialogue.

Definitely, it is necessary to strengthen the participation of social partners in the preparations of

the National Reform Programme as well as assessment of its implementation by including in this process the Council of Social Dialogue which is a body for tripartite social dialogue. This is the forum where there is a possibility of preparing employees and employers' joint positions on the documents of the European Semester, economic and social strategies. Such common positions could enhance the impact of the social partners on the final shape of the National Reform Programme.

DRAFT

ROMANIA

BNS

LABOUR MARKET AND EMPLOYMENT

*Weak interconnection between the labor market institutions in Romania: - Over the period 2010 - 2015 Romania had one of the highest growth rates in Europe. Employment rate increased due to the faster pace of the total population decrease compared to the working population. The labor market has been quite resilient during the crisis and later on, mainly due to the structure of employment, as self-employment and employment in agriculture were almost intangible areas. Manpower reserves are increasingly difficult to activate. The number of unemployed (ILO) who have never worked has increased steadily over the period 2009 - 2015. **Fig 1:** Romania has one of the lowest unemployment rates but hides a structural unemployment and the trend is ongoing. Effective involvement of the social partners in the development and especially in the implementation of the activation policies could lead to a better spread of measures. It is essential to have a dialogue with the social partners and also with the local authorities. It is necessary to allocate adequately time for public debate and evaluation. Auditing databases created in the various institutions and finding a proper correlation is also an urgent necessity. It is necessary to develop more concerted policy to combat undeclared work. Sustainable economic growth must be stronger reflected in the standard of living of the population, translated in the revision of base model of development adopted by Romania and finding the right balance between competitiveness and social justice.*

*The labor market strain: Labor market has been experiencing since 2014 a continuous phenomenon of stress. No reforms in the education system as well as the activation policy of the inactive population emphasized the gap between demand and supply in terms of labor. A strained labor market refers to the ease with which employers manage to fill vacancies by calling on the ILO unemployed. **Fig 2:** 3 regions of Romania - West, North West and North East are facing, since 2013, a significant widening of workforce deficit. It becomes increasingly difficult for companies, whose demand for labor is growing, to identify suitable candidates. In 2 out of 8 regions the number of job vacancies for higher educated workers surpasses the number of registered unemployed with higher education. Emigration continued to affect the human capital, thus complicating further the imbalance in the labor market. Linking the educational system with the labor market needs is increasingly urgent. Occupational forecasts are required in order to allow the adjustment of the educational system in the medium and long term, and dedicated tools are required. Increased investment in the workforce, including*

salaried professionals, is needed to boost the mobility and thus to reduce the risk of unemployment or inactivation. Responsible management of the workforce migration policy is urgently needed.

Stimulating employment by active policy recalibration - PES has a partially correct approach regarding the active labor market policies revitalization, but completely wrong sized and devoid of any customized dimension. The target audience is uninformed and reluctant whenever its active involvement is requested. With a few punctual exceptions (boosting mobility) financial resources that accompany active measures are insufficient or even ridiculous. Only 70% of the ILO unemployed are registered, but the percentage is falling steadily. The lack of adequacy of benefits and services provided by PES have generated this trend. *Fig 3. Promoting policies that reinforce the delivery and monitoring capability (at suppliers) of the services by PES, including through joint programs with representative social partners. Promoting policies that translate into bringing closer the target audience, and better and more accommodating approaches for its real needs. Concluding partnership agreements with relevant labor market stakeholders to identify and exploit opportunities and secure quality in employment.*

A big problem in Romania consist in **securing the access to services / active measures**, namely the limited access of the job seekers at the employment services. Quite often these services are not known. Most often individuals in rural areas can access them with some expenses (e.g. logistics) that they can hardly afford or they simply cannot access them at all. *Possible solutions are twofold: more comprehensive communication campaigns and more targeted to the target audience, and providing opportunities for interaction with the PES experts.*

Youth situation is still difficult. Moreover, in 2016 Romania has not implemented any project addressing youth integration in the labor market. *To supplement the financial measures to stimulate mobility, active policies are needed to stimulate investment in areas with surplus manpower, whatever their nature and regardless to whom they are addressed. Resumption of financing projects in the Youth Guarantee program.*

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Upsetting the system of collective bargaining and excessive strain placed on labor relations Since 2011 Romania is experiencing an excessive flexibilization of the labor market. Changes in labor law and social dialogue in Romania generated the most significant correction and flexibilization of the labor market and labor relations. The disappearance of the single national collective agreement along with the modification to defining the sectors and representativeness criteria have completely disrupted the system of collective bargaining. The lack of interest of the executive in social dialogue is expressed as well by the fact that in this moment there is no collective agreement for any sectors of the economy, as defined in legislation.

High criteria of representativeness at sector and unit level, and the mechanism of coordination of collective labor contracts have dramatically reduced the number of employees and employers covered by a collective agreement. The correspondence between the high level required by legislation and the attributes offered to organizations as a result of obtaining this representation, is completely disproportionate. Social dialogue at sectoral level is nonfunctional, and the lack of representativeness among partners excludes any attempt to negotiate a sector-level contract / collective agreement. Coverage of employees by collective agreements was reduced dramatically and steadily since 2011. *Amending legislation to ensure free and full exercise of fundamental rights such as freedom of association, right to collective bargaining and collective action is needed to revive the system of collective bargaining.*

We ask for the urgent modification of legislative issues that generated the reduction of coverage of collective agreements, namely: representativeness criteria, the mechanism for extending collective bargaining based on sector, mechanism for opening / closing collective bargaining, monitoring collective agreements, institutions of employee representation, conditions and mechanisms for triggering labour conflicts, manner of establishment / affiliation of the social partners.

