

EUROPEAN SEMESTER 2018

**ETUC REPORT ON NATIONAL
TRADE UNIONS INPUTS FOR
THE EARLY-STAGE CONSULTATION
ON COUNTRY REPORTS 2018**



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1.

Get started

2.

Action Plan
to deliver
the rights

3.

Investment
to make
the rights real

4.

EU laws
to enforce
the rights

5.

Active support
from all
EU bodies

6.

Better
EU economic
policy

7.

Social Progress
in the EU treaty

8.

Support
trade unions &
Social Dialogue

9.

Collective bargaining
fair pay &
work conditions

10.

A just
transition

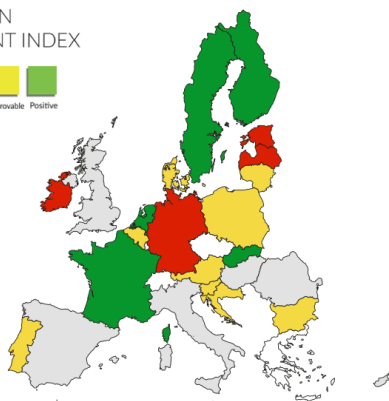
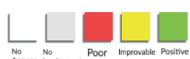
**Social Rights
First**

**Build a better Europe
for working people
with a stronger
Pillar of Social Rights
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FOREWORD

The ETUC TU-Involvement Index below shows how trade unions are involved at the milestones of the semester cycle at national level. Results are still largely unsatisfactory. Despite the commitment of the European Commission to a new start for social dialogue in recent years, governments have too often largely disregarded the involvement of trade unions in the design and implementation of their reform plans. The European Pillar of Social Rights, proclaimed in Gothenburg, calls for a more social European Semester, and engages the social partner to cooperate in this direction.

TRADE UNION
INVOLVEMENT INDEX



Interactive map available on the ETUC website

In 2017, in 10 Member States, consultations did not take place at all (grey) or were carried out very poorly (red), while in 10 other countries consultations took place but the quality of the dialogue should be improved (yellow). ETUC members reported a satisfactory level of involvement in only 5 countries.

Social dialogue should be better used to design and implement policies. The ETUC calls on the Commission and the Council to issue specific recommendations to Member States that do not properly involve trade unions at the milestones of the EU Semester.

The ETUC defines trade union involvement in the Semester as any form of dialogue (1) with national and European decision-makers which meaningfully (2), in a timely manner (3), with adequate capacities and at the appropriate level (4) is conducive to ETUC affiliates exercising influence in the designing and in the implementation of policies at the milestones of the European Semester and, if desired, in any other process related to the economic governance of the EU.

1. Dialogue: Dialogue is a process that consists of a two-way flow of information, involving at least the decision-maker and the trade unions, which has the potential to lead to the conclusion of an agreement.

2. Meaningfully: trade unions should have access to complete written information to deliver a fully-informed position.

3. At the appropriate level: the dialogue should take place with those who are actually able to influence policy decisions. This can be at political level (i.e., Ministries, Undersecretaries, etc.), but technical levels can also be useful and desirable to better prepare consultation with the appropriate political level.

4. In a timely manner: sufficient time should be made available to trade unions to elaborate on the position/intentions of the decision-maker and react according to their actual capacities, without altering or derogating from their internal democratic constraints.

On this basis, the ETUC calls for specific recommendations that apply the Quadripartite statement signed by the European social partners, the European Commission and the Council on A New Start for Social Dialogue on 27 June 2016 and the EMCO Key messages on successful involvement of Social Partners in national European Semester processes of 22 November 2016 and those achieved on 22 November 2017.

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AUSTRIA

ÖGB

LABOUR MARKET AND EMPLOYMENT

Macroeconomic developments have been favourable in terms of GDP growth, unemployment, reduction of the government deficit. While figures on growth are good and although the unemployment rate is slightly dropping problems on the labour market remain.

ÖGB still sees the record levels of unemployment, social dumping and inequality as the main challenges Austria is facing now. Fast increasing labour supply is the main reason for the increasing unemployment during the recent years. The strong increase in labour supply is due to different forms of migration and to changes in early retirement regime.

The opening of the labour market and the associated free movement of people and services lead to a sharp rise in the number of workers from Eastern European neighbouring countries that started to work in Austria. The construction sector is particularly affected. Especially the posting of workers by companies from other European Union member states rose strongly up to now.

In Austria a new law against wage and social dumping would help to combat remuneration below the level of the collective agreement. However, further improvements of Austrian laws (e.g. limitation of sub-contractors in public procurement procedures), and especially of the directive of posting the workers and of the Enforcement directive are urgent. The recent improvements related to directive of posting the workers are welcome but still do not solve the problems in Austria. The critique of the population regarding cross-border mobility of workers is on the rise due to ongoing and systemic wage dumping. People expect the European Union to finally develop instruments and implement measures for fair competition. This requires immediately as a first step:

1. Workers must be registered by the posting company with the social insurance institution in host country on the first day of activity.
2. Improvement of cross-border[...] cooperation between authorities in connection with the Enforcement directive.
3. The establishment of mandatory minimum employment period before workers can be posted (e.g. 3 months) would be of significance in relation to Regulation 883/2004. This could reduce the widespread practice of employing workers in a member state exclusively with the intention of posting them to another member state.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Wages

Further increase of minimum wages as well as to reduce actual income and wealth inequality and to combat wage dumping is key.

Correcting the imbalance in distribution of income in Austria and in Europe is one of the major challenges. It is an indispensable prerequisite for a social development and for overcoming crisis. Most important for ÖGB is a productivity-oriented wage policy which allows real wages to increase in line with productivity. This is needed for stimulating consumption and a growth in demand as well as for reducing poverty thereby responding to the current economic crisis.

Minimum wage - **determined by collective bargaining agreements in Austria** - is almost all sectors 1.500 €. From ÖGB's point of view a further increase of this minimum wage is desirable for the next years.

Gender Gap

Income disparities between women and men - despite of the slow progress - remain of great concern. Before this background it needs further and continuous measures which are aimed at an equal participation of women during the whole working life:

- First the improvement of childcare facilities: The care rate under 3-year-old with 25.4% (Kindertagesheimstatistik in 2016/2017) still clearly lies under the Barcelona aim of 33% of care rate. Also the whole day care of children up to the school age is still very low outside from Vienna. The first important step is that the Federal Funds are continued till 2018 and beyond. However, further public finance would be important for the coming years. In this regard ÖGB demands that 100 million € are provided every year by the federal government.
- An important condition for more income justice is income transparency.
- Promote father's participation. ÖGB demands a legal entitlement to one dad's month with protection against unlawful dismissal.

EDUCATION AND SKILLS

Fighting against unemployment the extension of the education guarantee (to the group of the young adults up to 25 and also the education of youngsters up to 18 years) is an important tool. Every youngster after ending of the compulsory education is receiving a continuing education/training (school, apprenticeship or other measures for the youngsters who find no regular traineeship). In ÖGB's view this measure requires more financial support from the federal government in future. But also stronger commitments from employers are necessary to train and to raise clearly the number of the offered apprenticeships.

However, the challenges concerning the continuing education and training are huge. This is particularly important in the light of increasing dynamism in the job market and of the digitalization. There is the need for a second chance for all people if there is no more professional future in the present field of activity. That is why an introduction of a "qualification fund" is demanded. After a certain time in the occupation every employee should have the right to a new qualification or to revalue an existing qualification.

Finally, people with migration background, also in particular refugees need special support. The measures introduced so far (like competence checks, German language courses) are important for the start. There is need for more support, in particular by the European social fund by additional means.

PENSIONS, WELFARE STATE, POVERTY

Pensions

Political relevant groups in Austria, like the employers organisations, are in favour of a big pension reform with the aim to reduce costs in this field. Also the European Commission points out every year in the country report that Austria spends more money for pensions than the average EU country.

ÖGB is against a pension reform whose only aim is to reduce costs. Some people, at the Austrian employer organisation, are in favour of an automatic indexation to life expectancy. The ÖGB is against this proposal because on the one hand Austria made already pension reforms because of the growing life expectancy. And on the other hand we think that the parliament should decide such important issues like the statutory pension age and not algorithm.

What is needed instead of increasing statutory retirement age is reducing the gap to the average exit age from employment, i.e. increasing effective retirement age, and fighting unemployment across all ages.

According to Ageing Report 2015 calculations the GDP-share for public pensions is expected to increase from the current level of 13.9% to 14.4% in 2060. In the light of the predicted 80 % increase of the number of people aged 65 plus this is only a small increase. Massive ageing of a population requires a certain increase of the GDP-share for pensions in order to avoid intergenerational imbalances.

Poverty

Austria's means tested minimum income scheme (Bedarfsorientierte Mindestsicherung) was introduced in 2010/2011 with the main aim to reduce poverty. Before the means tested minimum income scheme was installed the social assistance varied greatly between the Austrian Länder (Federal States). The means tested minimum income scheme was based on an agreement between the federal government and the Länder. The regulations of this agreement were transposed into the Länder laws. This agreement was limited until the end of 2016 and afterwards no new compromise was found between the 9 Länder and the federal government. In the meantime most of the Länder adopted new laws on this issue. Especially two Länder adopted new rules that imposed substantial deteriorations. For example: in these two Länder benefits a family can receive from the means- tested minimum income are limited to 1.500 per month - regardless of the number of their children. Another example: in these two Länder it is necessary to have lived in the past 6 years at least 5 years in Austria to receive the full amount of the means tested minimum income. The primary intention of this new regulation is to affect recognized refugees.

In ÖGB's view especially these new rules in these two Länder will lead to more poverty in Austria and it has to be assumed that people will move to Länder with more favourable provisions.

ÖGB was always of the opinion that a new agreement between all the Länder and the federal government should be reached. Only regulations that apply in all Länder enable to combat poverty. The costs of the means tested minimum income scheme were one billion in 2016.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Public spending decreased since the crises and is still low in Austria and the taxation of labour is still too high in comparison to the taxation of wealth and profits.

In this regard the recommendation from the Commission in the past to lower the tax burden on labour is still of great importance.

After the successful campaign of ÖGB demanding a reduction of taxation on wages the government adopted the 2015/16 tax reform package, which brought nearly EUR 5 billion in relief to workers subject to income tax. The 2015/16 tax reform also includes a number of incentives for employment among women. If both parents earn taxable income and each claim the child allowance, then both can benefit from a split child allowance, which has been increased from EUR 132 to EUR 300 per parent from 2016 onward. In such cases, the child allowance amounts to EUR 600 in total. At the same time, the child allowance has been increased from EUR 220 to EUR 440 from 2016 onward for families in which only one parent earns taxable income.

While labour is still highly taxed, taxation on property is in comparison low in Austria. One of the most urgent demands of the Austrian Trade Union Federation is an ongoing reform of the taxation of wages (compensations for the fiscal drag).

However, lowering the tax burden on labour must be linked with reforms of the fiscal structure in view of the strained budgetary situation. Care should be taken to make tax systems overall more conducive to

growth and employment. This can best be achieved by taking steps towards taxation of wealth and employers' contribution based on value added.

The recommendation for Member States to take measures against aggressive tax planning and to combat effectively tax fraud and tax evasion is supported by the ÖGB.

Again ÖGB is calling for a fiscal policy which must open up room for public investments in the future - particularly in times of partly negative interest rates and continued deflation trends.

The introduction of a Golden Rule of Public Investments should exempt certain public investments from the calculations of the budgetary deficit, would be an important step. Aim would be to spend additionally 1 % of GDP. This investment could create 100.000 new jobs and lower employment by 30.000 people.

STATE BUDGET AND FISCAL CONSOLIDATION

Macroeconomic developments have been favourable in terms of reduction of the government deficit in Austria. Basically Austria is on the way to meet the targets in deficits and national debt. Therefore a call for a new wave of consolidation or a stricter fiscal policy would go in the wrong direction.

Major challenge with view to the consolidation strategy is that employment and the national debt have to be stabilized. The basis still must be the stabilizing effect of the well-developed welfare state and a consolidation strategy, which is conducted in consideration of demand with a mix of measures undertaken in incomes and expenditures. From the Trade Union's point of view the wage policy adopted is of great importance to stimulate consumption and according to ECB Draghi to combat deflation.

The consolidation process - resulted in dampening effects on growth and employment in the past - must not be given too much priority. From an employee's point of view still more budget policy leeway for more investment in social residential building, public and social services, childcare facilities research and an active labour market policy is urgent.

SOCIAL DIALOGUE

The cycle of the European semester starts with the publication of the annual growth report in November. The Social Partners have been invited for a meeting by the Federal Chancellery to discuss together with all ministries the Austrian comments on the AGR up to now. In January the Federal Chancellery usually invites all ministries, social partners and representatives of the civil society to a kick off meeting concerning the NRP. The focus lies on the ministries and social partners.

Whether and to what extent the social partners' proposals are considered, very much depends on the

subject. An analysis of general economic development in the NRP, the reaction to country-specific recommendations and progress and measures related to the aims of Europe 2020 are essentially shared by the social partners, although there are differences in their approach.

From the workers' point of view, they would welcome the following aspects being fleshed out:

- Need for greater public investment
- A clearer rejection in the country-specific recommendation to linking the retirement age to life expectancy
- Rejection of a faster harmonisation of the legal retirement age for men and women
- More specific measures to increase the number of childcare places and to reduce the high level of gender-specific segmentation in the workplace.

It has to be pointed out that the national aims in the NRP are basically welcome, but are evaluated differently: For example, ÖGB would have welcomed more ambitious national plans regarding poverty and education as well as specific targets to eliminate the gender-based difference in wages and to increase the number of childcare places.

Regarding employment, the social partners argued in favour of additional sub-objectives, in particularly for specific employment quotas for women and older workers as well as youth employment. In this context it was important that the former government has set specific employment targets for older workers and has intensified its active labour market policy for this group. With regard to youth unemployment, Austria is still well under the EU average. In addition to a well-established and institutionalised social partnership, Austria also has a well-developed dual education system, an extensive and differentiated vocational training system comprising practical apprenticeships within companies and full-time vocational education in vocational schools. The social partners consider themselves as co-owners of this dual education system alongside with the ministries. This close connection as well as the possibility to make an active contribution makes companies more willing to recruit and train apprentices. The fact that the social partners play an active role in determining the content and general conditions for vocational training is a significant factor in its success.

An official dialogue between the Federal Government and the social partners before the CSRs are dealt with in the corresponding committees and councils would be desirable as there is no formal consultation process in Austria for country-specific recommendations after their presentation by the Commission. The representation of the European Commission in Vienna normally invites the social partners to background talks after the country-specific recommendations (CSR) have been published.

For the social partners, the question of Austria actually achieving its national Europe 2020 objectives is key. Therefore, in recent years they have elaborated a series of joint position papers related to these objectives and which have been taken up by the Federal Government in part. A comprehensive description of the activities of the social partners can be found at www.sozialpartner.at and updates in the annexes to the relevant National Reform Programmes.

BELGIUM

CGSLB

LABOUR MARKET AND EMPLOYMENT

Unemployment is decreasing in Belgium. Nevertheless, some issues of the government employment policy need to be addressed.

Employment rate increases only slightly, and international comparison shows that job creation, still lagging behind other countries, is mainly due to favorable international conjuncture.

Government is also **promoting low quality jobs as flexi-jobs and temporary agency work**. According to HIVA (KUL), half of the people hired in 2015 were under a part time or flexible work arrangement, and one fifth were under a short term or irregular contract.

Figure 1

The amount of people working continuously with a one-day contract went from 5000 to 15000 between 2004 and 2015.

Target groups in the employment market

Young people

Since 2013, there is a decrease in the number of young unemployed entitled to benefits, which is mainly provoked by a limitation of their rights. 40.4% of young people losing their entitlement to benefits also disappear from the statistics. This is why we ask for an obligation for companies to propose quality internships and dual vocational training.

People with immigration background

Their participation in the labour market is the worst in the whole EU. When it comes to people born out of the EU, their participation to the labour market amounts to 49.1% in 2016 (20-64 y.o.), compared with 70.2% for natives. Their employment rate amounts to 42.7% and even 36.6% for people who recently immigrated to Belgium. Hence, risk of poverty and social exclusion amounted to 50.7% for people born out of the EU, compared with 17% for natives.

To give people with immigration background all the chances they deserve, many tools must be used : the

use of mystery calls and better compensation for people who are victims of discrimination, sectoral targets, awareness raising campaigns,

Low qualified people

Their employment rate is only of 45.6%, which is considerably below the EU average, and the difference with highly qualified people is huge (82.6%). More investment in education, training and dual vocational training is needed

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

The wage gap with the neighbor countries is today under control, because of measures like freezing the wages or lowering employer contributions to social security.

Figure2

The real wage gap is even lower if we consider to the tax reductions of the tax shift and the wage subsidies (4.67% of the total wages amount in Belgium, compared with < 1% in neighbor countries)

Moreover, the figures from the CRB-CCE report of 2014 show that **the wage costs are compensated by a higher level of productivity**. Since 2014, the wage costs have fallen by 3% whereas the productivity has only known a very slight decrease. Finally, it is important to notice that these figures do not take into account the wages subsidies.

Figure 3

Different studies show that **wage moderation has very limited impact on export-linked competitiveness**. A UCL study of June 2017 proved that cost competitiveness played a very limited role in the export performances of Belgium since 2000 UCL, « Compétitivité et performances à l'exportation de la Belgique », *Regards économiques juin 2017* (133).. The problem lays in a better position of the products in the value chain and a better geographical spread of the exports. The study underlined that wage moderation didn't have the wished effects on growth, because the very limited positive effects on exports did not make up for the negative impacts on consumption.

Belgian competitiveness is also hampered by the **lack of competition within some sectors** (some services sectors). This decreases the innovation capacity and hence the productivity of these sectors. The 2016 screening by the Ministry of economy showed that the profit margins of some sectors were too high due to weak competition. Stricter sanctions and more means for Belgian competition authority might be a solution.

EDUCATION AND SKILLS

Belgium performs quite bad when it comes to employee training. According to Eurostat, only 6.9% of the persons surveyed had a training within the 4 weeks before the study. Belgium is one the weakest among the EU, at a time where digitalization and fast transformation of the economy requires even more training.

Figure 4 The government took unilaterally the decision the **raise the statutory retirement age** from 65 years old today to 67 years old in 2030.

Measures to **allow people to work longer** are still missing. On the opposite, there is more and more flexible contracts, temporary agency work, which decrease the autonomy of the worker.

50% of surveyed workers declared that, with work organization unchanged, they risked to be confronted to health issues. These figures are based on the psychological and physical pressure they feel they are facing right now

If nothing is done, people will continue to leave the labor market as we are continuously observing it for 5 years.

Target groups : low employment rate, low access to benefits, higher risk of poverty

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There are other challenges when it comes to education. The amount of **NEETs** (9.9%) is way too high, and the number of **school dropouts** is still increasing. When it comes to digitalization, **the number of student per connected computer is one of the highest of the EU** and the **teachers are not enough trained about ITCs**.

One solution could also be to develop **dual vocational training**, which is not very well developed in Belgium (<5% participation rate) compared with countries like Swiss or Germany.

PENSIONS, WELFARE STATE, POVERTY

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INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

If we look at the **public investment** level of Belgium for the last 20 years, only Germany performs worst than Belgium in the whole EU.

Figure 6

As a consequence, **the Belgian government net assets are also lagging behind the three reference neighbor countries.**

Figure 7

Quality infrastructure is vital in a small export-led economy like Belgium, and not financing it properly is a threat to its competitiveness (because of problems like traffic congestion, train delays, insecurity with regards to energy investment,)

Even if it will be difficult to achieve the 3% target of 2020, Belgium scores quite good when it comes to investment in **Research and Development (R&D)**. Nevertheless, private company can make more efforts to reach this objective if we consider that, according to OECD, **company investment in R&D in Belgium has fallen by 10% since 1995**. As a consequence, Belgium produces less medium and high quality products than the EU average, and lags behind in terms of patterns applications.

Figure 8

STATE BUDGET AND FISCAL CONSOLIDATION

The main objective of the current government was to reach a structural fiscal balance in 2018. To reach it, government cut into public services and social security. **Despite billions spared since 2014, the deficit still reached 2.6% of GDP at the end of 2016**. Again, despite new austerity measures, the deficit will only be a little bit below 2% of GDP, due to four main reason reasons :

- **The tax shift was never properly financed.** Estimates of the Federal Planning Bureau, confirmed by recent analysis of Belgian National Bank, confirmed that the tax shift is lacking a total of 6.6 billion euro in financing.
- The reform of **corporate income tax also risks to lead to at least an extra 1 billion euro** in deficit by 2020.
- The fiscal policy is too much oriented in savings cutting the purchasing power of workers and people entitled to benefits or replacement income. This **hampers domestic consumption**, which is one of the main source of economic growth in Belgium, and hence reduces fiscal incomes.
- The effects of austerity measures and the incomes of new taxes are **systematically underestimated**.

The government still needs to **find 6 billion euro to reach structural fiscal balance** at the end of its term. This seems impossible, unless the government uses it as a pretext to cut even more in social security.

Belgian Trade Union ask for a fiscal policy which is **more focused on economic growth**, led by investment and consumption, and financed among others by **higher contribution of capital gains**.

The **Stability and Growth Pact** needs to be revised so that a controlled level of public investment can be put aside when calculating structural fiscal balance. In the longer term, a **common budget of the Eurozone** could play an important role in addressing the challenges in public investment, but also as a stabilizer.

A **fairer tax policy** is needed. In Belgium, the wealthiest 10% own 43 to 44 % of net wealth, the 5% own 30 to 31% and the 1% own 12%. This distribution is even more unequal if we don't take into account the private house. The net financial assets of Belgians (private house aside) is 1250 billion euro, 254.000 per household on average. Only 30% of these are in savings accounts, leaving the rest in financial products held only by a minority of Belgian population. For instance, only 11% of Belgians own stocks, whereas 25% of total financial assets (> 300 billion euro) is invested in stocks.

Many forms of capital gains are not taxed at all, or with very low rates. Neither is there a tax on the profits generated from stocks, nor on stock funds, whereas their annual average increase in value amounts to 20 billion euro. Similarly, the rental incomes tax is not based on real rental incomes but on the basis for property tax, which is much lower. There is also a lot of exceptions and deductions making the total fiscal pressure on wealth incomes much lower compared with labor incomes. A revision of the fiscal policy is not only possible, it is also much needed.

BULGARIA

CITUB

LABOUR MARKET AND EMPLOYMENT

The labour market is recovering from the prolonged crisis at a very slow pace. Beyond the conjuncture factors, the demographic crisis has a very negative impact, as it is a factor of fundamental importance for the labour market inability to recover on its pre-crisis levels. Of the over 400,000 jobs lost during the crisis, 250,000 are irreparable mainly due to low birth rates and high mortality, as well as to the continued emigration flow. The labour shortage is becoming more and more tangible, and it is becoming a problem that hides many dangers and risks to sustainable growth. Overall, labour market demand is on rise, but structural shortcomings between supply and demand, which will continue to be a hampering factor, come on the fore. However, some basic issues and challenges that do not find adequate assessment and action by a number of consecutive governments still remain:

- Limited labour demand in less developed regions that exacerbates inequalities and regional imbalances continues. While the unemployment rate in the capital Sofia is 3.9%, in some areas of Northwest and Northeast Bulgaria it reaches 16-17%.
- The unemployment among some groups of the population, which become permanently risky, remains very high - at the background of the total average unemployment rate of 7.6% (annual data for 2016), the unemployment rate of the unemployed with primary and lower education is 40.4%, of those with lower secondary education is 18.8%, youth unemployment rate (15-24 years) is 17.2%, and long-term unemployment rate stands at 4.5%. The attempts to seek solutions by expanding and introducing new forms of flexible employment are unsuitable because they imply a low pay and therefore do not encourage return to employment. They are more ineffective in terms of additional opportunities to overcome structural labour market shortcomings and the gap between the labour force competencies and skills offered and demanded by employers.

We appreciate as positive the government's intentions expressed in the Updated Medium-Term Budget Forecast 2018-2020 to orientate the active labour market policies towards two priority directions:

- actions to increase the supply of skilled labour, possessing the skills required by employers (including policies directed towards retention of skilled workers in the country, return of young people who have completed their education abroad and Bulgarian immigrants already working abroad);
- actions to activate the unemployed and support for increasing employment (with main target groups - long-term unemployed, unemployed youths, NEET's, unemployed without profession, unemployed over 50, discouraged people). For a consecutive year, however, the envisaged funds for active labour market policies under the MLSP budget are BGN 73 million. According to CITUB, these funds can not lead to a better and more efficient use of the labour force in the country, and this will have negative impact on employment recovery and economic growth. In this regard, we insist on an increase of the budget of the National Employment Action Plan for 2018 to BGN 95 million.

With a view to stimulating youth employment, we propose the introduction of a differentiated minimum wage for young graduates working according to their specialty, established in the Labour Code with a coefficient of 1.5 of the statutory minimum wage for the country.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

A major challenge for CITUB is the achievement of greater fairness in the primary distribution of income. Labour compensation as a relative share of GDP in Bulgaria is at an unsatisfactory level, generating social tensions and high dissatisfaction with the work. We can not achieve a tangible catch-up effect without significantly modifying this ratio in favour of the labour (at least up to 48-50% of GDP), as the low participation in income distribution means continuing mass poverty and increasing social inequalities.

"Low-paid workers" are a special focus of CITUB attention because they are the potential contingent generating the "working poor". Their relative share should be reduced from 18.2% to below 10%, with special emphasis being placed on women, young workers under 30, people with low level of education, part-time, atypical and unprotected employment. From the data below, it is clear that the fragmentation should be overcome and the collective bargaining on wages efficiency should be improved in such important sectors as the manufacturing industry, construction, hotels and restaurants, and culture. CITUB is greatly worried about all the messages, recommendations and attempts to make wage systems more flexible, which are limited to the restraint of the amount of basic wages and to introduction of more complementary flexible elements. This is a clear signal of increasing pay insecurity and uncertainty, which in practice will undermine opportunities for effective collective bargaining.

We demand regulatory changes, including in the Labour Code to regulate clear procedures and terms for wage bargaining at different levels - from national, sectoral and branch to corporate level. The state has to undertake clear commitment and real actions to overcome wage-related dumping. In this regard, we urge the Bulgarian government to actively participate in the political initiative "Alliance for the upward convergence of wages in the EU", involving social partners and governments at European and national level.

