
The country-specific recommendations (CSRs) in the social field

An overview and comparison Update including the CSRs 2016-2017

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Introduction

As in previous years and in line with the new work calendar of the European Semester, the European Commission, following its assessment of, among other things, the new National Reform Programmes submitted by the Member States and its own evaluation of the implementation of the 2015 country-specific recommendations (CSRs), presented on 18 May 2016 its proposals for new CSRs for 2016-2017.¹ Following meetings of and debates within several Committees (Economic and Financial Committee (EFC), Employment Committee (EMCO), Social Protection Committee (SPC) and Economic Policy Committee (EPC)) as well as with other stakeholders including European and national social partners, amendments were introduced and the final recommendations were then confirmed by the ECOFIN Council on 17 June, endorsed by the European Council on 24 June and legally adopted by the ECOFIN Council on 12 July 2016.

This year, a total of 92 what could be called ‘package’ recommendations (as they often contain several sub-recommendations) were delivered to 27 Member States (with Greece the exception)² in the fields of public finance, financial-sector regulation and structural reforms in areas such as research and development and energy efficiency, but also in relation to employment and social policies, such as active labour market policies (ALMPs), employment protection legislation, social security and assistance systems/benefits, and collective bargaining and wage-setting mechanisms.

Although this year’s CSRs represent what is now the sixth cycle under the European Semester system, the guiding principles have not really changed, not even in the social field.

Recognising that Member States have advanced reforms over the past (few) year(s), the ‘pace of such progress needs to be accelerated to contribute, as it should, to jobs, growth and investment’ and although, over the past year, ‘most significant progress is observed with regard to recommendations in the areas of financial services and active labour market policies’, the

1. These CSRs are available at: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm.

2. Since the start of the European Semester process in 2011, all Member States under a financial assistance programme must, as a matter of priority, implement the programme as agreed with the EU and the IMF, and hence each receives a single recommendation enjoining it to do so. See also below.

Commission also considers that ‘more progress could have been expected in generating a business and employment friendly and regulatory environment, increasing female labour market participation’.³ Therefore, ‘new’ in this year’s Semester is ‘a stronger focus on employment and social performance, with the inclusion of three new employment variables (unemployment, youth unemployment and long-term unemployment) in the scoreboard of the Macroeconomic Imbalances Procedure, greater emphasis on the social fairness of macroeconomic adjustment programmes and a stronger role of social partners’.⁴ Marianne Thyssen, Commissioner for Employment, Social Affairs, Skills and Labour Mobility, emphasised this by stating that: ‘In a rapidly changing world of work, we need to continue on the path of reform together with Member States and social partners. Unemployment is going down but much more progress is needed. This year’s recommendations have a strong focus on social and employment issues. Only by ensuring that social considerations are better integrated in all EU policy areas we will truly achieve a Social Europe.’⁵ Indeed, according to the Commission, the ‘main challenges’ for the EU and ‘Member States in 2015-2016’ (sic)⁶ are ‘to make significant efforts to reinforce the recovery, boost long-term potential growth, (...) foster job creation and reduce poverty and social exclusion’ and ‘[t]his is particularly true given the legacy of the recent crisis’, giving the impression that the Commission believes that the crisis is over!⁷ However, to emphasise that ‘it is far from over yet’, the Commission clearly recalls that the recommendations ‘focus on a small number of key priority issues of macroeconomic and social relevance that require Member States’ immediate attention. However, this does not mean that those areas covered by the more extensive scope of country-specific recommendations in previous years have lost importance. The Commission will continue to monitor them in its Country Reports and will continue to encourage Member States to take a holistic approach in their National Reform Programmes.’⁸

This paper provides an overview of the CSRs in the field of employment and social policies and, in particular, an update of previous similar ETUI research⁹. As in previous years, the different reforms and measures requested via the CSRs have been grouped, for the purpose of this analysis, in the following eight categories (which are further subdivided into specific measures/issues which are recurring in the CSRs): (1) wages (including wage indexation and reform of wage-setting systems), (2) employment protection legislation (EPL)¹⁰,

3. European Commission (2016b).

4. European Commission (2016b).

5. European Commission (2016a).

6. The sub-heading for this section of the Memo should have been amended to ‘2016-2017’ (see European Commission (2015), Factsheet ‘Q&A: Country-specific recommendations 2015’, Brussels, 12 May 2015, available at: http://europa.eu/rapid/press-release_MEMO-15-4968_en.htm).

7. European Commission (2016b).

8. *Ibid.*

9. For similar previous ETUI research, see also ETUI/ETUC 2013 (in particular Chapter 7, Figure 7.2, p. 91) and Clauwaert (2013, 2014 and 2015).

10. In this paper, the acronym EPL is used for ‘employment protection legislation’, commonly referred to by economists as the entire set of regulations that place some limits on

(3) labour market participation (and that of different groups of workers, e.g. women, older workers), (4) youth employment (including youth guarantee, facilitating the transition from education to work, reducing early school-leaving), (5) pensions (including general pension reforms, reforming (early) retirement age), (6) social protection/assistance (includes demands for better coverage and better quality of social security and assistance systems/benefits), (7) child poverty (including more child support and more and better childcare facilities) and (8) 'tax' (mainly including shifting the tax burden away from labour or broadening the tax base, as termed by the Commission).¹¹

This paper mainly provides a brief 'statistical' comparison between the CSRs issued in 2016-2017 and those adopted by the European Council in the period from 2011 to 2015. Furthermore, Annex 1 contains a country-by-country overview of the 'social recommendations' received by the Member States and of their clarifying recitals. Annex 2 provides an overview in table format of the social CSRs adopted over the period 2011-2015. As in previous years, an Annex 3 provides and allows a comparison among the texts of social recommendations over the period 2014-2016 by country.¹² Finally, Annex 4 provides a comparison between the texts of the social CSRs for 2016-2017 as proposed by the European Commission in May 2016 and the texts as finally adopted by the Council in July 2016.

the possibilities of firms to hire and fire workers, even if such limits are not grounded primarily in the law but originate from the collective bargaining of the social partners, or are a consequence of court rulings. In particular, provisions favouring the employment of disadvantaged groups in society, determining the conditions for the use of temporary or fixed-term contracts, or imposing training requirements on the firm, affect hiring policies, while redundancy procedures, mandated pre-notification periods and severance payments, special requirements for collective dismissals and short-time work schemes influence firing decisions. For recent ETUI research on the impact of the crisis in this area, see Clauwaert *et al.* (2012), Lang *et al.* (2013a and 2013b), Schömann (2014a and 2014b) and Bruun *et al.* (2014).

11. However, given the occasional slight differences in the language and/or content of certain recommendations over the years, the categories and measures mentioned above were slightly altered and/or extended (see e.g. Clauwaert (2015), p. 4, footnote 7). For this year (2016), no real alterations to the classification were considered necessary.
12. Unlike previous years, and chiefly for practical and 'readability' reasons, the tables in this Annex have been limited to the CSRs from 2014 to 2016. Readers who would like to consult the texts of comparable earlier recommendations from 2011 to 2014 are advised to consult Annex 3 of Clauwaert (2015).

Table 1 **Categories and measures**

Categories	Measures
Wages	Reviewing wage indexation Reviewing wage-setting system – align with productivity developments
EPL	Adjusting employment protection legislation
Labour market participation	Enhancing participation of women Enhancing participation of older workers, promoting active ageing, LLL Reducing tax disincentives for second earners
Youth employment	Youth (guarantee) Facilitating transition from education/school to work (incl. by giving companies incentives to hire young people) Facilitating transition from education/school to work through apprenticeships and work-based learning Reducing school/education 'drop-outs'
Pensions	Explicit link between pensionable age and life expectancy Reducing early retirement Pension reform
Social protection/ assistance	Ensuring the adequacy and coverage of social protection systems Access to quality social services Better targeting of social assistance
Child poverty	Making child support more effective Facilitating access to childcare services
Tax	Shift away from labour, with a focus on low income earners

CSRs 2016 versus CSRs 2011-2015

In 2016, a total of 89 what could be called ‘package’ recommendations were adopted with regard to 27 EU Member States. This means a nominal decrease of around 13% compared to last year when 102 recommendations were adopted (and these were with regard to 26 Member States). To recap, the situation in earlier years was as follows: in 2014, 157 recommendations (concerning 26 Member States) were adopted; in 2013, it was 141 recommendations (concerning 23 Member States); in 2012, 137 recommendations (also concerning 23 Member States); and in 2011, 117 recommendations (concerning 22 Member States) (see Table 2).

Unlike in previous years, this year, only Greece received no additional specific recommendations but simply a general one requesting that it implement its Memorandums of Understanding (including any subsequent supplements).¹³

According to the Commission, the nominal decrease in recommendations ‘reflects the Commission’s efforts to make the European Semester of economic governance more effective and relevant. The Commission has this year proposed fewer recommendations with a focus on key economic and social priorities identified in its Annual Growth Survey 2016. To strengthen national ownership, it has provided more time and more opportunities to engage and communicate with Member States and stakeholders at all levels (...).’¹⁴ Furthermore, it opted for ‘more focused country-specific recommendations, setting the policy objectives for the next 18 months, while the Commission will continue to monitor a wide range of economic policy developments.’¹⁵

The Commission’s approach to opt for ‘more focused CSRs’ and a ‘stronger focus on employment and social performance’ has naturally had an impact on both the nominal decrease in package recommendations and the number of ‘social recommendations’. Indeed, this year, of the 89 package recommendations, 48 could be considered to be recommendations concerning the

13. As already mentioned, since the start of the European Semester process in 2011, all Member States under a financial assistance programme must, as a matter of priority, implement the programme as agreed with the EU and the IMF, and hence each receives a single recommendation enjoining it to do so. This was the case for Greece, Ireland, Latvia, Portugal and Romania in 2011; for Greece, Ireland and Portugal in 2012; and for Cyprus, Greece, Ireland and Portugal in 2013; whereas, in 2014 and 2015, only Cyprus and Greece each received a single recommendation.

14. European Commission (2016a).

15. European Commission (2016b).

‘social field’. On the one hand, this is the lowest nominal figure of social CSRs since the start of the European Semester process; on the other, and calculated percentage-wise (i.e. comparing the number of social recommendations with the total number of recommendations), it shows that, as has essentially been the case since the start of the European Semester system, the social field is once again the main field of focus (or target of attack?) of the Commission under the European Semester. Indeed, this year, almost 54% of the recommendations are related to the social field, this being the highest percentage since the start of the European Semester and the second year in a row where they represent 50% or more of the total number of CSRs (see Table 2). Meanwhile, it should be noted that, as was the case last year, two countries (Denmark and Sweden)¹⁶ again received no social recommendations. Whereas last year, no fewer than three countries (Belgium, Lithuania and Luxembourg) achieved a ‘perfect score’ (i.e. all recommendations they received relate, at least in part, to the social field), this year, that ‘prize/honour’ goes to Latvia and Malta.

As was the case last year, the ‘dual’ focus of the Commission also led to more succinct language (and thus a reduction in the number of words) being employed by the Commission in formulating its recommendations.¹⁷ As a result, the wealth of explicit detail found in previous recommendations has again been, to a considerable degree, moved to and even buried in the explanations. This also implies that, once again and even more so than last year, these explanatory paragraphs touch upon issues not covered by a recommendation actually issued to the country, while nonetheless entailing some warnings or ‘implicit’ recommendations that the country concerned should introduce and/or continue reforms in certain (social) fields. In Annex 1, this is, for the countries concerned, reflected by the addition of a section entitled ‘other relevant information’.

16. It should be noted, however, that, in the explanatory paragraphs, Denmark was ‘reminded’ that the national Europe 2020 target for social inclusion is far from being achieved and that labour market inclusion and improving the employability of disadvantaged groups remains a challenge, in particular for people with a non-EU migrant background. Sweden, on the other hand, was reminded that (1) the lack of available and affordable housing limits labour market mobility and is a constraint for the effective integration of migrants into the labour market and that (2) the country experienced the sharpest decline in the educational performance of 15year-olds over the past year and that it needs to take steps to integrate the newly arrived migrants in education.

17. See Clauwaert (2015). Note also that the Commission clarifies that ‘the number and level of detail of the recommendations reflect the scale of the challenges each Member State faces, and the extent to which these challenges have spill over effects to other Member States. In general terms, Member States with excessive imbalances (Bulgaria, Croatia, Cyprus, France, Italy and Portugal) have more numerous and/or more detailed recommendations. The detailed recommendations and deadlines for these countries will help to effectively measure progress.’ (European Commission 2016b).

Table 2 Overview of the number of CSRs per country compared to the 'social' CSRs for 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016 and 2016-2017

Country	2011-2012		2012-2013		2013-2014		2014-2015		2015-2016		2016-2017	
	Total	'Social'	Total	'Social'	Total	'Social'	Total	'Social'	Total	Social	Total	Social
AT	5	2	7	2	7	3	5	2	4	2	3	2
BE	6	3	7	3	7	4	6	4	4	4	3	2
BG	6	3	7	2	7	3	6	4	5	2	4	3
CY	7	3	7	3	-	-	-	-	-	-	5	2
CZ	6	3	6	3	7	3	7	4	4	1	3	1
DE	4	1	4	1	4	1	4	2	3	1	3	1
DK	5	2	5	2	3	1	3	1	2	0	2	0
EE	4	1	5	2	5	2	5	3	3	2	2	1
EL	-	-	-	-	-	-	-	-	-	-	-	-
ES	7	4	8	5	9	4	8	5	4	1	4	2
FI	5	2	5	2	5	2	5	2	4	2	3	2
FR	5	4	5	3	6	4	7	6	6	4	5	3
HR	-	-	-	-	-	-	8	3	6	2	5	2
HU	5	2	7	3	7	3	7	3	5	3	3	2
IE	-	-	-	-	-	-	7	2	4	2	3	1
IT	6	2	6	3	6	2	8	3	6	2	5	2
LT	6	2	6	3	6	3	6	3	3	3	3	2
LU	4	3	5	2	6	3	5	3	3	3	2	1
LV	-	-	7	3	7	3	5	3	4	3	3	3
MT	5	3	6	3	5	2	5	2	4	2	2	2
NL	4	2	5	2	4	2	4	2	3	1	3	2
PL	7	3	6	2	7	2	6	2	4	2	3	1
PT	-	-	-	-	-	-	8	4	5	3	5	3
RO	-	-	-	-	8	3	8	4	4	2	4	2
SE	3	1	4	1	4	1	4	1	1	0	1	0
SI	6	3	7	4	9	2	8	2	4	2	4	3
SK	6	3	7	5	6	2	6	2	4	1	3	2
UK	5	2	6	2	6	2	6	2	3	1	3	1
	117	54	137	61	141	57	157	74	102	51	89	48
	46.15%		44.52%		40.42%		47.13%		50%		53.93%	

Source: Country-specific recommendations; ETUI calculations.

In that sense, one can only support the views of the Social Protection Committee which, on the one hand, ‘welcomed the streamlining of the recommendations and the analytical underpinning of the recommendations in the recitals, resulting in an increased focus on specific policy areas and avoiding the bundling of unrelated policy concerns in the same CSR’ while also noting that ‘in some cases this led to offloading a number of additional policy issues and concerns to the recitals, often without a corresponding policy recommendation. This practice, which has already been noted in previous Semesters, should be avoided in the future (...)’¹⁸

This is also why, unlike in Table 2 for which the calculations are based mainly on the formal language of the CSRs (i.e. the extent to which reference is made to social aspects), Tables 3, 4 and 5 reflect – as in previous years – an analysis of the accompanying explanations which, as mentioned above, comprise a number of ‘hidden’ recommendations in specific areas.

Table 3 gives an overview of the evolution over the period 2011-2016 of the number of recommendations per (sub)category. Despite the focus on employment and social performance in this year’s CSRs, the overall figures in our classification seem to have decreased in almost every (sub)category with the exception of wages (including wage-setting mechanisms), EPL and pensions.¹⁹ The latter might be partially due to the fewer recommendations in general as well as the more vague language used (e.g. greater focus on ALMPs without clearly identifying specific groups). Nevertheless, the figures for 2016 again seem to confirm some of the trends already identified over previous years: (1) a continuous intervention in wage(-setting/indexation) mechanisms and (de)centralisation of industrial relations systems; (2) a high insistence on pension reform and (3) on tax reform by shifting the tax burden on labour and/or broadening the tax base. A rather new feature this year is the focus on the reform of public administration (occasionally including state-owned enterprises). Whereas, according to the Commission, no fewer than 14 countries were asked to begin or continue to reform their administration²⁰, for eight of them (Cyprus, Croatia, Italy, Latvia, Portugal, Romania, Slovakia and Slovenia), this requires also a (re)new(ed) HR management and, for three (Cyprus, Croatia and Latvia), to look more closely at the wage-setting system for public employees (see also Table 4).²¹

18. Council of the European Union (2016b), p. 10-11.

19. Our classification does not correspond to the classification used by the Commission in its ‘overview of issues covered in the CSRs for 2016-2017’ (available at: http://ec.europa.eu/europe2020/pdf/csr2016/csr2016-overview-table_en.pdf) (European Commission 2016c). This explains the occasional differences in figures between both tables.

20. European Commission 2016c.

21. See also in this connection the criticism made by the European Trade Union Committee for Education (ETUCE) that several countries have been recommended in the field of education (often a public service) to raise the attractiveness of the teaching profession and the quality of teaching, and yet hardly any reference has been made to the need to ensure that teachers and educators have decent salaries and working conditions as well as professional development opportunities (ETUCE 2016).

Table 3 Evolution of the number of social CSRs from 2011-2016

		CSRs 2011-2012	CSRs 2012-2013	CSRs 2013-2014	CSRs 2014-2015	CSRs 2015-2016	CSRs 2016-2017
Wages	Reviewing wage indexation	5	4	2	3	0	0
	Wage-setting mechanisms	8	8	7	11	11	12
	Subtotal	13	12	9	14	11	12
EPL	Employment protection legislation	6	8	4	8	4	8
Labour market participation	Women	6	9	5	7	11	7
	Older workers	8	7	12	10	8	4
	Tax disincentives second / low income earners	3	2	3	8	7	5
	Subtotal	17	18	20	25	26	16
Youth employment	Youth guarantee	0	0	12	8	15	7
	Transition school-work via companies	0	2	5	6	11	7
	Apprenticeships/ work-based learning	9	12	8	15	5	4
	"Drop outs"	4	7	6	3	6	6
	Subtotal	13	21	31	32	37	24
Pensions	Link between pensionable age and life expectancy	13	12	11	11	4	5
	Reducing early retirement	12	11	10	7	4	5
	Pension reform	-	-	-	-	14	13
	Subtotal	25	23	21	18	22	23
Social protection/ assistance	Social protection systems	4	2	5	9	7	3
	Quality social services	0	1	2	3	2	5
	Targeting social assistance	2	4	3	10	10	4
	Subtotal	6	7	10	22	19	12
Child poverty	Effective child support	0	1	2	3	1	1
	Childcare facilities	6	7	9	9	9	7
	Subtotal	6	8	11	12	10	8
Tax	Shift tax burden away from labour	9	9	10	9	14	14
Total n° specific social CSRs		95	106	116	140	143	117

Source: ETUI own calculation.