Lack of the national and sectoral collective agreement drastically reduced the number of unit level collective agreements and a **very poor coverage of employees by collective agreement**. Less than 20% of companies in Romania who were compelled to negotiate a collective agreement have completed this process by signing a collective agreement, and only 15% of these contracts were signed with trade unions, the rest are signed with the employee representatives. **Fig 4:** The effects of reducing the share of employees covered by collective agreements are already visible on short-term in the mechanism for the distribution of added value. In the long term it will lead to more precarious working conditions and strained industrial relations. **Fig 5:**

The disappearance of the single national collective agreement, decimation of collective agreements at sector level and in many cases the transformation of the few collective agreements at company level have reduced the possibility of having a coherent, development oriented wage policy. The only remaining leverage for the wage policy in the competitive sector is the **minimum wage**. In 2015 approximately 25% of the full-time employment contracts were concluded with the minimum wage. Although in recent years the minimum wage increased, the effects on employment were insignificant or very small. Also over the period of 2010 - 2015 Romania has reduced the unit cost of labour due to faster increase of productivity compared to wages. **Fig 6:** Romania ranks second among the Member States by the growth rate of productivity per person (20.3% compared to 2010, and this rate is about 6 times higher than the EU average. Even if the increase in the minimum wage led to salary increase, the average wage increased in the period 2015 - 2010 slower than productivity.

We consider necessary to introduce a mechanism of annual adjustment of the minimum wage but we consider that this mechanism must follow the minimum wage to be fair and equitable.

Minimum wage must be universal, the same for all workers in Romania. The national minimum wage should not be a substitute for collective bargaining. The main purpose of this instrument is to become a minimum threshold for the whole economy.

It is high-time that Romania abandons the policy of low wages as the main factor of productivity growth. Linking wage increases with at least the productivity growth, at least where such a correlation may apply.

It is also urgently necessary to restore the soundness of the collective bargaining system to increase the share of employees covered by collective bargaining agreements, as it is known that the level of coverage and coordination of collective bargaining has a direct influence on wage growth.

EDUCATION AND SKILLS

Not adapting programs and curricula to the specific requirements of the labor market - Romania is facing a severe shortage of human resources with proper vocational training as result of unsuitable study programs in the secondary and higher education and lack of adaptation to labor market needs in terms of quantity (number of graduates over the absorptive capacity of the market) and quality (graduates certified in irrelevant specializations). *Adapting the curricula and programs and adapting to the specific labor market requirements - Study programs should be recalibrated, namely by rethinking the curricula (in general and VET) and ensuring adequate number of participants in the VET, by jobs that are sought and in accordance with the relevant sets of skills sought by the businesses. One possible answer is to promote proper dual education.*

Absenteeism / early school leaving - In Romania absenteeism is already chronic and in terms of early school leavers Romania ranks 28th in the EU28. The causes are complex, and the implications are serious. The acquisition of skills is heavily affected, both generally (PISA tests confirm the situation) and professionally - in the case of VET (the shortage of skilled labor force is edifying). **Fig 7: Reducing absenteeism / early school leavers - Prophylaxis and treatment of the phenomenon, both within school activities (monitoring and use of data collected, school transportation, health individualized assistance, participation of major social stakeholders at the local level to activities of knowledge, preparation and expanding programs such as "school otherwise"), as in the outer perimeter of the course program (support measures for students from vulnerable groups, school after school, school for parents, active engagement between school and social assistance and / or public employment, organizing contests and competitions for the mass of students / youth etc) are ways that can help reduce absenteeism.**

Monitoring post-graduation professional insertion - Post-graduation monitoring programs (secondary and tertiary education) are non-existent in terms of results. They are either unknown or too vague and inconclusive. A possible cause is the fact that only universities are authorized to conduct monitoring projects for the insertion of the

graduates, including for the secondary level. *Monitoring post-graduation professional insertion - At national and regional level specific activities must be undertaken to collect specific data on post-graduation insertion. These programs are essential for the study programs calibration and for drafting active training / employment policies.*

Providing inadequate lifelong learning programs - Amid an acutization of the skilled labor shortage, LLL programs are deficient for all categories (employees and unemployed, including NEETs). **Fig 8: Promoting learning / lifelong learning programs - Active promotion of LLL programs, adapting public employment service resources in this respect, promoting projects of profile and alignment of these programs with the labor market needs.**

Analyses and forecasts targeting the skills needs - In Romania there are no profile forecasts developed by the state institutions, neither in terms of estimation of necessary skills nor in terms of a viable economic strategy (there are only a few guidelines included in the Economic competitiveness strategy 2014-2020). *Launch of integration programs of the institutions and providing the necessary resources for the development of analyses / forecasts locally, regionally and nationally. It is necessary to promote them to all the stakeholders (employment, businesses, social partners, schools, institutional environment, etc.)*