Share of low wage earners in Bulgaria and EU28 (in %), total and by economic activities, 2014 (Eurostat):

- Industry, construction and services	18,2	17,1
- Manufacturing	24,7	12,3
- Mining and quarrying	3,0	3,7
- Electricity, gas	1,8	1,9
- Water supply	14,8	10,5
- Construction	25,1	11,6
- Wholesale and retail trade	13,2	25,7
- Transportation and storage	14,5	16,5
- Accommodation and food service	22,0	47,3
- Information and communication	3,5	6,4
- Financial and insurance	2,6	2,9
- Education	3,6	9,5
- Human health and social work	5,8	13,6
- Arts, entertainment and recreation	28,8	28,3

EDUCATION AND SKILLS

One of the biggest challenges in front of Bulgaria is still the access to the forms of lifelong learning, covering the whole range of consultations, vocational guidance, literacy, vocational training, internships, apprenticeships, subsidized employment and promotion of territorial mobility. The percentage of adults' participation in formal, informal and non-formal learning process is about 2%.

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

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

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

Second challenge is the functioning and the outcomes of the vocational education and training system not providing qualified labour force to the business. Systematic strategic measures should be undertaken to largely promote initiative, creativity, social entrepreneurship, interpersonal communication, development of emotional intelligence by "learning professionals". Encouragement of flexible pathways for entry into and exit from the educational system and upgrading of knowledge, skills and competences through remote forms, modular and internet based training, including evening, part-time and combined training and international mobility of both teachers / trainers and trainees can be problem solving tool. The process of introduction of credits in vocational education and training (VET) can contribute as well.

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

PENSIONS, WELFARE STATE, POVERTY

Bulgaria remains permanently "at the bottom" according to almost all indicators of relative poverty. The very method of calculating relative poverty implies a very strong positive correlation with income inequalities. The comparative analysis of Eurostat data clearly shows that income inequalities are at the root of relative poverty, regardless of the volume of GDP per capita produced.

Bulgaria, however, combines two unfavourable trends - high levels of income inequality with extremely low nominal levels of average incomes - in general and by main sources (from labour, pensions and social transfers). In order to improve its

position within the EU, the country needs not only a faster incomes rise but also the implementation of a set of targeted measures, policies and reforms:

1. Outstripped growth of minimum payments, including the minimum wage, which has to reach a level of at least 48-50% of the average wage for the country. This must be taken into account when reaching a consensus on the adoption of a mechanism for determining the amount of the minimum wage.
2. Changing the current 10% flat tax and the first step toward greater fairness is the introduction of a non-taxable minimum equal to the country's statutory minimum wage, and then the introduction of two ranges of taxation - 10% on the income at the level between the minimum wage and the maximum insurable income and 20% on the income over the maximum insurable income. Introducing a differentiated VAT rate on some vital groups of goods would also have a positive effect.
3. The maximum insurable income should gradually rise to reach a level of 10-times of the MW. In the last years, the maximum insurance income was frozen at BGN 2600, which led to a drop of this level to 5.6 times.
4. The social assistance system is extremely ineffective. Its effect on reducing the level of monetary poverty is only 5 percentage points while the EU average is 8.9 percentage points and even in some Scandinavian countries it reaches 14-15 percentage points. Reforms should focus on optimizing the reach to the truly needing, consolidating social assistance programs, removing the now existing Minimum Income Guarantee criterion and reorientation towards the formal poverty line.
5. The healthcare system is built on the wrong principle and the hospitals are registered as commercial companies. This affects low and middle income population groups. Beyond the social security contributions, out - of - pocket payments of Bulgarians for medical treatment as well as for medicines are highest in the EU. These facts transform an important social system, as healthcare, in a powerful generator of "secondary poverty".

Comparative SILC-Indicators 2016 - Bulgaria and EU28 average (Eurostat):

- At risk of poverty or social exclusion -	40,4% and 23,4%
- Proportion of persons severely materially deprived -	31,9% and 7,5%
- At risk of income poverty rate before social transfers -	27,9% and 26,1%
- At risk of income poverty rate after social transfers -	22,9% and 17,2%
- Income quintile share ratio (S80/S20) -	7,9 and 5,2
- Gini coefficient of equivalised disposable income -	38,3 and 31,0

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Investments in Bulgaria continue to either decrease or remain at a rather low level both in absolute terms and as a rate of change. Private investment activity remains weak, which indicates uncertain economic situation, unfavourable financial and credit environment, but also the presence of bureaucratic, corrupt and administrative-procedural hindrances. Highly alarming is the low level of foreign direct investment (FDI) - about 2% of GDP (2016 - 2.2%, 2017 - 2.1%), while in the first half of 2017 the latest estimates show a decrease over the same period of the previous year - a trend characteristic also of the previous year.

The Confederation of Independent Trade Unions in Bulgaria acknowledges as positive all the intentions of the Government of the Republic of Bulgaria to improve the investment environment (e.g., reduction of the administrative burden on business, development of the capital market). However we do not see clearly defined steps, tools and methods for the realisation of these intentions, including the declared in the government governance programme engagement to make use of the opportunities provided by the Investment Plan for Europe. It is of vital importance to demonstrate proactivity and take advantage of this opportunity to attract "fresh" financial resources to enter the economy and help create quality jobs, increase income and foster an even more favourable

economic environment. The government should not only declare the above as an intention, but it also needs to specify the areas / sectors for which it will make every endeavor to raise funds for the plan and engage with concrete steps in that direction. The balance as of July 2017 (according to the EC website) shows that according to the total funding approved by EFSI / EIB just eight countries (Croatia, Cyprus, Estonia, Hungary, Latvia, Luxembourg, Malta, Slovenia) have less than our total funding and the investment plan has a real dimension in Bulgaria only for small and medium-sized enterprises, but not for industry, infrastructure and innovation.

We have repeatedly stated and proposed targeted measures for industry revival in Bulgaria through the use of various tools and sources of funding - from stimulating domestic and foreign investments, through state funding and public-private partnerships. We believe that this is an important prerequisite for restructuring the economy towards new high-tech industries with high value added and for creating sustainable jobs.

STATE BUDGET AND FISCAL CONSOLIDATION

The government is pursuing a policy of steep fiscal consolidation that has not been sufficiently grounded. Bulgaria for a long time is not under excessive deficit procedure and the strengthening of consolidation faster than necessary threatens to under-fund a number of public sectors that play a role of structural framework in the development of the economy and society as a whole. There are a number of theoretical and empirical evidence that the deficient funding of social activities is healthy for the economy as a whole. Moreover, such a measure is advisable to apply in the conditions of an upward phase of the current economic cycle in Bulgaria. Of course, such a deficit financing must be used within the reference standards imposed by the Maastricht Treaty. The multiplier effect of government spending thus would be much higher in the conditions of moderate economic growth. We insist to terminate the process of fiscal consolidation because it does not rest on clear and objective economic arguments.

We propose the introduction of a long-term strategy for the development of that part of the economy that can be changed through government spending. This strategy as a general framework is to be respected by any government, no matter what it is. This will also ensure continuity between governments and consistency in terms of avoiding partial reform as is currently the case. Currently, Bulgaria registers a deficit of -1.2%. It is projected to decrease by 2020 as follows: -1%, -0.5%, 0% in 2020. As traditionally budgets in Bulgaria underestimate revenues, it can be expected that by the end of 2019 and 2020, it is possible to achieve a surplus. We do not find such a financial discipline a healthy one, given the severe shortage of funding for important sectors.

SOCIAL DIALOGUE

In the Country Specific Recommendations of May 2017, the EC noted again the lack of substantial progress in reaching an agreement and the adoption of clear criteria and a mechanism for setting the statutory minimum wage in the country. Previously, during the caretaker government term the negotiations failed because of sharp disputes between employers and trade unions and the inability to reach a settlement by compromise. In general, CITUB's position during this period envisaged the amount of the minimum wage to be negotiated between trade unions and employers in a corridor from the poverty line projected for the following year multiplied by a coefficient of 1.3 (lower threshold) and 50% of the projected average wage for the next year (upper threshold).

The new Minister of Labour and Social Policy in a letter to the social partners dated 30.06.2017 initiated consultations on their readiness to sign a tripartite Framework Agreement. The Framework Agreement provides for a bilateral negotiation procedure, while in case of not coming to a joint decision between the nationally representative employers' and trade unions' organisations, the MLSP will propose a draft of the Council of Ministers Decree, taking into account:

- the reached level of the statutory minimum wage for the country;
- statistical information on 10 indices and 24 indicators;
- three different scenarios for determining the size of the MW.

The proposed procedure and scenarios were discussed at expert level in early July, and already at that time it became clear that it would be difficult to co-ordinate the divergent views. Employers have firmly insisted on an upper threshold of no more than 43% of the average wage - a ratio that is average for EU countries applying statutory minimum wages.

The three scenarios of the Ministry of Labour and Social Policy determining the size of the minimum wage are as follows:

1. The MW is defined as $\frac{2}{3}$ of the median wage and since the median wage is calculated once every 4 years (last in 2014), the 2018 median wage to be calculated by indexing the median wage for 2014 consecutively with the average wage increases during the years up to 2018.
2. The MW for the following year shall be determined on the base of the MW for the current year multiplied by the projected growth of GDP per capita and the projected growth of the HICP.
3. The amount of the minimum wage for the following year is calculated multiplying the official forecast poverty line for 2018 by the average size of the Bulgarian household and dividing it by the average number of working household members.

These three scenarios were to be seen as three possible approaches, without necessarily choosing one of them. As expected, however, attacks and proposals for amendments have begun on each of them. The official statements requested by MLSP from each social partner organization (2 trade union and 5 employers' organisations) in summary show that the signing of a Framework Agreement at this stage is impossible despite the expressed common will to move forward. Negotiations were very complicated and were further compromised by employers' demands for abolishing the extra pay for length of service and work experience as a trade-off for the MW. Since the end of July there are no developments regarding the adoption of a mechanism for determining the amount of the minimum wage for the country.

The government draft budget issued in the second half of October 2018 is a clear sign that the amount of the MW for the next year will be determined according to the current regulations and according to Medium-Term Budget Forecast of the

Ministry of Finance - BGN 510 (EUR 261) with a nominal increase of 10.9% compared to the current level of MW at BGN 460 (EUR 235).

CYPRUS

DEOK

LABOUR MARKET AND EMPLOYMENT

(a) Challenges:

The macroeconomic outlook improvement in 2017 has contributed to moderate increase in employment and decrease in unemployment. However, gross disposable household income growth is still low in 2017, and the at-risk-of-poverty rate shows only a minor decrease. Cyprus labour market faces a number of substantial employment and social challenges, though the situation is mixed in terms of recent developments. According 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 (2017). 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- sighted recipe that drives economic growth via few sectors. Thus, thousands of young University graduates find it extremely difficult to access the labour market and contribute to the economic and productive activities.

CSR no. 5 (2017 and 2018) for Cyprus was explicit in asking to the government to speed up reforms aimed at increasing the capacity of public employment services and improving the quality of active labour market policies delivery, and to complete the reform of the education system to improve its labour market relevance and performance, including teachers' evaluation. Unfortunately, no improvement has been realized in either of these two major challenges despite the CSR.

b) Options

There is an immediate need to design and promote a new economic model, which could restructure and reform not only the economy but also the labour market into a knowledge based high skilled growth and development. Public and or private investment in R&D and innovation is disappointing. Creation of new quality and high skilled jobs is also extremely low. Thus, young well educated people are either unemployed or underemployed. Finally, there are limited or no opportunities for attractive and rewarding self-employment and entrepreneurship of young people.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

(a) Challenges

In this area the situation has not improved much in 2017. The neglect, disrespect and violation of collective agreements is still the case. The dismantling of a long traditional and beneficial collective bargaining and collective agreements system maintains a priority among many firms and employers. 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. We observed a stable trend of wages/incomes for workers that put an end to years of wage downfalls due to the crisis.

Critical problems remain 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. 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

Cyprus has a vital need to reinforce its 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. There is also a need to extend coverage of the Minimum Wage Ministerial Decree/Order set for and binding for only eight occupations to a General Minimum Wage. Thus, legislation is absolutely necessary for Minimum Wage to cover all/any occupation throughout the land. Both of the above concrete policy options will become drivers for wage/income increase needed to restore decent employment guarantee, lost living conditions standards for employees and households. Finally, all stakeholders should enter a meaningful social dialogue to agree and take steps toward to raising productivity rates. Innovation, research and development can play a significant role in that overall goal.

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 long term discussion, but no reform and new policies have been promoted 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 typical 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 still remains 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 2017 show that close to 27,9% of Cyprus population - majority pensioners - live in conditions below or at poverty level. Social protection and welfare policies have suffered severe cuts during the crisis years (2013-2017), 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 (Reformed legislation approved by parliament in June 2017). Out of the pocket health-care-services expenditure for households is a major drawback of the GHDI.

(a) Options

Cyprus is in desperate need of the introduction - implementation of the NHIS as it is envisioned/ described in the law of 2001 and the revised legislation of June 2017. (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. The Minimum Guaranteed Income (MGI) is an effective reform introduced by the government in 2014 which has given a 'break' to tens of thousands of workers/households who lost all/any income during the crisis. We now need to focus in 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 provision 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.

STATE BUDGET AND FISCAL CONSOLIDATION

(a) Challenges

Though Cyprus has completed its Readjustment Program and the MoU (2013-2017), 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 2017). Despite the fact that public finances and budget have started to show moderate primary surplus (2016 and 2017), 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 real economy have been dramatically restrained during 2017 too. 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. 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 employees should be granted in 2018 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 SMEs. Public investment in infrastructure projects, innovation-research and development subsidies will give an impetus to hiring and employment while reducing unemployment. In 2018 there should be a progressive and offensive growth and job creation. Robust and speedy public service/support to new investments has to become a high priority aiming to set the framework of the new 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

SOCIAL DIALOGUE

a) Challenges

Cyprus had a long tradition of social dialogue on national tripartite level. 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 social partners' ownership and participation to implement NRP through social dialogue. The competent authority to take up this mandate 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.

DENMARK

LO-DK

LABOUR MARKET AND EMPLOYMENT

The wage compensation rate in the unemployment benefit system has been decreasing for a number of years. The net rate of wage compensation in the unemployment benefit system has been stable at around 71% for a number of years. However, due to a lowering of income tax and lower indexation of income transfers, it will drop to 64% towards 2025.

Analyses of the gross rate of compensation (which includes pension contributions - also a part of the income and the security) show that the rate of compensation is approximately 55% today for the average worker.

The Danish trade union movement finds that it is a fundamental problem that the unemployment benefit rate is continuously being eroded. This makes it less attractive to seek insurance in an unemployment insurance fund, and this destroys flexicurity.

The major causes for the erosion of the net rate of wage compensation are, to sum it up, that;

- The reduction in the indexation of unemployment benefits from 2016-2023 as part of the 2012 Tax Reform.
- As a result, the rate is index-linked and not linked to wage growth.
- The increased job allowance as part of the 2012 Tax Reform.
- The annual wage rate adjustment of 0.3% which finances SATS (the public pool of funds earmarked for disadvantaged groups).

The Danish trade union movement is against any further erosion of the unemployment benefit system because it risks putting flexicurity in the grave. A fair rate of unemployment benefit is necessary to ensure flexicurity and adequate support for the unemployment insurance funds which benefits all of society and, finally, necessary in order to preserve the Danish model.

Stopping the agreed erosion is a long term task. Correcting the current erosion which extends to 2023 would require considerable funding here and now (the Tax Reform alone yielded DKK 3.7), and it is clear to see that it can be difficult to get the funding in the short term. At the same time, however, there can be no doubt that it is the goal of the Danish trade union movement that the rate of unemployment benefit is raised in the long term in order to compensate for the erosion which has already taken place.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Collective bargaining & wages

In a European context, the Danish labour market has a high unionization rate on both the worker- and the employer side. Similarly, there is a relatively wide collective agreement coverage.

It is the collective agreements that set any minimum wage rates and it is important to the Danish trade union movement that this role remains with the collective agreements. In other words, we do not want statutory minimum wages. The collective agreements are typically industry-wide agreements. Meanwhile, many have ample opportunity to negotiate local agreements also. It is a flexible system which takes into consideration the different industries but which also ensures coordination within and between the areas.

In the spring of 2017, the collective agreements covering most of the private sector labour market were renewed. The manufacturing industry is the industry that sets the standard as it is the one most exposed to international competition.

Wage competition in the Danish manufacturing industry is very strong.

In the spring of 2018, the public sector collective agreements will be up for renewal. Here, there will be challenges when it comes to teachers because the government has intervened in the process earlier on. This area is subject to much attention.

Challenge: There are parts of the Danish labour market in which the unionization rate and the collective agreement coverage are either receding or relatively low - in a Danish context. This opens to social dumping, among others, and to other forms of unfair competition. The Danish trade union movement therefore focuses on ensuring control with social dumping including whether the authorities maintain and increase the current monitoring and works to ensure that organisational- and collective agreement coverage are increased in these areas. In that connection, the decrease in unionization among young citizens is a priority area.

Gender pay gap

In Denmark, the wage differential between men and women is rooted in the fact that certain industries primarily dominated by women are lower paid than what has historically been typical male trades. In addition to this, the wage differential in Denmark is also due to the fact that men are promoted to better paying jobs than women.

The Danish trade union movement believes that the challenge with the wage differential between men and women must be solved by creating more openness regarding wage formation in companies. The Danish trade union movement therefore works for publicly available, mandatory wage statistics that can shed a light on the extent of the problem and identify obstacles and solutions to the problem of the gender pay.

EDUCATION AND SKILLS

We are already starting to see a lack of qualified labour in certain areas. This tendency will grow in the future. The prognosis from the Economic Council of the Labour Movement shows that the labour market will be approximately 70,000 skilled workers short in 2025. <https://www.ae.dk/publikationer/danmark-kommer-til-at-mangle-faglaerte>

We would like to solve this shortage using the workforce we already have in Denmark by ensuring that more young workers get vocational training and that more unskilled workers become skilled.

We ensure this by creating a good framework for training and skills' upgrading, mapping out skills mismatch and trying to create motivation to upskill - especially for unskilled workers and workers with obsolete qualifications.

It is basically a question of:

- Creating incentives and motivation for unskilled and skilled workers to further upgrade skills and qualifications
- Using combined knowledge from LO, employers and the government to reduce skills mismatch on the labour market.
- Continuous monitoring and formal/informal talks about the effects of the active labour market policy

PENSIONS, WELFARE STATE, POVERTY

Pensions

Challenges:

Denmark has a good pension system with a broad coverage of supplementary pensions. The second pillar pensions are, typically, based on collective agreements between the social partners. Part of the state pension is means tested. This creates disincentives to save for some age groups. The biggest challenge in the Danish pension system is the problem with disincentives to save which is a threat to the second pillar pensions.

Policy options:

Changes in the tax- and pension system should provide the framework for a system without disincentives to save.

Welfare state, poverty

Denmark has recently reduced social benefits. At the same time, the focus is on reducing income taxes. This increases the divide between those on and outside the labour market. The Danish trade union movement is concerned by this tendency because it creates divides in society as well as more poverty. In the long term, this could feed the poverty cycle whereby people are stuck in the social class that they are born into.

The population growth in Denmark has the effect that the number of children and elderly will grow in the coming years. This increases the need for services, including care. Still, the Danish government tightens the budget for the public sector, and the growth in public services in the coming years will be very moderate (among other things to finance the tax cuts mentioned in item 1). This means that the amount of services per citizen is reduced and, as a result, public services will be reduced. The Danish trade union movement recommends that adequate funds for public services should, as a minimum, be allocated to sufficiently cover the demographic development and should ensure good development possibilities and a public sector in keeping with the times. The quality of public services must keep up with and live up to the expectations of the citizens by virtue of the enhancement of welfare in the surrounding society.

At the same time, very tight economic restrictions have been imposed on the vocational schools and other training and education programmes. The Danish trade union movement finds that training and education is one of the most important safeguards against poverty and social problems. Therefore, this area should have top priority.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

As earlier mentioned, it is crucial for the Danish trade union movement that the EU's programmes under the multi-annual financial framework are organized in a way that makes it possible to, over time, reduce and restructure the agricultural subsidies in return for an enlargement of the regional and social funds. This is to ensure that the funds reach an adequate amount to be able to raise the incomes and living standards in the poorest EU-member states. It is necessary to invest in

initiatives and projects that create long term growth and employment - among other things by supporting skills development, skills' upgrading and an inclusive labour market.

The Danish economy is approaching a stable economic situation after years of crisis. This means, among other things, that the public investments that should be made must be of a structural nature (long term initiatives that contribute to long term balanced growth etc., including among others, sustainable infrastructure projects) and less as cyclical measures.

STATE BUDGET AND FISCAL CONSOLIDATION

Public finances etc.

Denmark has healthy public finances with a low public budget deficit (close to balance) and a low public debt.

Denmark lives up to the Stability and Growth Pact (the balance) and the Fiscal Compact (the structural balance - which has been implemented by the Budget Act in Denmark), and in the medium-term forecast, the public finances will improve and are expected to reach balance after 2020.

Denmark is therefore not expected to receive any recommendations or proposals for improvement of the public finances from the EU.

There is a certain amount of flexibility in the Fiscal Compact, which does appear from the Danish Budget Act. According to the Fiscal Compact, the structural public deficit (the public budget cleansed of cyclical fluctuations) must not exceed the medium-term budgetary objective, which the EU establishes for each country and continuously adjusts. It is the so-called MTO (Medium Term Objective). Due to our sound public finances, the EU has twice adjusted Denmark's MTO and, today, it is below 1% of GDP. The Danish Budget Act has, on the contrary, a fixed limit of 0.5 % of GDP. The Danish trade union movement believes that Denmark should, in the EU-context, ensure a more flexible framework in the fiscal policy for a longer period, among others with increased focus on country-specific considerations. Furthermore, Denmark should benefit from the flexibility of the current EU-rules, i.e. to change the deficit threshold so that it is in line with that of the Fiscal Compact.

Taxes etc.

The Danish government is currently negotiating a tax reform which aims to lower income tax. The reason is that lower taxes will increase the incentive to work. It is to contribute to ensuring adequate manpower in line with the rise in demand. The Danish trade union movement doubts that tax cuts are the best way to ensure a continued economic upturn. First, it is doubtful whether tax cuts will in fact lead to increased labour supply. Second, the main challenge is the lack of skilled labour. It is very uncertain whether tax cuts will increase the supply of skilled workers. It is far more relevant to ensure more and better skills' upgrading of unskilled workers as well as a strengthening of the vocational schools.

The Danish tax system is generally well functioning. However, during the past years, changing governments have cut down on resources for the tax administration. This has led to an increase in tax fraud, which has, again, widened the tax gap by 2.5 %. In household, adherence to tax rules is very high. The problem therefore lies with the companies. The Danish trade union movement works to secure further resources for the taxation authorities -especially with a view to increasing control with companies. This aims to restore trust in the tax authorities and ensure a fairer financing of the welfare society.

SOCIAL DIALOGUE

In Denmark, we traditionally have a well-functioning social dialogue among the government, the employers and the trade union organisations.

A current example of this is the tripartite negotiations on adult- and continuing education that have just been successfully concluded.

ESTONIA

EAKL

LABOUR MARKET AND EMPLOYMENT

1. Gender pay gap - according to the Eurostat statistics Estonia has the highest pay gap in EU - 26,9%.

The best policy to lower the gap is

- the disclosure of wages, the labour inspectorate should have the right to check the existence of a pay gap in the enterprises;
- collectively bargained wages on sectoral level;
- more information on the topic.

2. Unemployment benefits - ca 50 % of unemployed can't have any of unemployment benefits.

The best policy is to extend the circle of unemployed people who can get the unemployment insurance benefit by allowing it to be paid also to them whose labour agreement was terminated on the agreement with employer or who terminated the agreement on their own will.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

1. Encouraging collective bargaining at sector level - there are collective agreements on sectoral level in two sectors. Last agreements give wage increases: in health care sector 13,5% for 2018, and in road transport (bus drivers) 7,2%.

Most of the collective bargaining takes place at enterprise level - as it is difficult to conclude agreements in the companies with no culture of having collective agreements (and also in the SME-s), there is only 3,9% of all companies have the collective agreement and the coverage with agreements has decreased from 32,5% in 2009 to 18,6% in 2015.

The wage increases in the collective agreements, concluded in EAKL member organizations, have wage increases on the level of average wage increases (2017 6-7%, 2018 the target for unions is about the same /also according to the wage formula/ 6-7%, in some cases 10%).

2. EAKL and employers organization just finished the new minimum wage agreement (will be signed in the near future). The minimum wage for 2018 will be 500 per month. It makes 6,4% of increase in gross terms but the changes in income tax mechanism (500 of free from income tax per month) makes increase of 20% in net terms. The minimum wage share in median wages in gross terms will be 54% and in net terms 56%, in average wages - gross 39% and net 44%.

EAKL is convinced that the minimum wage must continue to grow at a fast pace.

3. Encouraging collective bargaining (more on sectoral level) should be policy of government because for 20 years the policy has been quite hostile towards collective bargaining and the society is alienated from the culture of having negotiations of equal social partners. There should be also some amendments in the collective labour law - firstly regarding the sectoral level agreements and extending of such agreements (today only wage and working time are allowed to extend but also the extending mechanism should be improved). One of the problematic issues to make better is the obligatory of employers to negotiate agreements, when employees have asked for the negotiations.

4. The right to have collective negotiations and agreements and also the right to strike/or arbitration in public administration.

Today the law is not very precise here and gives the government institutions the possibility to avoid the collective negotiations and conclude agreements.

EDUCATION AND SKILLS

1. Skills of older generations - over 50- year old employees - the up-skilling and re-skilling of people before they are forced to leave the labor market before their retirement age.

The Unemployment Fund has developed measures for those employees but today it is only for people who work in disappearing or low wage sectors, but this possibility should be given to all.

PENSIONS, WELFARE STATE, POVERTY

1. Pensions should grow and reach the level of 50% of former income. Today they are on the level of minimum wages or lower.

2. Unemployment allowance is today 120 , it should increase.

3. The poverty is higher today among unemployed and pensioners an they have to live on social benefits.

STATE BUDGET AND FISCAL CONSOLIDATION

1. Tax-exempt income reform (500 per month) gives better income for low wage earners, at the same times takes more income tax from average wage earners and makes not much influence to high income earners. We think that the reform should go on and became more proportionate.

2. Instead of rising all kind of consumption taxes, there should be introduced the tax on capital.

SOCIAL DIALOGUE

1. The proper institution for national level tripartite negotiations must be created. Today the information and consultation takes place but is not well structured and often the equal representation is not guaranteed.

FINLAND

AKAVA

LABOUR MARKET AND EMPLOYMENT

Finnish employment rate is lower than employment rate in other Nordic Countries. There is a consensus on the point that high living standards and high level of public services and social protection require higher employment especially in the face of ageing population.