Tables 4 and 5 show which recommendations have been assigned to which countries. Again, there are some differences in the figures owing to the fact that our classification does not correspond to the classification used by the Commission in its 'overview of issues covered in the CSRs for 2016-2017'²².

²². European Commission (2016c).

In addition, and as mentioned above, the new approach of the Commission to prioritise and slim down the text of the CSRs meant that it was all the more necessary to take into account the related recitals, as these frequently entail far more ‘hidden recommendations’ which may make the figures/information contained in Tables 2 to 4 appear somewhat distorted in comparison with figures/information relating to previous years and the figures provided by the Commission.

Table 4 Social CSRs 2016-2017 – issue based overview

		Countries
Wages	Reviewing wage indexation	
	Wage-setting mechanisms	AT ²³ , BE, BG, CY (public sector), EE, FI, FR, HR (public sector), LV (public sector), LU, PT, RO
EPL	Employment protection legislation	BE, CZ, DE, FR, NL, PL, PT, ES
Labour market participation	Women	AT, CZ, DE, EE, IT, RO, SK
	Older workers	BE, FI, PL, SI
	Tax disincentives second/low income earners	BE, DE, EE, HU, IT
Youth employment	Youth guarantee	BG, CY, FI, HR, LT, RO, SK
	Transition school/ education to work (including via companies)	BE, BG, FR, HU, MT, PL, ES
	Apprenticeships/ work-based learning	FR, LV, ES, UK
	‘Drop-outs’	AT, BE, BG, EE, HU, RO
Pensions	Link pensionable age to life expectancy	AT, BE, CZ, LU, PL
	Reducing early retirement	DE, HR, FI, FR, LU
	Pension reform	AT, BE, BG (private pension funds), FI, HR, LT, LU, MT, NL (second pillar), PL, PT, SK, SI
Social protection/ assistance	Social protection systems	FR, HR, HU
	Quality social services	BG, EE, ES, LV, RO
	Targeting social assistance	BG, HU, IE, LV
Child poverty	Effective child support	CZ
	Childcare facilities	EE, IE, IT, PL, RO, SK, UK
Tax	Shift tax burden away from labour/broaden tax base	AT, BE, CZ, DE, EE, FR, HR, HU, IE, IT, LT, LU, LV, PL

Source: Country-specific recommendations 2016-2017; Greece did not receive any specific recommendations but was in general recommended to implement its respective Memorandums of Understanding (including any subsequent supplements). ETUI own classifications/calculations.

²³. Although both Austria and Estonia were criticised for their high gender pay gaps, only Estonia received a formal and explicit recommendation in that regard.

Table 5 Social CSRs 2016-2017 – EU-wide overview²⁴

		AT	BE	BG	CZ	CY	DE	DK	EE	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Wages	Reviewing wage indexation																											
	Reviewing wage-setting system -align with productivity developments	•	•	•	•				•		•	•	•					•	•					•	•			
EPL	Adjusting Employment Protection Legislation		•		•		•			•		•										•	•	•				
Labour market participation	Enhancing participation of women	•			•		•		•							•									•			•
	Enhancing participation older workers, promoting active ageing, LLL		•								•												•				•	
	Reducing tax disincentives for second/ low income earners		•				•		•						•		•											
Youth employment	Youth employment / guarantee			•		•					•		•				•								•			•
	Facilitating transition education / school to work		•	•						•		•		•								•		•				
	Apprenticeships / work-based learning										•	•								•								•
	Reducing school/education "drop outs"	•	•	•					•							•										•		
Pensions	Explicit link between pensionable age and life expectancy	•	•		•													•					•					
	Reducing early retirement						•				•	•	•							•								
	Pension reform	•	•	•							•		•					•	•		•	•	•	•			•	•
Social protection/ assistance	Ensuring the adequacy and coverage of social protection systems											•	•	•														
	(Access to) quality social services				•				•	•										•					•			
	Better targeting social assistance				•										•	•				•								
Child poverty	Making child support more effective				•																							
	Access to and quality of childcare services								•							•	•							•		•		•
Tax	Shift away from tax on labour (incl. attention for low income earners)	•	•		•		•		•			•	•	•	•	•	•	•	•	•	•	•						

Source: Country-specific recommendations 2016-2017; Greece did not receive any specific recommendations but was in general recommended to implement its respective Memorandums of Understanding (including any subsequent supplements).

²⁴. Similar tables on the social CSRs for 2011-2012, 2012-2013, 2013-2014, 2014-2015 and 2015-2016 can be found in Annex 2.

Conclusion

The stronger (but certainly not new) focus on the social field in the 2016 CSRs, as demonstrated above, could indeed be seen as a confirmation of what some scholars describe as ‘socialization of the European Semester’ in terms of both content and procedures.²⁵ Indeed, the above figures again show an increasing emphasis on social objectives in the EU’s priorities and the CSRs. However, as was the case last year, it is perhaps doubtful whether this growing attention is essentially an overall positive development, given that a great deal depends on the actual implementation and direction of implementation of these social CSRs by the Member States.²⁶ Moreover, any positive impact is likely to depend on the issue at stake. It is highly unlikely that (repeated) calls in the area of EPL, pension reform (in particular for raising the retirement age) or in the area of wages and wage-setting will advance the position of workers and enhance their (acquired) rights.

As Veronica Nilsson, ETUC Deputy General Secretary rightly stated, ‘The Commissioners repeated as usual the need for structural reforms of the labour market which in the past have led to less collective bargaining, lower wages and higher unemployment. Europe does not need more of the same tried, tested and failed policies. Labour markets are generally not suffering from too little flexibility, but too much involuntary part-time and fixed-term employment and bogus self-employment.’ Furthermore, the renewed attack on higher minimum wages is also to be deplored.²⁷ Indeed, it is deplorable not only that this year’s social CSRs appear once again to be ‘old wine in new bottles’ but also that other key labour market changes are ignored or risk being aggravated by the recommendations. None of the CSRs addresses the problem of underemployment, and only a few of them address gender gaps or the need to increase the availability of childcare facilities (despite the fact that most Member States do not meet the Barcelona targets in this regard).²⁸

All of this has made the reading and analysis of this year’s CSRs an even more challenging exercise whereby, once again, the devil lies in the detail and being able to ‘read between the lines’ becomes an increasingly essential skill²⁹. Perhaps the Commission could consider turning this skill((mis)match)

25. Zeitlin *et al.* (2014).

26. Clauwaert (2015).

27. ETUC (2016 a, b, c and d); Nilsson (2016).

28. ETUC (2016b).

29. On the lack of clarity and thus room for interpretation of certain recommendations, see also ETUC (2016b).

into a new CSR in next year's cycle? For if more Member States (and other stakeholders) were to master this skill and consequently be better able to read between the lines, it would certainly improve/upgrade the scoreboard of implementation of the CSRs and allow for more progress in the social field. This would also allow the Commission, in its 2017 recommendations, to focus for once (or rather for the first time?) on a field other than the social one.

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Annex 1

Country-by-country overview of the 'social CSRs' 2016-2017

Introductory note

An overview of the 2016 social CSRs is provided below on a country-by-country basis. The wording of each CSR is provided as boxed text and is followed by a quotation from the relevant (parts of the) recitals in the Commission documents relating to the CSR in question and providing more clarification on the reasons for/background to the proposed CSR. Where relevant, other (parts of the) recitals of the Commission draft recommendations which relate to the social field but which do not correspond to a clear social CSR are also incorporated under a subsection entitled 'other relevant information'. Where the text of the CSR as adopted by the Council differs from the CSR text as proposed by the Commission, any changes are highlighted by way of a footnote. A complete overview of these changes can also be found in Annex 4.

Austria

(2 out of 3; pension reform, retirement age, female workers)³⁰

1. (...) **Ensure the sustainability** of the healthcare system; and of **the pension system by linking the statutory pension age to life expectancy.** (...)

(8) In 2015 the employment rate of people aged between 55 and 64 was 46.3% (EU-average: 53.3%) and ranked 19th in comparison with other Member States. Additional **measures to increase the effective retirement age** have been in force since 2014 and **have had some effect**. It remains to be seen whether these measures will reverse a trend whereby the effective retirement age in Austria lags behind the average in the EU in the medium term. In addition, the duration of retirement is increasing, due to higher life expectancy. The statutory retirement age for women will be increased and aligned only gradually with that of men, starting in 2024 and ending in 2033. In Austria, the statutory retirement age is not linked to increasing life expectancy. The Commission estimates that, in 2040, pension expenditure

³⁰ Here, 'X out of Y' indicates the number of 'social CSRs out of the total number of CSRs received by the country this year' (see also Table 2 on page 11). For the convenience of the reader, a few keywords have been added to reflect the main (social) fields to which the CSR in question relates.

will increase by 0.8% of GDP compared with 2013. In the long run (2060), pension expenditure is expected to increase by 0.5% of GDP.³¹ (...)

2. Improve the labour market participation of women. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background.

(10) Austria has traditionally one of the lowest unemployment rates in the EU. However, it has been increasing since 2011 and reached 5.7% in 2015. The youth unemployment rate is also low: 10.6% of active 15-24 year olds in 2015. Austria also has a high employment rate. However, while the female employment rate is, at 70.2%, above the EU average, a comparatively large proportion of women works part-time, because of childcare obligations or care for the elderly. This contributes to **one of the highest gender pay gaps in the Union** and a high gender pension gap. For older workers (aged 55 to 64), the employment rate is below the EU average.³²

(11) Austria has already exceeded its national Europe 2020 targets for education. In 2015, the **early school leaving rate** was 7.3% and the tertiary attainment rate was 38.7%. However, education outcomes depend heavily on socio-economic background. Inter-generational mobility in education is among the lowest of all OECD countries for which data is available. The drop-out rate of pupils with a migrant background is almost three times higher than that of native-born and there is an additional challenge to integrate young refugees and migrants of compulsory school age and above into the education and training system.

Other relevant information

(7) The budgetary effect of the recent tax reform still represents an element of uncertainty. When taking measures to ensure fiscal sustainability, account should be taken of the fact that, despite recent reforms, **the tax burden on labour remains high** and Austria has a high tax wedge in comparison with other European countries. Meanwhile, **more growth-friendly taxation sources which allow the reduction of the tax burden on labour are under-utilised**. Taking steps to reduce the tax burden on labour by shifting the tax burden to other sources less detrimental to growth would help to address this problem.

(14) The **high influx of refugees** experienced in the past year has a number of social and economic consequences for Austria. While in the short run,

31. The Austrian trade union ÖGB does not agree with this recommendation, as it believes that it will lead only to higher unemployment. It does, on the other hand, welcome the fact that the Commission recognises that the reforms to raise the effective retirement age are having some effect (ÖGB 2016).

32. Overall, the Austrian trade union ÖGB welcomes this recommendation, given that, should women be able to work longer, by preference full-time, this would lead to more contributions and thus higher pensions for them as well as enable them to avoid falling into poverty at an older age (ÖGB 2016).

the inflow of refugees is set to increase public expenditure and to create additional domestic demand, thereby raising GDP, the medium-term effect on employment and growth hinges on refugees' successful labour market and social integration, including via educational support. This issue is high on the political agenda both at the EU and Member State level and will be monitored and analysed closely, including in the 2017 country report.

Belgium

(2 out of 3; wage setting, ALMPs, vocational training)

1. (...) Simplify the **tax system** and remove distortive tax expenditures.

(11) Belgium has made **some progress in reforming the tax system, notably by shifting taxes from labour to other tax bases**, which will gradually reduce the tax wedge on labour. Reductions in personal income taxation and employers' social security contributions will also help narrow the gap. Nevertheless, the **tax system remains complex**, with tax bases eroded by specific exemptions, deductions and reduced rates. Some of these involve revenue losses, economic distortions, and a heavy administrative burden. In addition, the tax shift does not seem to be neutral from a budgetary point of view. **There is still considerable scope for improving the design of the tax system by further broadening tax bases**, allowing for both lower statutory rates and fewer distortions. There is also **considerable potential for a 'green' tax shift** which stems from, among other things, the favourable tax treatment of company cars and fuel cards, which contribute to pollution, congestion and greenhouse gas emissions.

2. Carry out the intended **review of the 'Law of 1996' on the promotion of employment and the safeguarding of competitiveness in consultation with the social partners**. Ensure that **wages** can evolve in line with productivity. Ensure the **effectiveness of labour market activation policies**. Move forward with education and **vocational training reforms** and provide training support for disadvantaged groups, in particular in particular people from a migrant background.³³

(2) (...) Weakened external performance combined with high public indebtedness may pose risks in the future. However, recent developments point to an improvement in competitiveness. **Corrective measures – comprising wage moderation and reductions in social security contributions – have led to a slowdown in labour cost growth**. Public debt is not falling, but short-term risks appear contained.

³³ The Commission proposal reads as follows: '2. Carry out the intended **review of the "Law of 1996" on competitiveness and employment in consultation with the social partners**. Ensure that **wages** can evolve in line with productivity. Ensure the **effectiveness of labour market activation policies**. Move forward with education and **vocational training reforms** and provide training support, notably for people from a migrant background.'

(7) High public indebtedness is coupled with weak export and competitiveness performance. External performance has deteriorated since 2000, as global market share losses show, and has been aggravated by exports being oriented mainly towards less dynamic markets. While the negative trend in market shares has been halted in recent years, the accumulated losses remain substantial. Specialisation in market segments with a higher exposure to price competition also hampers the country's export capacity. This is particularly difficult to reconcile with the **country's high labour costs**. Unit labour costs have risen fast as a result of low productivity growth and, in particular, fast wage growth. The latter can be attributed to certain features of the wage-setting system. On the one hand, **margins for real wage growth were repeatedly set too high**. On the other hand, inflation repeatedly exceeded expectations and inflation in neighbouring countries. The structural difference in core inflation rates between Belgium and neighbouring countries is caused mainly by higher price growth for services and a suboptimal functioning of the retail market. This inflation was transmitted to wage growth through the general practice of automatic wage indexation. Together, these factors eroded the effectiveness of the highly coordinated wage-setting system. To halt the decline in competitiveness and its negative impact on export performance and employment, the Belgian authorities have intervened in the wage-setting process in recent years. Wage moderation measures have been imposed, including limits on real wage increases and the suspension of wage indexation schemes. In addition, reductions in social security contributions are being enacted. **However**, to ensure the durability of the correction, **structural reforms of the wage-setting framework are needed** in line with the Council recommendations in past years. Although the government intends to revise the Law of 1996 on the promotion of employment and the safeguarding of competitiveness³⁴, which provides the basis on which social partners set the 'wage norm' every two years, little progress has been made so far. **Ensuring a more formal link between wages and productivity would help lock in recent gains and prevent a recurrence of past problems.**

(8) **Some progress has been made on the overall functioning of the labour market**. Incentives to work have been strengthened by measures to reduce the tax wedge and changes in the unemployment benefit system. However, sizeable employment differentials between specific population groups continue to result in a chronic underutilisation of labour, especially among the low-skilled, young people, older people and people with migrant backgrounds. In addition, **marginal tax rates upon entering or re-entering the labour market create inactivity and low wage traps for second income earners and specific household types such as single people and single parents**. It is therefore important to fine-tune and implement policies aimed at encouraging moves from inactivity or unemployment to employment. **Educational inequalities linked to socio-economic background are amongst the highest in the Union** and poor educational outcomes partly explain the observed underperformance

34. *Loi relative à la promotion de l'emploi et à la sauvegarde préventive de la compétitivité.*

of people with a migrant background.³⁵ The education reforms currently being introduced are particularly designed to tackle **early school leaving**, and improve the situation of early childhood care and early childhood education³⁶. The relevant authorities seek to improve the **quality and relevance of the vocational system**. These reforms could facilitate a smoother transition towards a knowledge-intensive and increasingly service-oriented economy and alleviate skills mismatches and persistent labour shortages in certain occupations. In addition, **the very low activity and employment rates of older workers call for policies** to promote active ageing and to support the labour market demand for older workers. Finally, **additional tax measures to facilitate the take-up of work could be warranted**.

Other relevant information

(12) In recent years, Belgium has made **important progress in reforming its pension system**. The law of 10 August 2015 on the rise in pensionable age, the conditions for early pensions and the minimum age for survivors' pensions establishes a new minimum age and career length criteria for ordinary pensions. However, even after the recent reforms, the **projected increase in the pension expenditure ratio remains substantial**. An automatic link to changes in life expectancy, as recommended in the past, would reduce medium and long term sustainability risks. In this respect, the government has announced its intention to introduce a credit-based pension system, which could allow for automatic adjustment mechanisms in response to demographic developments. These issues will continue to be monitored closely under the European Semester.

Bulgaria

(3 out of 4; undeclared work, private pension funds, NEETs, minimum wage setting)

1. Achieve an annual fiscal adjustment of 0.5% of GDP towards the medium-term budgetary objective in 2016 and in 2017. Further improve tax collection and take measures to reduce the extent of the informal economy, including **undeclared work**.

(6) (...) In spite of recent efforts to improve tax collection, the shadow economy remains a significant challenge affecting public revenues. **Undeclared work**, including under-reported remuneration and evasion of social security contributions, distorts the labour market and reduces fiscal revenue.

³⁵ In the Commission proposal, reference is also made to 'low skilled young people' alongside that to people with a migrant background. However, this reference was removed from the Council text.

³⁶ The words 'and improve the situation of' do not feature in the Commission proposal and have therefore been introduced into the Council text.

2. (...) By the end of 2016, complete the balance-sheet review and stress test of the insurance companies and the review of **private pension funds'** assets. Take the necessary follow-up actions in all three sectors and continue to improve banking and non-banking supervision.

(7) Cases of imprudent business practices across the financial sector, coupled with inefficient supervision, have created an environment for imbalances to accumulate. The completion, in a transparent way and according to best international practices, of the recently launched reviews of the banking, insurance and **pension fund** sectors and taking the necessary follow-up actions will strengthen confidence in the financial sector. Moreover, **continued efforts to improve financial supervision**, in both the banking and non-banking sectors, **will play an important role** in strengthening the financial system and positioning it to support the nascent macroeconomic recovery.³⁷

3. **Reinforce and integrate social assistance, including relevant social services, and active labour market policies**, in particular for the long-term unemployed and **young people not in employment, education or training**. Increase the provision of quality education for disadvantaged groups, including Roma. (...) In consultation with social partners establish guidelines and criteria for **setting the minimum wage**. Increase the coverage and adequacy of the **minimum income scheme**.³⁷

(8) The labour market has experienced a modest recovery but remaining weaknesses continue to hinder growth and limit the adjustment capacity of the economy. Labour market adjustment is hampered by the structural nature of long-term unemployment, a shrinking and ageing labour force, low labour market participation and skills mismatches. While unemployment is gradually improving, there are **still important challenges**, for example as regards the long-term unemployed and **young people not in employment, education or training**. Active labour market policies could play a stronger role in helping these groups to access the labour market. The **activation of people on social benefits is hindered** by the fragmentation of, and limited cooperation between, different agencies delivering benefits and labour market integration services. Dedicated centres for employment and social assistance, which combine the services of the Employment Agency and the Social Assistance Agency, have been developed in a pilot project but no decision has been taken yet to roll out the project on a larger scale after it ends in December 2016.