Policies for the acquisition of skills / providing a correspondence between the skills demand and skills acquisition programs - Training programs and labor market needs are not known/ advertised among those who are genuinely interested or they are ignored. In the absence of analyses and efficient observation of the labor market, the correspondence between the curriculum / vocational training and job offer / demand of skills remains a partly satisfied dream and strictly endemic. **Fig 9: Lifelong learning and VET policies must be promoted in a smart and active way, focusing the target audience (those in search of jobs, with priority) directly, and the impact of communication must be assessed in order to adapt it. Programs for retraining / certification and lifelong learning for employees and unemployed persons should be implemented in conformity with the labor market needs.**

PENSIONS, WELFARE STATE, POVERTY

The sustainability of the public pension system. Social protection systems are strongly affected in recent years, on the one hand, by the reduction of contribution rates and, on the other hand, by the increasingly stronger trend of creating parallel systems to the single national systems. Solidarity based on which these systems are built is becoming less relevant as construction principle, especially if we consider the public pension system. Ageing emphasizes the pressure created by the faulty policy decisions taken in the management of social security systems. Quality of contributions and level of benefits granted by the system components are still far from those practiced in Europe, although

there have been changes in the rates of contributions. However, the system is still too expensive looking at the benefits provided. In addition, partial privatization of the public pension system will create a problem that will be addressed in the medium term. The growth chart of contributions transferred to the private system was temporarily stopped. Profitability achieved by these funds is very modest and in some cases it is even negative. *Making a decision on the 2nd pillar of pensions is urgent, given the decision to stop increasing the share of contributions transferred to pillar 2, and the fact that in all Eastern European countries that applied this pillar 2, the requirement of compulsory participation in this private system was waived. Ensuring sustainability and financial stability of systems, while ensuring an adequate level of protection is needed to prevent the risk of poverty for those who use the system. In our opinion, returning to a single public pension system should be a priority. We believe that equalizing the retirement age is not opportune at this time. Without adequate tools to enable such an initiative, the persons covered by this decision would be at risk of poverty, given that women in the work category in question have great difficulty in obtaining and keeping a job.*

The benefits of the unemployment insurance system are completely inadequate. The unemployment benefit is now extremely low, and determining its amount is largely unrelated to the principle of contribution. Therefore, a large number of unemployed are at risk of poverty. **Fig 10:** *Therefore, it is necessary to review the unemployment benefits system to ensure income security and also to prevent the risk of poverty.*

High risk of poverty - especially for families with children. Romania has the highest rate of poverty risk in Europe, although in 2015 it decreased compared to previous years.

Romania has the highest poverty risk rate in employment, especially for families with dependent children. The effects of its social policy is marginal and tax incentives that could complement the effects of social policy are available only to businesses. **Fig 11:** *Adequacy of the social assistance system is essential. Certainly, undue access to the system should be limited, and also the level of benefits granted must be consistent with a set of social indicators.*

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

In our opinion, Romania has developed and continues to develop a model of economic competitiveness based solely on low costs. Low wages policy and the unfair distribution of added value very quickly turned the advantages in disadvantages. Romania has no trend at the moment able to bring it closer to the living standards of the population in western Member States. Growth is becoming increasingly inequitable and this accentuate tensions within the Romanian communities and society in general. *We believe that Romania needs a more equitable distribution of the results of economic growth and a model of competitiveness increase*

that would not be centered solely on low costs. It is necessary to eliminate the pressure of austerity policy on wages avoiding social disaster and securing reassessment of workers as the main engine for a competitive development.

Fiscal policy in 2016 was marked by significant tax breaks granted to businesses given that there were not enough promoted measures to facilitate the increase of the collection of taxes. Moreover, the measures are gradually introduced and will be implemented in 2017 and 2018. The effect of voluntary compliance was clearly overrated.

Measures needed to improve the applicability of collecting taxes and contributions. These measures are permanently deferred because they are insufficiently prepared, often the adoption is made without consulting the taxpayers but when problems arise in implementation, under public pressure, the authorities give up and deadlines are continuously delayed.

High levels of evasion and low levels of tax compliance remain a challenge. There is an inability manifested in several institutions to coordinate a territorial apparatus, instruments created are insufficiently tested, and in many cases groundless taxation decisions were issued - all these discredited the system. The tax system fails to create a clear basis to start with. Tax provisions are often vague, leaving room to interpretation that put taxpayers in positions of risk, tax authority fails and does not want to provide guidance to taxpayers. Quality of databases is often questionable, each system is developed in its own way and it is incompatible with systems created by other public institutions.

Illegal employment and income declared at a lower value than the real one continue to affect tax revenues. Labour Inspection capacity remains limited. Labour Inspection capacity is insufficient to ensure effective monitoring of the labor market especially outside major cities and in the case of small companies. The lack of correlation of the legislation, limiting the influence of the social partners that could support the improvement of the supervisory process are just two of the factors that limit the ability of the Labour Inspection.