Our concern has been that the current government has seen cuts in unemployment benefits and tightening the eligibility criteria as primary measures to increase activity and employment. The government has cut the length of the income-related unemployment benefit period by 100 days (to max. 400 days) and has made more stringent the eligibility conditions (requirements to accept job offers are tighter). The government introduced mandatory interviews for the unemployed. Each unemployed is to be interviewed once in every three months to monitor job search activity and evaluate the need for ALMP measures. Our view is that contacting and interviewing the unemployed regularly is a good measure if it leads to more personalised service, but we are sceptical, since public employment services in Finland are grossly underfinanced and understaffed. From next year unemployment benefits will be cut by 4,65 % for next 65 days for those who have not been either in ALMP measures or working for at least 18 hours during the previous 65 days. Problem is, that offering ALMP measures depends on a decision of the employment services only and secondly, the unemployed cannot avoid the benefits cut by active job search in itself - only actual paid work counts. On the other hand waiting time without unemployment benefit at the start of the unemployment spell will be reduced by two days from 7 to 5 days.

A major concern is the administrative reform which is to take place in 2019. It will shift to a large extent the employment services to the newly established regional authorities, whose main functions are related otherwise to the provision of health-care and social services. Trade Unions are afraid that the regional authorities do not have the appropriate incentives to promote employment via ALMP. Regions are fully financed by the central government and in fact, higher unemployment increases their receivables. Currently the municipalities have better incentives, since they have to cover by own finances a significant amount of the unemployment costs especially of the long-term unemployed.

Trade unions have pursued 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 larger part of the total length of the leave to the fathers only. The objective is that mothers return faster to work. The government finally agreed to start preparing the reform so that the reformed legislation can be implemented since 2019.

Young mothers' return to work is also facilitated by the decision to cut the fees for public day care

Other positive developments are that

- in the future unemployed can retain unemployment benefits while participating in up to 6 months education and training at own discretion
- if an unemployed starts new business, the effect of income from self-employment on unemployment benefits will be evaluated for the first time only after the business has been in operation for four months

The government has initiated project aimed at drawing the guidelines for a future basic (non income related) social security reform. Objective is to simplify the current system, fight inequality and improve employability. The project is monitored by a broad group of representatives of political parties and other major interest groups, **labour market organisations included**

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

The Finnish bargaining system is 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 current negotiation round is under way, but no branch has reached a new agreement yet. The agreement in the paper and wood-processing industry expired already at the end of September and agreements technology (metal) industry and chemistry are due by the end of October.

We are still holding the view that the negotiation round will end up with reasonable wage increases even if for example employers from the paper and wood-processing were offered just a wage freeze.

EDUCATION AND SKILLS

Finland has been left behind by its competitors in the sphere of education and training. The share of persons with tertiary education is already below the OECD average. At the same time Finland has not been successful in reducing the share of young adults with only compulsory education. Finnish children participate in pre-school education less than children in the other Nordic countries.

The worsening of the relative performance in the sphere of education and training has been broadly recognised and the cuts in spending on education and training have finally come to a halt. There is even some, though very modest, expenditure increase.

Finnish vocational training and the network of university of applied sciences, which have lost as much as 25 % of their finance, are amidst a process of deep changes. In this context the decision to increase resources so that provision of vocational education can be expanded by 1000 students is most welcome.

As pointed earlier legislation is expected to change so in the future unemployed can retain unemployment benefits while participating in up to 6 months education and training at own discretion.

The Ministry of Education has just announced an ambitious vision for the higher education and research in Finland by 2030. According to this vision 50 % of the young Finnish adults (under 35 years) should receive high education. The roadmap (including finance) is yet to be prepared.

PENSIONS, WELFARE STATE, POVERTY

The pension reform negotiated by the labour market parties is now adopted. The parties have committed themselves to negotiate on certain details in 2019. The employer side has shown willingness to discuss certain issues earlier, but the trade unions have stuck to the original time-table.

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 have in principle found a common understanding, but since the details of the administrative reform are still open, no formal decisions are taken. The process has revealed the need to examine comprehensively the differences in the way mandatory pension schemes are financed depending on whether the employer is (directly) public or not. Since in the future public and private pension mandatory schemes will provide essentially the same benefits, it appears natural to ask whether and to what extent it is appropriate to have different principles in financing them. A working group comprised by representatives of the labour market organisations is preparing evaluation and proposals.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

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 previous consensus on the importance of R&D has been lost. 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.

The government has appointed a working group to draw a proposal for reform of the different forms of public support to businesses. This is welcome, since current system of government aid does not sufficiently focus on facilitating the upgrading of Finnish production structure towards high value-added products and services.

STATE BUDGET AND FISCAL CONSOLIDATION

There are no procedures against Finland under SGP and the country does not appear to be under threat of being put under such procedure in near future. Finland was granted temporary 0,6 % GDP deviation from the MTO-path under the structural reform and investment clause in 2017. Previously Finland was granted flexibility under the “unusual event clause”. Thus, Finland is considered to fulfill the requirements of the preventive arm of the SGP. According to the current projections of the Ministry of Finance Finland is at some risk of deviating from the SGP requirements, but possible deviation will not be “significant”.

However, Finnish public finances in the long run rise concerns. Debt-to-GDP ratio will fall to slightly under 60 % by 2021 but may start rising again already in 2022-2023 due to pressures on pension and long-term health-care expenditure, both related to rapid population ageing.

There is a large consensus that employment rate is the key to ensuring sustainable finances in the long run. However, the current government is falling significantly short of its objective to achieve 72 % employment rate by the end of its term in 2019. Current projections point at employment rate of just about 70,5 % by 2019 despite better than expected economic growth this and next year.

Our main concern is that as part of their stabilization programmes both the current government and its predecessor have implemented massive cuts in spending on education and R&D, even though there is some minor reversal in this trend lately. Spending on ALMP is also inadequate in view of the persistent employment problems.

Taxes on labour were reduced this year. There are some further labour tax cuts next year, which will not reduce the overall tax burden on workers, since they are intended to compensate for the increase in pension- and other social security contributions paid by the workers. These increases are part of the so-called “competitiveness pact” reached by the labour market parties. Transferring social security contributions from employers to workers is a key part of the agreement aimed at boosting price competitiveness of the Finnish export sector.

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

One of the country specific recommendations for Finland states "Promote the further alignment of wages with productivity developments, fully respecting the role of social partners. Take targeted active labour market policy measures to address employment and social challenges, provide incentives to accept work and promote entrepreneurship."

Collective bargaining in Finland still has strong position and the role of the parties is in principle respected. However the role of the trade unions is constantly challenged by certain members of the parties within the government coalition. In particular the legal extension of the collective bargaining agreements is often put forward as an obstacle to employment. Also there are attempts to undermine unionisation by representing the deductability of trade union membership fees as "tax subsidy" but failing to mention that enterprises can largely deduct membership payments to different branch organisations and Chambers of commerce for example.

It should be also pointed out that Trade Unions agreed to the terms of the "competitiveness pact" under heavy government pressure. The government was unilaterally preparing a law package, which would have affected working time, sickness pay and length of the paid annual leave in the public sector.

FRANCE

CFDT

LABOUR MARKET AND EMPLOYMENT

Le nouveau gouvernement français a présenté en septembre au Parlement des ordonnances visant à reformer le marché du travail : son projet a été précédé durant l'été d'une phase de concertation avec les organisations syndicales et patronales. La CFDT a participé à cette concertation et a porté ses revendications, même si les réformes pour lesquelles elle s'était engagée ces dernières années (formation professionnelle, compte personnel d'activité notamment) n'étaient pas encore totalement mises en place et nécessitaient d'être évaluées.

Au total, les ordonnances n'ont pas convaincu la CFDT qui y a vu une occasion manquée pour moderniser les relations de travail en France.

En effet, certaines mesures phares des ordonnances vont dans le sens défendu par la CFDT : développement de la négociation dans l'entreprise, au plus près des salariés et des problèmes à résoudre, ou encore rôle régulateur de la branche renforcé, en particulier sur la qualité de l'emploi (pour éviter une concurrence exacerbée au détriment des conditions d'emploi et de travail).

En revanche, ces mesures sont déséquilibrées par d'autres qui les rendent dangereuses (les ruptures facilitées par exemple), en particulier dans les petites entreprises : possibilité laissée à l'employeur de négocier sans un élu syndical ou mandaté dans les entreprises de moins de 50 salariés, pouvoir unilatéral accordé à l'employeur dans les entreprises de moins de 11 voire jusqu'à 20 salariés, assorti d'une pseudo-consultation des salariés. Ces ordonnances portant réforme du Code du Travail sécurisent bien davantage les employeurs que leurs salariés.

À la suite de cette réforme du Code du Travail, le gouvernement engage en novembre 2017 des réformes complémentaires sur l'apprentissage, la formation professionnelle et l'assurance chômage. Pour la CFDT, ces trois sujets font système, face au double défi d'un marché du travail marqué par un chômage de masse, à la fois persistant et morcelé par les contrats courts, et des mutations profondes et accélérées sous l'effet des évolutions technologiques et des enjeux de la transition écologique. La CFDT est particulièrement attachée au développement des compétences de tous les actifs, en emploi ou en recherche d'emploi, enjeu majeur de sécurisation des parcours, d'accroissement de la compétitivité économique et d'accompagnement des transitions.

Plus globalement, la CFDT défend la création de droits attachés à la personne, et non plus à son statut (salarié, demandeur d'emploi), des droits personnalisés et différenciés en fonction des besoins individuels, pour sécuriser des parcours tendant à devenir plus mixtes (y compris comme travailleur indépendant) et souvent morcelés en réponse à la demande de flexibilité des entreprises.

Pour la CFDT, la condition indispensable au développement de ces droits individuels réside dans un accompagnement personnalisé et global : il doit venir en appui à la décision de la personne et l'aider à répondre à ses difficultés tant professionnelles que sociales. Cet accompagnement est déterminant pour l'accès aux droits individuels et à leur mobilisation, dans un objectif de parcours d'insertion, de maintien et de retour à l'emploi (y compris via la formation). Sans cet accompagnement, les droits individuels attachés à la personne pourraient largement devenir synonymes d'accroissement des inégalités : ce serait pour la CFDT une erreur fondamentale.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Il est question de réformer le mécanisme de fonctionnement et de revalorisation du salaire minimum en France (SMIC). La CFDT n'y est pas opposée par principe, si réformer permet notamment de :

- simplifier les règles de fonctionnement et rendre plus lisible le dispositif,
- ne pas entraver l'accès au marché de l'emploi des personnes non qualifiées et les plus éloignées de l'emploi,
- garantir un seuil plancher de rémunération, cela pour une durée de travail déterminée,
- garantir une cohérence de rémunération entre les salariés et contenir l'accroissement des écarts de rémunérations,
- intégrer à un projet d'harmonisation européen et participer à l'établissement d'un socle de droits sociaux

La CFDT participera à la réflexion et apportera sa contribution. Rappelons qu'au niveau européen, la confédération européenne des syndicats (CES) prône l'établissement d'un salaire minimum européen (60% du salaire médian de chaque pays membre de l'Union). Par ailleurs, le parlement européen lui aussi s'est positionné en faveur d'un salaire minimum européen.

Par ailleurs, il est essentiel de rénover les classifications des métiers pour qu'elles permettent :

- d'identifier et de valoriser équitablement les compétences mises en œuvre ;
- de donner des repères pour construire des parcours professionnels ;
- de donner du sens aux systèmes salariaux ;
- de contribuer à l'attractivité des métiers.

EDUCATION AND SKILLS

Dans un contexte de persistance du chômage de masse, malgré des signes de reprise encore fragile, la France doit faire face à des défis qui se combinent : un accès inégal des actifs à la qualification, une inadéquation de son système de certification professionnelle, l'impérieuse nécessité de développer les compétences dont a besoin une économie qui se digitalise et que nous voulons respectueuse de l'environnement. La France doit passer d'un système où l'école, puis l'entreprise avaient seules la responsabilité du développement des compétences des travailleurs, à un système où tous les acteurs, et la personne elle-même, doivent se coordonner pour sécuriser les parcours professionnels.

En développant les droits attachés à la personne (Droit Individuel à la Formation - DIF en 2004), remplacé en 2015 par le Compte Personnel de Formation (CPF) que la personne "transporte" avec elle, quels que soient sa situation ou son statut (droit généralisé à tous les actifs par la loi Travail de 2016), la France approfondit l'évolution vers la personnalisation de l'accès à la qualification.

Ce capital d'heures de formation est complété par un droit à l'accompagnement et au conseil en évolution professionnelle (CEP). Pour la CFDT, le CEP est la clé de voute du pouvoir d'agir des personnes (empowerment). Faciliter l'accès à ce service permettra de lutter contre les inégalités d'accès à la formation et à la qualification. Pour une minorité de travailleurs, généralement qualifiés et très autonomes, le service peut se réduire à des informations sur les besoins en compétences des secteurs et des territoires. Pour la grande majorité de celles et ceux qui désirent ou sont contraints d'envisager une évolution professionnelle, le service propose en plus un accompagnement à la définition du projet personnel et aux démarches à accomplir pour le concrétiser. Le CEP a été créé en 2015 sans financement dédié. Les opérateurs le proposent en partant de leur offre de service déjà existante, ce qui n'est pas satisfaisant.

Le nouveau gouvernement souhaite amplifier les droits attachés à la personne en augmentant le volume d'heures du CPF et en favorisant la relation directe entre la personne et l'organisme de formation par le biais d'un outil numérique. Ce qui est qualifié de "desintermédiation", la suppression de tous les intermédiaires entre la personne et l'organisme de formation. Pour la CFDT, les outils numériques doivent venir au service d'un meilleur usage du droit. Mais il suppose de développer en amont un système permettant d'identifier les besoins des entreprises, non seulement à court terme, mais aussi en anticipant leurs besoins futurs (5 à 10 ans). Ce sont des analyses prospectives qui doivent être réalisées par les branches professionnelles, lesquelles doivent se doter des moyens de les décliner à une échelle territoriale pertinente.

Outre l'analyse des besoins en compétences, la France doit reformer en profondeur son système de certification professionnelle. Il souffre d'un divorce profond entre l'Education Nationale, très attachée aux savoirs disciplinaires qui conditionnent fortement le contenu des diplômes, et la formation continue plus tournée vers les savoirs-faire professionnels. L'offre de certifications est illisible et trop complexe pour les personnes comme pour les entreprises. Simplifier, rendre plus compréhensible les passerelles entre les certifications et entre les métiers, rapprocher le monde de la formation initiale et celui de la formation continue pour construire un système d'orientation pertinent, de formation de qualité et de certification utile à tous les actifs, tout au long de leur vie, c'est le défi que la France doit affronter pour une réelle sécurisation des parcours professionnels.

Parallèlement, il est indispensable de préserver une capacité d'innovation en matière de développement des compétences. L'action de formation elle-même est marquée par le développement des nouvelles technologies, la réflexion sur le développement des compétences conduit à interroger aussi les situations de travail (travail apprenant, compétences collectives, apprentissage entre pairs, rôle du management...). La formation n'est pas la seule réponse pour lutter contre le chômage de masse.

Les partenaires sociaux vont participer aux travaux (négociation et concertations) qui vont conduire à une loi au printemps. Ce sont ces orientations que le CFDT portera dans cette période.

PENSIONS, WELFARE STATE, POVERTY

Quels défis votre pays doit-il relever ?

Comme la plupart des pays européens, la France est confrontée au vieillissement de sa population, amplifiée par le « papy-boom ».

Par ailleurs, notre système doit faire face à de profondes mutations sociales, économiques et sociétales, qui se traduisent par un creusement des inégalités et une perte de confiance.

Le enjeu est de garantir un haut niveau de protection des travailleurs âgés, tout en assurant la pérennité financière de notre système de retraites.

Il s'agit de rétablir la confiance des jeunes générations dans notre système par répartition, fondée sur la solidarité et l'équité inter et intra générationnelles, c'est-à-dire le maintien du niveau de vie des retraités actuels et futurs tout en réduisant les inégalités, notamment entre les femmes et les hommes.

Quelles sont vos meilleures options politiques pour relever ces défis ?

La CFDT milite depuis longtemps pour une réforme en profondeur et de manière structurelle de notre système de retraite, dite « réforme systémique », en transformant notre système par annuités en système en comptes notionnels ou par points.

D'une part, la réforme doit apporter du progrès social : rendre le système plus juste (carrières longues, C2P), plus équitable (femmes / hommes, mono et poly pensionnés) et garantir le niveau de vie des retraités (indexation sur les salaires et non sur les pensions).

D'autre part, la réforme doit améliorer la lisibilité du système, par l'harmonisation des règles des 35 régimes de retraite et faciliter ainsi les choix des salariés (« retraite à la carte »).

Pouvez-vous présenter des chiffres/données qui justifient vos revendications ?

Espérance de vie à 60 ans : 27 ans pour les femmes et 23 ans pour les hommes

Ecart moyen entre les pensions des femmes et des hommes : 25%

1,7 cotisant pour 1 retraité.

Plus de 50% de poly pensionnés (personnes ayant acquis des droits dans plusieurs régimes).

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

La France demeure confrontée à une croissance modérée, à des facteurs extérieurs d'instabilité et ce dans un contexte d'inflation encore faible.

Pour la CFDT, l'avenir de la France n'est pas dans le low cost économique, social et écologique, mais dans l'instauration d'une économie de la qualité - du travail, des produits et du parcours de vie des individus. Cette ambition aiguillonne nos analyses économiques.

Certes, les entreprises françaises retrouvent leur taux de marge d'avant crise, sous l'effet de mesures gouvernementales (CICE, Pacte de responsabilité) et d'une conjoncture favorable depuis 2014 (faiblesse de l'euro, des taux d'intérêt et du prix de l'énergie), et améliorent ainsi leur compétitivité coût. Mais les investissements nécessaires au maintien ou à l'amélioration de la qualité et de l'innovation ne sont toujours pas suffisants, traduisant un retard de montée de gamme de l'économie. Les parts de marché françaises ont globalement reculé en raison d'une dégradation de leur compétitivité « hors coût ». S'agissant de la compétitivité de la France vis-à-vis de ses partenaires européens, nous persistons à penser que les critiques sur le niveau des salaires ou la fiscalité sont biaisées (pas les mêmes choses, non prise en compte des taux d'imposition réels) et doivent être situés dans une vision globale européenne.

La CFDT appelle donc à une relance de l'investissement public, pour préparer l'avenir et l'avènement d'une économie de qualité. In fine, l'investissement public permet de poser les priorités de long terme, de consolider la croissance potentielle et de réduire durablement le déficit public. Il s'agirait de projets d'investissements à fortes externalités positives tels que le capital humain, le développement du réseau haut débit, la transition énergétique, la rénovation thermique des bâtiments, la transformation des transports individuels et collectifs, etc. Autant d'opportunités pour transformer en profondeur l'offre globale française et sa productivité, mais que les entreprises n'ont pas pleinement exploitées en France. Le gouvernement français doit impulser le mouvement. Les fonds structurels doivent permettre d'accompagner cette trajectoire et veiller à ne laisser personne sur la touche et permettre de lutter contre les inégalités (territoriales, etc.).

SOCIAL DIALOGUE

La CFDT, comme les autres partenaires sociaux, a participé aux réunions de concertation sur les ordonnances réformant le Code du travail. La CFDT avait deux objectifs principaux : sécuriser les salariés, renforcer la place du dialogue social en proximité des salariés. Au final, les ordonnances prises par le gouvernement comportent beaucoup trop de règles qui flexibilisent les relations sociales et facilitent les licenciements. Si le texte poursuit la «décentralisation» de la négociation vers l'entreprise, engagée en 2016 pour le temps de travail, elles ne donnent pas aux représentants du personnel un meilleur accès à l'information, réduisent leurs moyens et, pire, renforcent le pouvoir unilatéral de l'employeur dans les plus petites entreprises.

Quelques avancées :

- Les branches professionnelles ont une nouvelle responsabilité sur la qualité de l'emploi. Ainsi, c'est toujours le Code du travail qui prévoit les cas de recours aux contrats à durée déterminée (CDD) et l'indemnité de précarité (10 % du salaire). Mais dans les branches, en fonction des réalités et des besoins spécifiques des activités économiques, on pourra négocier des assouplissements sur le nombre de renouvellements possibles ou sur le délai de carence entre deux contrats, en contrepartie d'engagements pour empêcher le recours systématique aux CDD, les abus de certains employeurs, en particulier les CDD de très courtes durées.

- Augmentation des indemnités légales de licenciement. La CFDT s'est opposée au barème des indemnités prudhomales qui empêche de réparer un préjudice important subi par un salarié irrégulièrement licencié. Mais le nombre de salariés réellement pénalisés par cette nouvelle règle reste faible. À l'inverse, l'augmentation de 25 % des indemnités légales de licenciement pour les dix premières années d'ancienneté concerne environ 1,5 million de salariés chaque année, tous ceux qui sont licenciés ou demandent une rupture conventionnelle.

Mais plus de flexibilité pour licencier :

- Le périmètre du licenciement a été réduit à la France : auparavant, un groupe international ne pouvait pas arguer de la mauvaise santé d'une filiale française pour procéder à des licenciements économiques, si le groupe était en bonne santé. Désormais, ce sera possible. Le juge exercera néanmoins un contrôle afin de vérifier si l'employeur n'a pas frauduleusement

organisé les difficultés de la filiale française.

- Les obligations de reclassement des employeurs ont été « allégées » : ils ne seront plus tenus de notifier les postes proposés individuellement à chaque personne.
- Les plans de départ volontaires seront facilités, ce qui peut avoir des conséquences négatives sur l'emploi des seniors.
- Des formulaires-type seront mis à disposition des employeurs pour les guider dans les procédures de licenciement individuel : un dispositif qui sécurise autant les employeurs que les salariés.

Une occasion manquée pour moderniser le dialogue social :

Le dialogue social de qualité participe à la performance d'une entreprise. Mais le gouvernement n'a pas entendu les demandes de la CFDT qui voulait améliorer l'accès à l'information des élus du personnel, renforcer la place des salariés dans les conseils d'administrations, ouvrir à la codécision l'utilisation de l'argent public ou la rémunération des dirigeants. La CFDT est persuadée que l'on peut, dans l'entreprise, négocier des organisations du travail et des garanties conformes aux attentes des salariés et utiles à la performance de l'entreprise. Mais pour que ce donnant-donnant fonctionne, les négociations doivent être loyales et équilibrées : pour cela, il faut des représentants du personnel protégés du lien de subordination vis-à-vis l'employeur, formés, ayant accès à toute l'information économique et sociale sur l'entreprise.

Le gouvernement a surtout permis aux employeurs des entreprises de moins de 11 salariés et de celles jusqu'à 20 salariés qui n'ont pas de délégué syndical de décider seuls des dérogations au code du travail et de demander aux salariés de valider leurs décisions par référendum. Les salariés de ces petites entreprises n'auront pas réellement de liberté de vote, quand leur patron leur proposera de baisser la rémunération des heures supplémentaires, sans contrepartie. Ces salariés (4,7 millions dans les entreprises de 10 salariés et moins) sont donc particulièrement fragilisés.

FORCE OUVRIÈRE

LABOUR MARKET AND EMPLOYMENT

Le niveau de chômage demeure élevé en France : en août 2017, 6 705 000 personnes inscrites à Pôle Emploi, le service public de l'emploi, dont 2 105 600 personnes en activité réduite, le plus souvent subie, notamment chez les seniors et les femmes. Ce dernier chiffre est en constante augmentation, signe d'une précarisation continue au travail. Le taux de chômage reste proche de 10% de la population active. La Commission européenne, dans le dernier rapport pays confirme que le travail à temps partiel n'a pas reculé et que le chômage de longue durée (44,3% des inscrits à Pôle emploi) « reste un défi important » !

Ces mauvais chiffres confirment l'échec des réformes qui flexibilisent les droits des salariés sans contreparties sur le terrain social.

Les ordonnances sur le Code du travail constituent la cinquième réforme du marché du travail en cinq ans. Pour FO, elles ont été préparées sans évaluation pertinente des textes précédents. Promulguées le 22 septembre 2017, leurs dispositions vont s'appliquer progressivement. Force ouvrière avait salué la concertation qui s'est tenue préalablement. Certaines garanties ont été obtenues et plusieurs dispositions ont été bloquées. Mais la réforme comporte de nombreux éléments inacceptables qui constituent une véritable régression sociale, comme la fusion des institutions représentatives du personnel (au sein d'un nouveau comité social et économique qui remplacera progressivement le comité d'entreprise, les délégués du personnel et le comité hygiène sécurité et conditions de travail), la

possibilité pour les entreprises de moins de 20 salariés de négocier des accords en l'absence de syndicats ou encore la limitation des indemnités en cas de licenciement abusif.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

La négociation collective reste très dynamique, aussi bien au niveau des branches qu'au niveau des entreprises. On observe cependant un léger fléchissement des accords de branches, notamment lié à une baisse de 24% des accords formation professionnelle et de 33% des accords protection sociale complémentaire. Ce qui correspond en réalité à un niveau normal, les dernières années ayant entraîné une hausse de ces accords en raison de la mise en place de la loi sur la généralisation de la couverture complémentaire collective.

Les accords salariaux, après avoir connu une baisse en 2015, retrouvent leur niveau de 2014 avec plus de 400 accords conclus. S'agissant du niveau de l'entreprise, nous observons une augmentation de 10 000 accords conclus par rapport à 2015. Si les salaires et primes restent le premier thème de négociation, on note une augmentation de 14% des accords sur le temps de travail, résultant certainement de l'application de la loi travail et de la décentralisation des négociations au niveau de l'entreprise.

Sur les salaires, FO déplore que la Commission puis le Conseil de l'UE se soit cette année encore dans ses recommandations à la France, attaquée au SMIC. Selon la Commission, le mécanisme d'indexation contribuerait à retarder l'ajustement des salaires globaux. En niveau le SMIC français est dans la moyenne des salaires minimum des pays équivalents. Au delà du salaire minimum, la France figure parmi les pays où la progression des salaires, quasiment nulle, est la moins dynamique en 2016, avec pour conséquences, une demande intérieure en panne, une pression à la baisse sur les prix, le maintien d'une croissance peu dynamique.

EDUCATION AND SKILLS

Le gouvernement a présenté, le 25 septembre, un plan d'investissement dans les compétences (PIC) qui affecte 14,6 milliards d'euros, sur 5 ans. Le PIC se donne pour objectif de « rendre l'accès à l'emploi » à 2 millions de personnes (ce qui est différent de la création de 2 millions d'emplois) en formant en 5 ans 1 million de chômeurs peu qualifiés et 1 million de jeunes peu qualifiés éloignés du marché du travail. Le PIC doit être mis en œuvre par l'Etat en coopération avec les Régions.