(9) Although **Bulgaria's minimum wage is still the lowest in the EU**, it has increased substantially since 2011 and the **lack of objective criteria for minimum wage setting creates uncertainty**. Despite work of the government and social partners in this area, Bulgaria still has no clear

³⁷. The scope of this CSR has been extended slightly to cover the whole field of social assistance, as the Commission proposal reads as follows: '3. **Reinforce and integrate social services and active labour market policies**, in particular for the long-term unemployed and **young people not in employment, education or training**. Increase the provision of quality education for disadvantaged groups, including Roma. (...) In consultation with social partners establish guidelines and criteria for **setting the minimum wage**. Increase the coverage and adequacy of the **minimum income scheme**.'

guidelines or transparent criteria for minimum wage setting that take into account its impact on job creation, social conditions and competitiveness.

(10) **Very high ‘at-risk-of-poverty or social exclusion’ and inequality levels remain** in Bulgaria. Progress in addressing poverty and social exclusion is hindered by **continuing challenges** over integrating Roma into the labour force, **facilitating school-to-work transitions**, and **improving the coverage and effectiveness of social, health and labour market policies**. The **general minimum income scheme provides very limited levels of support and outreach** to the population. The allowance level is below the poverty line and has not been increased in line with average and minimum wage developments of recent years. Estimates on coverage indicate that a large part of the intended beneficiaries do not receive benefits. A better outreach to the target groups, while maintaining fiscal responsibility, would help to alleviate poverty.

(11) The education system has limited capacity to include vulnerable groups and equip learners with relevant skills. Vulnerable groups such as Roma and pupils from poor families continue to face significant obstacles in accessing and completing education. The level of enrolment among Roma at all levels of education is significantly lower than for non-Roma. The **early school leaving rate continues to increase** and is particularly high in rural areas and less developed regions. Removing barriers to the participation in early childhood education of disadvantaged children is essential to increase educational outcomes and prevent dropouts. A new Pre-school and School Education Act adopted by the parliament in September 2015 is an important step towards a comprehensive reform of the school system. The implementation of this legislation, together with targeted measures to overcome non-legislative barriers to the full participation of disadvantaged groups in education, should contribute to improving the Bulgarian economy’s growth potential and social cohesiveness in the long term. Enrolment and graduation rates in tertiary education are on the rise and the **employment rate of recent graduates** is recovering slowly, although it **remains significantly below the EU average**.

Croatia

(2 out of 5; (early) retirement, social protection benefits, HR management in public administration (incl. wages))

2. By the end of 2016, take measures to **discourage early retirement**, accelerate the **transition to the higher statutory retirement age** and align pension provisions for specific categories with the rules of the general scheme. Provide appropriate up- and re-skilling measures to enhance the employability of the working-age population, with a focus on the low-skilled and the long-term unemployed. Consolidate social protection benefits by reducing special schemes, aligning eligibility criteria, integrating their administration, and focus support on those most in need.

(3) (...) The National Reform Programme presents a fairly ambitious reform agenda, which, if fully implemented within the indicated timelines, would help address its macroeconomic imbalances. It outlines relevant measures to improve the management of public finances, the health sector and the business environment and **commits to ambitious reforms in the public administration, the pension system, social protection and the improvement of governance in state-owned enterprises.** (...)

(11) A large proportion of the working age population does not participate in the labour market. One of the main reasons for this is **early retirement**, also among prime-aged men. Early retirement is possible a full five years before the statutory retirement age and financial incentives to work until (and beyond) that age are weak. In addition, the **pension system is characterised by a number of special provisions for specific categories of workers and generous early retirement options for certain occupations.** Statutory retirement ages for men and women are being brought into line and increased to 67, but only slowly. Both the **current and future adequacy of pensions is low** and creates high risks of poverty in old age, especially for those with short working lives.

(13) There are regional differences in per capita **spending on social protection, and inconsistencies as regards the eligibility criteria for general social protection schemes** and those targeting special categories. Moreover, only a small share of the overall social protection budget is spent on the nation-wide minimum income scheme. This results in inefficiencies and provides insufficient protection to the poorest. The reform of the social protection system suffered delays in terms of consolidating various benefits and establishing one-stop shops as single administrative points for the delivery of social protection services.

3. By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in **public administration** to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners, **harmonise the wage-setting frameworks across the public administration and public services.** Advance the divestment process of state assets and reinforce the monitoring of state-owned enterprises' performance and boards' accountability, including by advancing the listing of shares of state-owned companies.³⁸

(3) (...) The National Reform Programme presents a fairly ambitious reform agenda, which, if fully implemented within the indicated timelines, would help address its macroeconomic imbalances. It outlines relevant measures to improve the management of public finances, the health sector and the business environment and **commits to ambitious reforms in the public administration, the pension system, social protection and the improvement of governance in state-owned enterprises.** (...)

³⁸The Commission proposal for this CSR reads as follows: 'Reinforce the monitoring of state-owned enterprises' performance and boards' accountability. Advance the listing of shares of state-owned companies and the divestment process of state assets.'

(14) The **functional distribution of competences of public administration** between central and local levels is complex, and the system is fragmented. The allocation of decentralised administrative functions is not in line with the fiscal capacity of the local units in charge. This makes the local units strongly reliant on central government transfers while leaving considerable regional disparities in the provision of public services. The fragmentation of public administration weighs on service delivery, the business environment and the efficiency of public expenditure. The reform of public administration has not been taken forward in substance. A legal framework was introduced for the voluntary merger of local government units, but incentives to take up this option were not provided. The rationalisation of the system of state agencies is proceeding slowly.

(15) **Public sector wages are regulated by inconsistent provisions** across public institutions in the definition of job complexity, fringe benefits and wage supplements. This limits the government's control over the wage bill and weighs on the efficiency of the public sector. Due to the relatively high proportion of total employment accounted for by the public sector, public wage developments are also relevant to the wider economy.

Other relevant information

(9) A high level of tax arrears, VAT fraud and the **shadow economy** are **key challenges**. Measures are being taken to improve tax compliance, including the development of a compliance risk management system. Yet, evidence on the effectiveness of the measures taken is still limited.

(12) The problem of high inactivity is compounded by high unemployment; the low utilisation of the labour potential holds back growth. **Youth unemployment remains a key concern**, pointing to weaknesses in the education system, and there is **still room to improve the effectiveness, monitoring and evaluation of the Youth Guarantee**. Long-term unemployment rates have fallen recently but are still about twice the EU average. **Participation in lifelong learning remains very low**, due to an underdeveloped adult education system.

Cyprus

(2 out of 5; public sector wages, public employment services)

1. Following the correction of the excessive deficit, respect the medium-term budgetary objective in 2016 and in 2017. By the end of 2016, **adopt a binding mechanism containing the growth rate of the compensation of public employees**. By the end of 2016, adopt the horizontal reform of the public administration and the law on the governance of state-owned entities, and implement the reform of local governments. By the end of 2016, adopt the secondary legislation to complete the new budgetary framework.

(7) (...) The public sector is still characterised by inefficiencies. In particular, the public administration is marked by one of the highest wage bills (as a percentage of GDP) in the euro area, while efficiency indicators remain average and can be traced to the lack of mobility and performance incentives. State-provided utilities (telecommunications, energy) are marked by high prices and are still relatively shielded from competition. Under the macroeconomic adjustment programme, Cyprus has **committed itself to adopting a binding mechanism for limiting wage increases for public employees** as a means of guaranteeing the long-term sustainability of public finances. While the draft law has been prepared and submitted to the House of Representatives, it is still awaiting adoption. Under the macroeconomic adjustment programme, a horizontal reform of the public administration, a reform plan of local governments and a new law on the governance of state-owned entities have been put forward to improve the efficiency of the public sector, but have not yet been adopted.

5. Enhance the capacity of the public employment services and their provision to the long-term unemployed; improve outreach to the non-registered unemployed. (...)

(12) The labour market started recovering in 2015, but **unemployment remains high**. In particular, **youth and long-term unemployment are a source of concern**. Some measures have been taken in the areas of active labour market policies and **public employment services**. However, the latter **still lack the capacity to meet demand**, to deliver quality job-search assistance and counselling and to reach out to the non-registered unemployed. Plans to strengthen the administrative capacity of the public employment services, including specialisation of, and an increase in, the number of counsellors directly serving customers' needs, have been delayed. The effectiveness of active labour market policies is limited by the lack of effective monitoring of the quality of current programmes.

Other relevant information

(13) **Participation of young people in vocational education and training remains low** and is characterised by a **lack of employer engagement** in the education of students. However, measures are currently being implemented, in line with the strategy on vocational education and training.

Czech Republic

(1 out of 3; female employment)

3. (...) Remove the obstacles to **greater labour market participation** by under-represented groups, particularly women.

(12) The labour market situation in the Czech Republic has improved but further **increases in the employment rate will depend on greater participation by under-represented groups**. These include **women** with young children, low-skilled workers and members of the Roma community. The outreach **capacities of public employment services**, together with appropriate and well-targeted active labour market policies and individualised services, would contribute to increasing the participation of vulnerable groups. The labour market participation of women with young children is hampered by a **persistent lack of affordable and quality childcare services**, in particular for children up to three years old, and by the **limited use of flexible working-time arrangements**. Some measures have been taken in recent years to address this shortage but there is scope for more substantial efforts.

Other relevant information

(6) In the long term, there are medium fiscal sustainability risks for the Czech Republic. These are derived primarily from the projected impact of age-related public spending, mainly in healthcare but also in pensions. Recently adopted or planned measures to amend the **pension system** would, if implemented, lead to a deterioration of public finances in the long term. First, in February 2016, the Czech government adopted legislation giving it the power to adjust the pension indexation mechanism more flexibly. Second, **proposals are under discussion to cap the statutory retirement age at 65** and establish a regular review mechanism for the pensionable age. There are currently **no plans to increase the low statutory retirement age**. (...)

(8) (...) High employer social contributions contribute to an **overall high level of taxation on labour** and diversification into other areas, such as property taxes, is limited.

(11) The **higher education reform was adopted** by the parliament in January 2016. The attractiveness of the teaching profession remains a challenge, with relatively low pay being seen as one of the causes, while at the same time the teacher population is ageing. A **new career system for teachers and pedagogical staff** is being developed to increase the attractiveness of the profession, **but its implementation has been postponed**. Educational outcomes are generally good, but they are strongly influenced by students' socioeconomic backgrounds. The low educational outcomes of disadvantaged groups, in particular the Roma community, are a clear concern. It is estimated that a very large proportion of Roma children leave school early. Numerous Roma children receive education outside mainstream schools and as a result face lower learning standards than children from the rest of the population. Training opportunities for teachers to help them deal with this issue are underdeveloped, with a low proportion of teachers taking part in professional development activities related to teaching mixed groups and inclusive education. A significant number of legislative and administrative measures towards inclusive education have been taken and are

beginning to be implemented. These are expected to contribute to reducing the gap in educational attainment and achievement between Roma and non-Roma children. The parliament adopted amendments to the Education Act in March 2016, extending compulsory education to the last year of pre-school education and ensuring that younger children are entitled to a place in a kindergarten. Nevertheless, inequalities in the education system represent a barrier to improving the quality of human capital and also hamper labour market outcomes later in life.

Denmark

(0 out of 2)

(6) Ensuring labour supply as the population ages is a precondition for sustainable growth in Denmark. A series of substantial labour market reforms in recent years aim particularly at increasing work incentives and improving the efficiency of active labour market policies. These reforms could contribute to achieving Denmark's Europe 2020 employment target and to the sustainability of the Danish welfare model. However, the **national Europe 2020 target for social inclusion**, aiming at reducing the number of people living in very low work intensity households, **is far from being achieved. Labour market inclusion and improving the employability of disadvantaged groups remain a challenge. This particularly applies to people with a non-EU migrant background**, including those who have resided longer in Denmark, and young people with low educational attainment. The **job-integration measures** agreed in the 2016 tripartite negotiations could improve the situation for **newly arrived refugees and migrants**. However, further measures should still be taken to include other marginalised groups in the labour market more effectively.

Estonia

(1 out of 2; access to and quality of social services, gender pay gap)

1. Ensure the provision and accessibility of high quality public services, especially social services, at local level, *inter alia* by adopting and implementing the proposed local government reform. Adopt and implement measures to narrow the **gender pay gap**, including those foreseen in the Welfare Plan.

(10) Estonia has the **highest gender pay gap in the EU**, at 28.3% in 2014. This creates a risk of not making full use of the potential of women. The gender pay gap is attributed, among other factors, to occupational and sectoral gender segregation in the labour market, the lack of transparency of wages in the private sector and the longer career breaks for women due to care responsibilities. The government has announced a series of measures to address the gender pay gap. The planned measures are still to be adopted and implemented, *inter alia* improving data collection, giving labour inspectorates the task of monitoring how employers apply the principle of equal pay, promoting wage transparency, **providing fathers with incentives to take up part of the parental leave and increasing access to childcare**

facilities. The Welfare Plan 2016-2023 includes gender equality objectives, with measures to tackle gender segregation in the labour market and fight stereotypes. Measures are planned to ease the care burden in families and to bring carers into the labour market, with expected positive effects on women's labour market participation.

(9) There are still some shortages in early childhood education and **care places for 0-3 year-olds**, but the situation is improving, with additional places created each year.

(11) In Estonia, **access to public services is not guaranteed in all municipalities and the local provision of quality services** in areas such as transport, education, long-term care for the elderly and other social services at local level **remains a challenge**. In March 2016, the government submitted the draft Administrative Reform Act to the parliament to pave the way for a local government reform. The reform foresees both voluntary and government-initiated mergers, with a view to offer accessible and quality services and to ensure more efficient and competent governance. The amended Social Welfare Act sets minimum requirements for nine social services but its implementation is at risk due to the weaknesses in service provision by municipalities. The proposed local government reform has not yet been adopted.

Other relevant information

(6) Estonia has **taken important steps to improve labour market participation**, including by implementing the Work Ability reform. This reform, which entered into force in January 2016 and will be fully implemented from January 2017, will increase overall labour supply. It will be a **challenge to help reintegrate those who have been out of the labour market for a long time**. New active labour market measures are being put in place to help the beneficiaries of the Work Ability reform to enter and stay in the labour market and changes have also been made in the financial support scheme.

(7) Estonia has taken action to improve work incentives by **reducing the tax burden on labour for all income groups, including low-income earners**. This may have contributed to Estonia having a lower unemployment rate and a higher employment rate for low-skilled workers than the EU average. Among the measures already adopted, **an additional tax refund is planned as of 2017 for low income earners**. However, this leads to high effective marginal tax rates, which risks creating a low wage trap and encouraging the payment of envelope wages. The impact of these measures will only be known after they have been evaluated.

(8) Implementation of the Lifelong Learning Strategy 2020, together with the Vocational Education and Training programme for 2015-2018, helped **increase participation in vocational education and training**, and its labour market relevance. The proportion of vocational education and training students in **apprenticeships** is expected to increase but the **drop out rates in vocational education and training remain a matter for concern**.

(12) (...) **Labour and skills shortages** may constitute a barrier to greater investment in **high technology sectors**.

Finland

(2 out of 3; social services, wage setting, ALMPs)

1. (...) Ensure timely adoption and implementation of the administrative reform with a view to **better cost-effectiveness of social and healthcare services**.

(7) **Due to ageing of the population and a declining workforce, expenditure on pensions, health and long-term care is set to increase** from 23.1% in 2013 to 26.9% of GDP by 2030. In January 2016, Finland enacted a pension reform that will link pensions to life expectancy as of 2027³⁹. Social and healthcare services, provided by the municipalities, amount to 10% of GDP. Without reform of the system, that expenditure is forecast to grow by 2.4% annually in nominal terms and increase as a share of GDP. The main outline of a **far-reaching administrative reform and restructuring of healthcare and social services has been agreed**. The reform's main aims include the reduction of the sustainability gap in the long run by EUR 3 billion through better control of the costs. This will be achieved through integration of services, larger arrangements of services and digitalisation. All of the details still need to be worked out and change management plans put in place before the reform can be implemented from 2019 as planned. The government has announced that measures to implement the reform will be presented at the end of 2016. **The magnitude and tight timetable of the reform mean that implementation will be a challenge**. Timely adoption of the legislative proposals is therefore important.

2. While respecting the role of social partners, ensure that the **wage setting system** enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach. Increase incentives to accept work and **ensure targeted and sufficient active labour market measures**, including for people with a migrant background. Take measures to **reduce regional and skills mismatches**.

(8) To restore Finland's competitiveness, the functioning of the labour market must be improved in several ways. On an aggregate level, **wage increases have been moderate** since the centrally agreed wage deal was agreed in late 2013. Under the agreement, the year-on-year increase in negotiated wages slowed from 1.3% in the last quarter of 2013 to 0.5% in the fourth quarter of 2015. In June 2015, the social partners decided to extend the agreement into 2016. However, labour productivity growth has not yet recovered and therefore nominal unit labour costs are forecast to increase, albeit more

³⁹ Please note that, in the Commission proposal (as well as in the Commission Country Report for Finland), reference is made to '2017' rather than '2027', as it is here. However, the National Reform Programme submitted by the Finnish Government under this cycle actually states that 'after the reform, the expected retirement age is projected to rise to 62.4 years by 2025' (p. 16), which would make the date of 2027 more realistic.

slowly. Negotiations have been carried out to restore cost-competitiveness. **A Competitiveness Pact was agreed** between social partners on 29 February 2016. The agreement needs to be translated into sectoral agreements before it can be implemented. The Competitiveness Pact **will be complemented with measures agreed between social partners to ensure more labour market flexibility and a new model for wage growth by anchoring wages of other sectors to those facing external competition.** It is important to implement the labour market measures in a way that fully respects the role of social partners.

(9) Due to declining size of the working age population, improving the labour market participation rate is important. This **requires continued efforts to integrate older workers, young people, the long-term unemployed and the low-skilled** into the labour market. The employment rate has decreased by more than two percentage points, from a pre-crisis peak of 70.6% in 2008 to 68.5% in 2015, while unemployment has increased from 6.4% to 9.4%. The employment rate of the elderly has been gradually improving, but **some early exit pathways remain in the form of extended unemployment benefits for older workers until retirement (the ‘unemployment tunnel’) which, if not reduced, could limit the positive impact of the pension reform enacted in 2016.** The effects of the changes to the parameters of the unemployment tunnel in the previous pension reform will be assessed in 2019.⁴⁰ Long-term unemployment increased considerably between 2008 and 2014 from 1.2% to 1.9% of the total labour force, despite many of the long-term unemployed eventually moving out of the labour force. Youth unemployment increased to 22.4% in 2015. The low-skilled are affected most by the poor performance of the labour market. **Cutting the budget for active labour market policies at a time when there is an increasing demand for such measures could harm opportunities for the above-mentioned groups to return to work.** In terms of activation, the complex benefits system with its different types of allowances can result in significant inactivity and low wage traps. Addressing these traps and introducing positive incentives to accept work, such as improving the possibility to combine work and benefits, is particularly important in view of the cuts to the budget for active labour market policies. The arrival of a comparatively **large number of migrants and refugees** in Finland in 2015 **could serve to counter the effects of population ageing, but only if they are successfully integrated into the labour market and the education system.** There are matching problems in the labour market, partly due to the structural change in the economy, as new jobs are created in different geographical areas and industries compared with those where jobs have been lost. Measures that increase affordable housing in the Helsinki area and effective policies to help people update their skills and find work are needed.