Coordination of the institutions - Labour Inspection faces difficulties in the transformation from institution meant to record employment contracts to an institution of control. Electronic records of employment contracts are not completely managed by the Labour Inspection, and the database is not built as a tool that allows processing to identify potential undeclared workers. There is no collaboration between the labor inspectorate and local authorities to sustained activities aimed at combating and preventing undeclared work. *Real public consultation can improve the degree of compliance in tax collection. More firmness is required from the public authorities in implementing the solutions undertaken. Institutions must work together, existing information has to be correlated. Tax authorities should make efforts in order to collect the information they need from institutions that already hold this information and only if*

that information is not available the taxpayer can be asked for it. Carrying out joint control actions may also constitute a solution.

Taxation of low wages. As a result of dropping progressivity and given the increase in the minimum wage in recent years, there has been a marked increase in the level of taxation for employees who earn an income at the minimum wage level.

If in 2005, for the minimum wage the tax paid was 0, in 2016 the effective tax rate for a person earning minimum wage and without dependents is just over 9%. In 2005, 72% of employees had salaries below 1,000 RON, thus benefiting from basic personal deduction on maximum level. In 2012 only 30% of employees still had access to such deductions. **Fig 12: Fig 13:**

Romania needs to implement a budget and tax policy that are both responsible and long-term sustainable. Fiscal policy must be a mechanism to ensure a more equitable distribution of the outcomes of economic growth. Therefore, it has to be friendly to low wages or insure the reduction of tax burden for low- and middle-income employees. It also requires greater efficiency and effectiveness in terms of taxes, simplified tax legal system and fiscal management.

STATE BUDGET AND FISCAL CONSOLIDATION

The convergence program is moving away from the medium-term budgetary objective of 1% and it does not foresee a return to it.

In recent years the social partners were not involved in the drafting of the National Reform Programme. Moreover, these documents were not submitted for debate even in their final form. Generally, the involvement of social partners in developing strategic documents is limited only to public consultation carried out with all stakeholders. Tripartite social dialogue no longer works, it exists only formally at ministerial level and at the level of some prefectures.

The only nationwide consultations held within the European Semester are those initiated by the European Commission Office in Bucharest.

The last amendment made in November concerned the closing of 2016 budget year with a deficit of 2.8% of GDP. The fiscal incentives already regulates for 2017 and 2018 will keep the budget deficit over the assumed objective of 1% of GDP.

Only in 2019, in an optimistic scenario, is envisaged a better situation in terms of the budget deficit target. The need to correct inequities created in the public sector pay system will also contribute to increased budget spending.

The announced measures such as taxes, contributions or taxes using the bank card are rather marginal, as the time required for card payment, payment to be made in the headquarters of the financial administration, is sometimes greater than the cash payment due to the limited number of such machines but also because this is a novelty for the clerks.

The electoral campaign has delayed the preparation and approval of the budget for 2017 and therefore, 2017 will start without an approved budget.

Given the foregoing, we believe that it is necessary to increase the level of tax collection axes and social contributions. To strengthen the fiscal policy is required an increase in the share of revenue collected in the GDP. The proposed measures, such as removing from the DIICOT duties tax evasion or decriminalization of tax avoidance for amounts less than 50,000 RON will weaken the position of Romania and will not help increase the collection of taxes.

It is essential to have a real public consultation on such intentions. In all too many cases the deadlines are very short, and in all cases there is no feedback on the proposals submitted.

SOCIAL DIALOGUE

It is obvious that **the direction of the Central and Eastern European countries is not convergent with the principles governing industrial relations and social dialogue in the old Member States.** States in the region have experienced various economic growth models, but these models have nothing in common with social progress. This is obvious from the type of economy they built, in excessive disparities, in huge risk of poverty, especially in families with dependent children. By changing the labour law and social dialogue, Romania has made the most significant correction and flexibilisation of the labor market and labor relations. Romania still has to find an appropriate mix between competitiveness and social progress, and this can only be achieved based on a solid social partnership. Maintaining this tension creates a lack of trust between partners and a vicious circle in partnership relationships. Social dialogue in Romania functions without objectives undertaken by all three partners involved, it is inertial, and the results are disappointing for each party. Lack of objectives led to tense relations and lack of confidence in the usefulness of social dialogue. Legislative changes. Labor Code and the Social Dialogue Law of 2011 have started the **precarization of social dialogue.** The effects have been emphasized by the lack of reaction of trade unions, and in particular by the formalism established by the public authorities in this process. Tripartite social dialogue was marked in this period by lack of functionality of two key institutions - the National Tripartite Council for Social Dialogue (CNTDS) and the Economic and Social Council. NTCS is a dysfunctional institution, although it has more than five years of existence. Most of its key responsibilities have never been tackled. Regarding the National Economic and Social Council for almost a year this institution has been unoperational. In ministries and local level social dialogue the situation is the same. There is no coordination of the process. In most cases the consultation is formal, draft laws are sent 2-3 days before the meeting, making it impossible to formulate any relevant viewpoints. There is no feedback to the views expressed by the social partners. At this point, social dialogue is seen as a formality by social partners, a process without importance, just an exercise that has to be done because it is required by law, without attempting to give it any utility.