FO partage en partie le diagnostic posé par le gouvernement : le chômage massif n'est pas résolu (6 705 000 personnes inscrites à Pôle Emploi, le service public de l'emploi en août, dont 2 105 600 personnes en activité réduite; la numérisation et la digitalisation rendent nécessaire une évolution de certaines compétences clés ; la qualification est un bouclier contre le chômage. FO est également favorable à une priorité donnée à des formations longues et qualifiantes susceptibles d'améliorer durablement l'accès à des bénéficiaires à l'emploi, et à l'accompagnement individualisé des bénéficiaires.

Pour FO, si la formation est nécessaire notamment pour adapter les travailleurs aux évolutions numériques, en tant que telle, elle ne crée pas d'emplois. La somme allouée à ces actions est certes conséquente, mais pour FO, celle-ci s'apparente davantage à une redistribution budgétaire qu'à un véritable investissement : en effet, si l'État entend bien « investir », il appelle surtout les interlocuteurs sociaux et les entreprises à y contribuer largement. Une politique de relance affranchie du carcan budgétaire européen des 3% est bien nécessaire - au-delà des 20 milliards du plan d'investissement pour la transition écologique et de la « numérisation » de l'Etat à l'horizon 2022.

Enfin, FO n'était pas demandeuse d'une réforme de la formation professionnelle, la précédente n'ayant pas encore été évaluée dans ses effets. Une négociation interprofessionnelle doit s'ouvrir sur ce sujet.

STATE BUDGET AND FISCAL CONSOLIDATION

Le projet de finances 2018 du nouveau gouvernement diminue les impôts des ménages très très aisés ainsi que ceux des entreprises, en particulier des plus grandes, et accélère la baisse des dépenses publiques pour viser, à terme, un recentrage des missions publiques et du modèle social.

Le budget vise une cible de déficit public qui va au delà des exigences européennes (- 2,6% du PIB en 2018 et - 0,2% en 2022 !). Le gouvernement justifie ce choix par la justification classique du financement de l'économie, il favorise fiscalement les ménages se situant dans la distribution de revenus la plus élevée pour un coût de 4,5 mds en 2018 faisant sienne la thèse simpliste du « ruissellement » que plus de quarante années de néo-libéralisme ont largement disqualifié.

Alors que le niveau de vie médian stagne depuis 2008 et que le taux de pauvreté s'est accru en dix ans de près de 1 million de personnes, Force Ouvrière redoute les conséquences de ce choc fiscal sur les inégalités de revenus ainsi que celles de la hausse de la CSG et de la fiscalité indirecte sur le pouvoir d'achat, notamment de celui des retraités et des fonctionnaires. De même, l'impact de la suppression de la taxe d'habitation sur le maintien des services publics locaux interroge et inquiète quand on sait combien ceux-ci contribuent à contenir les inégalités et la pauvreté.

La stratégie fiscale de ce budget est financée par de nouvelles baisses de dépenses publiques pour un montant de 15 mds en 2018 dont la politique du logement (via notamment les aides personnelles) et la

politique de l'emploi (via les contrats aidés) sont les premières victimes, elles qui bénéficient d'abord aux classes populaires et aux classes moyennes.

Outre les mesures fiscales, qui organisent une redistribution à l'envers, le budget prévoit la baisse des cotisations salariales, et de nouvelles baisses de cotisations patronales (via la transformation du crédit d'impôt compétitivité emploi CICE). Ces mesures accentuent le processus de fiscalisation de la protection sociale et interrogent encore une fois sur la préservation des recettes de protection sociale.

SOCIAL DIALOGUE

La France n'est pas la plus mal lotie pour ce qui concerne la consultation des partenaires sociaux dans les différentes étapes du semestre européen. Les partenaires sociaux sont consultés régulièrement : 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. 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 l'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. Pour FO l'exercice du semestre européen 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.

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.

GERMANY

DGB

LABOUR MARKET AND EMPLOYMENT

Precarious work as a general representation of specific and grave dysfunctionalities on the German labour market remains to be a fundamental problem. This issue still lacks political attention from government perspective and adequate political initiatives and legislative measures for tackling the corresponding problematic symptoms. This issue can be described best by looking at the following complexes in details:

- Minijobs (jobs with an income up to 450 € per month) are widespread throughout the whole labour market with an estimated number of 7,7 Mio. people working in them. Although they are often referred to as an important stepstone for fighting unemployment and poverty, their true effect contradicts these assumptions: The income they generate per month is usually too low to effectively help working people fighting poverty, they only grant a minimum monthly contribution into public pension schemes which adds up to a greatly increased risk of poverty especially for those people who remain for long periods of time in minijobs. Additionally, minijobs often represent cheaper and thus more economically interesting ways for employers to hire new workers, which leads to relative decline of numbers of jobs with full-time and full social insurance in comparison with minijobs and other forms of precarious employment.
 - Contract work as another phenomenon of precarious work is especially problematic in terms of the protection of workers rights, the enforcement of workers councils' rights and the prevention of circumvention of tariff standards. Est. 22% of companies in Germany have seen a rise in numbers of contract work within the past three years. In 73% of the companies, workers councils registered significantly lower wages and/or worse general terms of contract for contract workers than for regular workers. 19% of all contract work is regarded as on-site and identical in terms of tasks, scope and responsibility as to regular employments (although being paid significantly less), while an additional 24% of all contract work is considered to be almost identical to regular employments. As a result, est. 26.000 companies make constant and ever-growing usage of contract work. This adds up with lease / temporary work to a constant competition for lower wages, higher flexibility, less protection and less enforcement of workers rights.
 - Single-Person self employment usually offers low to very low income levels, a serious lack of overall access to social protection and an additional lack in pension funding participation. Still, more than 50% of all types self employment in 2015 (est. 2,3 Mio.) were conducted by only one person. Strong links to the hiring of contract workers and the method of outsourcing former employees into self-employment contracts for lower wages are evident.
 - Part-time work and fixed-time work are often used by companies to construct cheap and flexible solutions instead of hiring regular employees. Although part-time work can be a mechanism to support work-life-balance demands, it also contributes to lower income levels in general, a relative danger of poverty especially for young employees and female employees in particular. Since there is no legal fundament for employees to return to a full-time work after a period of part-time, they may encounter to be trapped in part-time and thus depend on the sake and needs of their employer.
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COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Despite better developments in the last years, Germany needs further strenghtening of domestic demand - of investment, but also private consumption. In order to achieve the latter, we also need to improve the conditions for stronger wage growth. This means in particular:

1.) Strenghten collective bargaining coverage:

Among other things, the instrument of declaring a collective bargaining agreement to be unsiversally binding must be used more effectively. To achieve that we need further legal adjustments. Measures have been taken with the "Tarifautonomiestärkungsgesetz" to facilitate the use of that instrument. However, practice shows that this hasn't been successful yet. So one of the demands of the DGB is to change the mechanism of vote in the so called Tarifausschuss at the ministry of labour in order to avoid blockades by the employers organizations. Further the ministry of labour should be able to define the public interest on a universally binding collective agreement without taking reference to the old 50 % Quote to show that the collective agreement has got predominant importance.

Also the problem of employers leaving collective bargaining agreements or choosing to stay a member of the employers organisation, without beeing part of a collective agreement ("Mitgliedschaft ohne Tarifbindung" / "OT-Mitgliedschaft") must be tackled.

There must be the possibility to include extra-benefits for union members into collective bargaining agreements and there should be a right for associations - namely trade unions and employer's organisations - to take legal action.

The system of co-determination must be strenghtened and the relevant rights of workers and works councils on the firm level must be enforced and protected against attacks from employers.

see: <http://www.dgb.de/themen/++co++c79fa53a-ff21-11e6-bef5-525400e5a74a>

2.) Create suitable conditions on the labour market:

see: Box 1

These and further measures are also needed to tackle the ongoing problem of the gender pay gap in Germany.

EDUCATION AND SKILLS

Good education is essential for life and work prospects. Social success still determines the educational success in Germany. The number of young people without school and professional skills and qualifications is high. There is a lack of good offers for initial and continuing training in VET. At the same time, the need for good, comprehensive qualifications is growing with the steady transformation of the working world. The vocational orientation of young people also

equals their orientation in life and, at the same time, vocational education and training stands for personal development. It is key to decent work and participation in society. Co-determination, involvement and shared responsibility are essential elements of vocational education and training. Trade unions therefore are an equal partner in VET dialogues. Only broad-based vocational training can secure highly qualified staff for companies and open up good prospects for young people on the labour market. Digitalization, increasing numbers of pupils and inclusion also increase the need for action. In the coming years tens of thousands of refugees will apply for an apprenticeship. Germany needs a structured process to qualify refugees and to become acquainted with the language and the vocational training. Germany invests less than promised in its education system. The share of expenditure on education and research in the country's economic power (GDP) is clearly below the 10% mark, at 9.1%. There is a lack of 27.2 billion a year to reach this target. The social imbalance remains one of the main problems in the system. More than 47,000 young people have no school-leaving certificate, almost 1.4 million young people between 20 and 29 years of age have no VET certificate. The skilled labour shortage is another problem area. Thus, the number of apprenticeship contracts has fallen to its lowest level since German unification. Only one in five companies are still active. In 2016 alone, Germany lost almost 10,000 training places. There is also a gap between winners and losers in terms of study and continuing education.

The DGB therefore calls for a new national strategy:

- More investment in modernisation and new construction of schools and universities.
- Pact for vocational schools to better equip them with technology and professionals.
- Quality Act for day care center which sets high quality standards for early childhood education.
- Law for a high-quality at all-day schools.
- Training guarantee that paves the way for a completed education for all young people.
- Vocational law for continuing training with special company leave, financing, quality assurance.
- Implementation of a national strategy of validation of non-formal and informal learning
- Educational leave laws with sustainable and high quality lifelong learning policy.
- A better and need-based state funding for students to ensure equal opportunities to participate in higher education especially for students from low-income families
- Expansion of the Federal Education and Training Assistance Act and a better basic funding of the universities
- Opening up of universities for people without high school diploma (permeability).
- Better framework for trainer, teacher and educator.

PENSIONS, WELFARE STATE, POVERTY

Pensions:

The German three-pillar approach is still lacking adequacy. The second and third pillar still didn't reach enough people and can't fill the gap driven by cuts of statutory pension system. Germany needs to reinforce the statutory pension system by combining defined benefits as a portion of average wage with higher provision in general as well as in special cases like low wage, long term unemployment or phases of education and training.

see: http://rente-muss-reichen.de/wp-content/uploads/2017/03/4S_DGB_Rente_A4_ZukunftRente_4Seiten.pdf

and:

<http://rente-muss-reichen.de/kampagnen-broschuere/>

Inequality & Poverty:

Inequality in income and wealth distribution is a big problem in Germany. Germany has an exceptionally large low-wage sector. About every fourth works below the low-wage threshold. Many employees are poor despite work. In order to reverse this development, we need good jobs with good wages. This also includes increasing the statutory minimum wage so as to generate a decent income for millions of workers.

see: <http://www.dgb.de/themen/++co++4b20d566-6091-11e7-9d1d-525400e5a74a>

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Investment:

There is a significant lack of public and private investment in Germany, which adds to the problem of high external surpluses.

The share of public investment in GDP has been around 2 % in 2016 which is lower than in most developed countries. Since 15

years public net investment is negative on a regular basis. The investment gap is especially high in the municipalities where the investment backlog sums up to 126 Billion Euro (according to a kfw survey from 2016). The German government should immediately use the space it has under the national debt brake to increase investment. Given the high investment needs and the low financing costs, it is irresponsible to focus on achieving surpluses in the public households. Generally the debt brake has proven to hinder public investment and should be abolished or at least reformed - a golden rule must secure that investment spendings do not fall beneath the rules of the debt brake.

Private investment is also much too low - despite good financing conditions and high profits on average. To foster private investment government should make sure that there is less volatility on the markets and that companies have reliable conditions concerning regulation. Also it is necessary to focus on the demand side: Germany itself must become a better market and a lead market for industrial goods and services in many areas. Last but not least public investment in infrastructure (transportation, digitalisation etc.) is a necessary basis for private investment.

Structural Funds:

Germany has the following challenges concerning structural policy

- Unemployment in East Germany is still very high
- Some regions in West Germany have big problems too
- Demographical change
- Structural change i.g. automobile & mining industries

STATE BUDGET AND FISCAL CONSOLIDATION

Concerning the budget surpluses and the debt brake: see box 5

Tax-policy:

Germany needs a fairer system of taxation - we need tax relieves for employees and people with low and middle incomes and higher taxes on wealth, capital income and very high incomes in general.

The DGB has presented proposals which would bring a tax relieve for 95% of all households while at the same time strenghtening public revenues.

see: https://www.dgb-bestellservice.de/besys_dgb/pdf/DGB20039.pdf

ITALY

CGIL

LABOUR MARKET AND EMPLOYMENT

1. Priority intervention areas

- The highest priority is the **reduction in the unemployment rate**, which is still high compared to the pre-crisis levels (11.9% in 2016 as against 6.7% in 2008).
- Another priority is to encourage **greater and better inclusion of young people** in the labour market, as they still record too high levels of unemployment and inactivity. As data and statistics are demonstrating, the recent refinancing of the Young Guarantee can be a valuable tool for reducing the share of NEET aged between 18 and 29. Furthermore the apprenticeship contract must be strengthened and enhanced as a valuable tool for integration in the labour market.
- An additional priority is to reduce the **structural employment gap between men and women on the labour market**, considering that in 2016 the female employment rate was 18.4 points lower than the male one. To this end, we must keep on pursuing and encouraging inclusive policies for women, notably by strengthening contractual welfare and work-life conciliation measures.
- One of the most problematic aspect of Italy's labour market is to be found in the **South of the country**, which continues to record the highest unemployment rate (19.6% in 2016, as against 7.6% in the North and 10.4% in the Centre). In this regard, an "Incentive Scheme for Employment in the South" has recently been introduced with a view to creating jobs with open-ended contracts, which is showing its initial positive effects.
- Another priority is to invest in effective and efficient **active policies** and above all in **training policies** tailored to the technological changes underway, since they are key to ensuring job retention and job transitions.

2. The policies proposed by CGIL, CISL and UIL

We are faced with a labour market which - although apparently slightly improving compared to the gloomiest years of the crisis - still shows to be suffering.

The above listed priorities are at the core of our proposals and analyses made at the negotiating table currently in place with the government. We can summarize the major ones:

- to support open-ended contracts by reducing the most precarious forms of employment, starting from the abuse of extra-curricular traineeships, and reducing the tax and contributory wedge for the employees newly hired with open-ended contracts, especially in the South of Italy;

- to strengthen and improve apprenticeship as the main form to enter the labour market;
- to upgrade the work-based learning schemes;
- to promote and strengthen active policies;
- to extend - also provisionally - the duration of the Redundancy Fund in crisis areas;
- to change the Income-Support Fund, reserved for employers excluded from the Redundancy Fund, to make it more accessible and provide certainty in the payment of benefits to the workers involved;
- to consider the possibility of introducing a tool for the companies up to 5 employees, which are currently deprived of social safety nets;
- to rebalance costs and accessibility of the Redundancy Fund and of dismissals.

It is also of fundamental importance to accompany the process of the fourth Industrial Revolution - a theme on which there are two negotiating tables in place with the government (one on "the changing employment" and the other on "Industry 4.0"). Collective bargaining, training and investment shall be the three cornerstones of this new evolutionary process, with a view to avoiding the risk of increasing the number of unemployed people.

Specific attention shall also be paid to the "new gig economy" created by the digital platforms so that a parallel, precarious and unprotected labour market is not created.

We need to invest in enhancing training as a "subjective right" of every worker; in an effective system of active and passive policies; in measures designed to create "better" employment, including apprenticeships for young people; in growth policies for the South of Italy. Lifelong learning shall be backed concretely with steady and structural investment.

3. For labour market data, see the attachment

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Priority intervention areas

1. To enhance the role and autonomy of the Social Partners in collective bargaining, in the setting of wages and in labour law.
2. To fight against contractual and economic dumping, as well as the proliferation of national contracts signed by non-representative parties.
3. To extend the second-tier bargaining - at company and territorial levels - not only in relation to productivity, but also as a way for workers' participation and involvement in the organization of work, by enhancing their role. To extend it to the recognition of skills and activities, also with training pathways that can grasp the changes in the production process and the individual workers' vocations.
4. To increase the wage share in collective bargaining, both with the increase in minimum wages and with structural and progressive measures to reduce the labour cost, with a view to improving the social conditions of workers and their families harshly hit by the crisis that

does not seem to be over yet. It is also necessary to promote initiatives designed to reduce the gender pay gap that is still too high in Italy also compared to the other European countries.

5. To envisage public measures for supporting low wages, starting from measures against the widespread involuntary part-time contracts.

The policies proposed by CGIL, CISL and UIL

In Italy collective bargaining is the main tool for setting wages and the regulatory forms of labour protection. Nevertheless the harsh years of crisis (characterized by a mix of recession, deflation and stagnation of productivity) saw collective bargaining stand fast, especially in the manufacturing sectors, and find some difficulties in the increasingly fragmented service sector. The non-renewal of the public employment contracts is still a severe problem.

Also in 2017 CGIL, CISL and UIL have put forward proposals for reforming and modernizing the contractual model, by implementing the agreements reached with Confapi, the crafts sector and Confcommercio and by continuing negotiations with Confindustria (the Italian Association of Entrepreneurs) and the cooperative sector.

Collective bargaining must be increasingly targeted to modernize contractual standards following the great transformation that the labour world is experiencing as a result of the growing digitalization and innovation impact. The fields of major emerging contractual innovations, adding to the negotiation of wage increases, are the subjective right to education; the enhancement of skills, apprenticeship and the mechanisms promoting closer links between school and labour market for young people; active policies and a welfare system capable of providing personalized forms of protection based on needs.

In Italy, however, there is an abnormal proliferation of the number of national contracts signed, due not only to the fragmentation in some sub-sectors but, above all, to the huge increase in the contracts signed by scarcely representative or not representative social partners. This is a dangerous and severe form of contractual dumping, spreading particularly in the service, trade, building and highly-fragmented agriculture sectors, with the risk of reducing wages and protection in an improper and severe manner. This happens while CGIL, CISL and UIL are involved in the negotiations with the craft associations to reduce collective contracts in the sector.

This situation requires decisive actions in favour of rules certifying the representativeness of the social partners in charge of negotiating and signing wage and regulatory agreements.

The second-tier decentralized bargaining applies to a minority of companies and workers. It must be further spread, in addition to national bargaining, both directly and through forms of territorial bargaining allowing to reach the widespread world of SMEs and micro-enterprises which, in Italy, are the majority of existing enterprises. The tax incentive policies for company bargaining linked to performance bonuses have allowed to renew an increasing number of contracts along these lines, thus providing a constructive mechanism that needs to be further spread both at decentralized and at national levels. The technological and organizational

changes taking place in the economy are based on workers' stronger involvement, which should be turned into more structured and valuable forms of direct participation. Italy is still one of the countries recording the highest labour cost, which results from burdensome taxation mainly focused on the labour factor. It is urgently needed to start shifting the burden of taxation systems away from the labour component and implementing stable measures and forms for reducing labour costs - starting with young people - with a view to raising real wages.

The pay differences between the various classes of workers are still widespread and, in some cases, even increase. (Full version in attachment)

EDUCATION AND SKILLS

Despite some slight improvements, Italy is still ranking low in the European statistics on education and training systems. In fact, at national level, we still record an early drop-out rate; a high percentage of NEET (one of the worst rates at the EU level); a low rate of graduates; obsolescence of the skills possessed, especially by the over-50 people but not only by them; a still scarcely developed tertiary training for professional purposes and a regrettably persistent relapse into illiteracy.

The tools recently identified and now finally established (national system for skill certification; national system for lifelong learning; Repertoire of Jobs and Professions; Atlas of Jobs and Professions; work-based learning schemes; first- and third-level apprenticeship) are scarcely implemented. Hence it is too early to evaluate their effects, although we think that their results will be very positive once they finally become fully operational.

Therefore it is both an obligation and a challenge for us to reaffirm how it is essential for the development of individuals and for the country's growth to invest in an action plan on skills designed to:

- reduce unemployment and the time needed for re-employment;
- reduce the gap between the education level and the type of job found by improving the matching of skill supply and demand;
- adapt and enhance skills to reduce the impact that technological innovation will have on employment levels and to seize the new employment opportunities that will be created;
- reduce poverty and social exclusion;
- increase social and political participation.

The plan shall be based on institutional coordination and the integrated use of resources and it shall be implemented through the territorial networks of lifelong learning and the active involvement of social partners and the other stakeholders, as well as the establishment of consultation and coordination units and the reaching of agreements shared with all major

stakeholders, with a view to expanding citizens' and workers' right to lifelong learning and defining specific training pathways for the various beneficiaries.

The integrated system for lifelong learning services shall include:

1. services for identifying and validating the skills possessed when entering the labour market to customize and shorten the pathways;
2. guidance services;
3. individual training plans;
4. certification of the skills acquired for them to be fully used on the labour market, in continuing education and in career pathways.

The Italian trade unions deem it urgent to implement policies really ensuring each individual's full personal and professional self-fulfillment, in particular:

- to gradually increase the share of national wealth invested in knowledge to reach the OECD average;
- to allocate more resources to initial and continued training in order to ensure the key skills for active citizenship and lifelong learning;
- to monitor and ensure the quality of work-based learning schemes and apprenticeship designed to obtain diplomas and qualifications, by supporting training institutions and promoting the companies' training abilities;
- to implement the integrated lifelong learning system envisaged by the current legislation and start an extraordinary plan to combat the illiteracy emergency problem, the relapse into illiteracy and the deterioration of basic skills so as to raise adults' skill levels;
- to strengthen the policies for ensuring the right to study with a view to fighting against the exclusion from access to education caused by the families' increasing impoverishment;
- to reach contractual arrangements to overcome the economic obstacles and time constraints hampering adults' access to training;
- to enhance guidance services and capacity audits;
- to grant tax exemptions for the training costs borne by both individuals and companies;
- to adapt the education and training system to the changes that digital innovation will bring about in society and in the labour market.

Data available in the attachment.

PENSIONS, WELFARE STATE, POVERTY

Priorities and areas of intervention

Labour, social, demographic and epidemiological change expose more and more people to risks of exclusion, precariousness, distress and disease; social protection demand is increasing at different levels, welfare, poverty, health, disability, work-life balance. Groups such as young and elderly, with a huge gap against women, are more vulnerable.

Cgil Cisl Uil proposals

Including the social protection among the priority measures towards economic development and employment, in order to safeguard the social rights.

Enhancing and shaping a quality national service system based on: clear multilevel governance, additional and stable investment, to overcome the social and health care system fragmentation, now regionally oriented, in order to allow a convergence on the concrete measures, to focus and ensure basic health care levels.

Pensions: The EU Commission has been welcomed some years now, the sustainability of the Italian pension system but doesn't fail to point out that such a positive outlook is influenced by productivity and employment trends, particularly youth. Recently, the Italian Government has highlighted with the update of DEF 2017 the risks of rising pension expenditure over the next 20 years, pointing out that the objective of economic growth and the reduction of public debt relative to GDP is also linked to the demographic issue: ageing population and falling birth rate. Nonetheless Cgil Cisl Uil believe that the financial sustainability of the social security system should not prejudice the social sustainability of the debt, rather than legislative measures in past years have considerably aggravated, leading our system to be one of the most restrictive in Europe.

The 2017 Budget Law included many issues that formed part of the Pensions Agreement signed between Cgil Cisl Uil and the Government on 28 September 2016, such as the raising of the no tax area for retired people under the age of 75, extension of the support pensions up to 1,000 euros per month, "early retirement" with the identification of some disadvantaged cases, easier access for cumulation of contributions and others, to which the Government finally allocated 7 billion euros in 3 years for the referred measures.

Meetings between Government and Trade Unions continued during the year, in order to verify the implementation of the second phase of the report which provides an easier flexibility in access to pensions, balancing life expectancy and work, answers to the future young people's pensions and precarious works, adequacy of the future and the existing pension systems, enhancement care work for social security purposes, the promotion of compulsory voluntary supplementary pension schemes and separation of welfare expenditure from social security.

In September 2017 Cgil Cisl Uil presented to the Government concrete proposals on different issues as indicated in Phase Two of the minutes.

The Government has proved to be unavailable so far, therefore mobilization and local initiatives have been organised to support our proposals.

Poverty: A Fund for the fight against poverty and social exclusion has been issued in Italy since 2016. This fund will provide financial support for the Inclusion Income (REI) structurally from 2018. This represents an important innovative tool that combines minimum support for household income in particular economic difficulties with social and employment services. The target should support all families in absolute poverty, but at the present, resources are only sufficient to cover a minority (about 38% or 1.8 million to 4.74). Within the Alliance against Poverty in Italy, which has given a fundamental contribution to the introduction of the REI, Cgil Cisl Uil have asked to start the planned Multiannual Plan as soon as possible, gradually increasing the resources in the next Budget Law, to boost economic support and to enhance services to inclusion.

Long-term care and not self-reliance

It's time to implement a comprehensive strategy to guarantee the fundamental rights of care-dependent people. Appropriate, accessible and affordable (eg homogeneous assessment, care and care pathways through qualified professionals and regular employment relationships) are needed to develop a qualified support for a quality and affordable social health care services, including tax area. The role of a family caregiver should be acknowledged and supported, beyond the sole voluntary dimension, linking it to the service system and anticipating the strengthening of the life-work balance. (as in the European Directive proposal). The Government has set up a Non-Self-Sufficiency Forum (NA) with Cgil, Cisl, Uil and the Disability Associations, to approve the Non-Sufficient Plan and its Essential Levels of Beneficial Social Benefits.

More info on this topic and on the healthcare system and childcare are available in the attachment.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Private investments are struggling to restart without support of internal demand and, in particular, without the drive of public investments. In the economy and finances planning documents of the Government the impact on GDP of public investments is not foreseen as increasing for the period 2018-2020. Recovering competitiveness only by leaving to the markets the definition of investments has not always proved a successful way of achieving this objective.

The industrial policies guidelines defined by the Government in the National plan Impresa 4,0 can act as an important push, but CGIL CISL and UIL believe that they can provide an important drive, but methodologically speaking the themes dealt with are complex and transversal and require more involvement of the relevant actors.

It is also necessary that the National plan Impresa 4,0 fosters training, stability and quality of employment.

Following what already agreed in some collective agreements, training must become a workers' permanent subjective right and related incentives must be available for all companies.

It is also necessary to start new processes aimed at adapting the skills of workers and to create new quality jobs as a result of investments for innovation.

Nevertheless, it is important to boost public investments also in line with the UN Agenda 2030 Sustainable Development Goals and European Climate Framework also promoted by the EU.