⁴⁰The preceding two sentences have been amended, as they read as follows in the Commission proposal: ‘The employment rate of the elderly has been gradually improving, but some early exit pathways remain in the form of extended unemployment benefits for older workers until retirement which, if not limited, could compromise the positive impact of the pension reform enacted in 2016. The effects of the pension reform will be assessed in 2019.’

France

(3 out of 5; minimum wage, labour law reform, apprenticeships and vocational training, unemployment benefits, tax burden)

2. Ensure that the labour cost reductions are sustained and that **minimum wage developments** are consistent with job creation and competitiveness. **Reform the labour law** to provide more incentives for employers to hire on open-ended contracts.

(9) **Policy measures to reduce labour costs and improve firms' profit margins have been undertaken** through the EUR 20 billion tax credit for competitiveness and employment and the EUR 10 billion in additional cuts in employers' social contributions under the responsibility and solidarity pact. The design of these measures, which account for 1.5% of GDP and contribute to reducing the gap between France and the euro area average in terms of labour cost, may hamper their effectiveness. The results of the planned evaluations of these cost reduction measures will help any decision on the future design of these schemes, to ensure that these measures meet their objectives in terms of efficiency. **The effect on wage formation and employment is of particular interest** for these evaluations.

(10) In the current context of high unemployment, there are **risks that the cost of labour at the minimum wage hampers employment of low-qualified people**. While the minimum wage is high compared with the median wage, the cost of labour at the minimum wage has been reduced by social contribution exemptions. **Increases in the minimum wage induce wage increases for most categories of workers and risk creating upward wage compression⁴¹**. Because of the minimum wage indexation mechanism, there are feedback loops between increases in average wages and changes in the minimum wage, which delay the necessary wage adjustment in response to a weak economic situation.

(11) **Recent reforms have created only limited flexibility for employers to depart from branch-wide agreements**. This concerns all aspects of employment conditions, including wages, working time, employment and working conditions and limits the possibilities for companies to adjust the workforce according to their needs. At present, branches may prevent companies from determining, on a case by case basis and after negotiations with social partners, the conditions under which working time could depart from branch-wide agreements. **The take-up of derogations from branch agreements and general legal provisions on employment conditions, via firm-level agreements, could be facilitated, in consultation with social partners**.

(12) In 2015, the **unemployment rate increased** to 10.4%. Unemployment is higher among young people, non-EU nationals and less qualified workers.

⁴¹. This sentence has also been slightly altered, as it reads as follows in the Commission proposal: 'Increases in the minimum wage induce wage increases for all categories of workers and create upward wage compression' (underlining added).

The structure of the labour market is increasingly polarised, with highly educated workers hired on open-ended contracts and a constant proportion of low-skilled jobs becoming more and more precarious. The proportion of fixed-term contracts of less than one month in total hires rose to close to 70% in 2015. **The legal framework governing labour contracts, in particular as regards the legislation on dismissal for open-ended contracts, may contribute to the high segmentation of the labour market.** The long-running deterioration in the labour market has put a **strain on the sustainability of the unemployment benefit system.** In February 2016, the deficit was projected to be at EUR 4.5 billion in 2015, EUR 4.2 billion in 2016 and EUR 3.5 billion in 2017. This would further increase the system's debt from EUR 25.8 billion in 2015 to EUR 30.0 billion in 2016 and EUR 33.6 billion in 2017. The benefit calculation favours a succession of short-term full-time jobs over long-term part-time jobs and creates incentives for employers to offer short-term employment to be complemented by in-work benefits. **Moreover, the design of the unemployment benefit system, notably as regards eligibility conditions and degressivity of benefits, may weaken incentives to return to work.**

3. Improve the links between the education sector and the labour market, in particular by **reforming apprenticeship and vocational training**, with emphasis on the low-skilled. By the end of 2016, take action to **reform the unemployment benefit system** in order to bring the system back to budgetary sustainability and to provide more incentives to return to work.

(13) The **transition from school to work remains challenging** and the least qualified young people are the most affected. **Recourse to apprenticeship is decreasing** among low qualified categories in a context of differentiated regional strategies and a limited capacity of the system to adapt to new economic needs. The offer of training for the unemployed, less qualified workers and SME employees remains insufficient. The ongoing vocational training reforms, including on governance, incentives and counselling and the new targeted unemployed training plan are still to be fully implemented and should be reinforced.⁴² The unsatisfactory cooperation between the various actors involved in continuous vocational training prevents an efficient allocation of resources. The upcoming personal activity account may help to rebalance access.

⁴² The preceding two sentences have been revised and improved, as they read as follows in the Commission proposal: 'The offer of training for the unemployed, less qualified workers and SME employees remains insufficient, despite the ongoing vocational training reforms, including on governance, incentives and counselling and the new targeted unemployed training plan.'

4. (...) By the end of 2016, further **reform the size-related criteria in regulations that impede companies' growth** and continue to simplify companies' administrative, fiscal and accounting rules by pursuing the simplification programme.

(15) The French economy has a disproportionately high proportion of smaller businesses compared to other Member States and this limits their productivity level. Recent initiatives to soften the **impact of size-related requirements are not expected significantly to affect firms' growth**, given their limited scope or temporary nature. As a consequence, threshold effects will continue to limit the growth of French firms.⁴³

Other relevant information

(8) Sizeable short-term savings cannot be achieved without significantly **curbing the increase in social security spending**, which represents more than half of the general government expenditure. The **sustainability of the pension system** has been improved through the agreement on complementary pension schemes in 2015 but it could continue to face deficits over the short- to medium-term, especially under adverse macroeconomic conditions.⁴⁴ Moreover, the previous pension reforms are only expected to curtail the current high level of public pension expenditure ratio after 2025. France has set ambitious targets for 2016 and 2017 to limit the growth of health expenditure. These targets could be complemented by further efforts to identify efficiency gains in the medium to long term.

Germany

(1 out of 3, retirement age, second earners, tax burden on labour and EPL)

3. **Increase incentives for later retirement and reduce disincentives to work for second earners.** Reduce the high tax wedge for low wage earners and facilitate the transition from mini-jobs to standard employment.

(6) (...) Reforming the **pension system** would contribute to ensuring the long-term sustainability of public finances. (...)

(10) Although the overall labour market performance is very strong, in particular with unemployment at historically low levels, **ageing-related labour and skills shortages are looming**, calling for full use of the existing labour force. As these trends challenge not only the labour market, but also the sustainability and adequacy of the pension system, stronger incentives for later retirement appear indispensable. The at-risk of poverty

⁴³. Note that, in the Country Report for France published by the Commission in February 2016, particular reference was made in this connection to the 'annual information, consultation and negotiation obligations' of French firms.

⁴⁴. In the Commission proposal, this sentence reads as follows: 'The pension system could continue to face deficits over the short to medium term, especially under adverse macroeconomic conditions.'

rate in old-age (16,3% in 2014) is above the EU average (13,8%) and the replacement rate of the statutory pension scheme is being gradually reduced, while rates of enrolment in second or third-pillar pension schemes are too low to alleviate this risk.⁴⁵ The number of beneficiaries receiving a means-tested minimum income for retirees nearly doubled between 2003 and 2014. However, proposals to improve **incentives for later retirement (*Flexi-Rente*) have not yet been formalised**. It remains to be seen how effective they can be in counteracting the incentives for early retirement introduced in 2014.

(11) The **labour market potential of certain groups, especially women and people with a migrant background, remains under-utilised and work disincentives, especially for second earners, remain in place**. Specific characteristics of the tax system and health insurance discourage second earners from taking up a job or increasing the number of hours worked. This contributes to a low proportion of women working full-time and one of the lowest numbers of hours worked on average by women in the Union, despite a high female employment rate. Although there has been a **slight transition from mini-jobs to standard employment as a by-product of introducing the minimum wage**, the former still account for about seven million employees (of which 5 million have a mini-job as their only gainful employment).⁴⁶ The **exemption of mini-jobs from personal income tax** – and in many cases from all employee social contributions – can **discourage workers from moving into jobs with earnings above the mini-job threshold of EUR 450 per month**.⁴⁷ This disincentive is in many cases even stronger for spouses subject to joint income taxation. The positive impact on households' incomes and consumption from the slight increase in several allowances and the compensation of fiscal drag might be largely offset by higher social contributions from employees. The **tax wedge at the level of the minimum wage is high in comparison with other Member States**, resulting in lower incomes at the bottom end of the wage scale. **Reducing employees' social security contributions or the personal income tax, including by targeted allowances or refunds, would reduce this tax wedge**, increasing in turn the disposable income of low wage earners and thereby increasing consumption possibilities.

Other relevant information

(12) The **high influx of refugees** experienced in the past year has a number of social and economic consequences for Germany. While in the short run, the inflow of refugees is set to increase public expenditure and to create

⁴⁵. This sentence has been amended from that proposed by the Commission which reads: 'The risk of old-age poverty is expected to increase and the replacement rate of the statutory pension scheme is being gradually reduced, while rates of enrolment in second or third-pillar pension schemes are too low to alleviate this risk significantly.'

⁴⁶. The text within brackets does not feature in the Commission's proposal.

⁴⁷. Once again, the text has been slightly modified here, as the Commission text reads 'discourages workers' rather than 'can discourage workers'.

additional domestic demand, thereby raising GDP, the medium-term effect on employment and growth hinges on refugees' successful labour market and social integration, including via educational support. This issue is high on the political agenda both at the EU and Member State level and will be monitored and analysed closely, including in the 2017 country report.

Hungary

(2 out of 3; low income earners; ALMPs, social assistance and unemployment benefits)

2. Further reduce sector-specific taxes and **reduce the tax wedge for low-income earners.** (...)

(8) (...) The **labour tax wedge for low-income earners is still high**, especially for those without children. This can have a negative impact on their employability and can also hamper investment. Steps have been taken to reduce the tax wedge (including a one percentage point cut in the uniform tax rate of the personal income tax and an increase of the family tax allowance for earners with two children). However, **measures are not sufficiently well targeted to have a significant effect for low-income earners.** There is a potential for shifting tax away from labour to areas less distortive to growth. Several measures have been taken to improve compliance and reduce compliance costs, although tax compliance costs remain high. Despite improvements in recent years, Hungary still faces challenges regarding the efficiency of tax collection. The Hungarian government announced a major institutional reform, to be launched in 2016, targeting efficiency in the tax administration.

3. Facilitate the transition from the **public works scheme** to the primary labour market and **reinforce other active labour market policies.** Improve the **adequacy and coverage of social assistance and unemployment benefits.** Take measures to improve educational outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education.

(10) Recent labour market developments are favourable in Hungary, with **unemployment having fallen to pre-crisis levels.** Employment creation in the private sector is picking up, but the **public works scheme** has also contributed to reducing unemployment. The scheme **is the main active labour market policy** in Hungary. Its budgetary cost more than quadrupled over the last five years. However, **the scheme does not seem sufficiently to improve the reintegration of participants into the open labour market.** In the first half of 2015, the rate of successful exit from the scheme to regular employment was 13.1%, but around 60% of the participants who left it in that period returned to the scheme within 180 days. This significantly risks locking participants into the scheme, particularly low-skilled workers and people in disadvantaged regions. Although the scheme targets the long-term unemployed, the low-skilled and unemployed people living in disadvantaged areas, 47% of participants in 2015 had secondary or tertiary education. The proportion of unemployed people involved in public works is also significant in counties with well-performing labour markets. The

recent reform of the public employment service is likely to make it less effective. The administrative complexity of the management arrangements – currently the responsibility over the public employment service is spread between four ministries – may significantly compromise effective steering and an increased result orientation. The **maximum duration of unemployment benefits (three months) is the lowest in the Union** and is significantly shorter than the average time necessary to find a job. Poverty indicators are improving, but they remain high, especially among the most disadvantaged, in particular Roma and children. The **adequacy and coverage of social assistance remains a challenge and recent reforms could further restrict the conditions for access to a number of benefits.**

(11) The average performance of Hungarian students in basic skills was below the EU average in the 2012 OECD Programme for International Student Assessment (PISA) and the proportion of low-achievers increased between 2009 and 2012. **The influence of the socioeconomic background and school location on educational performance is among the strongest in the Union.** The selectivity of the education system deepens performance gaps among students in different school types and these gaps widen over time. The lack of equal access to quality mainstream education is particularly acute for Roma. With the exception of early childhood education, where there has been significant improvement in recent years, gaps remain wide between completion rates of Roma and non-Roma on all other educational levels, i.e. primary, secondary and tertiary education. **Early school leaving remains high among Roma.** Hungary has introduced a number of measures that aim to address low-achievement more effectively. However, important details on the implementation of these measures are not available, making it difficult to assess their potential impact. A systemic approach to promoting inclusive mainstream education has yet to be developed. The announced implementation plan for the early school leaving strategy has yet to be published. **The transition between different forms and stages of education remains difficult and recent reforms in vocational education should be targeted at facilitating transitions.**⁴⁸

Ireland

(1 out of 3; ALMPs, social assistance benefits, childcare)

2. Expand and **accelerate the implementation of activation policies** to increase the work intensity of households and address the poverty risk of children. Pursue measures to incentivise employment by **tapering the withdrawal of benefits** and supplementary payments. Improve the provision of quality, affordable full-time **childcare.**

(9) Unemployment has fallen below the EU average and in March 2016 stood at 8.6%. However, **long-term unemployment and the low work intensity of households remain sources of concern.** In particular, although

⁴⁸. It should be noted that the Commission proposal reads ‘might further hinder transitions’.

the rate of long-term unemployment has decreased over recent years, the proportion of unemployed who are long-term unemployed remains high at 56.3% in the fourth quarter of 2015, above the EU average of 48.3%.⁴⁹ In 2014 (latest comparable data), the percentage of the population living in very low work intensity (VLWI) households was the highest in the EU at 21.1% and was especially prevalent for single-parent households. The proportion of children (aged 0 to 17) at risk of poverty or social exclusion (AROPE) fell to 30.3% in 2014 but remains higher than the EU average of 27.8%. The corresponding AROPE figure for single-parent households (62.5% in 2014) is much higher than the EU average (48.2%).

(10) Ireland has begun rollout of the **JobPath Programme** to address the needs of the long-term unemployed and is developing an activation approach to encourage those with the potential and desire to play a more active role in the labour force. **The challenge remains to expand job support services to those traditionally excluded from the labour market, including people with a disability and those with caring responsibilities.** Overall, the welfare system has worked well to contain the effects of the crisis on poverty and inequality, but barriers to inclusive growth remain. **Some progress has been achieved in tapering benefits**, but concerns persist about inactivity traps for certain households. As a percentage of wages, net **childcare costs in Ireland are among the highest in the Union**, the second highest for couples and the highest for single parents. Concerns remain over the quality of childcare provisions. For example, in 2014 the percentage of graduates working in the early childhood education and care sector (15%) remained well below the recommended level. **Skills mismatches remain and skills shortages have emerged in certain areas**, while upskilling and reskilling opportunities remain insufficient, and the decrease in education expenditure could have a negative impact on educational outcomes in the future.

Other relevant information

(6) Efforts to broaden the tax base have been limited and recent tax measures have focused on cuts and reliefs. **Further progress should be made towards making the tax system more efficient and growth-friendly.** The Irish authorities conduct a rolling programme of tax expenditure reviews, the results of which are published in an annual report. However, the review process does not cover VAT-related tax expenditures and there is still scope to broaden the tax base through increases in the least distortionary taxes.

⁴⁹ The Commission proposal reads as follows: 'In particular, the proportion of the long-term unemployed in total unemployment remains high at 56.3% in the fourth quarter of 2015, above the EU average of 48.3%.'

Italy

(2 out of 5; tax burden on labour, public administration reform, ALMPs, second-earners)

2. Implement the **reform of the public administration** by adopting and implementing all necessary legislative decrees, in particular those reforming publicly-owned enterprises, local public services and **the management of human resources**.⁵⁰ (...)

(7) (...) The details underpinning all these reforms have been set out in Italy's 2016 National Reform Programme, which broadly confirms the reform agenda. The areas of reform put forward in the programme as having an impact on public finance sustainability include: (i) **public administration and simplification**; (ii) product and service markets; (iii) **the labour market**; (iv) civil justice; (v) education; (vi) a tax shift; (vii) measures to reduce the stock of non-performing loans and reform insolvency procedures; and (viii) spending review as financing measure. The impact of all these reforms on real GDP is estimated by the authorities at 2.2 percentage points by 2020, which seems to be plausible. If fully and timely implemented, these reforms will have a positive impact on the sustainability of public finances. (...)

(14) The **reform of the public administration is an important step** which, if the required legislative decrees are adopted and implemented, would allow Italy to grasp the expected benefits in terms of increased efficiency and quality in the public sector. The legislative decrees proposed by the government in January 2016 on state-owned enterprises and local public services, as well as the forthcoming decree on public employment, are of particular importance for addressing the root causes of inefficiencies. (...)

4. Implement the **reform of active labour market policies**, in particular by strengthening the **effectiveness of employment services**. Facilitate the take-up of work for **second earners**. Adopt and implement the **national antipoverty strategy** and review and **rationalise social spending**.

(7) (...) The details underpinning all these reforms have been set out in Italy's 2016 National Reform Programme, which broadly confirms the reform agenda. The areas of reform put forward in the programme as having an impact on public finance sustainability include: (i) **public administration and simplification**; (ii) product and service markets; (iii) **the labour market**; (iv) civil justice; (v) education; (vi) a tax shift; (vii) measures to reduce the stock of non-performing loans and reform insolvency procedures; and (viii) spending review as financing measure. The impact of all these reforms on real GDP is estimated by the authorities at 2.2 percentage points by 2020, which seems to be plausible. If fully and timely implemented, these reforms will have a positive impact on the sustainability of public finances. (...)

⁵⁰ The wording of this CSR has been slightly amended from that proposed by the Commission which reads: 'Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming local public enterprises, local public services and the management of human resources.'

(16) In 2015, Italy deeply reformed its labour market institutions through the so-called ‘**Jobs act**’ reform. Implementing the reform of active labour market policies is key to activating those further away from the labour market, in particular the long-term unemployed and young people. There is **currently a range of administrative, political and resource-related challenges**. In particular, this requires a strengthening of public employment services and close monitoring of service delivery. The **apprenticeships system has been reformed** to include adults made redundant and to broaden opportunities for young people, **but implementation is still under way**.⁵¹ **Second-level bargaining is not sufficiently developed in Italy, hampering the adoption of innovative solutions at firm level** that could improve productivity and make wages more responsive to labour market conditions. Action in this area needs to be taken in consultation with social partners and in accordance with national practices. Social partners have not yet reached an agreement on the reform of collective bargaining. A reform is expected by the end of 2016, according to the National Reform Programme. **The labour participation rate of women is one of the lowest in the EU**. Women are predominant in atypical and precarious jobs, constitute the majority of non-standard workers and are particularly affected by the informal economy. The **tax and benefit system discourages second earners from working** and the Jobs Act did not address this issue effectively. The **limited availability of affordable care services also hampers participation in the labour market by women** with children and elderly relatives. **Poverty levels are high** – more than a quarter of Italians are at risk of poverty or social exclusion – and the provision of social assistance remains weak and fragmented. Adopting and **implementing the national antipoverty strategy and rationalising social spending could be first** steps towards a gradual roll-out of an adequate social assistance scheme based on the principle of active inclusion, at national level in an overall budgetary neutral way.⁵² Substantial progress has been made on the reform of education. The school reform was adopted in July 2015 and implementing decrees are to be adopted by January 2017.