Destruction of the collective bargaining system at sectoral and gradual replacement of unions with employee representatives in collective bargaining at the unit level damaged

the capacity of social partners. The lack of a well-defined and adapted institutional and legal framework translates into a major shortcoming, likely to compromise the attempts to optimize social dialogue. Social dialogue at sectoral level is non-functional, and the lack of representativeness of partners excludes any attempt to negotiate a sector-level contract / collective agreement.

Access to finance for social partners is reduced, in most cases, which translated into weak response capacity and low participation rate of social dialogue partners. The major problems faced by the social partners (lack of financing, formalism of dialogue processes, institutional inability, disinterest in some cases) affect their involvement in the public policy making process.

Promoting social dialogue must be a central responsibility of the Ministry of Labor. The effectiveness and robustness of industrial relations depend on the government's ability to act as a decision maker, as an administrator, and, in the case of tripartism, as a participant. Clarifying the role of social dialogue, continuous optimization and adaptation of social dialogue to the economic and social developments in Romania, in the European context, we believe that must be the starting point in the restoration of a genuine social dialogue. Legislation should be reviewed, optimized and completed, including the institutional framework, in line with the realities of the economic and social environment. Increasing the capacity of the stakeholders involved in social dialogue (institutional, social and economic) to act on the specific processes at all levels (information, consultation, negotiation and agreement / pact / contract) should be considered, including increasing and optimizing the involvement of social partners in developing and implementing employment policies.

DRAFT

SLOVAKIA

KOZ

LABOUR MARKET AND EMPLOYMENT

Priorities in the field of employment and labour market are guaranties of employment protection laws and unemployment issues. As we see the unemployment rate of Slovakia is nowadays under 10%. We are still on long way, because the most problematic issues are youth unemployment, unemployment of older people and long-term unemployment.

The specific issues as women participation at labour market, long-term unemployed and marginalized groups were in country specific recommendation 2016 and we truly agree with them.

Recent Labour market reforms and theirs measures as for example temporary reduction of the tax wedge when recruiting the long-term unemployed, reduced health insurance contributions, and in-work benefits, workfare policy to activate long-term unemployed receiving social benefits help to decrease the unemployment rate.

Unemployment issues are in every country specific recommendation so we don't need to emphasize this.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

In the field of collective bargaining the main challenge is extension of the collective agreements through the sector. We need government and public support for promotion the importance of collective bargaining and collective agreements.

Slovak minimum wage is not in the meaning of European Social Charter. The recommendation is, that The decent wage must exceed the minimum threshold, set at 50% of the national net average wage. This is the case when the net minimum wage exceeds 60% of the national net average wage.

We emphasize that the wages are really low in comparison with other European countries. Labour productivity is 83.4% of European average but the average wage is just 30.6% of European average.

We can see, that there is no negative impact of minimum wage on unemployment rate in Slovakia therefore there is enough space to increase it. The impact of increase minimum wage

is on all wages because of minimum wage levels that we have. On the other hand we have to say that during the last negotiations of minimum wage for years 2014 - 2017, the level increases by 23.6%.

Best policy option to address this challenge is to continue in increasing the minimum wage and find working mechanisms to keep recommended level of minimum wage. Due to huge different wage levels between European countries, the essential thing is convergence within the countries.

PENSIONS, WELFARE STATE, POVERTY

This is also recommended in country specific recommendation 2016. There is a need to improve educational outcomes by making the teaching profession more attractive. The essential thing is change of educational system to have better connection between educational system and labour market needs.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

As we have one of the highest growth in the EU, trade unions demand more public and private investments. At our situation we see that the domestic demand growth (comprising consumption, public and private investment, government expenditure) is essential for national economy growth and as well it is a major challenge.

Since, workers have paid the highest price in the crisis, is necessary to demand a strengthening of the fight against tax avoidance and tax havens. This all are also the reasons why we push on growth of wages.

STATE BUDGET AND FISCAL CONSOLIDATION

We do understand the need of reaching the goals of Stability and Growth Pact in the field of planned deficit targets. The increased efficiency of public expenditure must be based on adoption of binding expenditure ceilings and the implementation of the 'value for money' programme, which was recommended in 2016 recommendation. As a trade unions we demand effect public expenditure but with no impact on employees working in public institutional units. We see the need of increase in public investments may be at the expense of slower reaching of goals in deficit.

DRAFT

SPAIN

UGT

LABOUR MARKET AND EMPLOYMENT

In Spain, the priority should be **creating jobs**, but quality jobs. There is a need for a national employment shock plan that pays special attention to workers over 55 and to young people, with measures against precariousness (temporality, involuntary partiality). In addition, it is a priority to repeal the latest labor reforms to recover labor rights caught up with the latest regulatory changes and the quality of employment.

In Spain, the employment rate of **young people** under 25 is more than 12 points below that of European neighbors, while their unemployment rate more than doubles the average values of the European Union. In the third quarter of 2016, there are currently 6.5 million young people under 30 in Spain of working age. Of these, 2.8 million are inactive and 3.7 million are active. Of the latter, only 2.5 have a job; the rest, 1,162,400 young people under 30 are unemployed.