We also believe that it is necessary to improve the fairness of economic and fiscal policies to direct more firmly growth and development. In this perspective, Income redistribution actions should be fostered in favour of medium low social households also to avoid the risk of stagnation. We reaffirm our pledge for a policy action to reform the taxation system, in particular of IRPEF (Income taxes on natural persons) taxation on employees with the involvement of social partners, as already done with pensioners at the occasion of the 2017 Budget Law.

It is also important to maximise and make a more efficient use of European structural and investment funds. In spite of the actions aimed at speeding up the expense capacity of such funds and of a certain improvement, our country is still very late in the certification of expenditure. Governance should therefore be improved at national and regional level also by improving the regional contribution to the computerised

certification system assessing the effectiveness of Administrative Reinforcement Plans (PRA). This is a precondition for an efficient and effective implementation. Furthermore, social partners should be systematically involved in the selection and implementation of projects.

The freezing of the increase of VAT and of excise duties seems to impact positively on consumption and investment forecasts. At the same time this amounts to $\frac{3}{4}$ of the whole amount of this year's Budget Law thus consuming all the flexibility available for this year.

We are not in principle against a decrease of taxation on businesses. In a European framework where such taxation often acts as dumping, taxation on businesses should be reduced also by establishing a European maximum and minimum corporate tax. More effort should be done to also establish a web tax

that eliminates the tax advantages of some multinational companies which exploit policies close to avoidance. The proposal of a CCCTB (Common Consolidated Corporate Tax Base) is an option to be taken into account.

Seemingly, actions aimed at combating the reasons behind tax evasion should be promoted, in particular by setting up a more structural and organic intervention to counter it also by making better use of existing databases available to the PA. The effectiveness of such databases should also be fostered by incentivising payments traceability also by drawing inspiration from actions implemented in other countries.

STATE BUDGET AND FISCAL CONSOLIDATION

It is necessary to emerge from the sluggish Italian economy in order to give a strong impetus for a real economic recovery in a spirit of social cohesion.

Italy's growth forecasts in 2018 would lead to a net debt of P.A. of 1% of GDP in trend terms. In line with the Commission address, the target to be reached in 2018 will be 1.6 points deficit against the 2.3% reached last year. For this reason we believe that the 2017 fiscal package is not in an expansive line, and should have been more courageous with regards to flexibility, especially in terms of support to investment and employment.

On October 14th 2017, CGIL CISL UIL organized a mobilization claiming a different approach concerning the 2018's Budget Law. We especially claim more resources for both youth employment and social safety nets; block of the automatic mechanism relating to the requirements access to retirement, in respect of increasing life expectancy; a mechanism that allows decent pensions for young workers with discontinued careers; a reduction of the requirements for access to retirement for women with children or engaged in care work; the adjustment of existing pensions; full financial coverage for the renewal and the rapid and positive conclusion of public employment contracts; additional resources to boost funding for health and disabled people. A fair and development oriented Budget Law must definitely consider the demands that Cgil, Cisl, Uil have pointed out.

Moreover, talking about growth, employment and development is the best practice to avoid the so-called "populisms" and to make Europe a social place for workers and peoples.

It is clear then that issues such as growth and sustainability of public finances must go hand in hand, but it is not tolerable that the sustainability of public finances is always at the forefront in spite of the needs of all citizens and especially of the most vulnerable people.

On this side, the only remedy to make public accounts sustainable and gradually reduce public

debt is the long-term growth of the economy. To growth, economy needs incentives and public investments steadily declined over the course of the 10 years.

From this point of view, it would be necessary, to accelerate and maximize the European Structural Funds and Investments spending, especially the South.

Cgil Cisl Uil believe that Member State should not ratified in the Treaty the rule of the fiscal as we need the review its mechanism and basics, since it is now only geared to austerity policies instead of growth. It would at least be preferable to remove from the spending review all the costs related to: territorial protection and risk prevention, education and innovation, public investment, that, as already mentioned, are the real weakness of our country.

SOCIAL DIALOGUE

CGIL-CISL-UIL are committed to participating in the consultations with the European Commission at European and national level, following it at all stages, although this year, unlike in previous years, the national confrontation was confined to a formal presentation of the "Country Report" and a meeting convened on 14 November 2017.

Concerning the involvement of social partners in the European semester, it has been more formal than substantial since it was limited to hearings in the Parliamentary Committees on the Economic and Financial Documentation, the National Program of the European Semester Reforms and the Stability Law.

It is true that there are sectoral discussions and consultations that are relevant to the themes of the European semester, but we consider appropriate to have structured consultation throughout

the semester.

Furthermore, there was no real consultation, as requested by the European institutions, during the consultation phase on the European Commission proposal for the establishment of a European Pillar of Social Rights. However, trade unions have actively participated in the European consultation and have replied with their own contributions to the request for consultation in writing by the Parliament's Labour and Social Affairs Committees.

Italian trade unions have been engaging on two tables of confrontation with the government in recent months. The negotiations concern the issue of pensions and some aspects of the labour market, respectively.

In 2016, Cgil, Cisl and UIL and the Government signed a common Platform "Reforming pensions, giving young people a job ". On the basis of this platform, a negotiation with the government has been initiated that allowed the signing of the Synthesis Report of 28 September 2016 and the achievement of important measures such as: flexibility principle in access to pensions, such as early retirement for early workers; the social Ape (see the box on pension) , the free contribution cumulation and the simplification of arduous workers . In addition, for retirees, the extension of the fourteenth and the no tax area.

In 2016 (November 30, 2016) it was also signed with Government a Memorandum of Understanding with the addresses for the renewal of public service contracts and the monitoring of the rules concerning the reform of the Public Administration. During this year specific meetings were held between the social partners, the Government and the Aran (representing public administration in negotiations) to start negotiations for the renewal of public sector contracts for public affairs that are blocked for seven years.

During 2017 there were meetings between the social partners and the Government on investment with the resources of cohesion policies, on the future 2020 post-2020 cohesion debate, on young people's recruitment facilities in southern Italy, on industry and work 4.0, respectively .

Also, at the technical level, confrontations table was opened with the Agency for Territorial Cohesion to define a new way of involving the economic and social partnership in line with the indications of the European Code of Conduct on the Social Economic Partnership.

As far as social security matters are concerned, we are now in a second phase of consultation. Significant distances have also been highlighted at the moment, even on particularly important elements, which we hope that the continuation of the negotiations hopefully they can be overcome

As far as the labour market negotiation is concerned , the subject of discussion has been the following: social shock absorbers dampers, decree on essential levels of performance, accreditation guidelines and situation concern employment offices, redeployment allowance and active policy tools for crisis management, support for youth employment.

LATVIA

LBAS

LABOUR MARKET AND EMPLOYMENT

[1] Labour market supply and demand

At first glance labour market in Latvia looks like it is doing well, employment rate has been gradually increasing while unemployment is doing the opposite. According to Central statistics bureau (CSB) unemployment rate has fallen from 6.6% in second quarter of 2015 to 6.1% in second quarter of 2017. However, the actual story is told by different figure, the amount of people at working age has fallen by nearly 15'000 within the last year.

The plummet in working age population is resulting in increased imbalance of labour market. In second quarter of 2017 open positions in labour market have grown by 13.2% compared to the same period a year before.

Biggest gap in the labour market is located in the governance sector with 3193 open positions, meanwhile private sector is most lacking in manufacturing (2570 open positions) and Sales and vehicle services sector (2630). Meanwhile the skills sought after most are those of specialists, senior specialists, and qualified craftsmen, as well as services and trade workers.

It has been estimated that a considerable gap in the Latvian labour market is for IT specialists, large corporations have estimated that there is a requirement for around 3500 IT specialists across different sectors, meanwhile the education system is able to supply one sixth of this amount on a yearly basis.

The root causes for this situation is qualification mismatch and uncompetitive level of living. Uncompetitive wages is one obstacle that has to be resolved, as shown in a recent study by Bela Galgoczi, Latvians on average earn only 34.7% of the EU15 average wage, but it is just one obstacle. On top of the depressing wage level and low purchasing power the prices of housing are out of proportion, healthcare funding has been insufficient and labour market continues to be plagued by shadow economy doing damage to the social welfare system.

This has in part resulted in the emigration of both qualified and unqualified labour as well as demotivated young adults from creating families, gradually decreasing birth rates. In order to facilitate young families and turn around the migration trend, Latvia has to take quick steps to improve the living conditions and welfare system to attract young specialists.

[2] Wage growth and productivity

Latvia has been showing good numbers in productivity growth rates, however is still low on the totem poll

in EU. This is largely due to lack of investment in infrastructure and innovation, as well as incapability to penetrate global markets. As per Eurostat data, Latvia was third smallest exporter among the EU countries in 2015 surpassed only by Cyprus and Malta.

The deviation between wage and productivity growth is often used as an argument against increase of wages. This however is the wrong approach and for an economy that is housing the second lowest Purchasing Power in EU, can become a fatal problem that has already been emerging in a form of above mentioned outward migration trends and plummeting reproduction rates.

Trade unions are in agreement with OECD assessment that main causes for low productivity in Latvia are low foreign direct investment (FDI) and lack of integration in global value-added chains. As a country with small internal market Latvia is particularly dependent on participation in global markets and access to global and European value chains. Therefore, Latvia requires programs that help local businesses enter other markets. FDI and reinvested income in infrastructure and technology is required to increase efficiency and decrease manual labour, instead investment in raising worker qualification and skilled labour is essential.

Trade unions stress that low productivity in Latvia is not connected with labour productivity. Falling into the trap of saving on labour can prove to be a fatal flaw for Latvia, as low purchasing power, unproportional income and cost of living, lacking social security and healthcare services combined with open European labour market opportunities will result in further labour drain in Latvia.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Collective bargaining

Wages in Latvia are set by law instead of being determined by collective agreements. Some existing collective agreements have indications and guidance on how to set wages and organise wage system. However, minimum wage rates are set by the Regulations of the Cabinet of Ministers.

In **public sector** collective bargaining on wage rates is limited by *Law on Remuneration of Officials and Employees of State and Local Government Authorities*. Sectoral collective agreement in healthcare sector was renewed in January 2017 and is signed between Nursing and Health Care Personnel Trade Union, Trade Union of Employees of State Institutions, Self-governments and Finance Sector, Health and Social Care Workers Trade Union and the Ministry of Welfare of Latvia. The agreement applies to all institutions subordinated to the Ministry of Welfare that have trade unions of the mentioned sectoral organizations. This is also the only one sectoral agreement that sets minimum rates of pay.

In **private sector** there is one branch collective agreement which is signed in the railway sector. It is also generally binding (*erga omnes*) collective agreement.

In general collective agreements in Latvia cover approximately 24 % of workers. Therefore, sectoral collective bargaining and coverage of collective agreements require improvements.

Lack of sectoral collective bargaining can be explained by the developed culture to regulate employment standards in detail through legal regulations. The main negotiations on labour related issues take place

within the tripartite cooperation system and result in amendments to the Labour Law and other related legislative acts. In addition, challenges to sectoral collective bargaining can be explained by lack of awareness and understanding of benefits of collective bargaining among employers, as well as unionization rates of the employers' side to reach the representativity thresholds for extended collective agreements.

In 2017 to improve the situation, on the initiative of social partners, amendments to the Labour Law were adopted. The amendments lowered the representativity thresholds for employers' organizations to sign *erga omnes* collective agreements. The current system provides that if employers, group of employers, an organization of employers or an association of organizations of employers employ more than 50 per cent of the employees in a sector or the turnover of their goods or the amount of services is more than 50 per cent of the turnover of goods or amount of services of a sector, a general agreement shall be binding on all employers of the relevant sector and shall apply to all employees employed by such employers.

Previously employers' organization had to represent more than 60 per cent of the turnover of goods or amount of services of a sector. According to the current wording, the 60 percent of turnover is lowered to 50 percent. Separate employers or a group of employers can also now join employers' organization in order to become parties to the agreement and help to comply with the representativity criteria. In addition, the amendments provide for the mechanism to prove compliance with the representativity criteria. The data provided by the Central Statistical Bureau has to be used in calculation of representativity criteria.

To improve sectoral collective bargaining in 2017 with the support of the government the social partners in Latvia started implementation of the ESF pilot project aiming to promote collective bargaining on sectoral level. The objective of the project is to sign five sectoral collective agreements in five economy sectors - telecommunications, wood processing and forestry, road transport, chemistry and construction. This pilot project is the main platform to develop sectoral collective bargaining in Latvia, therefore, its successful outcomes serve the interests of all social partners - employers, workers and the government.

EDUCATION AND SKILLS

Still percentage of those who have vocational education at age group 25-34 is significantly below EU28 average (20.8% compared to 32.5% in EU-28 in 2016). Besides Latvia hasn't reached the target that 50% of all pupils should be at vocational education despite significant investments in vocational education infrastructure and content development thanks to the EU Funds (now the ratio is 40%/60%). However share of population at age group 30-34 who have higher education is above EU-28 average and it is gradually increasing year by year. The target of EU2020 was already achieved in 2015. Trade unions work on amendments in legislation to achieve that education expenses covered by employers (applicable to vocational and higher education expenses) would not be taxed by labour taxes.

As it was expected and indicated in the previous report, requirement for pedagogical education for in-company trainers significantly impedes the implementation of the ESF supported project for work based learning. All involved parties regularly come together to monitor the results of the project.

Remarkably that 2017 is the year when large ESF projects on vocational and adults education started effectively. First of all, the project supported by the ESF on development of new VET content has started in practice (namely, activities were introduced in reality) where social partners are defined as cooperation partners. Consequently social partners started to work on development of vocational standards in 2017 and first vocational standards were approved in late 2017. Another activity implemented by social partners within mentioned project was provision of expertise to recommend simulation equipment for vocational education institutions in particular sectors. Further it will be the responsibility of the National Centre for Education (contracting institution of the project) to organize procurement procedure. However, public procurements it is one of the obstacles which may delay the implementation of activities of the project.

Another ESF project, which started in 2017, is the project on improvement of vocational competencies of employees aged above 25 (mainly those who have low skills). In practice the first round for application was launched at the beginning of October 2017 in four sectors where the most significant labour shortage is expected (construction, ICT, wood industry and metalworking). Project offers to obtain vocational skills at several vocational education programmes, for instance further education, vocational training and informal training. The training offer was developed in cooperation with Sectoral expert councils. However, the first round of applications brings negative consequences as it was already pointed out by the Competition Council, the rules foresee that priority will be given to vocational education centers of competence to train adults. The main reason is to make high use of investments made in these centers during the last EU Funds period.

One more challenge should be pointed out regarding implementation of work based learning. There is no minimum remuneration or amount of scholarship defined which should be paid by employer in case of work based learning. Legislation only foresees that amount up to 280 euro per month is not taxed by labour taxes in case of work based learning.

It is expected to make amendments to the Vocational Education Law. The working group formed by the Ministry of Education and Science and which involves also social partners has not come together so far.

PENSIONS, WELFARE STATE, POVERTY

According to Eurostat Latvia is among the EU leaders in poverty rate, almost 30% of its population lives at risk of poverty. In 2016 26,4% of Latvians were considered to be at threat of poverty according to material insecurity index failing to pass 3 out of 9 indicators of these 12,8% are considered to be in deep poverty failing to pass 4 out of 9 indicators.

Two largest at risk of poverty groups are obvious - unemployed and people in retirement. In 2015 38,1% of people over the age 65 were at risk of poverty, from these people who have retired 41,9% were at risk of poverty in 2015.

Curiously in 2010 (mid-crisis) the at poverty rate for retired people was considerably lower, at almost 10%, 4 years before that during the economic boom the rate was at 55%. What the at risk of poverty

fluctuation for retired people shows is not chaotic pensions, but rather the stagnating pensions in different economic periods. While the pensions were secured during crisis, average income in households fell rapidly reducing the at risk of poverty pension receivers (it has to be noted that while they might not have been below the threshold thanks to methodology, pensions have always been low and insufficient for decent living), now that the economy is growing and households on average seem to increase income, the truth of pensions seem to emerge - they are low and cannot sustain a decent living for people in retirement, according to Central statistics bureau in 2017 the average pension was EUR 301 while the poverty threshold already in 2015 was EUR 318.

Availability of healthcare services has been an issue for a while now, even though government funded healthcare services are quite abundant, they are not easily accessible. According to Eurostat, almost 20% of Latvians have refused to visit a specialist which is a rate three times higher than EU average and 4 times higher than the neighboring country of Lithuania. The reason usually is either due to waiting time for government funded services being too high or the cost of services being too high.

As data shows every fourth person with low income has not visited a specialist when having health issues while only 5% of high earners have done the same, this clearly shows that the main issue is affordability of healthcare services.

Low accessibility of healthcare services severely impacts the quality of life, as shown by Eurostat data, the difference between life expectancy in Latvia is slightly shorter than in EU on average, difference for women is 4 years, however difference in healthy life is 8 years. Situation is more dramatic for men, who are slacking behind in both indicators by 9 years.

Contribution to healthcare budget is insufficient that much is clear, but this affects more than just funding of services, it also contributes to low and stagnating wages for healthcare workers, according to CV-Online (largest online job search platform in Latvia) medical nurses in 2017 received an average net salary of EUR 474 while doctors received an average net salary of EUR 622, which is uninspiring considering the average net salary in Latvia was EUR 631 and the qualification requirements in the sector.

Finally in 2017 an agreement has been reached between Latvian Trade Union of Healthcare Workers and Cabinet of Ministers (within the NTCC platform) to increase funding of healthcare system. Agreement provides for a gradual increase in government funding till it reaches 4% from GDP in 2020.

The increased healthcare budget is good news, providing additional 116.9 miln. for state employed healthcare workers in 2018. However, there have already been signs of wavering when it comes to agreed allocation of the funds and pressure has to be sustained to make sure the funding is distributed efficiently. For efficient spending has been a healthcare issue for a long time. According to OECD healthcare funding has been slightly below EU average, but life expectancy is among the lowest in EU, indicating an inefficient healthcare system. Therefore while additional funding is a great first step, accessibility of healthcare services have to be also improved through structural reforms.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

In 2017 the largest tax reform has been adopted in Latvia since it regained its independence, the reform will take effect starting with January 1, 2018. Biggest impact of the reform will be felt in labour taxation as it will experience considerable increases in non-taxable minimum amounts, minimum wage amount, restructuring of the social contribution distribution and most notably implementation of progressive Personal Income Tax (PIT), something that Trade Unions have been lobbying for years.

What changes in labour taxation will we see?

- Progressive PIT:

- § 20% rate for annual income up to EUR 20'000
- § 23% rate for annual income EUR 20'000 - EUR 55'000
- § 31.4% rate for annual income over EUR 55'000

- Balancing PIT for income from capital with income from wages at 20% rate.

- Non-taxable minimum raised from EUR 115 to EUR 200 (differentiated, this depicts the Max threshold applicable to monthly income up to EUR 440).

- Non-taxable amount for dependents - rise from EUR 175 to EUR 200.

- Social contribution raised by 1% that will be contributed to healthcare.

The tax reform also tackles business which will see increase in Corporate Income Tax (CIT) from 10% to 20% on distributed income, however the decrease from 10% to 0% for reinvested income is hoped to motivate entrepreneur investment in growth and innovation, and thereby contribute to more rapid productivity growth.

Another aspect tackled by the tax reform is the failed system of micro-companies that was implemented to help new businesses emerge with reduced tax burdens in turn with strict limitations on turnover, income and employee count, but in turn became a tool for tax optimization and avoidance. To reduce the affect of micro-companies tax reform will reduce the allowed turnover from EUR 100'000 to EUR 40'000 and limiting a person to only be allowed to work for only one micro-company.

To balance the decreased state income from taxation, excise tax will be increased for cigarettes, alcohol and fuel. Even though the additional excise would increase expenses of an average driver by EUR 3-5 a month, there is cause for concern that the increase of fuel expenses in transit sector might cause an overall price inflation.

This tax reform is a step in the right direction, when it comes to decreasing inequality, at the same time more dramatic changes are required to make a real impact on overall welfare.

STATE BUDGET AND FISCAL CONSOLIDATION

Using fiscal policy to support structural reform priorities

As per OECD recommendations in Economic survey of Latvia in 2017 fiscal policy should be used to support structural reforms in reduction of low wage taxation, high taxes on low wages contribute to undeclared wages, high unemployment, poverty and emigration. The revenue stream should be moved to taxation of real estate and energy, as well as business income taxation should see a reduction of tax exemptions.

While the recommendation is agreeable, burdening the energy expenditure with higher taxes is not recommended as it might result in high burdens for low income households as well as energy intense businesses, such tax could be implemented if Mandatory Procurement Component was reduced as it currently stands as highest among EU countries.

Other recommendations from OECD on improving productivity and access to better economic opportunities for society as well as improvement of access to health services, housing and jobs can be found in Economic Survey of Latvia 2017, a consolidated recommendation overview in page 3 of the survey document in the following link: <http://www.oecd.org/economy/surveys/Latvia-2017-OECD-economic-survey-overview.pdf>

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 general social partners in Latvia are satisfied with the tripartite cooperation platform. In 2017 a new subcouncil on taxation and budget related issues was added to the NTSP structure.

There is no special separate platform for discussions on CSR and NRPs. The draft of the NRP is prepared by the Ministry of Economics in cooperation with other ministries and state institutions. The social partners receive a draft of the NRP and are invited to contribute to it. After written contributions the social partners are invited to the general meeting of state institutions. The NRP draft is later forwarded to the Parliament (Saeima) for discussion. The social partners can participate at the meeting in the Parliament devoted to the discussion on the NRP draft and can express their concerns and proposals.

There are no separate meetings or written communication to discuss CSR for the particular year. The topics included in the CSR are to some extent integrated into the thematic discussions of the NTSP, for instance in 2017 questions on the taxation, healthcare and education reforms, which were addressed by

the CSR 2017 for Latvia, were discussed within the NTSP structure with active participation of social partners. However, no reference to the CSR 2017 were made.

There are no special meetings to discuss Annual Growth Survey and the Report for Latvia. These issues 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.

LITHUANIA

LPSK

LABOUR MARKET AND EMPLOYMENT

There is a big differentiation of labour markets in Lithuania regions. In some regions, there is a large number of unemployed in one profession, while there is a shortage of workers from other specialties. There is insufficient predictability of the required qualifications and occupations, of employment prospects. There is a need for closer cooperation between business, labor market forecasters and labor exchanges. All this must be coordinated by the government.

In recent years we see a very intensively implemented digitization. An extensive support for a large-scale digitization is planned for businesses. However, it is a threat and may lead to huge workers' job losses, not only because of a decrease in their numbers, but also because they lack the ability to manage those new technologies. A planning of digitization processes and programs must involve preparation of employees to work with those new technologies. This should be done without a delay.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Too few employees are covered by collective agreements, a large number of companies with collective agreements do not have approved payment systems. To address this challenge we strictly require approval of payment systems and post official information about organizations that have approved payment systems.

Because of the new Labour Code in Lithuania workers' social rights are undermined. In the Labour Code redundancy notice period got shorter and severance pay got smaller. Furthermore, there was established a new legitimate provision that an employer is allowed to fire an employee practically without any reason just in 3 days. In this case an employer has to pay a compensation, which amounts to 6 average salaries. Vacations are shortened and a work week got longer. If employees worked 48 hours a week at most, now in some cases it reaches 60 hours a week.

After the new Labour Code came into power it is easier to initiate strikes but still there are plenty illogical things. If workers want to strike, required procedures are quite long and complicated.

There are just a few situations, when it is allowed to strike: a) if an employer refuses to negotiate a collective agreement or b) refuses to sign a collective agreement. It is not allowed to strike, if that employer simply violates a collective agreement. Before the beginning of a strike, it has to be established a conciliation commission (representatives of workers and employer). If a problem is not solved, then it can be addressed to a) a mediation commission or b) an arbitration of a Territorial Labour Inspectorate. The biggest problem is the following: courts have a right to delay the beginning of a strike and apply so-called temporary protection measures. For example, if it is allowed for workers to strike, an employer has a right to complain and ask a court to apply temporary protection measures until it will be clarified, is that particular strike legal or illegal. That means, that during this time workers cannot strike and it may be delayed for a very long time. (For example, one time the beginning of a strike was delayed for 2.5 years). Sadly, Lithuanian trade unions have noticed that employers abuse this right. Therefore, trade unions seek to change some amendments of the Civil Code to correct this kind of situation. LPSK aims that it would not be allowed to apply temporary protection measures and strikes could not be delayed on this basis. If Lithuanian trade unions succeed, courts task would be limited to a clarification was a particular strike legal or not (if a strike would be recognized illegal, TU should cover loss for an employer).

According new Labour Code the representation of employees in the country is not transparent as there are multiple and at least partially overlapping bodies which negotiate with the employers.

Lithuania workers are represented by trade unions, work councils or trustees. The right to conduct collective bargaining belongs exclusively to trade unions. Information and consultation are main functions of work councils. If more than 1/3 of workers are members of a trade union, a work council is not established and all its functions are exercised by trade union.

This kind of system creates a situation when workers' representation gets more complicated and harder to implement effectively. Trade union does not get relevant information regularly. The double system leads to weakened representation of workers' interests and undermines trade unions' influence and bargaining power. The institute of work councils and trustees in Lithuania is a formality and are created artificially. Lithuania was criticized by the institutions of the EU, that information and consultation procedures are not fulfilled enough. This problem was solved by creating low-value institutions of works councils, but often their election procedure is not independent of management, they are not motivated to represent workers, lack necessary skills and their independency is doubtful. This reform may violate Information and consultation Directive.

EDUCATION AND SKILLS

Teachers, lecturers, scientists are paid inadequately. Requirements are set very high, workload is heavy, but salaries are low and uncompetitive. That leads, that a big part of the most qualified specialists leave this sector (or finds similar position abroad) and overall

quality of the Lithuanian education system is at risk. In October was agreed to sign a collective agreement for a branch of education. It is a promising step for a better social dialogue and positive changes. All sides agree, it is crucial, that their work would be valued because they create a very high additional value.

Re-qualification of workers is not effective enough. There are still a lot of challenges, especially for older workers, to get marketable skills and not to lose an edge of competition in a labour market. There should be better coordination due to the re-qualification between social partners, what skills are the most optimal to train, what specialties would be the most useful in the Lithuanian labour market, which groups are the highest risk to roll away to poverty. A bigger engagement of the Lithuanian Labour Exchange in these processes is necessary.

PENSIONS, WELFARE STATE, POVERTY

Lithuanian employees need higher wages. Country is experiencing wage-poor economic growth. Excessive inequalities in income in Lithuania undermine low-wage workers and their families, and then lower productivity, which, in turn, is the cause of even greater inequality and fragmentation of the labour market.