Latvia

(3 out of 3; pension reform, low-income earners, reduce tax burden on labour, social assistance benefits, ALMPs, vocational education/work-based learning, public administration)

1. Ensure that the deviation from the adjustment path towards the medium-term budgetary objective in 2016 and 2017 is limited to the allowance linked to the **systemic pension reform** and the major structural reform in the healthcare sector. **Reduce the tax wedge for low-income earners by exploiting a growth-friendly tax shift** towards environmental and property taxes and improving tax compliance.

⁵¹ The wording with regard to broadening opportunities for young people was added to that of the Commission proposal.

⁵² This sentence has undergone substantial revision, as the Commission proposal refers to ‘a gradual roll-out of a minimum income scheme’ (underlining added).

(7) The **labour supply is constrained by a declining working age population and wage growth exceeds productivity**, threatening cost-competitiveness. Measures to increase employability and improve human capital are therefore necessary to support competitiveness.

2. Improve the **adequacy of social assistance benefits** and step up measures supporting recipients in finding and retaining work, including through increased coverage of **activation measures**. Speed up the curricula reform in **vocational education**, establish with the involvement of social partners a **regulatory framework for work-based learning** and increase their offer.⁵³ (...)

(8) Latvia's at **risk-of-poverty and social exclusion rate is among the highest in the EU. Preparatory work is on-going to introduce a minimum income level, but its implementation is uncertain** and its universal application is being diluted, due to fiscal costs. Furthermore, the **adequacy of social assistance benefits has not been improved since 2009**, preventing effective poverty reduction. The minimum income level reform is expected to reduce the current fragmentation of social assistance and provide an incentive for employment.

(9) The **coverage of activation measures remains low**, particularly for the long-term unemployed. In combination with **poor health and insufficient social services**, this hampers effective reintegration in the labour market. **Increasing the take-up of activation measures would boost employment.**

(11) While Latvia has made progress in reforming the higher education system, namely by providing incentives that reward quality and establishing an independent accreditation system, **improvements of vocational education and training are necessary, particularly with respect to reforming curricula and setting up a regulatory framework for work-based learning**, in order to improve their quality and availability.⁵⁴ **Social partners can play a role in the development of apprenticeship-type schemes, as outlined in the Vocational Education Law.**

3. (...) Strengthen the conflict of interest prevention regime and set up a common **legal framework for all public employees**.(...)

(16) General inefficiencies in **public administration**, due largely to **high staff turnover**, delays in the public service reform and weak project management, are not conducive to a favourable investment environment. **Public sector remuneration is not properly linked to responsibilities.**

⁵³. The phrase 'work-based learning' replaces the Commission's proposed wording of 'apprenticeship-type schemes'.

⁵⁴. *Idem* as previous footnote.

Lithuania

(2 out of 3; pension reform, low-income earners, shifting tax burden away from labour, ALMPs, social dialogue, social assistance and unemployment benefits)

1. Ensure that the deviation from the medium-term budgetary objective is limited to the allowance linked to the systemic **pension reform** in 2016 and in 2017. **Reduce the tax burden on low-income earners by shifting the tax burden** to other sources less detrimental to growth and improve tax compliance, in particular in the area of VAT.

(7) A fall in the working age population, caused by **ageing, poor health outcomes and significant net emigration** may harm Lithuania's growth potential and ultimately its future convergence path, while **putting at risk the sustainability of its pension** and long-term care systems. A cumulative loss of 35% of the working age population is estimated by 2030. If that trend is not reversed, it **will jeopardise the availability of suitable labour resources, the sustainability of long-term economic growth and social security systems, in particular the pension system.**

(8) Ongoing demographic trends underscore the need for a comprehensive pension reform in Lithuania that addresses the medium-term sustainability and adequacy risks of the current **pension system**. **The level of poverty among the elderly in Lithuania is among the highest in the Union.** However, at present there is **no indexation mechanism in place for publicly provided pensions and spending on social insurance pensions is relatively low.** The government has not yet adopted plans to introduce an indexation mechanism, link the retirement age to life expectancy after 2026 and improve the way the basic part of the social insurance pension is financed.⁵⁵

2. Strengthen investment in human capital and **address skills shortages**, by improving the labour market relevance of education, raising the quality of teaching and adult learning. **Reinforce the coverage and effectiveness of active labour market policies.**⁵⁵ **Strengthen the role of social dialogue mechanisms.** (...) Improve the coverage and adequacy of **unemployment benefits and social assistance.**

(9) In Lithuania, health outcomes are among the poorest in the European Union. In particular, **the mortality rate of the population aged between 20 to 64 years of age is the highest in the Union, having an important impact on the potential available workforce and labour productivity.**

⁵⁵ The wording for this CSR initially proposed by the Commission is as follows: 'Strengthen investment in human capital and address skills shortages, by improving the labour market relevance of education, raising the quality of teaching and pursuing more active labour market policies and adult learning.'

(10) It is important that Lithuania strengthens investment in human capital to counteract some of the negative effects of its shrinking working age population and support Lithuania's transition towards a higher value-added economy. Although educational attainment has increased, the **proportion of pupils with insufficient basic skills is high**. Efforts should be pursued to ensure high quality teaching, which is crucial to tackling underachievement and educational shortcomings. Furthermore, there are weaknesses in the quality of teaching in higher education and its ability to foster innovation. The **persistently low level of participation in adult learning** is undermining efforts to improve the quality of human capital and increase productivity. There are signs of emerging skills shortages in certain sectors of the economy. Those skills shortages are expected to become more acute in the future. **Strong wage growth and a slowdown in productivity growth may weaken cost-competitiveness**. It is therefore important to improve the labour market relevance of education, streamline the structure and funding of the educational system, **develop life-long learning and improve the targeting and effectiveness of active labour market policies**. Lithuania has taken steps to improve its **active labour market measures** and other services to support job seekers, but there is **still scope to improve targeting for specific groups, in particular the very long-term unemployed and those lacking necessary skills**. Spending on effective labour market policy measures remains limited and social safety nets in Lithuania are weak. Around 27% of Lithuania's population is at risk of poverty or social exclusion and income inequality is among the highest in the Union. The Government **plans to improve the coverage and adequacy of unemployment and social assistance benefits, but the relevant legislation has still not been adopted**.

Other relevant information

(11) A **comprehensive revision of the Labour Code** and the social model is under discussion in the parliament. The intention is to increase the flexibility of labour market relations and provide more security, but the relevant legislation still needs to be adopted. **The involvement of social partners in the implementation of the reform and more extensive social dialogue are important**.

Luxembourg⁵⁶

(1 out of 2; pensions, (early) retirement)⁵⁷

1. Ensure the long-term sustainability of public **pensions** by increasing the effective **retirement age**, by limiting **early retirement** and increasing incentives to work longer, and by aligning the statutory retirement age to changes in life expectancy.⁵⁷

(5) Luxembourg is currently in the preventive arm of the Stability and Growth Pact. In its 2016 stability programme, the government plans to achieve a balanced budget in 2017 and small surpluses thereafter, reaching 0.4% of GDP by 2020. (...) Possible future deviations would be assessed against the requirement to maintain the structural balance at the medium-term budgetary objective, bearing in mind the need to ensure the long-term sustainability of public finances, notably in the area of **pensions**. (...)

(10) Age-related liabilities remain a risk in the long term, in particular as regards **pension costs**. Luxembourg has made **limited progress in relation to closing the gap between the statutory and effective retirement age, by limiting early retirement**. In July 2015, a draft law modifying early retirement schemes was presented to the Parliament. However, while one scheme has been abolished, accessibility conditions for other pre-retirement schemes will be partially eased. A **law on the reclassification of workers with working disabilities was adopted** in July 2015 and has been implemented since 1 January 2016. The law increased the possibilities for workers with working disabilities to remain in the labour market and consequently implies a reduction in the number of people entering an early retirement scheme. **Early retirement remains widespread and incentives to work longer are limited**. A complete strategy on age policy to keep older workers longer in employment and provide incentives and skills to get them back to work is still missing. The ‘age pact’, aiming at fostering retention of older workers by firms with more than 150 employees, is still being discussed in the Parliament.

(11) According to the 2012 pension reform, **an exercise to monitor and evaluate the sustainability of the pension system should be carried out** every five years from the adoption of the reform. The Government confirmed its intention to advance the evaluation to 2016, rather than 2017 as originally planned, and created a Pension Working Group tasked with carrying

⁵⁶ Luxembourg’s trade union OGBL considers that overall a large number of the recommendations are not really relevant and deplores in particular the repeated attacks on the system of wage indexation. Furthermore, it also deplores that the Commission does not put forward practical recommendations to resolve the problems of unemployment and the continued increase in poverty and inequality which it identified in relation to Luxembourg. The OGBL itself proposes possible solutions such as extending the period for receiving unemployment benefits and implementing a fiscal reform to combat the growing inequality, and it also recognises the need to reassess the ‘revenue minimum garanti’ (guaranteed minimum income) and the ‘salaire social minimum’ (minimum wage) (OGBL 2016a and b).

⁵⁷ The Commission proposal reads as follows: ‘1. Ensure the long-term sustainability of public pensions by further limiting early retirement, by linking the statutory retirement age to life expectancy and by increasing incentives to work longer.’

out the evaluation. There has been **no progress in linking statutory retirement age to life expectancy**, as previously recommended by the Council. Luxembourg stands out as the only Member State where no further raising of the statutory and early retirement ages has been laid down for the period between 2013-2060. In the 2015 Ageing Report, the projected increase in age-related expenditure is revised downward, but the revision is almost exclusively explained by more favourable demographic projections, in a context where no new reforms have been adopted. Even after the revision, the projected increase in pension expenditure remains the highest in the Union. Moreover, Luxembourg faces risks related to the expected increase of long-term care expenditure, one of the highest as a share of GDP of all Member States. This, in turn, seems to be driven by the highest projected increase in the share of dependant population in the Union by 2060. Preparatory work on a reform to ensure the long-term sustainability of the long-term care insurance has been carried out.

Other relevant information

(6) The Luxembourg authorities have announced the main lines of a comprehensive tax reform that should enter into force in 2017. The reform foresees amendments mostly in the area of direct taxation, both for individuals and corporations. (...) To ensure their predictability, **there is scope for further broadening of the tax base**, in particular by revisiting the currently low taxation on housing property and making greater use of alternative sources, including environmental taxation. (...) The adoption and implementation of the tax reforms will continue to be monitored closely under the European Semester.

(7) The Luxembourg authorities have sought to diversify the economy, acknowledging the risks associated with heavy dependence on the financial sector. Given the **high level of labour costs** in the country, activities with higher added value offer the potential to unlock alternative sources of growth. **The successful diversification of Luxembourg's economy therefore depends to a large extent on those sectors that are less sensitive to labour cost levels.** They are largely based on research and innovation, which tend to be technology- and knowledge-intensive. Further expansion of the already successful non-financial service sector could also help diversify the economy. (...)

(8) The **continuous increase in house prices** in recent decades, together with projected strong population and employment dynamics over the coming years, **could become an obstacle to the envisaged increase in population and labour force.** That prospect is all the more likely as the economy depends largely on the input of high-skilled **workers from the neighbouring countries, who represent around one-third of overall employment.** (...) Efforts aimed at providing **social housing at affordable prices could also be stepped up.** The current housing market not only deters households from establishing their residence in Luxembourg

but also exacerbates the problem of traffic congestion and pollution. The new demographic projections in the 2015 ageing report also add pressure to remove bottlenecks to investment in the fields of transport and housing and should be reflected in the four forthcoming sectoral plans on housing, transport, economic activity zones and green landscapes.

(9) Achievement of economic diversification may be constrained by the fact that **wage developments in some sectors may not be in line with productivity developments**. This further limits the sectors that can be targeted, mainly to those with high added value. Over the last decade, unit labour costs in Luxembourg have grown faster than in most euro area Member States. Economy-wide automatic wage indexation plays a role in limiting wage variation across sectors and may prevent labour productivity differentials from being taken into account. However, the protracted low inflation environment has delayed the triggering of the automatic wage adjustment and contributed to moderate wage developments. In parallel with weak wage developments and the surge in output, cost-competitiveness losses have abated. In that context, **monitoring of wage developments is warranted**.

Malta

(2 out of 2; ALMPs, lifelong learning)

1. (...) Step up measures to ensure the long-term sustainability of public finances.

(5) Malta is currently in the preventive arm of the Stability and Growth Pact and subject to the debt rule. In its 2016 Stability Programme, the Government plans the headline balance to improve to a surplus of 0,1% of GDP by 2019. (...) Based on the Commission 2016 spring forecast, there is a high risk of a significant deviation from the recommended adjustment towards the medium-term objective in 2015 and 2016 taken together, essentially stemming from the slippage in 2015 which needs to be corrected in 2016, and under unchanged policies in 2017. (...) In order to reduce the deviation over the two-years 2015-2016, the 2016 Stability Programme includes additional measures for 2016 that could not yet be included in the Commission 2016 spring forecast. These measures are targeted at reducing primary expenditure (by 0,16% of GDP), especially in the areas of **compensation of employees**, intermediate consumption and capital transfers. (...)

(6) The long-term sustainability of public finances in Malta remains a challenge. This is mainly due to the budgetary impact of ageing-related costs, such as healthcare and long-term care and pensions. The **pension system faces the double challenge of achieving sustainability while ensuring adequate retirement incomes**. Pension expenditure was lower than the EU average in 2013, at 9.6% of GDP, but it is projected to increase to 12.8% by 2060, one of the highest in the Union. In March 2016, the Government adopted several measures to address the sustainability and the adequacy of the pensions system, but the budgetary impact has not yet been assessed. In order to improve the adequacy of the system, the contributory national minimum

pension continues to evolve in 2016, with a view to reaching 60% of median income by 2027, and to extend its coverage. Effectiveness of the reform will depend on safeguarding the employability of older cohorts. (...)

2. Take measures to strengthen labour supply, notably through increased participation of low-skilled persons in **lifelong learning**.

(7) Significant investments have been made, but **education and training outcomes are still below target**. This affects the quality of labour supply and the labour market participation rate. The educational attainment of Malta's workforce is still among the lowest in the Union. Malta is implementing a comprehensive strategy for lifelong learning, but **participation in lifelong learning programmes is still limited**, particularly among those with low educational attainment. Challenges in this area include targeted outreach, improved access to training and partnerships between education and training institutions and employers. A legal notice establishing an institute for the continuous professional development of teachers (the Institute for Education) was approved in 2015. The Institute's main objectives are to: (i) provide teachers with skills needed in their daily professional activities; (ii) act as a hub for educators to meet and share their experiences and (iii) promote educational leadership. The Institute is now becoming operational and is expected to become the main driver in addressing teachers' professional development needs. Progress in this area will need to be monitored.

The Netherlands

(2 out of 3; EPL, pension reform)

2. Tackle remaining barriers to hiring staff on permanent contracts and facilitate the transition from temporary to permanent contracts. Address the high increase in self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection.⁵⁸

(6) The recent growth in employment can be fully attributed to **an increase in the number of people employed on temporary contracts and the number of self-employed**. Although the Netherlands has taken measures to address the issue, a **more comprehensive approach is needed**. **Low transition rates from temporary to permanent contracts still pose a risk of labour market segmentation**. The high and increasing percentage of temporary contracts is observed in the context of great differences in employment protection provisions on temporary contracts, on the one hand, and permanent contracts, on the other. Self-employed people without employees are more often under-insured against disability, unemployment and old age, which could affect the sustainability of the social security system in the long run. Several measures were introduced that reduced the differences

⁵⁸ See also FNV (2016), in particular on the role played by Dutch trade unions in securing this recommendation.

between permanent and temporary contracts. Favourable tax arrangements and the absence of obligations to pay certain social security contributions still provide financial incentives for self-employment.

3. Take measures to make the second pillar of the **pension system** more transparent, inter-generationally fairer and more resilient to shocks. Take measures to reduce the remaining distortions in the **housing market** and the debt bias for households, in particular by decreasing mortgage interest tax deductibility.

(7) A key challenge in addressing high household indebtedness lies in the housing market, where rigidities and distortive incentives that have built up over decades shape housing financing and sectoral savings patterns. (...) **The social housing sector is one of the largest in the EU but housing is not always allocated efficiently to those really in need.** More income-based rent differentiation has been introduced in the social housing sector. Housing corporations will have to separate activities of general economic interest (i.e. social housing) from other activities. Given that some distortive incentives relating rents to income in the social housing market have been addressed, it is appropriate to shift this part of the 2015 Council Recommendation to monitoring of the situation. At the same time, the housing market remains significantly distorted and continues to create a debt bias for households. Further progress is needed on these issues.

(8) In addition to housing market distortions, **compulsory non-tax contributions to the second pillar of the pension system weigh on households' disposable income.** The second-pillar pension system performs well in terms of quality and adequacy, but has drawbacks in terms of inter-generational fairness, transparency and resilience to economic shocks. In recent years, the sustainability of the pension system has been improved by raising the pensionable age to 67 by 2021 and linking it to life expectancy thereafter. On average, pension contributions have been lowered since the maximum tax exempted accrual rate was reduced. **An appropriate intra- and inter-generational distribution of costs and risks beyond the rules adopted on indexation and financial buffers (the financial assessment framework) would help** households to allocate their financial means in more growth-friendly ways. The government announced its intention to reform the second pension pillar substantially with the involvement of social partners in order to create a more transparent and actuarially fairer system.

Poland

(1 out of 3; pensions, EPL, vocational training)

2. Ensure the sustainability and adequacy of the **pension system** and increase participation in the labour market, by starting to reform the preferential pension arrangements, **removing obstacles to more permanent types of employment** and improving the **labour market-relevance of education and training.**

(9) Despite recent improvements, the Polish **labour market faces significant challenges – an ageing labour force, low productivity and high segmentation of the labour market**. These are coupled with shortcomings in the education system. Although the education system has improved significantly in recent years, it still fails to equip pupils sufficiently with the transversal skills needed for the rapidly changing labour market and innovation. The relatively low average standing of Polish higher education and science has a negative effect on the quality of provision. The degree of internationalisation of Polish higher education is very limited, both in terms of the number of foreign students and participation in international scientific collaboration. The financing model of higher education does not promote quality sufficiently, as it largely uses past university standings and quantity variables, such as the number of students and academic staff. According to employers, graduates lack transversal skills such as problem solving, critical thinking, or teamwork. **Participation in lifelong learning is low, and vocational education and training do not correspond to market needs.**

(11) Despite a strong rise in permanent employment contracts in 2015, **the proportion of fixed-term employment in Poland is among the highest in the Union**. Poland has recently taken a number of measures to tackle labour market segmentation. An amendment to the Labour Code has been introduced, the social security contributions connected to some civil law contracts have been increased and a minimum hourly remuneration for those working on civil law contracts is expected to be introduced in January 2017. However, **certain features of the Labour Code create disincentives for employers to hire people on open-ended contracts and the use of these contracts remains limited**. This is **predominantly due to the complexity of labour regulation and the high implicit costs of dismissals** under such contracts. These include high procedural costs, costs associated with lengthy and uncertain dispute resolution mechanisms and provisions such as the special protection of older workers from layoffs.