Perception is compounded by analyzing data specific record Youth Guarantee Plan: to 31 October, 369,056 young people under 30 years were enrolled, less than 56% of the registered unemployed and only 31.7% of the unemployed of this age. Young people find little incentive to join a system of which their training and employment offers are unknown. For UGT this indicator does not allow to see the results of the Youth Guarantee Plan or how the program is working.

In the Report on the Application of the European Commission's **Youth Guarantee** states that information is not available for Spain. It also specifies the Commission in its assessment report that the Youth Guarantee Plan has not yet yielded results in our country and the number of records remains low.

In total, 1,887 million euros from Spain should be made available to co-finance expenses for unoccupied and untrained youth. If this expense does not get executed, it will not be possible to justify it.

Also of concern is the situation of those **over 55 years**. The unemployment problem persists: the unemployment rate for people over 55 has increased to 16.5% in the second 2016, with a risk of entering the category of "structural unemployment".

Meanwhile, the **long - term unemployment** has been extended with the advancement of the crisis. In 2008, slightly more than 20% of the unemployed had been looking for a job for more than a year, a figure that rose to 62% in 2014 and the latest data put it at 58.2%. In this group, the incidence of people who have been seeking employment for more than two years (about 43% of the unemployed) has been increasing.

Between May 2016 and August 2016, the **Activation Program for Employment**, has approve about 20,000 applications, a volume clearly insufficient to the Ministry's own estimates of serving more than 400,000 potential Beneficiaries.

UGT recalls that less than 19% (160 million) of the 850 million budgeted for support in support of 2015 was spent, leaving a residual of close to 700 million. By 2016, with two months to close the year, of the budget of 350 million, only 107 million (with data as of October 31) have been executed, 30.6%, showing a similar evolution to last year, and that will give rise to a new surplus, at the cost of the protection of the people in unemployment.

Therefore, UGT calls for measures to increase the number of beneficiaries, since of the 209,421 files received (from January 2015 to August 2016), only two thirds (137,699) have been approved. As of August 2016, 23,948 people were registered as beneficiaries and, since the beginning, about 130,000 people have participated.

With regard to the beneficiaries of the program, it is estimated that the insertion rate is around 16%. For UGT it is necessary to review any requirements that prevent the unprotected unemployed from accessing the program, both from the regulation of the norm itself and from its application.

The high number of unemployed and long - term unemployment are accompanied by a **precarious unemployment itself**. The figures show that **coverage** is becoming smaller. In 2015, coverage has fallen below 55%, showing almost 20 points difference from the beginning of the crisis. It is urgent to improve the replacement rate and extend unemployment protection from the current 50% to at least 75%.

In addition to unemployment, temporary employment remains one of the main problems of the Spanish labor market. It continues to be one of its structural elements, rising to close to 26%, increasing as the economy recovers and closely linked to seasonal activities.

Temporary contracts last less and less each time. The average duration of all temporary contracts has gone from 78.6 days in 2007 to 53.4 in 2015 (25.2 days less, 32%). The percentage of eventual contracts of this type whose duration is equal to or less than 7 days has gone from 27.9% in 2007 to 43.7% in 2015, an increase of 15.8 percentage points. Those that last a month or less have gone from assuming 50.7% to 68.1%.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

It is urgent to reverse the latest labor reforms to recover labor rights and the central issues of collective bargaining and to compensate for the disruption caused by past reforms. It is necessary to recover the autonomy of the negotiating parties and the key role of the sector agreement in Spain.

Given the productive and business structure in Spain, the organization and structuring of the structure of collective bargaining corresponds to the State Federations and the sectoral agreement is its backbone.

The sector agreement fulfills the role of developing and adapting guaranteed legal minimums in the sector, so that no worker is left without an agreement, whatever the size of the enterprise, and is the one that achieves a more equitable and protected labor market.

The context of collective bargaining and trade union action in general for 2017 remains characterized by a regulatory framework that favors business interests and weakens the rights of workers and their representatives.

The labor reforms imposed since 2010, and especially that of 2012, have meant an unprecedented attack on the pillars on which our labor law has been based. While there have been important judicial pronouncements, both inside and outside our borders, which have tempered, even corrected, certain aspects of these reforms, and the repeal of those reforms remains a key objective.

Under the III Agreement for Employment and Collective Bargaining 2015-2017, UGT and CCOO have presented a **wage proposal for 2017** with the aim of recovering purchasing power. The idea is that wage increases are such as to enable workers to obtain clear gains in purchasing power, partly offsetting the significant loss resulting from wage devaluation policies implemented since 2010. Therefore, our proposal is that in 2017, wages have to be increased in a range between 1.8% and 3.0%.

It is imperative that wages gain purchasing power and that they gain participation in the primary distribution of income, which is done in collective bargaining. And for this the salary increases should take into account the following criteria:

1. Should grow above inflation (estimated in 1.3% in 2017).
2. In addition to win purchasing power, wage income must earn participation on the distribution of income. This involves transferring all wages increases labor productivity, which for 2017 is estimated at 1.6% in nominal terms.
3. It is necessary to include in the agreements one warranty clause just in case the inflation ends higher than expected.