The Lithuanian Tripartite Council agreed to rise the monthly minimum wage to 400 EUR from 1 January 2018. The Tripartite Council has agreed on the criteria, based on which the monthly minimum wage should be raised: average wage growth, situation in the labour market, employment, inflation. But still the minimum wage is among the poorest in the EU.

Inequalities need to be addressed through introducing a progressive tax system and exempting the minimum monthly salary. According to the new Lithuanian Labour Code, which came into power on the 1st July 2017, a minimum wage may be paid only for unqualified work.

Before this amendment about 20% of employees in Lithuania - officially - got a monthly minimum wage or less.

SOCIAL DIALOGUE

During the Tripartite Council's meetings the information on the European semester's documents was provided, but there was no close involvement of the social partners in the design and implementation of the reforms and policies throughout the European semester process. There were no direct discussions with the social partners on the Commission's proposed CSR. Information on the implementation of the CSR and short discussions were taking place indirectly in the Tripartite Council within cooperation with the European Commission representation offices.

The social partners in Lithuania were involved into the EU Semester through the implementation of the national reform: adoption of the new social model. During the negotiations in the Tripartite

Council on the new Social model (including Labour Code) social partners were not on equal grounds and this process was strongly influenced by interest groups.

We need to strengthen the role of social dialogue mechanisms to be active players in the process of evaluating policies and assessing reforms. Social partners need resources for capacity building, proper participation and contributing to the main stages of the European Semester process, especially in the early stage. Strengthen the role of social dialogue mechanisms: tripartite and bipartite, on national, sectoral and regional levels.

MALTA

GWU

LABOUR MARKET AND EMPLOYMENT

Employment growth in Malta is amongst the highest in the EU and this is set to reach the EU 2020 target. On the other hand, the unemployment rate has dropped to a record low of 4.1%.

Net immigration flows helped to offset emerging skills gaps and shortages in the labour market. However, it is estimated that next year some 2000 vacancies will not be filled resulting in a loss of Euro 60 million to the economy.

Challenges

40% of the labour force are registered as unskilled, this may be inaccurate due to the fact that not all skills have been duly accessed and graded with the Education department, this task is unfortunately moving in a slow pace.

The female participation rate in the labour market has made steady progress with the introduction of free child care. In fact, this has surged to above 50% up from 33% in 2004. The employment rate for young females has risen above the EU average. Unfortunately, however those females, mainly married women between 45 - 61 age bracket, have still to be enticed to join the labour market. The problem seems to be cultural in nature as most of them left work after getting married to raise a family. The GWU feels that with a focused PR campaign, a tailor-made programme and incentives, these women can be enticed to join the labour market.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Collective Bargaining in Malta is conducted at Enterprise level and wage increases differ according to the sector that the collective agreement is being negotiated. For example, wages in the *igaming* industry and digital games sectors have increased dramatically mainly due to the shortage of skills in this area. Wages have also increased in the construction industry mainly due to the construction boom that the island is facing due the influx of foreign labour. Other sectors too have experienced more modest wage increases, while those sectors such as in the Caring and Cleaning sectors also experienced wage increases, mainly due to the increase in the minimum wage after an agreement was reached by all the

social partners in the Malta Council for the Economic and Social Development (MCESD). On the whole wages grew by an average 6% over the previous year.

As regards the gender-pay-gap, women in Malta earn almost half of what men get paid, this places Malta as the second highest gender-pay-gap within the EU. Overall the gender-pay-gap in Malta stands at 45.6% while the EU average stands at 39.6%.

Challenges

While more females than males are graduating from our higher Educational Institutions, more needs to be done to upgrade the skills of certain cohorts of females that are either low-skilled or unskilled so that they can command a better wage. There is also the tendency in Malta that more women take a career break when raising a family which sometimes result in them not upgrading and adjourning their skills and thus getting a lower paid job after they return to the labour market after a number of years. With free child care this problem has been mitigated.

EDUCATION AND SKILLS

Unfortunately, the education system in Malta has for decades geared towards the attainment of academic subjects and certificates only and not giving due importance to the world of work and equipping students with the necessary skills. As a result of having a system based solely on academic achievements, the early school leaving rate was very high and this why 40% of our workforce is considered as low-skilled. In fact, one of the CSRs states that the skills supply does not yet adequately match the labour market needs. While access and participation in lifelong learning have improved, labour market participation by the low-skilled still remains low, as a result the reliance on foreign workers to fill the gaps is increasing.

PENSIONS, WELFARE STATE, POVERTY

Poverty and social exclusions risks in Malta are decreasing, however they remain a challenge for children, the elderly and the low skilled. During these past few years various measures were taken in a number of budgets to address the social challenges. This was achieved by both strengthening policies and also by taking concrete measures such as increasing pensions and other social benefits which contributed in combating poverty and social exclusion. As a result, the Risk of poverty or social exclusion (AROPE) shows that this went down to 20.1% a decrease of 2.3% from 2015 and the lowest since 2008.

The first pillar pensions (state pension) have again been increased in the last budget with the aim being that the minimum pension reaches the 60% of the median income in a maximum period of 5 years. The government also introduced in the last budget Government Bonds at 3% interest rates for pensioners to help them receive a better return on their savings. Also, a voluntary third pillar pension has been

introduced with tax incentives for both the employees and the employers. The purpose of setting up an occupational pension to compliment the state pension is slowly to ensure that future pensioners enjoy a decent living on retirement.

Challenges

The two main challenges that the country is facing is the increase in apartment rents due to the import of foreign labour which are driving rents upwards. This is making it next to impossible for the vulnerable sectors of society to make ends meet. Another challenge is the gap between the rich and the poor which is increasing. The Gini Coefficient which measures income inequality rose by 0.4% points to 28.5% with 0% being perfect equality as opposed to 100% being total inequality.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Since 2013 when the new Labour Party was elected into government the utilisation of EU Structural Funds was drastically improved, such funds contributed in no small way for the growth in the economy. In fact real GDP growth was amongst the highest within the EU in 2014 - 2015, reaching 7.9%. This growth was also driven by strong net service exports and private consumption. Growth eased somewhat in 2016 and went down marginally to 5% of GDP in real terms making it the fastest growing economy within the EU. GDP growth in the second quarter of 2017 rose to 6.4% in real terms when compared to the same period of 2016. This was mainly attributed to a wage growth of 6% over the previous year. Private consumption also rose by 4.4% on the back of higher wages. The Private sector also registered a healthy increase in profits (Euro 234million over same period last year) which in turn contributed to an increase in private investment of Euro253million.

Challenges

The major challenge is that strong economic growth may lead to upward pressure on prices through aggregate demand. In fact the Harmonised Index of Consumer Prices (HICP) has been higher than in neighbouring countries. At the moment inflationary pressures appear to be contained so far on the back of increasing productivity and low international commodity prices.

STATE BUDGET AND FISCAL CONSOLIDATION

The strong economic performance and favourable macroeconomic conditions boosted tax revenues, particular direct taxes. In fact, last year the budget registered a surplus of 1% of GDP or Euro 8.8 million. Government debt is estimated to be below 60% of GDP, the last time it was below this figure was in 1998. This year a budget surplus is also being forecasted, in fact preliminary figures for the first three quarters collaborate this. Since Malta's accession into the EU, the average growth rate of tax revenue is above the EU average, and has been increasing in recent years. Since 2013, the average growth rate of

tax revenue reached twice the rate in the EU (8% versus 3.4%). Moreover, non-tax revenue increased considerably due to the Individual Investors Programme (IIP) that was introduced in 2014. This programme generated revenue of approximately 0.7% of GDP in 2014 - 2015.

Challenges

While the government embarked on a comprehensive spending review in 2014 challenges remain to control re-current expenditure such as those for health, education and social benefits. This review is expected to bring results in the short-term, however with an increasing aging population these savings will come under pressure. These pressures may be contained if the economy continues to grow with the same momentum of the last 4 years.

SOCIAL DIALOGUE

The government is committed to have an effective social dialogue process with all social partners. The Malta Council for Social and Economic development (MCESD) which is currently chaired by an Ex-Trade Union President meets on a regular basis to discuss national issues, EU issues (including the EU Semester) and economic and social issues. The MCESD serves as a platform for government to consult the social on matters and issues as detailed above.

On the whole, this government seems to take the CSRs very seriously in fact the commission in its Country Report 2017 has highlighted progress on almost all of them particularly on public finances CSR and the CSR pertaining to the strengthening of the labour supply.

Challenges

The main challenge is for the social partners to react in a timely manner and with the required expertise due to the limited resources available.

NETHERLANDS

FNV

LABOUR MARKET AND EMPLOYMENT

The labour market and employment situation in the Netherlands has improved in 2016 and 2017. The number of new jobs increased (plus 200.000 in 2016 and 2017) and the unemployment rate went down till 4,9% (440.000 people). According to the projections of the Central Planning Commission(CPB) the working population will grow also in 2018 (including 160.000 new jobs) and the unemployment level will fall under 400.000. So far so good, you can say.

Also for youngsters it is much easier to join the labour market nowadays and the level of youth unemployment is quite low. For older people (55+) and workers with a migrant background there is still a mismatch between demand and supply on the labour market although the situation has improved here also. Still, half of the unemployed population belongs to those groups.

The new Dutch government has to extend their programs to decrease the number of long term unemployed people and more in particular the elderly and the migrants.

One of the biggest problem is the increase of the number of so-called flex workers in the Netherlands during the last decade. Around 35% of the working population has a temporary contract. It means lower wages and less rights. FNV has the opinion workers need decent work and jobs. The real problem is the transition from flex to permanent jobs. This transition doesn't work well(only 25% of the people make the transition within five years). Although the number of permanent jobs is growing slowly now, the increase of flex work is much higher. The new Dutch government has the task to stimulate the speed of the transition of tempory jobs to permanent ones. Otherwise the inequality between the two groups will increase.

One of the more specific aims of the Dutch policy on social affairs is to reach a total employment rate of 80% in the year 2020. The employment rate (bruto) in 2017 is almost 80% for man and 70% for woman (data CBS), so we move in the right direction but we have to close a gap.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

During the last years the wage increase was very moderate in the Netherlands. The pay rise for many sectors was around 1,5% (a little bit above inflation).

Leading Dutch economists but also the Prime Minister, the Minister of Finance and even some employers organizations support our point of view that a pay rise is good for the workers as well for economy as whole. In some recently negotiated Collective Agreements (cao's) we have reached pay improvements of 2% on yearly basis, but it has to speed up. In the projections for 2018 economic growth will fall back till 2,5%, so a stimulus of the domestic demand will be very welcome.

We mention here also the wage gap between man and woman in the Netherlands. Although the gap is declining - in particular in the range of younger man and woman (minus 40)- it is still a problem in many sectors and needs more attention of the government and the minister of social affairs in particular.

EDUCATION AND SKILLS

Earlier we mentioned already the cyclus of 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 becomes a more and more important issue.

Special attention is also usefull for the youngsters who quit school without diploma or the right qualifications. Although the number of this group is diminishing still more than 40.000 drop-outs left school and have great problems to enter the labour market.

In particular for youngsters with technical and ict skills the growing economy offers many possibilities. There is a large, growing gap between supply and demand of labour within this segment of the labour market.

PENSIONS, WELFARE STATE, POVERTY

Although we have a quite 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 (4:1 in the seventies and 2:1 in 2020). Continuing low level of interest rates are also a problem. Pension funds and social partners recently discussed about new structures of the pension system in the future and the new government will present their ideas about the system in 2018.

Poverty is a rather big phenomena in the Netherlands. Relatively spoken we are a rich country, but on

the other hand there is a group of almost one million people who lives in poverty according to our standards (we consider 1000 euro as 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 in numbers (one million people). Pensioners with a so-called AOW-gap often move to income levels below the minimum standards.

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 (2,3% economic growth) continues in 2016 (2,2%) and 2017 (3,3%):. While export was the stimulus in earlier years, since 2016 it is also domestic demand which contributes to growth. Improving consumer sentiments and slightly higher pay rises are responsible for increase of the consumer demand, but also investments expenditures are increasing, in particular the housing market is booming.

In our opinion more tax reliefs for workers could be favourable in the near future and also a 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 strongly during the last years and there is a budget surplus now. The national debt level is low than the Maastricht Treaty Norm of 60%. So, it is the right moment for a investment impuls according to FNV. Countries with a budget surplus like Germany and the Netherlands could extend their public investment programs. It's good for their economies but also for the European economy as a whole.

STATE BUDGET AND FISCAL CONSOLIDATION

The national debt in relation to the (bruto) national product BNP is lower than the earlier mentioned 60% and the budget deficit has transformed to a surplus in 2017. So, there are (financial) possibilities for tax relief for workers and a comprehensive investment stimulus on the short run. The European Commission is in favour of such an economic stimulus in countries like Germany and the Netherlands in 2018.

SOCIAL DIALOGUE

Social partners are involved in the process of the European semester, formally and informally. In December 2017 we will have a meeting with the officials of the Hague Bureau of the Union.

POLAND

OPZZ

LABOUR MARKET AND EMPLOYMENT

Labor market segmentation remains a problem. Excessive use of work contracts and fixed-term contracts and self-employment contracts instead of employment contracts is a problem that requires solutions that take into account both the needs of employees and employers. In the last two years, changes in the law against labor market segregation have been introduced (the obligation to pay social security contributions on civil law contracts has been introduced and the minimum remuneration for certain civil law contracts has been introduced and the total duration of fixed-term contracts has been introduced) which would indicate a reduction in segmentation. We know that contributions from social security contributions have increased, which is positive. The Labor Code Working Group is working to develop changes to the Labor Code.

The problem of the labor market is the shortage of workers. On the other hand, despite the record low unemployment, still the time of job search is long and can last even over 12 months. Employees are not interested in job offers that do not meet decent working and pay requirements. Employers, however, are generally not willing to invest in employee training and wage raising. There is a gap of competence on the labour market (on the employees' side but also on the management of the companies). The social partners in Poland are demanding the government to initiate a dialogue on the Labour Fund - a special fund consisting of employers' contributions. We believe that there should be a change in the targets for which funds from this fund may be spent, and that the government should refrain from financing the fund's objectives against the target for which the fund was called. In addition, we expect the government to develop a migration policy that takes into account the current situation on the labor market (influx of foreigners into the labor market, the number of economically inactive) and future challenges of the economy.

OPZZ also wants to raise unemployment benefits. Poland does not implement the provisions of the European Social Charter for unemployment benefit, the minimum of which is indicated in ILO Convention No. 102 of 16 April 1952. According to the OPZZ, with low unemployment and good economic situation it is possible to raise unemployment benefits, which would also be an anti- falling into poverty.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

The degree of association in the trade unions and in the organizations of entrepreneurs is low, industrialized collective labor agreements are poorly disseminated. This results in a number of negative social and economic consequences that could be resolved by properly conducting social dialogue at company, industry and national level. The quality of the implementation of public consultations is varied, some of the projects are consulted properly, but some of the projects, including important social effects, overlook social consultations or are implemented in such a way that the social partners' comments can not be realistically shaped. In the near future there will be an amendment to the Trade Unions Act, which will change the rules of association of workers in trade unions. The amendment to the Trade Unions Act is to be implemented by the Constitutional Tribunal sentence, which found that all workers should have right to join union not only workers who are employed on employment contracts (so also workers on civil law contracts will have right to join union after Trade Unions Act change).

The challenge of changing the economy from competing low wages to competing high value added products remains. Employers are reluctant to raise wages and government actions will result in a freeze on wage growth for workers working in the budgetary sector the following year. A minimum wage is set for 2018, which will slightly improve the ratio of minimum wage to average wage. OPZZ has asked for an increase in the minimum wage for 2018 to 50% of the average wage. Unfortunately, despite the economic growth, the good business situation and the favorable state budget, the government has set a minimum wage level, which is forecast to set the ratio of this wage to the average wage in the next year at 47.3%. That is why OPZZ is planning to continue to work for wage growth, also within the European trade union campaign "Europe needs higher wages". We also ask for the equal pay principle for the same job in the same place.

EDUCATION AND SKILLS

In Poland this year the system of education was changed, inter alia by the liquidation of junior high schools and the restoration of education based on primary school and secondary school or professional vocational school. The change of the education system was introduced despite the protest of the OPZZ and the unions of the trade unions that brought together teachers, due to the lack of justification for the reform, the lack of preparation and the pace of change, the risk of teachers losing their jobs and the negative impact of the changes on the condition of local government units. The next year will be the challenge of introducing reforms that are already felt by school workers, parents and students today.

The challenge is to eliminate the competency gap in the labor market and to improve cooperation between science and business to enhance the technological advancement of the

economy and its innovation.

PENSIONS, WELFARE STATE, POVERTY

The challenge is the present and future retirement benefits.

The stability of the pension system is influenced by the scale of non-payment by employers of social security contributions, which means that the state budget does not receive appropriate funds for expenditures. It is necessary to increase the scale of premium payment and further work ordering the labor market, which will increase wages (and thus increase the basis for calculating contributions), more employment contracts, equal pay for the same work, the reduction of so-called false self-employment.

The challenge is the unfavorable income situation of single and single parents. The 500+ Program (Childcare Providers receive \$ 500 for each child, starting with 2 children, per child only for the poorest) has improved the income situation of families but the greatest risk of poverty is exposed to children, large families, including single people and single parents.

The country's next challenge is also the issue of energy poverty. Recent changes to the law that aim to protect the environment (especially air) can deepen the scale of energy poverty.

Measures should be taken to support citizens, especially the poorest, in activities such as the replacement of building heating and the general renovation of buildings, as these actions will contribute to the reduction of harmful emissions to the environment. Sustainable and cost-effective instruments for supporting the poorest in energy expenditure must also be prepared. In Poland, there is a support instrument dedicated to energy-poor people, but it is necessary to analyze its effectiveness - whether it reaches all those who need support and possibly reform it.

The situation in health care is also a major challenge. Working conditions and pay in health care and poor access to medical services have negative social and economic implications requiring urgent and systemic intervention.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

The challenge is to launch private and public investments. Undertakings are reluctant to invest (despite, for example, the risks associated with uncertainty about changes in law). Public investment is also limited due to the need to reduce the public finance deficit. In the next year, investments should be higher due to the process of spending EU funds. The challenge is also the quality of the investment, which should be aimed at raising the level of innovation and technological advancement of the enterprise and consequently the economy. There is an

increased need for research and development both for private and for public. The challenge is to improve the quality of public procurement (improving the quality of employment of contractors and the use of public funds for high quality products), which would increase the efficiency of public funding and the implementation of other social policies through public procurement.

STATE BUDGET AND FISCAL CONSOLIDATION

The state budget improves. This is due to the recorded economic growth and better tax revenue from this, as well as measures to seal the tax system (gray zone action). OPZZ believes that good budget situation in the current and next year is also achieved at the expense of citizens because the government, for example, maintains higher VAT rates, freezes the main parameters of personal income tax and freezes workers' wages in the budgetary sphere. Increased budgetary revenue results from increased taxation of citizens and their consumption. In the opinion of OPZZ, good economic situation and a favorable state budget situation should be used, among other things, for reform of the tax system aimed at better distribution of national income and reduction of social inequalities.

SOCIAL DIALOGUE

The Europe 2020 Strategy Team works in Poland. The team is an opinion-advisory body of the Prime Minister and works in the Ministry of Development. OPZZ is a member of this team, giving as other representative trade unions and employers' organizations and non-governmental organizations.

The draft of the Recommendations and other documents related to the European Semester shall be communicated to members of the Team who have the right to express their views. Documents are also the subject of work at the meeting of the Team, but often the discussion takes place after the adoption of documents, for example, by the European Commission. Despite the high rank of the team, its influence on the state policy is limited. The impact of the social partners' comments on eg. Recommendations and policies for the implementation of the Recommendations is limited and often confined to the consultation of documents.

OPZZ also participates in meetings with representatives of the European Commission, during which he expresses his opinions on matters related to the European Semester. The impact of these discussions on the decisions of the European Commission is unknown because there is no feedback from these meetings. Judging by the content of Commission documents, this impact is limited.

PORTUGAL

CGTP-IN

LABOUR MARKET AND EMPLOYMENT

1.1 Our main priorities are:

- Employment recovery: despite improvements the employment level is far from the 2008 one and the unemployment rate is above 9%;
- Measures to boost work quality and to fight precarious employment, promoting the transition to permanent contracts and disincentive emigration;
- Measures to address long term unemployment which still represents 59% of total unemployment.

1.2 *Employment recovery*: There has been improvement in the labour market conditions, but we are far from the 2008 employment level. The fall in the unemployment rate is associated with the increase both in the employment (2.7% forecasted for 2017) and in the activity rate. Youth unemployment has a steady decline, from 32% in 2015 to 23.9% in the first semester of 2017.

1.3 *Measures to boost work quality and to fight precarious employment, promoting the transition to permanent contracts and disincentive emigration*: precariousness remains high (above 20% of the salaried employment). People (mainly young people with high level of education) continue to emigrate, but at a slower pace. This means that countries like Portugal are actually helping more developed European countries. Emigration is associated with the low level of wages, precariousness and the disparity between the level of education of young people and wages paid.

Employment and emigration (thousands) - Please see the graph in the annex

Source: INE; emigration = permanent + temporary ones; emigration on the right axis; 2017=first semester for emigration

The European Commission insists in the change of our employment protection legislation (remaining rigidities in the legal framework; remaining rigidities concerning individual dismissals of permanent workers, PPS 2017, p. 27 and 28) (1).

1.3 *Addressing long term unemployment (LTU)*: LTU still represents 59% of total unemployment,

although there has been some improvement (63.5% in 2015). The CGTP-IN main claim concerns the need to enlarge active labour market policies in order to address this problem, by one side, and reinforcing the unemployment social protection, by the other.

(1) PPS 2017 refers to: **European Commission, Post-Programme Surveillance Report, Portugal, Summer 2017.**

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

2.1 Our main priorities are:

- Re-establish the constitutional right of collective bargaining which means the revision of our Labour Code;
- A pro-wage policy aiming at being a driver of growth, increasing wage share and reducing inequalities;
- Update wages and careers in the Public Administration;
- Increase the minimum wage.

2.2 *Re-establish the constitutional right of collective bargaining* which means the revision of Labour Code in order to end the expiry rules and to restore the principle of favourability. Coverage improved in the first semester of 2017 but the majority of workers didn't have their collective conventions annually renewed.

Workers covered by the renewal of collective agreements (%) - Please see the graph in the annex

Source: DGERT; exclude Public Administration

The European Commission continues to illegally interfere. He states that the Portuguese authorities considered that the expiry rules had sometimes been used by the employers as a way of inducing stricter conditions for workers and thereby hindering social dialogue and reports that was agreed to make a temporary suspension of the expiry rules. After, the Commission warns: This temporary suspension puts into question the future use of the expiry rule, which could introduce more rigidity in wage setting (PPS 2017, p. 28). The Commission also criticizes the extension of collective agreements. It smells the troika period!

2.3 *A pro-wage policy aiming at being a driver of growth, increasing wage share and reducing inequalities.* There has been a moderated increase in wages (1% in the first semester which compares with 1.4% increase in inflation), although the increase in the minimum wage (5.1%).

2.4 *Update wages and careers in the Public Administration:* wage cuts have been reversed this year but

the nominal wages and careers are not been updated since 2009. The Government intends to unfreeze careers in four steps. Concerning wages, the Stability Programme doesn't preview any annual updating until 2021, which we cannot accept. A strike in Public Administration took place in 28 October.

2.5 Increase the minimum wage (MW): The government intends to update the MW to 580 euros in 2018. The CGTP-IN claim is 600 euros. European Commission continues blaming the increases made (PPS 2017, p. 28) even without having any evidence of negative impacts on employment of lower skilled workers and on competitiveness.

EDUCATION AND SKILLS

Our main priority concerns the improvement of the skills level of our labour force, in particular the fulfilment by employers of their obligations regarding the individual worker's right to training. Companies, sectors and education systems also have to address the issue of the anticipation of skills needs, the upgrading of existing skills as well as the validation and recognition of skills.

The Government is developing a programme (Qualifica) that can contribute to upgrade the skills of adults, but we think this need to be articulated with continual training at company level. Collective bargaining is an important tool at this respect.

PENSIONS, WELFARE STATE, POVERTY

Our main priorities are:

- Reinforce public social security system;
- Reinforce public pensions system;
- Ensure unemployment social protection;
- Fighting inequalities through universal and quality public services.

4.1 Reinforce public social security system: There is a significant improvement in the financial situation of social security. We highlight the increase of contributions (5.6% in average for 2016-2017 and the same is expected for 2017, which compares with an average value of 0.9% in the 2011-2015 period) and, also, the reduction in unemployment expenditure due to the decrease in unemployment.

These developments indicate that a policy of significant economic growth, with effects on job creation and wage improvement, will have a strong positive impact on the sustainability of social security and on its capacity to improve benefits.

The CGTP-IN strongly disagree with the claim that curbing the tax wedge and the cost of labour can

surely be a strategy for active labour service (ETUC draft position paper, p. 14). Instead, it is a sure way to change our systems in an oriented-to-the-poor way.

4.2 Reinforce public pensions systems: the update of pensions for 2018 was already decided, although the State Budget for 2018 is not yet approved.

European Commission continues pushing for the elimination of State transfers to social security (no separation between the contributory and no contributory system is made) and the expenditure on pensions. Remarking that the Government decided to reinforce the social security's Financial Stabilization Fund, the Commission says: but this not guarantees the needed reduction of pension outlays (PPS 2017, p. 20).

4.3 Ensure unemployment social protection: Changes in the legislation since 2010 had heavy negative effects: the conditions of access were tightened, the length of the benefits was curtailed and the value of the benefit reduced. The average monthly benefit is 462 in 2017 (June) and the risk of poverty covers 42% of unemployed persons. There has been some improvement during this year but coverage remains low: just 42.3% of all unemployed persons are covered by unemployment benefits, including social unemployment benefits.

Unemployment benefits: coverage (%) - Please see the graph in the annex

Source: Social security and GEP data; the last % concerns the first semester of 2017

4.4 Fighting inequalities through universal and quality public services: Portugal is a country characterized by strong social inequalities. A global policy of reducing inequalities is an urgent need: "equality in all policies" must be a global orientation of government policies.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Our main priorities are:

- Increase public investment;
- Structural funds.

5.1 Increase public investment (PI): there has been a strong decline since 2010 with recovery in 2017. In 2018 the expected recovery will be stronger (2.3% of GDP) but, even with this effort, we will stay at a much lower level than before the crisis. Increasing public investment is essential in order, inter alia, to bridge the current deficit in some infrastructures (notably, rail transport), to facilitate the energy transition, and to respond to the problems of climate change. In the short term, it can also support the recovery of private investment.