(12) **Preferential sector-specific social security arrangements, in particular the highly subsidised pension systems for farmers and miners, have high budgetary costs** and may contribute to reducing labour mobility. The number of insured under special security system for farmers has been slowly decreasing since 2007, and the Government expects that in 2019 it will amount to 1.18 million people, while the number of retirement beneficiaries, which amounts to 1.229 million, will probably grow until 2018. Since 2011, the share of state budget expenditure for KRUS in GDP has been constant at 1%. There is no general tax requirement for the farmers or an obligation to have an accounting system, and the self-financing of KRUS is low. There were 1.382 million farms in Poland in 2014 of which 52% under 5 ha (GUS). Miners are exempt from the general defined-contribution public pension system with special preferential pension multiplier coefficients, which is a significant yearly cost to the public finances of over 0.5% of GDP. The unfavourable demographic outlook has already translated into a declining working age population. **Preserving the positive trend in employment, especially of older workers, is therefore essential**, also with a view

to preserving public pension system adequacy and sustainability. Although the average effective retirement age increased in recent years, it remains significantly below the statutory retirement age. Therefore, **an increase in the effective retirement age is crucial for the longer-term social adequacy of future pensions and the stability of public finances, as well as to increase labour market participation.**

Other relevant information

(8) Poland continues to apply reduced VAT rates to a large number of goods and services. This contributes to lost revenues and reduces the efficiency of the VAT system. Evidence suggests that **reduced VAT rates are not an effective social policy instrument, particularly as they are not specifically targeted to vulnerable households.** They tend to translate into significant subsidies to rich taxpayers. **Social benefits and income tax are considered to be better targeted and thus more suitable for achieving redistributive goals.** The potential lost revenue due to reduced VAT rates and optional exemptions is among the highest in the EU.

(10) While the availability and take-up of pre-school education has increased significantly in recent years, the **availability of early childcare services remains among the lowest in the Union.** Raising the obligatory school starting age to the age of seven years, and removing the obligation for five year olds to attend the pre-school, combined with the new child benefit, may have negative effects on labour market participation, especially of women, and deserves close monitoring.

(13) (...) Investment activity is hampered by barriers in relation to the **functioning of the public administration**, taxation, the environment for research, development and innovation activities, and lengthy contract enforcement. **Weaknesses in managerial and administrative capacity** have a negative effect on the timely implementation of investment projects in the railway sector and other transport, energy and telecommunication infrastructure projects. (...)

Portugal

(3 out of 5; public administration, pensions, minimum wages, ALMPs, ELP)

1. (...) Conduct, by February 2017, a comprehensive expenditure review at all levels of **public administration** and strengthen expenditure control, cost effectiveness and adequate budgeting. (...) Reduce the reliance of the **pension system** on budgetary transfers. By the end of 2016, refocus ongoing restructuring plans of state-owned enterprises.

(7) Timely and stringent implementation of the reformed budget framework law, the commitment control law and further improvements in revenue collection and expenditure control may significantly contribute to achieving the required fiscal adjustment. (...) While the long-term **sustainability of the**

pension system was addressed in the recent reforms, its short to medium sustainability challenges remain unaddressed. The public pension system is characterised by a high reliance on budget transfers and intergenerational inequalities. Execution delays and policy gaps are still hampering the fiscal sustainability of state-owned enterprises, in particular in the transport sector. Strengthening efficiency enhancing measures in their restructuring plans remains crucial to achieve fiscal savings.

2. In consultation with social partners, ensure that **minimum wages** are consistent with the objectives of promoting employment and competitiveness across sectors.

(2) (...) **Policy gaps persist regarding** product and services markets, corporate debt restructuring, fiscal issues and **selected areas of the labour market**.

(9) **Overall wage developments have been moderate**, consistent with high unemployment and the need to promote external rebalancing, and in line with productivity growth over the medium term. Collective bargaining at sectoral level has been supportive of this trend, though the **characteristics of the collective bargaining system still limit the scope of firm-level adjustment**. In a context of low inflation and high unemployment, the minimum wage was increased in January 2016 from EUR 505 to EUR 530 per month and is planned to be further gradually increased to EUR 600 per month in 2019 (paid 14 times per year). Portugal is in the middle of the EU ranking for minimum wages as a percentage of average wages, but among the countries with the highest minimum wage as a percentage of the median wage. This suggests that **wage distribution in Portugal is very biased towards lower wages**, and that **further increases in the minimum wage might rapidly expand the proportion of workers covered**, which in 2016 has reached almost a quarter of all employees. While this could help reduce the intensity of in-work poverty, **it also results in an increased compression of the wage structure, putting upward pressure on overall wages**. If not matched by productivity increases, this risks harming the employment and competitiveness outlook, especially for labour-intensive industries. It also risks reducing the incentive to invest in skills.

3. Ensure the effective activation of the long term unemployed and improve the coordination between **employment and social services**. Strengthen incentives for firms to **hire through permanent contracts**.

(2) (...) **Policy gaps persist regarding** product and services markets, corporate debt restructuring, fiscal issues and **selected areas of the labour market**.

(10) The Portuguese labour market continued to recover in 2014 and 2015 and **substantial efforts have been made to reform activation policies, modernise the public employment service and increase the outreach towards non-registered young people, though some implementation challenges persist**. In view of the recent deterioration of the social situation, especially as regards the increasing level of child poverty,

important measures have also been taken to reinforce social assistance, namely in the areas of the minimum income scheme, child benefits and low pensions. The impact of these measures in reducing the intensity of poverty needs to be assessed. Nevertheless, **absorbing the large pool of long-term unemployed remains a challenge**, negatively affecting economic growth and the social situation. There is **room for further activation of the long-term unemployed**, through targeted labour market policies and enhanced coordination among employment and social services. Although the recovery brought about many new jobs on permanent contracts, **segmentation in the labour market remains significant. The proportion of fixed-term employees remains one of the highest in Europe, and the rate of transition from temporary to permanent contracts is low.**

Other relevant information

(13) Portugal is underperforming in science-business cooperation and in the commercialisation of knowledge. The barriers to cooperation between universities and the business sector are high, due to both regulatory and bureaucratic obstacles and the lack of incentives for cooperation in the academic system. This is detrimental to the **employability of graduates** and to innovation. The launch of the new short-cycle higher technical courses (TeSPs) has provided new opportunities for cooperation between the polytechnics and regional economic actors, but university programmes remain outside the modernisation process.

Romania

(2 out of 4; employment/social services, young workers, minimum wage, public administration)

2. Strengthen the **National Employment Agency's services** to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social assistance, including social services, and reaching out to unregistered **young people**.⁵⁹ Establish, in consultation with social partners, objective criteria for setting the minimum wage. Take action to prevent early school leaving and increase the provision of quality education, in particular among Roma. Adopt the equalisation of the pension age for men and women.

(9) The law on equalisation of the pensionable ages for men and women has been pending before the Parliament since 2013. Its adoption would **increase the labour market participation of older women** considerably, narrowing the pension gender gap and mitigating their risk of old-age poverty.

(10) Labour market conditions improved in 2015. Unemployment is low and the employment rate has been increasing. Long-term unemployment is below the EU average. However, **significant challenges remain, especially**

⁵⁹ The Commission proposal reads as follows: 'Strengthen the National Employment Agency's services to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social services and reaching out to unregistered young people.'

in relation to the high rate of young people not in employment, education or training and there is limited outreach to activate them effectively.

(11) The **National Employment Agency is lagging behind in offering personalised services to jobseekers** and has limited services for employers, despite mandatory referral of vacancies to the National Employment Agency. A procedure has been adopted to offer tailor-made support to the various categories of unemployed people, but has not yet been implemented. **Cooperation between employment and social services is very limited**, making the activation of social assistance beneficiaries even harder.

(12) The **minimum wage**, which is among the lowest in the Union, has increased substantially since 2013 and the lack of objective criteria for its setting creates uncertainty. A tripartite working group has been set up to work on the reform of minimum wage setting, but there continues to be no clear guidelines or criteria that would take into account its impact on job creation, social conditions and competitiveness. Overall, **social dialogue remains weak**.

(13) Romania has **one of the highest risks of poverty or social exclusion in the Union**. The labour market activation of people on social assistance is very limited, especially in rural areas. The social reference index, on which social benefit amounts are based, is not regularly updated in line with the economic context, which may affect the **adequacy of benefits** over time. The Minimum Inclusion Income Law, which is expected to improve the targeting and adequacy of benefits and the labour market activation of minimum inclusion income recipients, has been sent to the Parliament for adoption. However, several measures in the Government's 'anti-poverty package' aim at tackling this issue, using an integrative approach (education, health, housing, social protection, transport).

(14) Romania still faces **education challenges**. Several strategies cover lifelong learning, vocational education and training, tertiary education and early school leaving. However, the **early school leaving rate remains well above the EU average**, in part due to significant implementation delays of the strategy approved in 2015. Prevention and remedial programmes are limited. Vulnerable groups such as Roma and children from poor families continue to face obstacles in accessing and completing quality education, especially in rural areas. In early childhood education and care, Romania has taken action to support the participation of disadvantaged pupils in kindergarten (3-6 year-olds). **Provision of early childhood services for 0-3 year-olds remains limited. Recent legislation to extend parental leave provisions, together with insufficient work incentives, may increase barriers for the participation of women in the labour market**. Participation in upper **secondary vocational education and training** is above the EU average, but the **dropout rates remain high**. The tertiary attainment rate is increasing, but the quality and labour market relevance of higher education is limited. **Participation in adult education is very low**.

3. (...) Strengthen the independence and transparency of **human resources management in the public administration**. (...) Strengthen corporate governance of state-owned enterprises.

(18) The strategic framework for **public administration reform** has been in place since 2014, but its **implementation was slow in 2015**. Some key initiatives have been adopted in 2016 to increase the transparency and effectiveness of the functioning of public administration. However, the delays in adopting a general and transparent human resources management approach, in particular on recruitment/appointment, appraisal, salaries, career progression across all staff categories and training, leaves room for an arbitrary approach to key procedures and decisions. This, alongside unstable organisational structures, has a negative impact on the civil service's independence and professionalism and, therefore, on its effectiveness and efficiency. Complicated administrative procedures, an inefficient public procurement system and widespread corruption constrain the delivery of services (including e-government services), both to the public and to businesses. Strategic planning, programme budgeting, consultation practices, and evidence-based policy-making remain under-used. These challenges hamper the implementation of important policies across many areas, including the effective uptake of available EU funds and other financing support.

(19) **State-owned enterprises** dominating key economic sectors tend to underperform. These are especially prevalent in key infrastructure industries, accounting for 44% of turnover and 77% of employment in the energy sector and 24% and 28% respectively in the transport sector. Government Emergency Ordinance 109/2011 on the corporate governance of state-owned enterprises has been converted into a law on 10 May 2016 with amendments that better align it with international good practices. Romania has **resumed hiring professional managers to replace the interim management in several state-owned enterprises** but progress has been slower than initially announced. The transparency and accountability of state-owned enterprises would benefit from accelerating the adoption of annual budgets and the approval and publication of audited annual accounts. A new privatisation law is in preparation. However, it may include provisions that conflict with corporate governance legislation. Of particular concern are likely overlaps in the responsibilities of the privatisation's special administrator and the company's management.

Other relevant information

(8) A number of measures are being implemented to improve tax collection and increase tax compliance. These include mandatory cash registers, strengthened cash-payment rules, a new VAT registration procedure, intensified auditing by the tax authority (ANAF) and the authority's ongoing reorganisation. However, high tax evasion and a low level of tax compliance remain a challenge. **Undeclared work and under-declared earnings continue to weigh on tax revenue and distort the economy**. The

effectiveness of measures, including those by the Labour Inspectorate, to curb undeclared work remains limited.

(15) Health outcomes in Romania are poor. Life expectancy at birth is well below the EU average for both men and women. Access to healthcare and over-reliance on hospital care remain major concerns. Widespread informal payments reduce access to healthcare for people with low incomes. **Romania has adopted measures to improve access to healthcare for low-income pensioners** and people in remote and isolated communities. A network of social and health mediators is being developed and a draft law on community services has been proposed. The deinstitutionalisation of people with disabilities remains a challenge.

Slovakia

(2 out of 3, ALMPs, female workers, childcare, vocational training, public administration)

2. **Improve activation measures** for the long-term unemployed and other disadvantaged groups, including individualised services and targeted training. Facilitate the **employment of women**, in particular by extending the provision of affordable, quality **childcare**. **Improve educational outcomes** by making the teaching profession more attractive and by increasing the participation of Roma children from early childhood in mainstream education.

(7) Despite improvements in the labour market resulting from the good economic recovery and recent policy measures, long-term unemployment remains a problem. The rate of long-term unemployment continues to be one of the highest in the Union (7.6% vs. 4.3% in the Union as a whole in the third quarter of 2015). It particularly affects marginalised Roma, the low-skilled and young people. **Measures to address unemployment have been taken in the area of vocational education and training, subsidised jobs and job counselling**. However, the **successful implementation of most of these reforms will depend on the capacity of the public employment service**. Despite reorganisation of the Central Labour Office and improved access to training, there are still difficulties in introducing individualised support to the long-term unemployed and to vulnerable groups. Roma participation in the Slovak labour market remains very low and progress in increasing their employment rate is slow. Low levels of education and skills and discrimination are factors influencing their poor labour market participation. The **low employment rate of women** of childbearing age reflects the long parental leave (up to three years), **lack of childcare facilities**, especially for children under the age of three, high childcare costs and the limited use of flexible working-time arrangements. In addition, regional disparities persist – the unemployment rate in Eastern Slovakia is still twice that in Bratislava. Regarding governance of labour market services, measures taken in recent months do not provide for a tailored approach in addressing the structural challenges of the Slovak labour market.

(8) The **education system is insufficiently geared** to increasing Slovakia's economic potential. Educational outcomes are low by international standards and have deteriorated further. This is largely linked to the inadequacy of teachers' education and the low attractiveness of the teaching profession. **Despite the 4% salary increase for teachers in 2016, low pay and insufficient practical training are among the factors making the profession unattractive to young people.** Recently adopted anti-segregation legislation has yet to be implemented to bring about positive change and increase Roma participation in mainstream education, including pre-school education.

3. (...) Improve the transparency, quality and effectiveness of **human resources management in public administration**, in particular by adopting a new civil service act, and the effectiveness of the justice system. Adopt a comprehensive plan to address administrative and regulatory barriers for businesses.

(9) **Public administration is still burdened by inefficiency.** Effective coordination is wanting, due to the fragmented and rigid organisation of the public administration. The adoption of the Strategy on Human Resource Management in October 2015 is a positive step forward. However, the **new Act on Civil Service, which is a necessary prerequisite for its successful implementation, has not been adopted yet.** (...) Frequent changes to legislation and burdensome administrative procedures and requirements affect businesses in Slovakia. (...) Some measures to ease doing business have been taken, such as the Centre for Better Regulation, which was set up in October 2015, and the launch of the National Business Centre in early 2016. However, the adoption of the Small Business Act (SBA) under the SMEs Development Strategy has been postponed.

Other relevant information

(6) The long-term **sustainability of public finance** in Slovakia remains a challenge. This is mainly due to the projected growth of ageing-related costs on healthcare and **pensions**. The increase in Slovakia's pension spending up to 2060 is expected to be one of the highest in the Union, driven by population ageing.⁶⁰ The statutory retirement age in Slovakia is comparatively low, partly due to life expectancy factors. (...)

⁶⁰ The Commission proposal also highlights low fertility rates as one of the main drivers of this increase alongside population ageing. However, the reference to low fertility rates has been removed from the Council text.

Slovenia

(3 out of 4, pensions, older workers, public administration)

1. (...) By the end of 2017, adopt the necessary measures to ensure the long-term sustainability and adequacy of the **pension system**.⁶¹

(2) (...) It is essential that Slovenia tackles risks to fiscal sustainability stemming from increasing pressures on its health care and **pension** systems and reduces the increased public debt. Further reduction of obstacles to investment is required, particularly in the area of public administration. There is a **need to strengthen the involvement of social partners in policy design and implementation of structural reforms in particular on pensions, health, long-term care and labour market policies**.

(8) The high level of public debt at well above 60% of GDP makes Slovenia vulnerable to nominal growth and interest rate shocks. At the same time, Slovenia's population is ageing faster than that of most Member States. Slovenia faces high risks regarding the long-term sustainability of public finances, given that it has the highest long-term sustainability gap indicator of all Member States, stemming from the projected increase in pension related public spending, healthcare and long-term care expenditure. **Projected public spending on pensions** is the highest among all Member States and is estimated to increase from 11.8% in 2013 to 15.3% of GDP in 2060. The old age dependency ratio is projected to more than double between 2013 and 2060, putting significant pressure on the pension systems. Projected implicit liabilities related to the cost of ageing reflect the long-term challenges in terms of an ageing population. In addition, adequacy problems for workers with less than full working careers can be expected in the future, with an increasing number of people with incomplete or short working careers, also due to their late entry into the labour market, working in intermittent jobs and with a low contribution density. A White Paper on pensions was published in April 2016 and will serve as the basis for a wide public consultation. The results of the consultation will be fed into a **new pension reform that should be adopted within the current legislative term, swiftly starting by agreement with social partners on key elements of the reform, namely the retirement age, level of pensions, indexation and optimisation of the second pillar**.

2. In consultation with social partners, increase the employability of low-skilled and **older workers**, including through targeted lifelong learning and activation measures.

(2)(...) There is a **need to strengthen the involvement of social partners in policy design and implementation of structural reforms in particular on pensions, health, long-term care and labour market policies**.

⁶¹ The Commission proposal reads as follows: 'By the end of 2017, adopt the reform of the pension system.'

(10) Labour market performance is gradually improving and social conditions have stabilised. Job creation has picked up considerably and unemployment is decreasing. However, **participation rates of older and low-skilled workers remain a challenge**. Long-term unemployment still represents more than half of all unemployed with a significant share of the long-term unemployed being low-skilled or older than 50 years of age. The Guidelines for Active Labour Market Policy Measures 2016-2020 represent a continuation of the approach implemented so far, while the expenditure for that policy area remains low. Temporary exemptions from employers' social contributions for newly employed workers older than 55 were adopted in November 2015. Further measures to prolong working lives, including adapting the working environment, which are relevant also for the sustainability of the pension system, are expected to be presented in 2016. **Wage growth stayed in line with productivity gains** and continued to support external competitiveness. In November 2015, the parliament passed a bill proposed by the trade unions that redefined the minimum wage to exclude some bonuses. As a result, employer organisations withdrew from the social agreement, weakening the **social dialogue** considerably.

4. Take measures to **modernise public administration** and reduce the administrative burden on business. Improve the governance and the performance of state-owned enterprises.

(2) (...) Further reduction of obstacles to investment is required, particularly in the area of **public administration**. (...)