By 2017 wage earners must see their wages grow and achieve significant increases in purchasing power:

1. To strengthen growth and help create jobs.
2. To recover part of the wages lost purchasing power during the crisis. Despite the recent increase due to a negative inflation, it is to sit at -4.8 percentage points since 2009.
3. To help change the growth model based on low labor costs. From 2009 to 2015 unit labor costs fell in Spain 6.3 percentage points, while the average of the Eurozone increased by 4.8 points.
4. To balance the distribution of income. Overall, from 2010 to 2015 the compensation of employees has fallen 31,100 million euros, while business and property rents have increased by 7,100 million. And non - financial firms, from 2006 to 2015 they have gained 6.3 points of participation or n in the VAB, which is what they have lost wage income. That is, there has been a large transfer of income from workers to companies.
5. To reduce inequalities and fight against poverty. In particular, workers in Spain in risk of poverty are about 13.1% of

working population, the highest level in the EU after Rumania and Greece.

6. To raise the income of the Social Security, because, among other reasons, the poor quality of employment generated, which carries very low wages does not help to finance Social Security appropriately.

In line with the recovery of wages in Spain, you have to amend Article 27 of the Statute of Workers so set that the value of **minimum wage** is the equivalent of 60% of the net average wage, and a formula Of automatic review that guarantees, at least, that in the future will never lose purchasing power. As a first step, a minimum wage of 800 euros should be set in 2017, and increased until it reaches 60% of the average net salary at the end of the legislature.

The low minimum increases since 2010 and, especially since 2012, have caused that it loses from 2010 to 2015 has lost 4.1 points of purchasing power. Its current level (655.20 per month) is far below what the European Social Charter considers to be the minimum wage for sufficient work, which sets 60% of the average salary in net terms (that is, after deducting Taxes and social contributions).

We are the fifth largest economy in the EU, but our minimum wage is one of the last positions among the countries that have the minimum wage fixed by law, and their relationship with the country's per capita income level is unbalanced.

PENSIONS, WELFARE STATE, POVERTY

The crisis and the policies adopted to combat it have led to increased economic hardship of families and a worsening of **inequalities** and **poverty**: the population at risk of poverty amounted to 12.8 million people and affects more severe Of 3 million citizens; Child poverty exceeds 2 million children; There are 1,572,900 households with all their members unemployed; And has increased by 116,600 the number of households without income, up to 721,900.

We must establish a **public system of social services** as the fourth pillar of the welfare state, in which the set of benefits and services that shape social services is a subjective right, through a law, with full respect for the powers Autonomy, guarantee and recognize universal social protection.

To this end, a system of financing must be guaranteed through sufficient and sustainable public contributions over time, dissociating the granting of the right to budgetary availability.

In this line, UGT raises the need to promote a **floor of social spending** in the Spanish Constitution.

This social expenditure floor should not be affected by the rules governing the limitation of the structural public deficit and the resulting measures so that it can guarantee sufficient levels of basic social benefits and essential public services for all citizens.

In addition, Spain needs to establish a **minimum income** support to extend the protective action of the Social Security and guarantee a basic income to meet the most basic needs to people with availability to work, lack of employment and minimum financial resources to Yes, and if applicable, for the dependents.

This Minimum Income Benefit must be configured as a subjective right benefit framed in the non-contributory level of Social Security, and must be guaranteed the financing through taxes, through the State's General Budgets.

The benefit is intended for people between the ages of 18 and 65, who do not qualify for other benefits and who have been unemployed for at least one year, so it is estimated that the potential beneficiaries would be slightly more than 2 million people.

It is a question of launching a new subjective right, linked to Social Security, financed through the State Budget, which allows its beneficiaries to have an amount of 426 euro.

It would be incompatible with other Social Security benefits (except for family noncontributory) but compatible with those of the care system, aid to children, social emergency aid or any other assistive nature of any government.

This initiative should be one of the first to be addressed in the courts of the next legislature, since it responds to a social emergency: ensuring basic conditions to meet the most essential needs of people with availability to work, without jobs and financial resources to meet their basic needs.

Always respecting the pensions national agreement, Spain needs to review its public system of **pensions** through an agreement with the social partners, serving three essential issues:

- Τησ ισ το μαινταιν ανδ στρενγτηεν τη εντεγριψ οφ τη σψστημ. Τηε σολυτιονσ μυστ αδδρεσσ το μεετ τη νεεδσ οφ τηε σψστημ ασ α ωηολε.
- €Φυρτηερ χυτσ ωιλλ νοτ αρισε. Θυαντ βνεφειτσ ι το ενουγη το ενσυρε τηε θυαλιτψ οφ λιφε οφ πενσιονερσ οφ τοδαψ ανδ τηε φυτυρε.
- €Τηατ μεασυρεσ ινωολωινγ τηε ινχρεασε ιν ινχομε ρεθυιρεδ φορ τηε σψστημ το ηαπε εσταβλισηεδ τηε φινανχινγ οφ αδεθυατε ανδ συφφιχιεντ φορ τηε παψμεντ οφ αλλ πενσιονσ ν.

This is the reform of the pension system will ensure financial sustainability, without undermining the rights of pensioners. Proposals must be addressed to ensure the purchasing power of pensions, applying the inflation forecast over a revision clause at the end of the year. This requires the repeal of the formula being implemented by the government and which has seen a gradual reduction of pensions and living standards of pensioners (new pension rate revaluation) are required.