Public investment (GDP %): Portugal and Euro zone - Please see the graph in the annex

Source: AMECO and Portugal State Budget concerning 2017 and 2018 values

5.2 Structural funds: The CGTP-IN is worried about the Future of Cohesion Policy given that both the European Commission and the so-called net contributor countries seem determined to reduce expenditure on social cohesion and reluctant to combat regional inequalities and underlines the importance of maintaining the cohesion policy as a medium-term policy that can play a key role in economic, social and territorial cohesion. This is particularly important when it is known that the weight of structural funds and investment in public investment is currently around 70% in Portugal.

STATE BUDGET AND FISCAL CONSOLIDATION

Our main priorities are:

- Fiscal policy must be supportive of sustainable growth;
- Public debt must be restructured;
- A fair tax policy which alleviate personal income tax (IRS).

Fiscal policy must be supportive of sustainable growth. There are positive developments: the expected growth for 2018 is 2.2%, although decelerating from 2.6%; convergence with Eurozone resumed; job creation has been strong (2.7% expected for 2017). It is worth noting that these developments, though positives, don't replace the pre-crisis levels both in terms of volume of PIB and employment.

Furthermore, structural problems remain: we urgently need an effective restructuring of the productive sector which continues to be based on low value added output and cheap/precarious labour; high level of public and private debt; the banking system remains fragile; low wages and high inequalities.

The exit from Portugal of the Excessive Deficit Procedure in June 2017 didn't end restrictive fiscal policy, which result from compliance with economic governance rules (including the Stability and Growth Pact, Budget Treaty, recommendations). We highlight: an annual fiscal adjustment of at least 0.6% of GDP towards the medium-term budgetary objective (a structural surplus of 0.25 % of GDP is planned to be achieved by 2021); "a significant budgetary effort is required for 2018"; several recommendations concerning pensions, healthcare services and stated owned enterprises(2).

The rules of European economic governance are invasive of national sovereignty - in domains where

European authorities have no competences, according to the Treaties - and act as a real straightjacket on fiscal policy. They impact on social policies. To meet the demands made, the Government adopted a strategy of high primary balances, reaching 4.9% of GDP in 2021, with consequences on public investment, employment and expenditure on staff in Public Administration and social expenditure.

Public debt must be restructured: Public debt is expected to decrease from 130.1% of GDP in 2016 to 123.5% in 2016. Portugal presents the highest primary balance in 2017 in the euro area (2.5 % of GDP compared with an average of 0.6%). In the same year, the interest paid, as a percentage of GDP, was more than two times higher than the euro zone average.

Interest expenditure (% of GDP) - Please see the graph in the annex

Source: European Commission, European Economic Forecast, Winter 2017

Tax policy must alleviate personal income tax (IRS): during the troika period there was a strong increase in taxes related to work (IRS): the creation of a temporary surcharge and the reduction of the number of IRS brackets which decreased tax progressivity. In Portugal, direct taxation is overly concentrated in the IRS. Therefore our priority is the reversal of the measures taken during the troika period and a fairer tax policy, but without reducing the global government revenue.

The surcharge on IRS will be eliminated this year and others measures are expected for 2018: increase in the number of IRS brackets and the increase in people exempt from IRS payment due to low income.

(2) European Commission, **Recommendation for a COUNCIL RECOMMENDATION on the 2017 National Reform Programme of Portugal and delivering a Council opinion on the 2017 Stability Programme of Portugal**, Brussels, 22.5.2017.

SOCIAL DIALOGUE

7.1 The Country Specific Recommendation (CSR) two lays down: Promote hiring on open ended contracts, including by reviewing the legal framework. Ensure the effective activation of the long term unemployed. Together with social partners, ensure that minimum wage developments do not harm employment of the low skilled. In 2016, CSR 2 was: In consultation with social partners, ensure that minimum wages are consistent with the objectives of promoting employment and competitiveness across industries.

7.2 Social partners have been involved in the updating of the minimum wage. This participation is obligatory under the Portuguese legislation. Therefore the recommendation is in fact a means of pressure from employers in order to get compensations from the government due to the excessive increase in the MW.

7.3 Concerning the involvement, in general terms, there were meetings with the Social Partners held at the Economic and Social Council and at the Representation of the European Commission in Portugal. We highlight:

- The 2017 country report for Portugal was presented by EU Vice-President Valdis Dombrovskis at a meeting held on 24 February at the European Commission Representation in Portugal with the social partners. This presentation was confined to the content of the Report already published with no added value;
- A meeting of the Standing Committee for the Social Dialogue (CPCS), held on 7 March, with the presence of the Prime Minister, addressed the European Semester, although in the context of an agenda which had as its single point the preparation of the European Council;
- A plenary meeting of the CPCS, held on 1 June, discussed the exit of Portugal from the Excessive Deficit Procedure;
- A meeting at the European Commission Representation in Portugal, held on 29 June, addressed the Specific Recommendations for Portugal. The invitation was limited to the attendance at the meeting.

Our assessment is that, although we had information, there wasn't a consultative process.

ROMANIA

BNS

LABOUR MARKET AND EMPLOYMENT

Although the employment rate has been extremely modest, in recent years Romania has been experiencing increasing problems with workforce shortages. Paradoxically, given the high inactivity rate, employers complain that they cannot find neither skilled nor unskilled workers. Among the challenges faced by the Romanian labour market, it is worth mentioning:

A.1 Romania has a very low unemployment rate but this situation actually hides structural unemployment, and the trend is strengthening.

- In the last 2 years Romania recorded a modest but positive evolution of the employment rate. The differences between urban and rural areas continued to increase, as well as the differences in various regions. Employment rate was 88% in Bucharest-Ilfov region, in 2016, which is 6% more than in 2015. In the North-East Region the employment rate was 55%, about 4% lower than in 2015.

- There are significant gaps between rural and urban areas in terms of employment structure. In urban areas 92% of the working population is employed. In rural areas is only 54%.

- There is a high rate of inactivity, especially among people in the age groups 15-24 and 50-64. Lack of infrastructure and limited access to public services contribute to keeping the inactivity rate at a very high level. In 2015 and 2016 the inactivity rate was maintained at approximately 30% (higher in rural areas, and growing in 2016 compared to 2015. About 96% of the inactive people kept their status in the first quarter of 2017, and approximately 2.8% of the employed persons have been inactive during the same period. Over 60% of the registered unemployed are very difficult to employ, the incidence being higher for the unemployed in the age group over 55 years.

- Regional disparities continue to emerge for most indicators. The unemployment rate was almost 5 times higher in 2016 in South West Oltenia region than in Bucharest Ilfov region. Labour resources are given priority in the regions with the lowest employment rate, namely North East and South Muntenia.

- The workforce shortages continue to increase, a situation which is also reflected in the evolution of vacancies. In the regions there are differences in terms of structure of the vacancies.

A.2 As there are very few investments in the employed workforce, many sectors are facing a

shortage of skilled workforce:

- Mobility between regions and between rural and urban areas is also feeble. The package of measures intended to boost mobility, adopted by the Government, proved to be inefficient due to the bureaucratic conditions imposed. In 2016, about 1 100 people have accessed this active employment measure, but only 1.6% of the total resources allocated for active measures were designed to stimulate the workforce mobility.
- Forms of precarious employment continue to exist, especially in the rural area, where about 18% of the total working population are self-employed or unpaid family workers. In the rural area 37% of the employed population falls into those two categories of working population.
- Except for the resources allocated to stimulate employers to employ disadvantaged unemployed, for all other categories of active or occupational measures the resources allocated in 2016 were lower than in 2015. In 2017 this trend increased. The effect of this policy is visible in the increase of people discouraged in looking for a job. In 2016, the number of discouraged people increased by 4% compared to 2015, the increase being higher in rural area. The most affected age category, both in rural and urban area, is 50-64 years old, in one year (2016 versus 2015), the number of discouraged people in this age group increased by 43%. This situation is also induced by the message of Government or Parliament representatives who have repeatedly announced that they want to give up social assistance to the elderly, regardless of why they are socially assisted, to compel them to find a job.
- The lack of reforms in the education system as well as the activation policy for the inactive population has deepened the gap between labour demand and supply.

A.3 Population aging is a phenomenon that underlines the workforce shortage experienced in recent years. Informal work also creates pressure on the labour market, continuing to be a very present phenomenon, especially in certain sectors.

What can be done: sustainable economic growth needs has to be more strongly reflected in the living standard of the population; the available work resources have to stop being limited to volume, as you cannot activate something that is unknown; effective involvement of social partners in the development and especially in the implementation of activation policies; more concerted policies are needed to combat black work; it is necessary to correlate the educational system with the requirements of the labour market; Increasing investment in workforce, including wage earners, to boost workplace mobility and to reduce the risk of unemployment or inactivity.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Lack of sectoral collective bargaining also limited the social partners' opportunities to meet and set a common work program or issues that may be of mutual interest to both sides. In 2017 in Romania there is no more collective labour agreement at the sectoral level, and since 2011 there is no more national collective labour agreement. The possibility to conclude a sectoral collective agreement is very low under the current provisions of the law and given that only 9 of 30 economy sectors have legally representative social partners.

Employee coverage by a collective labour agreement has significantly decreased - from 98% before 2011 to 36% in 2017. Only 22% of the employers with more than 21 employees had a collective labour agreement in 2017. And only 17% are signed with a trade union partner.

The current Government has prepared a draft amendment to the current legislative framework, but in our opinion this draft of law will worsen the current situation, because the hidden purpose of the draft is actually the undermining of the trade union's solidarity, the tightening of the conditions of representativeness, the restriction of the right to association.

Please find below some of the problems included in the draft normative act:

- a. The right to free association in trade unions is violated, as it requires a different organization of trade unions in the public sector and private sector.
- b. There is no solution for collective bargaining at sectoral level; the conditions for concluding a sectoral contract remain just as restrictive as before.
- c. It seriously affects the principle of union representativeness and the role of the trade union at the company level. There is practically no difference between the trade union and the representatives of the employees, who have the same obligation to participate in the negotiations.
- d. Places the trade union and the representatives of the non-unionized employees on the same level in terms of collective bargaining.
- e. Excludes from the company-level and group of units - level negotiation the higher-rank trade union organizations (to which the trade union is affiliated, such as federation or confederation), which have no more role in the collective bargaining.
- f. It seriously affects the right to strike by requiring that a strike can be called only with the signature of half plus one out of all the employees of the unit, and not of the union members that intend to trigger the dispute.
- g. The national representation threshold is unjustifiably increased from 5% to 7%, although Romania experienced a decline in unionization.

In our opinion the current legislative framework should be amended as follows:

1. Unlocking the sector-level negotiations by reducing the threshold for which the contract can be extended at sector level,
2. Reducing the representativeness threshold at company level.
3. Securing the right to join trade unions for all workers and removing the prohibitions and limitations of association in trade union existing in the current legislation,
4. Reintroduction of the collective labour contract at national level,
5. Introducing some provisions aimed at protecting the union leaders, in order to provide them

with real protection, not just a declarative one, as it is today,

6. Simplifying the procedures to declare collective disputes.

The minimum wage increased in 2017 to 1450 RON. The increase was made as a result of a political decision, while the social dialogue was only mimicked. In fact, the minister of labour mentioned that there is a schedule already set for minimum wage increase over the next 4 years, so they will respect this calendar. The current Government does not like the idea of a mechanism to adjust the minimum wage, they want to make the decision alone. For 2018, the minimum wage was already announced at 1900 RON (which includes the transfer of contributions from the employer to the employee; without this transfer, the increase of the minimum wage will be 6.8 %.) The share of employees paid with the minimum wage continued to increase, currently 30% of employees earning a minimum wage. Income inequality has continued to increase, along with the risk of poverty for employees continued to increase in 2016. In 2017 there is a steeper increase in wages in the public sector. It is estimated that by the end of the year the gross earnings in the public sector will increase by about 25% compared to 2016, while in the private sector the increase is expected to be about 12%.

Best options:

- introducing a minimum salary adjustment mechanism;
- reducing tax on low wages;
- reducing inequalities in wage income and reducing the risk of poverty, both for employees and for other categories of active persons;
- increasing the coverage of employees by collective labour agreements, and a more balanced distribution of the gross added value.

EDUCATION AND SKILLS

A. The main challenges:

1. Vocational and technical education

1.1 School drop-out. The early school dropout rate has declined (18.5% in 2016 compared to 19.1% in 2015), but Romania ranks 27th in the EU28. Causes are not included on the public agenda, and the situation affects the quality of human resources. The share of 15-year-olds with low baseline knowledge, according to the EU and OECD, is double than the EU average. The shortage of skilled labour is partly caused by this phenomenon.

1.2 Education / VET Subfinancing. During 2000-2014 the budget allocation (legally provided - 6%) was by 3-4% below the European average. Standard costs in education (per capita) dropped from 2 857 RON (2010) to 2 492 RON (2014), although the quality requirements are rising. Even programs that are a step forward (dual learning) cannot be implemented without proper funding.

1.3 Lack of post-graduation monitoring. Post-graduate monitoring is non-existent. The

data are partial and inconclusive. Only universities are allowed to run graduate insertion monitoring. There is no concern for accurate tracking of the graduates' absorption rate in the labour market.

1.4 Deficient curricula and course contents vs. Labour market. There is no connection between the education system and the labour market. Adopting a measure concerning dual education (secondary level) does not close the circle - as it is not foreseen (at the end of the program) that the trained person should remain in the workplace where he/she carried out the practice.

2. Competence acquisition

2.1 Poor policies in the competence acquisition. Training programs are poorly promoted for those who are interested in them or downright ignored; legal measures emerge that lead to blockage (exclusive allocation to universities of specialization programs, blocking of authorization for training, non-assurance of quality in vocational training). ESF projects are not launched (an important supporting tool in education, vocational training and employment).

2.2 Low participation in training programs. LLL and Training programs are poor (in quantitative / qualitative terms). The worst aspect is the low rate of adult participation in vocational training programs. Romania ranks last in the EU.

2.3 Competence demand vs. adult vocational training programs. Romania experiences an acute shortage of qualified human resources, resulting from the massive migration of skilled labour force, the drop in the number of students and graduates, and the inadequacy of training programs in relation to the labour market requirements. The number of course hours per participant decreases continuously.

B. The most appropriate policies to address the identified challenges

1. Vocational and technical education

1.1 School leavers. The phenomenon should be treated on two levels. Internal: counselling / assistance, support for underprivileged children, school transport, "a different kind of school" programs; External: "school after school" programs, "school for parents", collaboration between school-social assistance-public employment service, student / youth competitions, etc. a good idea is to establish a "Student Observatory" - type of entity to monitor the situation of school leavers.

1.2 Education / VET subfinancing. Adequate funding is an important goal that can be reached by ensuring the 6% provided by law. Better spending of available ESF funds, retention of real needs for quality assurance are also necessary.

1.3 Lack of post-graduation monitoring. Allocation of resources for this activity (regional, national) - aggregation of collected data. Coordinating projects with external funding aimed at monitoring graduates. The resulting data is essential for the proper calibration of the training-employment policies.

1.4 Deficient curricula and course contents vs. Labour market. Launching projects that would integrate the institutions and resources needed to develop analyzes at regional / national level. Promoting them to all interested stakeholders (labour force, businesses, social partners, educational units, etc.)

2. Competence acquisition

2.1 Poor policies in the competence acquisition. Avoiding monopoly situations limiting the activities of the market. Profile policies should be considered for the end-beneficiaries, promoted appropriately, and the impact of these policies should be evaluated periodically.

2.2 Low participation in training. Exceeding the blockage situation by adopting measures facilitating access to training courses. Projects aimed at vocational training should be launched as soon as possible, especially those funded by the ESF and providing support to the participants.

2.3 Competence demand vs. adult vocational training programs. The vocational training market is free, but programs funded by public funds have to meet the general needs of society. A competence management system has to be set up as well as a list of reference points for priority qualifications and specializations.

PENSIONS, WELFARE STATE, POVERTY

In the last 10 years Romania had the fastest pace of recovery of the productivity gap with the EU27, but this evolution has not been felt by all social categories. In Romania, the crisis has caused a major shift in the distribution of added value, as each percentage point of economic growth accentuates the unequal distribution of labour and capital. In 2016 workers got a lower percentage of the added value created than that received in 2007 - the year of Romania's EU accession. Every year, Romania's income inequality increased. Among the challenges that Romania faces, some are notable:

A.1 Reinforced income inequality in the post-crisis period: The largest 20% of revenue was 7.2 times higher in 2016 than the lowest 20%. In 2010, the proportion was 6.1. The post-crisis evolution of this indicator pushed Romania on the second place in the EU. Excessive inequality is also felt in wages. The highest 1% of wages (related to full-time employment contracts) was 17.5 times higher than the country's gross minimum wage in July 2017.

A.2 Although lower than 10 years ago, poverty risk rate in Romania is among the highest in EU

- In 2016, compared to 2015, Romania was one of the few European countries to have an increase for this indicator. In 2016, according to Eurostat, more than 54% of Romanian families did not have the financial capacity to cope with unforeseen expenses, and for single-parent families with dependent children, the percentage was 75%.
- Labour market vulnerability of some categories of working persons, other than employees, is reflected by the poverty risk rate. Over 60% of working people other than employees are at risk of poverty. The last 6 years of sustained economic growth have brought almost no change for them. However, the risk of poverty and social exclusion also increases for employees. In just one year, 2016, the risk of poverty rate among employees increased by 12% (the largest increase at European level). Romania's competitive position in terms of human resource capacity is much lower for the 25-54 age group, and especially for the 15-24 age group.

A.3 The social security system is strongly disturbed by countless decisions whose effect has not been evaluated at all:

- The public pension system is in constant change, after the pension law was amended in 2010. The Government announces that it is significantly amending the legislation in this field. The Government's intentions in this direction are currently hidden, and there is a huge risk that some decisions will be taken without a full financial impact assessment. The influence exercised by certain interest groups led to the creation of special pension systems, most of which were established eluding the principle of contribution status; they are financed from the public budget and the basis for calculating the benefits is much more favourable than that applied for the public system. The social security system suffers from a major inadequacy of the benefits granted, it provides easily accessible but poor quality services.
- Starting in 2018, the government plans to implement a radical reform of the social security system, despite all the opposing views expressed by trade unions, employers, experts or institutions. The reform aims to almost completely transfer the burden of social contributions to the employee, the latter ensuring, after the implementation of these reform measures, over 90% of the social security system revenue. The government escapes a range of payments for social security contributions for a number of categories of the population who receive benefits or allowances from the public system. One such example is the public health insurance system. For pensioners, unemployed, social assisted persons or persons deprived of liberty, the state was paying the social health insurance contribution. From 01 January 2018, these persons will get the insurance free of charge, without the obligation to pay the contribution. This decision puts an enormous risk on the health fund, given that we will have about 6.1 million taxpayers and 16.2 million beneficiaries! Employees are penalized for "gray" employment or tax evasion practised by some employers, as they are made responsible for the collection of social contributions for the public budget.

What must be done: Sustainable economic growth must be more strongly reflected in the standard of living of the population, meaning reviewing the basis of the development model adopted by Romania and finding an appropriate balance between competitiveness and social justice. Preserving the current social security financing model, with an equitable division of the funding burden between the - the employer and the employee. Compliance with the principle of contributory status for all social categories; where appropriate, the state must make a commitment to support certain categories, but in a transparent way. Increasing the adequacy of allowances and benefits provided by the social security system.

Challenges:

A.1 The volume of investments diminished in 2016 and also in 2017:

- In 2016, the investments were not as performant as in 2015, their volume decreasing by 3.3 percent (vs. + 8.3%), mainly due to the restraint of the construction works. Investments were characterized by increased volatility, the main explanatory factors being the increase in expenditures only in the last months of the year, the electoral calendar, and the one related to the financing from European non-reimbursable funds. The acquisition of equipments, which have gradually lost their pace - both in the case of those financed from their own sources of financing and those from borrowed sources, recorded modest results. The only positive component was building construction, with the resumption of residential investment being supported by the increase in household incomes, as well as the further relaxation of the cost of bank financing (including as a result of the "First Home" program).
- In recent years, public investment has been reduced as a share of total budget spending, partly due to the need to fit into a budget deficit limit and on the other hand due to delays in creating the infrastructure needed to attract European funds in the 2014 cycle - 2020. On this background there was also a move of local level investments, if in 2015 52.7% of the total capital expenditures were intended for local budgets, in 2017, 64% of the capital expenditures were local. While investments from national central government sources have fallen steadily, local government spending has continued to grow. Thus, in 2016, the local government had capital expenditures out of national resources higher than the central government - which is more than a paradox for a state not very decentralized as Romania.

A.2 Access to European funds continues to be limited, with significant effects on the volume of investment at national level.

What can be done:

- Unlocking access to European funds,
- Increase in the allocation of public funds for investments and prioritization of public investments,
- Reducing bureaucracy and increasing transparency in public procurement procedures.

STATE BUDGET AND FISCAL CONSOLIDATION

In 2015, Romania has launched a fiscal reform that has significantly affected budgetary resources. A set of tax incentives have been granted, especially in the business environment, and they have made more fragile the fiscal stability and sustainability. Tax options in the past

but also today greatly limit the usefulness of fiscal policy as a tool to redistribute growth.

Challenges:

A.1 The fiscal reform has affected the budgetary balance.

- In 2016, revenue collected in the consolidated budget was 4% lower in nominal terms than those collected in 2015, with real GDP growth of 4.8% in 2016. In 2015, the consolidated budget collected revenue of 33% of GDP, in 2016 it collected only 30% of GDP. Tax revenues collected declined in 2016 compared to 2015, from 19.4% of GDP to 18% of GDP. This trend has intensified in 2017, given the graduation of facilities granted in 2015.
- Fragility of public budget revenues and inadequacy of fiscal policy is also reflected by the structure of tax revenues. Income tax and social contributions have increased significantly as a share of total tax revenues. In 2015 - 60.9% of tax revenues were coming from income tax and social contributions, in 2016 this percentage increased to 65.3%, and on 30.09.2017 it reached 72%.
- Public budget management was continuously degraded over the last two years, especially in 2017. The calculation of the budget impact for legislative changes has become just an option, and in many cases the normative acts entail higher budget expenditures, without indicating the source of funding. The Government included in the budget law for 2017 derogations from the provisions of Law 69/2010 on fiscal responsibility. The current Government's fiscal-budget decisions are extremely risky and in some cases downright dangerous.
- Some components of the social security system have now been maintained with a budget surplus to balance the consolidated public budget deficit, thus affecting the very destination and purpose of these funds.
- There is great uncertainty about how to balance the public budget for 2018. Until now a draft budget for the next year has not been made public, but wage increases in the budget sector are already exerting pressure on the budget, the proposed tax reform leads as well to losses in the budget revenue.

A.1 The high level of evasion and the low level of tax compliance remain a challenge

- Many institutions are incapable to ensure the coordination of a territorial apparatus, the instruments created are insufficiently tested, and in many cases taxing decisions have been issued wrongly and this has discredited the system. The tax system fails to create a clean image. Tax provisions are often unclear, leaving room for interpretations that put taxpayers at risk, tax authorities are reluctant to guide the taxpayers.
- The tax cuts made in the last 3 years were aimed at increasing the compliance of taxpayers and thus increasing the collection rate, especially in the case of consumption taxes. Unfortunately, the only effect of these measures was the continuous reduction of budget revenues.

- The quality of the databases is often doubtful, as each system is developed separately and is incompatible with the computer systems created by other public institutions.

A.3 The lack of a progressive tax system and the level of labour taxation has accentuated social inequality, and unfortunately the decisions of the current Government reinforce this situation.

- The introduction of the single rate of income tax has greatly limited the Government's ability to use fiscal policy as a tool to reduce inequalities.
- As a result of the drop in progressivity, and given the rise of the minimum wage in recent years, there has been an increase in the level of taxation for the employees earning minimum wage.
- The current Government's decision to reduce the income tax from 16% to 10% from 01 January 2018 strengthens the final renunciation to progressiveness, although it is known that for those with low wages, the single tax rate generally has negative consequences regarding the participation in the labour market of those with low wages. Between the option to reduce the taxes for those with salaries below 2000 RON and the reduction of the taxes for all employees, the Government opted for the latter measure. However, this reduction has a null effect on the net income because the income tax reduction is accompanied by increased social contributions paid by the employees.

What can be done:

- Reinstate transparency and fiscal responsibility.
- Keeping the destination and purpose of special funds in social insurance.
- Reducing the tax burden for low and medium income employees.
- Reducing tax evasion and fraud, and increasing the collection of budget revenues,
- Stop the current fiscal reform initiative in terms of income tax and social contributions.

SOCIAL DIALOGUE

If at the regulatory level there appears to be an active involvement of the social partners and a reasonable focus on social dialogue, in practice the situation is completely different. In recent years, Romania has been faced with a process of dilution of the social dialogue. On one hand by including organizations that have lost their representativeness, with a strong negative effect on the parties' mutual trust, and on the other hand, by undermining the organizational structures of the social partners (by the direct approach - professed by the ministry - of the internal structures of the employer organizations / trade union confederations). This dilution has a

significant negative impact on the partners' ability to implement the results of the social dialogue.

Among the current deficiencies in the functioning of the social dialogue structures we highlight the following:

- The National Tripartite Council (NTC). Despite the generous objectives set for this institution and although it has been 6 years since its establishment, the NTC has yet to become functional. Since the beginning of 2017 the NTC had only two meetings - on 29.03.2017 and 27.07.2017 - but both meetings ended without any committed decision. The situation was similar in previous years, when important decisions for the Romanian labour market were made without calling the NTC or a formal summoning.
- The Social Dialogue Committees at ministry level. In most cases the meetings of these Committees are convened no more than 2-3 days before. For example, for the change of the labour taxes promoted these days by the Government, the Social Dialogue Committee within the Ministry of Public Finance was summoned on Thursday evening for Monday morning, to discuss a 38-page draft normative act, although this is a project that completely rewrites the labour taxation system. Most of the times, these meetings are purely informative, as the views of the social partners do not receive a response.
- For tripartite social security institutions, it should be noted that the role of the social partners is entirely formal. All the decisions in the field are taken by the executive authorities, and the administration boards of these institutions - in which the social partners are involved - have only a decorative role.

The way in which policy projects are being debated is intended to limit the ability of the social partners to come up with well-grounded and tailored proposals, in line with the socio-economic realities. In many cases, draft normative acts / policy proposals are sent only 2-3 days before, making it impossible to analyze and elaborate relevant points of view. Therefore, the process of elaboration has thus become a mere information process.

The involvement of the social partners in public policies / reforms has deteriorated significantly in recent years. Social dialogue, both at tripartite and bipartite level, has become a mere formality, deprived of usefulness and content.