(13) The 2015-2020 strategy for the development of **public administration**, adopted as part of Slovenia's compliance with the pre-conditions for accessing European Structural and Investment Funds for 2014-2020, stretches across various portfolios, making cross-ministerial coordination essential if it is to be implemented properly and in good time. In February 2016, the government adopted the second interim report on the implementation of the 'Zero tolerance of corruption' programme. There has been some progress in the implementation of that programme. However, certain measures of the programme (joint public procurement for health, examination of crime in banking sector and adoption of the Act for integrity and prevention of corruption) have been delayed. The envisaged amendment of the Act for integrity and prevention of corruption will provide an opportunity to improve the functioning of the Commission for Prevention of Corruption, by addressing credibility issues and the efficiency of its work. (...)

Spain

(2 out of 4; ALMPs, employment/social services, minimum income, childcare, tertiary education)

(2) Take further measures to **improve labour market integration**, by focusing on individualised support and strengthening the effectiveness of training measures. Enhance the capacity of regional **employment services and reinforce their coordination with social services**. Address gaps and disparities in **minimum income schemes** and improve family support schemes, including access to **quality child-care** and long-term care.

(10) Labour market reforms undertaken in recent years have made **employment more responsive to growth and job creation has resumed, supported by increased flexibility and continued wage moderation**. Collective agreements have been supportive of this trend, also owing to the inter-professional agreement signed in June 2015. The recent increase in overall employment has been driven mainly by temporary contracts, although the number of newly signed open-ended contracts is slowly rising. However, the **take up of incentives for new permanent hiring remains limited, and the proportion of temporary workers remains one of the highest in the Union, while the opportunities for temporary workers to move to a permanent contract remain low**. The short duration of temporary contracts limits incentives to invest in human capital, hampering productivity growth. Although decreasing rapidly, unemployment remains very high, in particular among young people, and its average duration is rising. Persistently high long-term unemployment implies that unemployment risks becoming entrenched, negatively affecting working and social conditions. Nearly 60% of the long-term unemployed are low-skilled, which **calls for appropriate active and passive labour market and training policies to tackle pervasive skills mismatches** and prevent skills depreciation among this group. **Interaction with employers in the design of training programmes is still weak**.

(11) The effectiveness of activation and active labour market measures depends heavily on the capacity of employment services to design and offer individualised support to beneficiaries. The implementation of recent reforms of active labour market policies is progressing slowly and the capacity of the public employment services to provide effective, individualised counselling and job search assistance is still limited. **Cooperation between the regional public employment services and private placement agencies remains limited. Moreover, cooperation between employment and social services is uneven across regions**, hampering the provision of coordinated assistance for those further away from the labour market, in particular minimum income beneficiaries. There are significant disparities across regions as regards income support schemes, for example in delivery arrangements, eligibility requirements, coverage and adequacy, while difficulties in transferring social benefits hamper inter-regional job mobility. In addition, information about the transition to employment from minimum income schemes is quite limited. Spain is currently preparing a map of national and regional income support schemes in the country, covering national and regional levels. While some measures have been introduced, the **effectiveness of family and housing benefits in reducing poverty remains limited**, and the **lack of adequate and affordable child care and long-term care provision discourages women**, in particular, from taking up a job.

(3) Take further measures to **improve the labour market relevance of tertiary education**, including by providing incentives for cooperation between universities, firms and research. Increase performance-based funding of public research bodies and universities and foster R&I investment by the private sector.

(12) The increasingly rapid change in the sectoral composition of employment that Spain has been witnessing since 2008 has been accompanied by an **increase in skills mismatches**. The low overall skills level constrains the transition towards higher value-added activities and hampers productivity growth. Despite a high level of tertiary education attainment, **skills supply is not sufficiently aligned with labour market needs and employability rates for recent tertiary graduates are among the lowest in Europe**, with a significant proportion employed in jobs that do not require a university degree. Furthermore, despite a slight improvement over the past five years, partly supported by initiatives to increase business representation on university governing boards, cooperation between universities and businesses remains weak. The reduced mobility of academics, the rigidity of the university governance system and the administrative barriers faced by the Offices for the Transfer of Research outcomes (*Oficinas de transferencia de resultados de investigación*) compound obstacles to closer cooperation.

Other relevant information

(14) The small average size of Spanish firms helps explain the economy's persistent low productivity. (...) Furthermore, **prior assessment of the potential impact of new legislation on SMEs has now become compulsory**. However, the time and number of permits required for starting up a business and launching certain economic activities remains relatively high.

Sweden

(0 out of 1)

(7) The Swedish housing market remains a potential source of instability. House prices have risen almost constantly over the last 20 years, in particular in the metropolitan areas of Stockholm and Gothenburg. (...) **Lack of available and affordable housing also limits labour market mobility and is a constraint for the effective integration of migrants into the labour market**. The Government has taken some measures, including increasing public funding for investments in the housing sector and simplifying some planning procedures. In December 2015, an inquiry into competition in the construction sector came up with a series of possible measures, such as enhancing transparency in the field of public housing contracts. However, the Government made no progress in reforming the rent-setting system.

(9) Sweden experienced the **sharpest decline in the educational performance of 15-year-olds of any OECD country over the past decade** in the PISA survey, and is now performing below both the EU and OECD averages. Deteriorating outcomes of school education risk putting pressure on Sweden's competitiveness and innovation capacity in the long run. An **important performance gap between students with and without a migrant background** adds to the education challenge. This

gap deserves particular attention in light of the large number of newly arrived young migrants to be integrated into the education system. Unclear school funding mechanisms paired with unsystematic monitoring of the use of funding at different levels of the school system hinder the efficient use of resources. The Government has made additional funding available to improve school outcomes and equity, and it is **taking steps to integrate the newly arrived migrants in education.**

(10) The **high influx of refugees** experienced in the past year has a number of social and economic consequences for Sweden. While in the short run, the inflow of refugees is set to increase public expenditure and to create additional domestic demand, thereby raising GDP, the medium-term effect on employment and growth **hinges on refugees' successful labour market and social integration, including via educational support.** This issue is high on the political agenda both at the EU and Member State level and will be monitored and analysed closely, including in the 2017 country report.

United Kingdom

(1 out of 3, apprenticeships, childcare)

3. **Address skills mismatches** and provide for skills progression, including by strengthening the **quality of apprenticeships.** Further improve the availability of affordable, high-quality, full-time **childcare.**

(6) Productivity in the United Kingdom has stagnated since 2008. This may be attributable to various factors such as low capital investment, **skills shortages, skill mismatches** and a shift in the composition of the economy towards business sectors with lower productivity. (...)

(7) The United Kingdom's labour market remains dynamic. In 2015, the employment rate (age group 20-64) reached 76.9% while the unemployment rate continued its downward trend, reaching 5.3%. Youth unemployment and rates of young people not in employment, education or training have also further decreased. Nonetheless, **there remains scope for improvement in the prospects for inactive, underemployed and low skilled workers.** Better labour market progression prospects and clearer routes to upskilling would assist those who find themselves confined to low-wage and/or low-hours of work. It would also address the skills shortages that are apparent in some parts of the economy, such as construction. Successful deployment of the resources arising from the **apprenticeship** levy will require careful attention. Proposals to improve supply in childcare will require timely implementation as the **availability and affordability of childcare remain a challenge.**

Annex 2: The social CSRs 2011-2015 EU-wide by year

Table A1 Country-specific recommendations 2011-2012 (social field only)

		AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	HU	IT	LT	LU	MT	NL	PL	SE	SI	SK	UK
Wages	Reviewing wage indexation		●		●					●						●	●						
	Reviewing wage-setting system - align with productivity developments		●	●	●					●		●		●			●	●					
EPL	Adjusting employment protection legislation					●		●				●		●	●							●	
Labour market participation	Enhancing participation of women				●	●				●		●	●							●			
	Enhancing participation of older workers, promoting active ageing, LLL		●	●	●	●						●				●	●					●	
	Reducing tax disincentives for second earners							●						●					●				
Youth employment	Facilitating transition school to work by incentives for companies to hire young people																						
	Facilitating transition school to work through apprenticeships and work-based learning					●		●	●	●	●					●				●		●	●
	Reducing school/education 'drop outs'	●						●		●							●						
Pensions	Explicit link between pensionable age and life expectancy	●	●	●	●	●				●	●					●	●	●	●		●	●	
	Reducing early retirement	●	●	●				●		●	●					●	●	●	●		●	●	
Vulnerable	Ensuring the adequacy and coverage of social protection systems	●							●					●									●
	(Access to) quality social services																						
	Better targeting social assistance			●												●							
Child poverty	Making child support more effective																						
	Access to and quality of childcare services	●				●	●						●	●						●			
Tax	Shift away from tax on labour (incl. attention for low income earners)	●	●			●	●		●	●		●	●										●

Source: Country-specific recommendations 2011-2012; EL, IE, LV, PT and RO did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements).

Table A2 Country-specific recommendations 2012-2013 (social field only)

		AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	HU	IT	LT	LU	LV	MT	NL	PL	SE	SI	SK	
Wages	Reviewing wage indexation		●		●											●		●						
	Reviewing wage-setting system - align with productivity developments		●				●				●	●		●					●			●	●	
EPL	Adjusting employment protection legislation							●				●		●	●				●	●	●	●		
Labour market participation	Enhancing participation of women	●				●	●						●	●				●		●			●	
	Enhancing participation of older workers, promoting active ageing, LLL	●	●							●		●					●		●	●			●	
	Reducing tax disincentives for second earners						●													●				
Youth employment	Facilitating transition school to work by incentives for companies to hire young people									●	●													
	Facilitating transition school to work through apprenticeships and work-based learning							●	●	●		●		●	●	●	●	●	●		●		●	●
	Reducing school/education 'drop outs'	●					●	●		●			●	●				●						
Pensions	Explicit link between pensionable age and life expectancy	●	●		●					●	●					●	●		●	●	●		●	●
	Reducing early retirement	●	●	●		●		●			●						●		●	●	●		●	
Vulnerable	Ensuring the adequacy and coverage of social protection systems				●				●															
	Access to quality social services			●																				
	Better targeting social assistance			●					●						●		●							
Child poverty	Making child support more effective									●														
	Facilitating access to childcare services			●																				
Tax	Shift away from labour, with focus on low income earners	●	●			●	●			●		●	●					●						●

Source: Country-specific recommendations 2012-2013; note that GR, IE, PT and RO did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements).

Table A3 Country-specific recommendations 2013-2014 (social field only)

		AT	BE	BG	CZ	DE	DK	EE	ES	FI	FR	HU	IT	LT	LU	LV	MT	NL	PL	RO	SE	SI	SK	UK
Wages	Reviewing wage indexation		●												●									
	Reviewing wage-setting system - align with productivity developments		●			●				●	●		●		●								●	
EPL	Adjusting employment protection legislation										●			●					●	●				
Labour market participation	Enhancing participation of women	●										●	●				●		●					
	Enhancing participation of older workers, promoting active ageing, LLL	●	●	●	●						●			●	●		●	●	●	●			●	
	Reducing tax disincentives for second earners						●						●						●					
Youth employment	Youth guarantee			●					●	●	●	●	●	●	●				●	●			●	●
	Facilitating transition school to work by incentives for companies to hire young people																		●	●	●		●	●
	Facilitating transition school to work through apprenticeships and work-based learning		●								●			●	●	●	●	●	●	●				●
	Reducing school/education 'drop outs'	●					●		●				●					●		●				
Pensions	Explicit link between pensionable age and life expectancy	●	●	●	●			●	●	●	●			●	●				●				●	
	Reducing early retirement	●	●	●	●			●		●				●	●			●		●				
Vulnerable	Ensuring the adequacy and coverage of social protection systems			●									●						●	●				●
	(Access to) quality social services			●					●															●
	Better targeting social assistance													●							●			●
Child poverty	Making child support more effective			●								●												
	Access to and quality of childcare services				●	●						●	●				●		●	●			●	●
Tax	Shift away from tax on labour (incl. attention for low income earners)	●			●	●					●	●	●		●			●					●	●

Source: Country-specific recommendations 2013-2014; CY, GR, IE, and PT did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements).

Table A4 Country-specific recommendations 2014-2015 (social field only)

		AT	BE	BG	CZ	DE	DK	EE	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Wages	Reviewing wage indexation		●														●								●		
	Reviewing wage-setting system - align with productivity developments		●			●			●		●	●			●		●				●		●	●		●	
EPL	Adjusting employment protection legislation								●		●	●				●				●	●	●	●			●	
Labour market participation	Enhancing participation of women	●												●	●					●	●	●				●	
	Enhancing participation of older workers, promoting active ageing, LLL	●		●	●				●	●	●					●	●				●			●		●	
	Reducing tax disincentives for second earners	●				●			●	●			●		●		●							●			
Youth employment	Youth guarantee			●					●			●		●	●						●	●				●	
	Facilitating transition school to work by incentives for companies to hire young people						●				●	●	●									●		●		●	
	Facilitating transition school to work through apprenticeships and work-based learning					●	●	●		●	●	●		●	●	●		●	●		●		●	●		●	●
	Reducing school/education 'drop outs'		●						●															●			
Pensions	Explicit link between pensionable age and life expectancy	●	●	●	●					●		●				●	●										
	Reducing early retirement	●	●	●		●						●				●	●			●		●					
Vulnerable	Ensuring the adequacy and coverage of social protection systems			●		●			●		●	●	●		●	●					●					●	
	(Access to) quality social services							●	●	●																	
	Better targeting social assistance			●								●	●		●	●		●					●	●		●	●
Child poverty	Making child support more effective			●				●						●													
	Access to and quality of childcare services				●	●		●						●	●							●		●		●	●
Tax	Shift away from tax on labour (incl. attention for low income earners)	●	●		●	●				●				●	●		●				●						

Source: Country-specific recommendations 2014-2015; CY and EL did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements).

Table A5 Country-specific recommendations 2015-2016 (social field only)

		AT	BE	BG	CZ	DE	DK	EE	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Wages	Reviewing wage indexation																										
	Reviewing wage-setting system -align with productivity developments		●	●					●	●	●	●			●		●					●	●			●	
EPL	Adjusting Employment Protection Legislation					●					●				●						●						
Labour market participation	Enhancing participation of women	●			●	●		●						●	●		●		●		●					●	●
	Enhancing participation older workers, promoting active ageing, LLL	●	●	●						●						●	●									●	●
	Reducing tax disincentives for second/ low income earners				●	●		●					●			●	●	●									
Youth employment	Youth employment / guarantee		●	●	●		●	●	●	●				●	●		●				●	●	●	●		●	
	Facilitating transition education / school to work	●		●	●		●	●	●				●			●			●			●		●			
	Apprenticeships / work-based learning							●								●		●								●	●
	Reducing school/education "drop outs"			●			●						●		●				●					●			
Pensions	Explicit link between pensionable age and life expectancy	●	●														●		●								
	Reducing early retirement					●				●		●					●										
	Pension reform	●	●		●					●	●	●				●		●	●	●	●	●	●	●		●	
Vulnerable	Ensuring the adequacy and coverage of social protection systems			●		●			●		●	●	●		●												
	(Access to) quality social services							●		●																	
	Better targeting social assistance								●			●	●	●	●	●	●	●				●	●				
Child poverty	Making child support more effective								●																		
	Access to and quality of childcare services	●			●			●						●					●		●		●			●	●
Tax	Shift away from tax on labour (incl. attention for low income earners)	●	●		●	●		●		●		●	●	●	●	●	●			●			●				

Source: Country-specific recommendations 2015-2016; Cyprus and Greece did not receive any specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (including any subsequent supplements).

Annex 3: Country-specific recommendations (CSRs) in the social field under the European Semester Cycles 2014, 2015 and 2016¹

AT	CSRs 2014	CSRs 2015	CSRs 2016
Austria	<p>2. Improve the long-term sustainability of the pension system, in particular by bringing forward the harmonisation of the statutory retirement age for men and women, by increasing the effective retirement age and by aligning the retirement age to changes in life expectancy. Monitor the implementation of recent reforms restricting access to early retirement. Further improve the cost effectiveness and sustainability of healthcare and long-term care services.</p>	<p>1. (...) Take measures to ensure the long-term sustainability of the pension system, including by earlier harmonisation of the statutory retirement age for men and women and link the statutory retirement age to life expectancy.</p>	<p>1. (...) Ensure the sustainability of the healthcare system; and of the pension system by linking the statutory pension age to life expectancy. (...)</p>
	<p>3. Reduce the high tax wedge on labour for low-income earners by shifting taxation to sources less detrimental to growth, such as recurrent taxes on immovable property, including by updating the tax base. Reinforce measures to improve labour market prospects of people with a migrant background, women and older workers. This includes further improving child- and long-term care services and the recognition of migrants' qualifications. Improve educational outcomes in particular of young people with a migrant background, by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce dropouts.</p>	<p>1. Avoid deviating from the medium-term objective in 2015 and 2016. Ensure the budget neutrality of the tax reform aimed at reducing the tax burden on labour. (...)</p> <p>2. Strengthen measures to increase the labour market participation of older workers and women, including by improving the provision of childcare and long-term care services. Take steps to improve the educational achievement of disadvantaged young people.</p>	<p>2. Improve the labour market participation of women. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background.</p>

¹ For practical and 'readability' reasons, this table has been limited to the CSRs from 2014 to 2016. Readers who would like to consult the texts of comparable earlier recommendations from 2011 to 2014 are advised to consult Annex 3 to Clauwaert (2015).

3. Contain future public expenditure growth relating to ageing, in particular from pensions and long-term care, by **stepping up efforts to reduce the gap between the effective and statutory retirement age, bringing forward the reduction of early-exit possibilities**, promoting active ageing, **aligning the retirement age to changes in life expectancy**, and improving the cost-effectiveness of public spending on long-term care.

1. Achieve a fiscal adjustment of at least 0.6 % of GDP towards the medium-term objective in 2015 and in 2016. Use windfall gains to put the general government debt ratio on an appropriate downward path. **Complement the pension reform by linking the statutory retirement age to life expectancy**. Agree on an enforceable distribution of fiscal targets among all government levels.

5. Restore competitiveness by continuing the **reform of the wage-setting system, including wage indexation, in consultation with the social partners** and in accordance with national practice, to ensure that wage evolutions reflect productivity developments at sectorial and/or company levels as well as economic circumstances and to provide for effective automatic corrections when needed; by strengthening competition in the retail sectors, removing excessive restrictions in services, including professional services and addressing the risk of further increases of energy distribution costs; by promoting innovation through streamlined incentive schemes and reduced administrative barriers; and by pursuing coordinated education and training policies addressing the pervasive skills mismatches and regional disparities in **early school leaving**.

4. Restore competitiveness by **ensuring**, in consultation with the social partners and in accordance with national practices, that **wages evolve in line with productivity**.

2. (...) Ensure that **wages** can evolve in line with productivity.
(...)

2. Improve the balance and fairness of the overall tax system and prepare a comprehensive tax reform that will allow **shifting taxes away from labour** towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency, broadening tax bases, reducing tax expenditures and phasing out environmentally harmful subsidies.

2. Adopt and implement a comprehensive tax reform broadening the tax base, **shifting the tax burden away from labour** and removing inefficient tax expenditures.

1. (...) Simplify the **tax system** and remove distortive tax expenditures.