UGT has proposed measures related to public management system, specifically with revenue management and how to increase them. The current management of the Government has resulted in the present system unsustainable deficit situation in the last four years: the deficit in 2014 exceeded 10,000 million euros in 2015, 16,500 million euros, and in 2016 is expected to exceed this figure.

So urgently needed measures to eliminate the deficit of the social security measures passed by, first create quality jobs, and to end subsidies to hiring companies (3,700 million euros), finance costs Social Security from national budget (like all other ministries and public agencies) and not from the system itself (4,000 million euros), and remove the tops of the contribution base (7.735 million euros). The implementation of these measures focused on the system's revenues, could end the deficit of Social Security and allow its viability and future sustainability.

STATE BUDGET AND FISCAL CONSOLIDATION

Fiscal consolidation in Spain goes through more flexible **terms** of compliance with the deficit and debt. You need to increase these deadlines to avoid further cuts and increased social costs arising from austerity policies.

In the case of Spain, for the coming years, the macroeconomic scenario presented by the Government in the National Reform and Stability Programme is optimistic for economic recovery, and provide a favorable environment facing the development of the 2017 general state budget.

In this regard, remember that the real and social recovery of our economy passes settle immediately the policies of **austerity** that have systematically aggravated the effects of the crisis, and not to stumble again in the same stone, error that has so underlined recently International Monetary Fund (IMF).

To achieve fiscal consolidation is needed comprehensive tax reform fairer and more tax collection power. Cut social spending is not the solution. It must increase **revenues** via increased tax burden, seek a better balance between direct and indirect taxation, to recover the adequacy and fairness in taxes and pursuing tax fraud. Only fighting against tax fraud could be raised over 80,000 million euros, money that would develop social and employment policies.

For the union it is not patching to try to compensate an unfulfilled commitment to the European Union on the deficit target, but to design a fiscal policy from the social and political consensus that would allow Spain to grow stably and sustained over time, that could contribute to changing the production model that the country needs.

You cannot lower taxes, as irresponsibly promise some political forces. Only rising more and more fairly we can put Spain on the path of social and economic development that suits you. It is necessary to increase the tax collection system capacity, recovering sufficiency and justice in taxation and a commitment to fight against tax fraud.

Because in Spain, even though the deficit has been reduced (from 10.3% in 2012 to 5.2% in 2015), have breached the goals every year with a **social cost** has been high .This is simply the result of the strategy to try to implement the stability and growth pact in Spain, which has been a tremendous economic and social overexertion, full of essential public spending cuts.

Some expenses with high weight in the budget not only being cut, but increased (as the volume of interest from public debt). On the other hand, the decline in economic activity, coupled with the inconsistency of tax reforms (which have consolidated taxation system full of holes through which escapes collection and very unfair results), have generated enough revenue through taxes and social contributions.

Since the institutions are warning that Spain is one of the countries with higher budgetary imbalances. According to Commission calculations, the difference between income and expenditure in Spain was 55,000 million euros, 51% with financial aid, and public debt exceeded one trillion euros, 99.2% of GDP.

Part of this large deficit is due, according to the European Commission, the low **tax burden** in Spain, which fell in the last year to 38.2%, eight points less than the average of the Eurozone, which is 46.6% due to the lack of budgetary capacity of indirect taxes and tax evasion.

Government tax revenues and social contributions in Spain are very low relative to those obtained by the more advanced countries of Europe. Our country raised in 2014 (latest data available) 34.4% of GDP, 7.1 points less

than the average of the euro zone (41.5%). And 13.5 points lower than France, Italy and 9.3 less than Germany, to name the three most powerful countries in the area. This means we do not have enough to sustain public expenditure resources, which is also low in relative terms. We need to enter more to spend more on strengthening public services.

SOCIAL DIALOGUE

The changes that Spain needs and challenges must consider in the future, demands for more and better social dialogue. The European Commission itself recognizes when it insists on the role of the social partners and better use of social dialogue to drive future change.

Spain, since 2012, almost all the reforms that have affected employment labor rights and social protection, there have been no social dialogue, even against the recommendations of the Economic and Social Council of Spain. Most done by a legislative figure that does not need the participation of the Spanish Parliament.

In this sense, UGT demand the presence of the social partners in the drafting stage of the national reform programs (NRP) and an effective dialogue on the milestones of the European Semester with the Government, a dialogue which so far has not occurred in Spain, the only EU country in which produces this anomaly given the persistent strength of the government.

The reality of the different European countries makes clear that the benefits of a greater involvement of the social partners in the European Semester, both at national and European level recorded improvements especially in the dialogue between unions and the European Commission.

Country specific recommendations effectively encourage governments to be proactive, but a much greater investment is required in social dialogue. In recent times, unions helped fuel a real public debate on the European Semester. But its role cannot be limited to that. Consultations between governments and social partners should take place at least twice a year between the publication of the Annual Growth Survey and the preparation of Country Reports and in the drafting stage of the PNR.

This dialogue has to be timely, meaningful and undertaken in a spirit of genuine cooperation. The social partners should also have the opportunity to propose amendments to the recommendations, either through their own governments or through the European Commission, in coordination with the European Trade Union Confederation.



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