Our legislation imposes significant thresholds and a not negligible bureaucratic process for national and sectoral representativeness. However, the Romanian Government and its regional institutions make no difference between the dialogue with the lawfully representative social partners and various organizations established as non-profit organizations.

Promoting social dialogue with a range of entities whose representativeness is not verified is a common practice of the Romanian Government since 2015. This has led to a compromised

social dialogue process.

SLOVAKIA

KOZ

LABOUR MARKET AND EMPLOYMENT

Priorities in the field of employment and labour market guaranties persist.

Employment protection laws and unemployment issues are the main targets. As we see the unemployment rate of Slovakia is nowadays under 7% (average for 2017 will be under 8%). Although there is an improvement, we are still on long way. 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, disadvantaged groups and marginalized groups were resumed in country specific recommendation 2017. We truly agree with CSR in this field, and they must be the priorities in following years.

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 persist and help to decrease the unemployment rate. Another measures for youth recqualification are in use, but there is an urgent need of education reform.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

In the field of collective bargaining the need of legislation change of extension enter in the force. Nevertheless the coverage of collective agreements is poor therefore there is a need of government and public support for promotion the importance of the 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 still emphasize that the wages are really low in comparison with other European countries. The average wages are just around 30% 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%. The minimum wage in 2018 will be around 480 , 10,3% rise in comparison with 2017.

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. As Slovakia has minimum wage levels graduates due to difficulty of job position, their observance is essential. There is a problem at public but also private sector, where the basic wages are under minimum wage or minimum wage levels and variable parts of wages are just at minimum wage level. Motivation and remuneration of difficulty of job position is losing in minimum wage.

Due to huge different wage levels between European countries, the essential thing is convergence within the countries.

PENSIONS, WELFARE STATE, POVERTY

Need to improve educational outcomes by making the teaching profession more attractive persist. 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 is also the reason 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 and 2017 recommendation. As a trade unions we demand effect public expenditure but with no impact on employees working in public institutional units. In following years the priority will be the reform of remuneration of employees in public sector. We see the need of increase in public investments, may be at the expense of slower reaching of goals in deficit.

SPAIN

CCOO

LABOUR MARKET AND EMPLOYMENT

The recovery of activity has resurrected the traditional growth model (based on activities of low added value, unstable jobs and low wages, while industrial activities lose weight) by encouraging job creation by increasing business profitability through the precariousness of Working conditions, the devaluation of wages, and the reduction of unemployment protection driven by the labour reform.

Insufficient job creation and also the job created is precarious. Temporary contracts grow more than the indefinite ones, consequently the temporality rate increases (already stands at 27,4%). At the same time, temporary job rotation increases (an average of 4.6 temporary contracts is required to generate annual temporary employment) and also moves to indefinite contracts (1.45 indefinite contracts are required for general permanent employment). In addition, the jobs created have been concentrated in activities of low added value in agriculture, construction, commerce and hospitality, and therefore generate precarious and low-wage employment. Nothing has been advanced in the configuration of a more solid and competitive production structure.

The wage devaluation encouraged by the labour reform of 2012 continues, mainly among the working population on the lowest scale (see box 2).

Unemployment levels improve but remain unacceptable. A part of this decrease corresponds to the loss of active population (discouragement and emigration). Our unemployment rate (almost 16.4%) is the second highest in the EU, behind Greece. We still have 3.7 million unemployed according to the Active Employment Survey in the third quarter of 2017. But the worst of the unemployment in Spain is the enormous weight of the so-called long-term unemployment (PLD): there are 2.135.600 Unemployed people who have been in this situation for more than a year, and 1.8 million of them have been looking for jobs for more than two years. In addition, 54% of PLDs have a low level of education. For us it is a priority issue because they risk becoming structural unemployed. Young people continue to have the highest unemployment rate.

Resources to finance active employment policies have been cut drastically throughout the crisis. If 7,714 million were earmarked for this purpose in 2011, 5,242 million were budgeted for this purpose, down 32% (-2.472 million), despite the fact that unemployment remains at a very high level (4.3 million unemployed, Almost 19% of the active population).

In addition, there is still a lack of monitoring and evaluation of active policies, so we can not

avoid duplication, optimize resources and obtain results, in order to achieve the efficiency and efficiency required by the labour market.

Inequality and poverty continue to increase (see box 4)

- The number of workers at risk of poverty increases.
- The fall in the rate of unemployment protection coverage continues.

Suggestions

In view of this scenario, a budgetary policy is needed to promote the structural change of the productive apparatus, which promotes the efficient use of public resources and helps to recover domestic demand (see box 3).

The fight against mass unemployment and its stagnation must be the priority of economic policy. To this end, we propose a budgetary policy that, in the short term, will have the greatest effect on growth and job creation. But it is compatible with a change in the productive model in the medium term, by increasing investment and productivity.

A Shock Plan against unemployment is needed, while increasing protection, improve the employability of the most vulnerable unemployed (long-term unemployed, over 45, with little qualification) through the development of professional itineraries good defined, monitored, evaluated and directed towards occupations with professional output. To achieve this, it is necessary to improve the directive capacity of the State Public Employment Service.

CCOO proposes to recover social dialogue and negotiation balance between the parties, especially in collective bargaining.

Labour precariousness is, along with unemployment, the other scourge of our labour market. With the excuse of creating more employment, labour relations are deregulated. This increases inequality among workers, occupational accidents and labour poverty and hampers training and improved productivity. The excess of labour flexibility promoted by the labour reform of 2012 has not translated into a greater capacity to adapt to changes, but an increasingly segmented labour market and the extension of precariousness to permanent jobs.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

Spain's economic recovery is not resulting in better employment conditions or wages. The employment generated during these years is of such bad quality that there is an abundance of poor workers; having a job does not guarantee decent living conditions. Restoring the spending power of wages is therefore at the centre of CCOO's strategy against the poverty and inequality produced by the crisis.

This objective is being pursued by means of a two-directional approach:

- A) Increasing the interprofessional minimum wage (IMW) - legal minimum wage. The IMW should be equivalent to 60% of the net average wage, as stipulated by the European Social Charter. The objective is attaining 1,000 euros (14 instalments per year) in 2020, with progressive rises from 2018 onwards.

We cannot repeat the situation of 2017, in which the PP government and the PSOE political party agreed an IMW without counting on the social representatives' participation.

- B) Increasing wages significantly. The wage agreement for 2017 was broken due to failure on the part of employers' organisations to comply with the commitments attained at the 3rd AENC (Agreement for Employment and Collective Bargaining), where the signatories promised to take into account the GDP of 2016 and the Government's forecasts for 2017, in order to establish the parameters for the 2017 wage review. The data was positive but the employers did not want to reflect this improvement in the Spanish economy in the workers' wages. With a GDP of 3.3% in 2016, forecasted growth of 3% for 2017 and an increasing RPI (1.8% in September), we could not accept an agreement that continued the tendency of moderate wage rises.

We now have to negotiate a new AENC and a significant rise is essential in order to restore the workers' purchasing power.

Improved wages are essential to maintain consumption and economic growth, reduce inequalities and the levels of poverty and social exclusion, and enable a fairer distribution of corporate profits that are on the rise, as well as promoting job creation or increasing Social Security income.

Wages should therefore increase and we must participate in the distribution of profits by means of collective bargaining, which will also help to:

- Restore the spending power of wages that was lost during the crisis. We have to include a guarantee clause in the agreements, in case inflation is higher than expected at the end of the year.

In relation to public employment, CCOO has launched the campaign *Recuperar lo arrebatado* (Recovering What Was Taken Away) in order to recover the wages and labour rights that were lost during the crisis and to defend public services.

- Avoid transferring income from workers to businesses.

From 2009 to 2015, unit labour costs decreased in Spain by 6.3% (Euro zone +4.8%). Despite this, competitiveness did not increase in most businesses although their profits did. Moreover, from 2010 to 2015, employee wages decreased by 31.1 billion euros, while business and property income increased by 7.1 billion.

- Reduce inequalities and fight against poverty. Spain has the highest levels of economic inequality, poverty and social exclusion in the European Union, which have been increasing since 2010. The number of workers at risk of poverty increased, accounting for 14.1% of this year's total.

- Increase Social Security income, which is not rising as it should due to, among other reasons, the poor quality of generated employment, resulting in very low wages and, therefore, reduced contribution bases.

- Increase participation in the distribution of wealth. This means transferring part of increased productivity to wages.

Finally, although wages are a priority objective, it is important to recover many of the labour rights lost during these years. The 2012 labour reform enabled the modification of working conditions, the non-application of agreements and the prevalence of the company agreement over the sectorial one, which dismantled collective bargaining. We are thus experiencing unregulated workdays, longer workdays, loss of social rights and an increase in the gap between men and women, as regards both wages and employment quality. In addition to fighting for a change in legislation, CCOO will include these matters in collective bargaining in order to recover rights in agreements and collective bargaining agreements.

EDUCATION AND SKILLS

Priorities

Increase public budget on Education up to 5% of GDP (short term) and 7% (long term)

Recover the intensity of diversity and educational compensation programs

Investment programs aimed at strengthening school enrollment of 0-3 years

Expand the offer of post-compulsory vocational training in public centers

Reduce university fees (public prices) and increase scholarships

Increase investment in the training of unemployed people guaranteeing its execution

Link the offer of training for unemployed people to public investment programs in sectors for an ecological and social transition

Promote the use of public centers to improve the offer of permanent training

In companies, encourage the use of the 20 hours permit years for training

Data justifying these priorities:

The current government has placed Spanish education at the investment levels of 25 years ago and intentionally confuses spending efficiency with pure and hard cuts. Educational spending has gone from 4.95% of GDP in 2009 to 4.26% in 2016, specially affecting diversity and compensation programs. The number of students with scholarships was reduced by 26.4% since 2011. The reduction in the amounts has reached 7.8% in the same period, affecting especially those of lower amount.

Since 2011 also the budget for University scholarships have been cut by 13.9%, almost twice the decrease suffered by scholarships and grants overall. The number of scholarships has decreased 8.5%

due to a reduction in the average amount.

At the same time, Spain maintains one of the highest levels of public university fees in the European Union. All the Autonomous Communities (regional administrations that have the competencies on Education) have increased their public prices for higher education in the 2008-2016 period, some with low intensity (from 5.1%) and others reaching an increase of 94%.

On the National Reform Plan submitted to the Council of Europe and the European Commission, the Spanish government has already explicitly committed itself to reduce the percentage from GDP in education to 3.8% in 2108. This trend has been confirmed in the Budget Plan for the next year that has recently been sent to Brussels.

An inclusive education based on quality and equity, needs a notable, sufficient, adequate and sustained funding over time. Less investment in education leads to more students with needs, more expenses for families, greater social exclusion and inequality and an alarming fracture in equity.

In the lifelong learning, in spite of the low qualification that affects a significant percentage of the active population, budgets have been cut both in the educational field and in the training of workers.

Between 2007 and 2016, public investment in active policies has been reduced by 51%, reducing the budget dedicated to training by 34% since 2005. In 2017, the allocation for the training of workers decreases by 5% in relation to those of the year 2016.

The offer of training for adults fell by 26% in the education system in the last year (2016). The training rate for unemployed workers reaches only 3.25%. The participation in the formation of the population between 25 and 64 years decreased to 9%.

On the other hand, the scarce diversification of productive activity and the low quality of labor standards have created a precarious labor market, with a scarce supply of employment and limited demand for qualification.

In 2016, almost 20 million work contracts were made, mostly in the Agriculture and Hospitality sectors. 36% of occupations are classified as 'elementary' and another 28% as catering service.

Jobs demanding a high level of qualification grow well below the average and in absolute terms represent a low percentage of employment. Underemployment reaches 30% of workers with higher education.

Employment and training policies in Spain polarize insertion and deepen inequality.

PENSIONS, WELFARE STATE, POVERTY

Pensions:

The main debate that today focuses the attention of our pension system is twofold; on the one hand, in the short term, how to guarantee the revaluation of pensions, so that retirees maintain the purchasing power of their pensions, and, in the medium and long term, how to guarantee the sustainability of the system.

Maintaining our current retirement model by the middle of the century will require rising pension spending to 14-15% of GDP. In comparative terms, Eurostat estimates an expense on Social Security benefits in Spain of 11.8%, compared to countries such as France (14.9%), Italy (15.7%), Finland (14.2%), and Austria (13.9%), which currently exceeds or is close to the level of expenditure that Spain would have to face in 2050.

We also have a considerable fiscal margin to finance, among many other things, public pensions. The weight of public revenues on GDP is, structurally, several points below the average for the Euro Zone (6.8 percentage points in 2015, to cite the latest available data).

Our system is sustainable, especially if, as up to 2011, the reforms are made under the framework of the Toledo Pact and are agreed with the social partners.

The reform carried out in 2013 with respect to the evolution of life expectancy and the revaluation of pensions, seeks the financial equilibrium of the system, acting automatically and exclusively on the amounts of pensions. If the effects of this reform are not corrected, the pension system is destined in the coming decades to reduce, in a very remarkable way, the level of coverage offered by its benefits. The projections of the European Commission foresee that the gross replacement rate (pension ratio / last salary) will go from 79% in 2013 to 48.6% in 2060.

Minimum income:

The Minimum Income programs launched by the Autonomous Communities have their own definitions, different from each other, and have also established different scopes in the definition of benefits, access forms, requirements, duration or amount, according to each territory.

Thus, for example, the average duration of these benefits usually ranges between 6 and 12 months, extendable in most cases; although Asturias, Castilla y León and Madrid have established them indefinitely, as long as the conditions of access to said benefit are maintained.

The main novelty registered in the Minimum Revenue System has been the recovery of the rhythm of growth that since the beginning of the crisis was registered in the number of beneficiaries, and that was interrupted in 2012 as a consequence of the cuts imposed at that time in the social expenditure of all public administrations.

Since the beginning of the crisis at the end of 2007, the number of beneficiaries holding Minimum

Income benefits has tripled, reaching 323,406 beneficiaries at the moment, while the indirect beneficiaries, people residing in a household that receives these benefits, have doubled until reaching today 466,266 indirect beneficiaries. The total number of people benefiting from the Minimum Income of Insertion is 789,672. In 2015 the average of the minimum amount of these benefits was 435.80 / month, registering an increase of 3.61% over the previous year.

As already noted, the level of coverage offered by the Minimum Insertion Income system has grown considerably in recent years, although there are intense territorial differences.

Regarding the number of people who are holders of the benefit, it is striking that it is not related to the size of the population of the territories, but rather because of the commitment that each of the autonomous governments has decided to make for the implementation of this social protection scheme. Thus, the fact is that almost one in four beneficiaries resides in the Basque Country, followed at a considerable distance, and in this order, by Andalusia, Catalonia, Madrid and Asturias.

The minimum amounts that are generally recognized in each territory to the holders of these benefits also show significant differences. Although the average amount stands at 435.80 / month, the highest are registered in the cases of Navarra (648.60 / month) and the Basque Country (619.29 / month), and the lowest in Ceuta (300 / month) and in the Valencia Community (385.18 / month).

The highest level of coverage, measured in terms of the number of holders of the benefit per thousand inhabitants, is found in the Basque Country (36.71), followed quite a distance by Navarra (20.10) and Asturias (19.28), which constitutes a second step of coverage. In a third level are Cantabria (11.01) and Extremadura (10.09). The cases of La Rioja and Melilla are particular, since the official statistics integrates in both cases two benefits. The rest of the territories are very far from the previous ones, with really low levels of coverage. The state average stands at 6.94 owners per thousand inhabitants.

INVESTMENT POLICIES, ENVIRONMENT, TAXATION AND GROWTH

Investment, environmental, tax and growth policies

Spain has serious challenges in energy, housing, infrastructure, transport, water, environment, education and health. The improvement for R & D & I should be a key figure to help meet all these demands. The public sector must set the collective objectives and lead the initiative to meet these needs through the appropriate instruments in each case: public intervention, collaboration with the private sector, development of fiscal figures that guide investment or penalize bad practices.

The investment policy must be guided by the premises of efficiency, savings, maximum utilization, recycling, reuse, sustainability. The previous developmental and constructivist model was failed, and R & D & I, education, training ... were cut. Now the priority must be to optimize the use and management of existing infrastructures, invest selectively to cover the detected deficiencies, and to strongly promote R & D & I and education.

-R & D & I. Spain has reduced its investment in R & D & I during the crisis and only spends 1.22% of GDP. It is

necessary to increase the low private investment and improve public management and resources to reach the 2% of GDP target in 2020.

-HOUSING. Spain has 3.5 million empty homes and old and deficient housing stock. The priority is to improve and mobilize the existing housing stock, guiding investment from construction to rehabilitation.

-EDUCATION. Investment to improve the equipment and infrastructures of the different educational levels.

-HEALTH AND DEPENDENCE. Investment in sanitary equipment and social services to attend to the aging of the population and their greater care needs.

-ENERGY. Spain lacks oil and gas (between 2006 and 2015 it has imported 486 billion in fuel) and has an insufficient energy interconnection with other countries. Energy proposals must be included within a Global Strategy for Efficiency, Sustainability and Energy Saving, which will promote the most efficient renewable technologies, improve distribution and energy storage, and promote electrification of transport and self-consumption.

-WATER RESOURCES. Spain has scarce and irregular water resources. 75% of water consumption is for agricultural purposes, so it is imperative to invest in improving irrigation systems and in sustainable water use. Water purification and quality must be improved, priority should be given to activities that pollute the most, and investment in the distribution and purification network should be increased.

-ENVIRONMENT AND TERRITORY. Our environment is subject to severe climatic threats and as a result of human activities: pollution, forest fires, desertification (75% of the territory is susceptible to desertification). Investments that guarantee a sustainable and rational use of our forests and the territory, get enough resources against forest fires and push decisively for the recovery of degraded natural areas.

-TRANSPORT AND LOGISTICS. Spain has the most extensive network of transport infrastructures in the EU (highways, high-speed rail, airports, seaports) with redundant or underused infrastructures. But it has serious deficiencies in rail freight, interconnection with sea ports, urban transport ... The priority is to reorient resources towards the maintenance of infrastructures to optimize their use and concentrate the new investment in detected deficiencies.

STATE BUDGET AND FISCAL CONSOLIDATION

Proposals to consolidate economic growth in the European Union

- Implement an expansionary budgetary and fiscal policy, with two complementary measures: to extend the fiscal consolidation periods in countries with deficits and to immediately increase spending in countries with surplus, significantly Germany.

- Demand the effective implementation of the so-called Juncker Plan, which should be improved along the line proposed by the ETUC, from an investment plan with 2% of GDP over ten years to create 11 million additional jobs.

Proposal for a change in tax consolidation

Our proposal is to balance public accounts more slowly and increase incomes through a fiscal reform that makes our tax system more just and sufficient, providing the necessary resources to make compatible the reduction of the deficit and the increase of expenditure until we return to the pre-crisis levels. The proposal is based on the following measures:

- Modifying the objectives and extending the deadlines for the fiscal consolidation of the Stability Program 2016/2019 and gradually progressing in the reduction of the public deficit - accepting the limit of 3% fixed - to gain the necessary margin that makes the balance compatible in public accounts with the improvement of public services and social benefits.
- Establish a different fiscal consolidation path: raise incomes and not reduce public spending as a percentage of GDP. In view of the program's objective of maintaining revenue equally and reducing public spending by 5 GDP points, the logical alternative is to approach the EU average levels.
- That requires a real fiscal reform that increases the sufficiency and equity of the system; that is, increase tax revenues and distribute the tax effort more evenly than the current one.

Public revenue in Spain is equivalent to 37.8% of GDP, compared to an average of 46.6% in the EU, with data for 2014. The quantitative objective of the reform should be set at achieving a collection equal to the average of the EU. Given that our GDP is 1.06 trillion, achieving this goal requires raising 93 billion more every year, which must be obtained by extending the tax bases of taxes, cutting the high deductions, exemptions and tax benefits that decrease from unacceptable the tax collection capacity of our tax system, and an effective fight against tax fraud and the underground economy.

For a fair, sufficient, transparent and efficient tax system (revenues and expenses)

Budgetary sufficiency is a necessary condition for increasing economic activity, extending protection to those most affected by the crisis, maintaining the cohesion and well-being provided by education and health, and promoting change towards a more value-added economy. In this sense, the size of the Spanish public sector is below the EU average (public spending in Spain is 5.4 GDP points below the Euro area average), which reduces the capacity of intervention to the public initiative. And yet, there is scope for its expansion, because in Spain, even discounting the effect of fraud, are paid less tax than in Europe in relation to the income level. The tax system must also ensure fairness in the distribution of tax burdens and the simplicity of taxation figures. On the contrary, our system is unfair (especially for workers), which is not very transparent and has a high level of tax fraud, which the authorities, instead of fighting, amnesty. Finally, public spending must be efficient, meeting the needs of citizens at the lowest possible cost.

CCOO proposes to progressively recover public spending levels prior to the crisis and improve mechanisms to control the effectiveness of public spending at all levels of government. To achieve this we need a tax system that also gradually raises the tax burden on Europe and puts the necessary means to prosecute fiscal fraud. From CCOO we are committed to a fair tax system in the distribution of charges, with simple taxes, where reductions and deductions are eliminated, bringing the effective rates closer to the nominal ones. We want an income tax (IRPF), where capital contributions increase, that large companies - including banks - pay taxes, even if they accumulate tax credits, and set a reduced VAT for all basic consumption and supplies of a home. We propose to recover the taxes imposed on those who have more (Tax on the Estate and the Tax on Successions and Donations) and also create new taxes that develop environmental taxation and tax the activity of the financial system through a tax on financial transactions (ITF), among other measures.

In the case of Spain, we are not involved in any stage of the European semester. In fact, the Spanish Government has never consulted us in any appropriate way; even so, we have continued to contribute our proposals and comments. We have been denouncing this situation for some time to no avail.

Despite economic and employment improvements, this past year has confirmed the consolidation of a social model that has fractured Spanish society. A decisive factor in this regard is increased job insecurity and low wages, which are a direct result of the labour reforms applied in recent years.

In this context, social dialogue should constitute a basic tool for establishing a Country Objective centred on the fight against inequality as well as for decent wages and employment, thereby guaranteeing future pensions. Unfortunately, the Government does not seem to share this objective, as shown by the lack of governmental political initiatives and obstruction on the part of the Government regarding the CCOO and UGT's proposals to respond to these situations, such as approval of the PLI (Popular Legislative Initiative) on minimum income.

CCOO highlights the need for creating spaces of social dialogue, with the objective of renewing THE SOCIAL CONTRACT as a decisive element of social structuring and the fight against inequality.

With a view to developing and implementing the policies required to deal with these problems, the Government must consult the workers and take their opinion into account, otherwise social conflict will increase and the opportunity of involving the trade unions will be missed.

UGT-E

LABOUR MARKET AND EMPLOYMENT

The employment growth lacks of inclusivity:

Regarding long term unemployed more than 50% of total unemployment are long term unemployed (> 1 year), of which 2 million people or 36.5% have been unemployed more than 2 years.

Regarding juvenile unemployment (< 25 years) where Spain presents the second highest rate of EU

Regarding participation rate, despite the robust growth in both , economy and employment, the active population is reducing, specially in the most productive cohorts of the population (National men and women from 25 to 44).

Regarding gender gap the male unemployment is reducing more intensively than the female's.

Employment growth presents concerns about its quality:

Fixed term employments represent a clearly exaggerated share of 27.4%, aprox 8 points more than the average for the Euro Area. Differently from a wide accepted diagnosis, the origin for such a high temporality rate is not the difference in cost between fixed and Non-fixed term, or an exaggerated seasonality of Spanish economy, but an irregular use of this type of contract and a very poor enforcement of labor regulation.

Most of the Part time employment (18%) is involuntary (60%), being especially burdensome for the workers in terms of an extended availability (change of shift etc).

There is also a gender gap when dealing with quality of the employment: 70% of the part time jobs are taken by woman; and the temporality rate is also higher for the females .

Tackling the long term unemployment and address the precarization of Spanish labour market should be the priorities next year.

COLLECTIVE BARGAINING, WAGES, GENDER-PAY GAP

The wages have reduced between a 2.1 and a 5.4% on average since 2009 (Depending on the source) . This reduction has been especially experienced by the workers with the lowest salaries.

The real average wage in the lowest decile of the wage distribution, has decreased a 20,5% from 2009 to 2015.

After years of wage moderation, accepting losses in purchasing power and a sizeable reduction in its share on GDP, a rise on wage seems in order. In terms of income distribution, across the Union is noticeable how, despite the increasing employment and decreasing unemployment, the share of Wages and salaries is quite close to 2013. All of the growth has been driven to increase Operating surplus and mixed income"

Regarding the collective bargaining, stalled at the moment, the position of the T.U. is between a 2.0% and 3% annual rise whilst Enterprises representative proposes an interval between 1.0% and 2.0%.

Taking into account the available data from Collective Labour Agreement and headline inflation, in 2017 wages would be losing again a 1.4% of purchasing power.

Referring specifically to the minimum wage, the current level of 706,6 per month seems insufficient, taking into account its evolution during the crisis and the incipient recovery, a path leading to a wage closer to 1.000 per month would be better in terms of income distribution.

After the reduction in the wage gender gap during the crisis, caused by a deterioration of male employment more than by an improvement in the female employment, its widening has resumed with the recovery. According to last available the wage gender gap reached 23.25% in 2014.

Regain as much of the lost purchasing power as possible should be one of the first objectives in the collective bargaining

PENSIONS, WELFARE STATE, POVERTY

The average income per household in Spain is currently 3.300 euros lower than in 2009, an 11%. Average income per capita has decreased 610 euros per year, a 5.4%.

The indicator of people at risk of poverty or social exclusion, contained in the Strategy Europe 2020 shows that Spain has reached a worrying situation: 27.9% of the population is at such a risk, 4.6 points more than in 2007. That figure is well above the average for the EU-28.

The employees at risk of poverty or social exclusion have increased 3.1% since 2009, reaching the 16.8% of total employment.

The figure for the unemployed workers has increased more abruptly, 21.8 percentage points reaching the 62.7%.

To address that, Trade Unions in Spain have promoted a Popular Legislative Initiative urging the Government to approve a Minimum Income Benefit, which would cover approx. 2 million people with an income of 426 euros per month.

STATE BUDGET AND FISCAL CONSOLIDATION

In the framework of the economic governance constraints, UGT proposes the following:

Regarding taxes:

A revision in the deductions affecting corporate taxes, removing those which do not address to a priority and quantifiable

threshold.

To increase the resources assigned to prosecute tax fraud.

Regarding Social Security:

To eliminate some of the bonuses in the business quotas for Social Security.

To remove any caps in the maximum contribution for Social Security.

SOCIAL DIALOGUE

CSR for Spain have not contained any action to take involving specifically social dialogue or social partners.



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