4. **Increase labour market participation**, notably by reducing financial disincentives to work, increasing labour market access for disadvantaged groups such as the **young** and people with a migrant background, improving professional mobility and addressing skills shortages and mismatches as well as early school leaving. Across the country, strengthen partnerships of public authorities, public employment services and education institutions to provide early and tailor-made support to the young.

3. Improve the functioning of the labour market by **reducing financial disincentives to work, increasing labour market access for specific target groups and addressing skills shortages and mismatches**.

2. Carry out the intended **review of the 'Law of 1996' on the promotion of employment and the safeguarding of competitiveness in consultation with the social partners**. (...) Ensure the **effectiveness of labour market activation policies**. Move forward with education and **vocational training reforms** and provide training support for disadvantaged groups, in particular in particular people from a migrant background.

1. Reinforce the budgetary measures for 2014 in the light of the emerging gap relative to the Stability and Growth Pact requirements. In 2015, strengthen the budgetary strategy to ensure reaching the medium-term objective and remain at it thereafter. Ensure the capacity of the new fiscal council to fulfil its mandate. Implement a comprehensive tax strategy to strengthen tax collection, **tackle the shadow economy** and reduce compliance costs.

1. Achieve an annual fiscal adjustment of 0.5% of GDP towards the medium-term budgetary objective in 2016 and in 2017. Further improve tax collection and take measures to reduce the extent of the informal economy, including **undeclared work**.

2. Adopt a long-term strategy for the pension system, proceeding with the planned annual **increase in the statutory retirement age** and setting out a mechanism to link the statutory retirement age to life expectancy in the long term, while **phasing out early retirement options and equalising the statutory retirement age for men and women**. Tighten eligibility criteria and procedures for the **allocation of invalidity pensions**, for example by taking better account of the remaining work capacity of applicants. (...)

2. (...) By the end of 2016, complete the balance-sheet review and stress test of the insurance companies and the review of **private pension funds' assets**. Take the necessary follow-up actions in all three sectors and continue to improve banking and non-banking supervision.

3. Improve the efficiency of the Employment Agency by developing a performance monitoring system and better targeting the most vulnerable, such as low-skilled and **elderly workers**, the long-term unemployed and Roma. Extend the coverage and effectiveness of active labour market policies to match the profiles of job-seekers, and reach out to non-registered young people who are neither in employment, education or training, in line with the objectives of a **youth guarantee**. **Improve the effective coverage of unemployment benefits and social assistance** and their links with activation measures. **Take forward the comprehensive review of minimum thresholds for social security contributions** so as to make sure that the system does not price the low-skilled out of the labour market. Establish, in consultation with social partners, transparent guidelines for the **adjustment of the statutory minimum wages** taking into account the impact on employment and competitiveness. In order to alleviate poverty, further **improve the accessibility and effectiveness of social services and transfers for children** and older people.

3. Develop an integrated approach for groups at the margin of the labour market, in particular **older workers and young people not in employment, education or training**. In consultation with the social partners and in accordance with national practices, **establish a transparent mechanism for setting the minimum wage and minimum social security contributions** in the light of their impact on in-work poverty, job creation and competitiveness.

3. **Reinforce and integrate social assistance, including relevant social services, and active labour market policies**, in particular for the long-term unemployed and young people **not in employment, education or training**. Increase the provision of quality education for disadvantaged groups, including Roma. (...) In consultation with social partners establish guidelines and criteria for **setting the minimum wage**. Increase the coverage and adequacy of the **minimum income scheme**.

4. Adopt the School Education Act and **pursue the reforms of vocational and higher education** in order to increase the level and relevance of skills acquired at all levels, while fostering partnerships between educational institutions and business with a view to better aligning outcomes to labour market needs. Strengthen the quality of vocational education and training institutions and improve access to life-long learning. Step up efforts to improve access to quality inclusive pre-school and school education of disadvantaged children, in particular Roma, and implement strictly the rules linking the **payment of child allowance** to participation in education.

4. Adopt the reform of the School Education Act, and increase the participation in education of disadvantaged children, in particular Roma, by improving access to good-quality early schooling.

3. (...) Increase the provision of quality education for disadvantaged groups, including Roma. (...)

CY Cyprus	CSRs 2014	CSRs 2015	CSRs 2016
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To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.

To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.

1. Following the correction of the excessive deficit, respect the medium-term budgetary objective in 2016 and in 2017. By the end of 2016, **adopt a binding mechanism containing the growth rate of the compensation of public employees.** By the end of 2016, adopt the horizontal reform of the public administration and the law on the governance of state-owned entities, and implement the reform of local governments. By the end of 2016, adopt the secondary legislation to complete the new budgetary framework.

5. **Enhance the capacity of the public employment services** and their provision to the long-term unemployed; improve outreach to the non-registered unemployed. (...)

2. Improve tax compliance with particular focus on VAT and reduce the costs of collecting and paying taxes by simplifying the tax system and harmonising the tax bases for personal income tax and social and health contributions. **Reduce the high level of taxation on labour, particularly for low-income earners. Shift taxation to areas less detrimental to growth, such as recurrent taxes on housing and environmental taxes. Further reduce discrepancies in the tax treatment of employees and the self-employed.**

3. Reduce the high level of taxation levied on **low-income earners**, by **shifting taxation to other areas**. Further improve the **availability of affordable childcare**.

3. Ensure the long-term sustainability of the public pension scheme, in particular by accelerating the **increase of the statutory retirement age and by linking it more clearly to changes in life expectancy. Promote the employability of older workers** and review the pension indexation mechanism. (...)

4. **Strengthen the efficiency and effectiveness of the public employment service**, in particular by setting up a performance measurement system. Reach out to **nonregistered youth** and provide individualised services. **Increase considerably the availability of affordable and quality childcare facilities and services**, with a focus on children up to three years old.

5. Ensure that the accreditation, governance and financing of higher education contribute to improving its quality and labour market relevance.

3. Reduce the high level of taxation levied on **low-income earners**, by **shifting taxation to other areas**. Further improve the **availability of affordable childcare**.

3. (...) Remove the obstacles to **greater labour market participation** by under-represented groups, particularly **women**.

1. Pursue growth-friendly fiscal policy and preserve a sound fiscal position, ensuring that the medium-term budgetary objective continues to be adhered to throughout the period covered by the Stability Programme and that the general government debt ratio remains on a sustained downward path. (...) **Ensure the sustainability of the public pension system** by (i) changing the financing of new noninsurance/extraneous benefits ("Mütterrente") to funding from tax revenues, also in order to avoid a further increase of social security contributions, (ii) **increasing incentives for later retirement**, and (iii) increasing the coverage in second and third pillar pension schemes. (...)

2. **Increase incentives for later retirement.** Take measures to **reduce high labour taxes** and social security contributions, especially for **low-wage earners**, and address the impact of fiscal drag. **Revise the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment.**

3. **Increase incentives for later retirement and reduce disincentives to work for second earners.** Reduce the **high tax wedge for low wage earners** and facilitate the **transition from mini-jobs to standard employment.**

2. Improve conditions that further support domestic demand, inter alia by **reducing high taxes and social security contributions, especially for low-wage earners.** When implementing the **general minimum wage, monitor its impact on employment.** Improve the employability of workers by further raising the educational achievement of disadvantaged people and by implementing more ambitious activation and integration measures in the labour market, especially for the long-term unemployed. Take measures to **reduce fiscal disincentives to work, in particular for second earners, and facilitate the transition from mini-jobs to forms of employment subject to full mandatory social security contributions.** Address regional shortages in the **availability of fulltime childcare facilities** and all-day schools while improving their overall educational quality.

2. **Increase incentives for later retirement.** Take measures to **reduce high labour taxes** and social security contributions, especially for **low-wage earners**, and address the impact of fiscal drag. **Revise the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment.**

3. **Increase incentives for later retirement and reduce disincentives to work for second earners.** Reduce the **high tax wedge for low wage earners** and facilitate the **transition from mini-jobs to standard employment.**

DK	Denmark	CSRs 2014	CSRs 2015	CSRs 2016
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2. Take further measures to improve the **employability of people at the margins of the labour market**. Improve educational outcomes, in particular for **young people** with a migrant background, and the **effectiveness of vocational training**. **Facilitate the transition from education to the labour market, including through a wider use of work-based training and apprenticeships.**

EE	Estonia	CSRs 2014	CSRs 2015	CSRs 2016
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2. Improve incentives to work through measures targeted at **low income earners**. Target activation efforts at those most distant from the labour market, in particular by ensuring the timely adoption and implementation of the work capacity reform. Increase the efficiency and cost-effectiveness of family policy while improving the availability and accessibility of **childcare**. Deploy coordinated measures for fostering economic development and entrepreneurship in regions faced with high unemployment.

5. Better balance local government revenue against devolved responsibilities. Improve the efficiency of local governments and ensure the provision of quality public services at local level, especially **social services complementing activation measures**.

2. **Improve labour market participation**, including by implementing the Work Ability Reform. Improve incentives to work through **measures targeting low-income earners**. Take action to narrow the **gender pay gap**. **Ensure high-quality social and childcare services** at local level.

3. **Increase participation in vocational education and training, and its labour market relevance, in particular by improving the availability of apprenticeships**. Focus public support for research and innovation on a coordinated implementation of the limited number of smart specialisation areas.

1. **Ensure the provision and accessibility of high quality public services, especially social services**, at local level, inter alia by adopting and implementing the proposed local government reform. Adopt and implement measures to narrow the **gender pay gap**, including those foreseen in the Welfare Plan.

1. Reinforce the budgetary strategy as of 2014, in particular by fully specifying the underlying measures for the year 2015 and beyond, to ensure the correction of the excessive deficit in a sustainable manner by 2016 through achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. (...) Adopt by the end of 2014 a comprehensive tax reform to make the tax system simpler and more conducive to growth and job creation, preservation of the environment and stability of revenues. To that end: shift revenues towards less distortive taxes, such as consumption, environmental (e.g. on motor fuels) and recurrent property taxes; remove inefficient personal and corporate income tax expenditures; consider **lowering employers' social security contributions, in particular for low-wage jobs**; continue to tackle the debt bias in corporate taxation; take measures to avoid that taxation hinders the smooth functioning of Spain's internal market. Step up the fight against tax evasion.

8. Implement at all government levels the recommendations of the committee for the reform of the public administration. Strengthen control mechanisms and increase the transparency of administrative decisions, in particular at regional and local level. **Complete and monitor closely the ongoing measures to fight against the shadow economy and undeclared work.** (...)

3. Pursue new measures to reduce labour market segmentation to favour sustainable, quality jobs, including **through reducing the number of contract types and ensuring a balanced access to severance rights.** Continue regular monitoring of the labour market reforms. **Promote real wage developments consistent with the objective of creating jobs.** Strengthen the job-search requirement in unemployment benefits. Enhance the effectiveness and targeting of active labour market policies, including hiring subsidies, particularly for those facing more difficulties in accessing employment. Reinforce the coordination between labour market and education and training policies. Accelerate the modernisation of public employment services to ensure effective personalised counselling, adequate training and job-matching, with special focus on the long-term unemployed.

3. Promote the **alignment of wages and productivity**, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Take steps to increase the quality and effectiveness of job search assistance and counselling, including as part of **tackling youth unemployment. Streamline minimum income and family support schemes** and foster regional mobility.

Ensure the effective application of public-private cooperation in placement services before the end of 2014, and monitor the quality of services provided. Ensure the effective functioning of the Single Job Portal and combine it with further measures to support labour mobility.

4. Implement the 2013-2016 Youth Entrepreneurship and Employment Strategy and evaluate its effectiveness. **Provide good quality offers** of employment opportunities, **apprenticeships and traineeships** for young people and improve the outreach to nonregistered unemployed young people, in line with the objectives of a **youth guarantee**. Effectively implement the new educational schemes to increase the quality of primary and secondary education. Enhance guidance and support for groups at risk of **early school leaving**. **Increase the labour-market relevance of vocational education** and training and of higher education, in particular by enhancing the cooperation with employers and supporting the training of trainers and tutors.

3. Promote the **alignment of wages and productivity**, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Take steps to increase the quality and effectiveness of job search assistance and counselling, including as part of **tackling youth unemployment**. **Streamline minimum income and family support schemes** and foster regional mobility.

(3) Take further measures to **improve the labour market relevance of tertiary education**, including by providing incentives for cooperation between universities, firms and research. Increase performance-based funding of public research bodies and universities and foster R&I investment by the private sector.

5. Implement the 2013-2016 National Action Plan on Social Inclusion and assess its effectiveness covering the full range of its objectives. **Strengthen administrative capacity and coordination between employment and social services** in order to provide integrated pathways to support those at risk, and boost, among the Public Administrations responsible for the minimum income schemes, streamlined procedures to support transitions between minimum income schemes and the labour market. **Improve the targeting of family support schemes and quality services favouring low-income households with children**, to ensure the progressivity and effectiveness of social transfers.

3. Promote the **alignment of wages and productivity**, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Take steps to increase the quality and effectiveness of job search assistance and counselling, including as part of **tackling youth unemployment**. **Streamline minimum income and family support schemes** and foster regional mobility.

(2) Take further measures to **improve labour market integration**, by focusing on individualised support and strengthening the effectiveness of training measures. Enhance the capacity of regional **employment services and reinforce their coordination with social services**. Address gaps and disparities in **minimum income schemes** and improve family support schemes, including access to **quality child-care** and long-term care.

- 2. Ensure effective implementation of the on-going administrative reforms concerning municipal structure and social and healthcare services**, in order to increase the cost-effectiveness in the provision of public services.
1. (...) Ensure timely adoption and implementation of the administrative reform with a view to **better cost-effectiveness of social and healthcare services**.
2. (...) Increase incentives to accept work and **ensure targeted and sufficient active labour market measures**, including for people with a migrant background. Take measures to **reduce regional and skills mismatches**
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2. **Adopt the agreed pension reform and gradually eliminate early exit pathways. Ensure effective design and implementation of the administrative reforms** concerning municipal structure and **social and healthcare services**, with a view to increasing productivity and cost-effectiveness in the provision of public services, while ensuring their quality.
3. **Pursue efforts to improve the employability of young people, older workers and the long-term unemployed**, focusing particularly on developing job-relevant skills. **Promote wage developments in line with productivity**, fully respecting the role of the social partners and in accordance with national practices.
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2. While respecting the role of social partners, ensure that the **wage setting system** enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach. (...)
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2. **Pursue efforts to improve the employability of young people, older workers and the long-term unemployed**, focusing particularly on developing job-relevant skills. **Promote wage developments in line with productivity**, fully respecting the role of the social partners and in accordance with national practices.

1. Reinforce the budgetary strategy, including by further specifying the underlying measures, for the year 2014 and beyond to ensure the correction of the excessive deficit in a sustainable manner by 2015 through achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. (...) In particular, take steps to **reduce significantly the increase in social security spending** as from 2015 as planned, by setting more ambitious annual healthcare spending targets, **containing pension costs, and streamlining family benefits** and housing allowances. (...) Beyond the need for short-term savings, take steps to tackle the increase in public expenditure on health projected over the medium and long term, including in the area of pharmaceutical spending, and take additional measures when and where needed to **bring the pension system into balance by 2020 in a sustainable manner, with a special focus on existing special schemes.**

2. **Ensure that the labour cost reduction resulting from the "crédit d'impôt compétitivité emploi" is sustained.** Take action to further lower employer social security contributions in line with commitments under the responsibility and solidarity pact, making sure that no other measures offset its effect and that the targeting currently envisaged is maintained. **Further evaluate the economic impact of social security contribution exemptions,** putting the emphasis on employment, wage developments and competitiveness and take appropriate measures if necessary. **Further reduce the cost of labour** in a budget neutral way namely at the lower end of the wage scale notably through targeted reductions in employer social security contributions taking into account the various wage support schemes.

3. Simplify companies' administrative, fiscal and accounting rules and take concrete measures to implement the government's ongoing "simplification plan" by December 2014. **Eliminate regulatory impediments to companies' growth, in particular by reviewing size-related criteria in regulations to avoid thresholds effects.** Take steps to simplify and improve the efficiency of innovation policy, notably through an evaluation and if necessary an adaptation of the "crédit d'impôt recherche". Ensure that resources are focused on the most effective competitiveness poles and

2. **Step up efforts to make the spending review effective, continue public policy evaluations and identify savings opportunities** across all sub-sectors of general government, **including on social security** and local government. Take steps to limit the rise in local authorities' administrative expenditure. **Take additional measures to bring the pension system into balance,** in particular ensuring by March 2016 that the financial situation of complementary pension schemes is sustainable over the long term.

3. Ensure that the labour cost reductions stemming from the tax credit for competitiveness and employment and from the responsibility and solidarity pact are sustained, in particular by implementing them as planned in 2016. **Evaluate the effectiveness of these schemes in the light of labour and product market rigidities.** Reform, in consultation with the social partners and in accordance with national practices, the **wage-setting process to ensure that wages evolve in line with productivity. Ensure that minimum wage developments are consistent with the objectives of promoting employment and competitiveness.**

4. By the end of 2015, **reduce regulatory impediments to companies' growth, in particular by reviewing the size-related criteria in regulations to avoid threshold effects.** Remove the restrictions on access to and the exercise of regulated professions, beyond the legal professions, in particular as regards the health professions as from 2015.

6. **Reform the labour law** to provide **more incentives for employers to hire on open-ended contracts. Facilitate take up of derogations at company and branch level from general legal provisions, in particular as regards working time arrangements.** Reform the law creating the **accords de maintien de l'emploi** by the end of 2015 in order to increase their take-up by companies. Take action in consultation with the social partners and in accordance with national practices to **reform the unemployment benefit system** in order to bring the system back to budgetary sustainability and provide more incentives to return to work.

2. Ensure that the labour cost reductions are sustained and that **minimum wage developments** are consistent with job creation and competitiveness. (...)

3. Improve the links between the education sector and the labour market, in particular by **reforming apprenticeship and vocational training, with emphasis on the low-skilled.** By the end of 2016, take action to **reform the unemployment benefit system** in order to bring the system back to budgetary sustainability and to provide more incentives to return to work.

4. (...) By the end of 2016, **further reform the size-related criteria in regulations that impede companies' growth** and continue to simplify companies' administrative, fiscal and accounting rules by pursuing the simplification programme.

2. (...) **Reform the labour law** to provide more incentives for employers to hire on open-ended contracts.

further promote the economic impact of innovation developed in the poles.

6. Take further action to combat labour-market rigidity, in particular take measures to **reform the conditions of the “accords de maintien de l’emploi”** to increase their take up by companies facing difficulties. Take additional measures to **reform the unemployment benefit system** in association with social partners, in order to guarantee its sustainability while ensuring that it provides adequate incentives to return to work. **Step up counselling and training for older workers** and re-assess the relevant specific unemployment benefit arrangements.

7. **Pursue the modernisation of vocational education and training**, implement the reform of compulsory education and take further actions to reduce educational inequalities in particular by strengthening measures on early school leaving. Ensure that active labour market policies effectively support the most vulnerable groups. **Improve the transition from school to work**, notably by **stepping up measures to further develop apprenticeship** with a specific emphasis on the low-skilled.

5. **Reduce the tax burden on labour** and step up efforts to simplify and increase the efficiency of the tax system. To this end, starting in the 2015 budget, take measures to: remove inefficient personal and corporate income tax expenditures on the basis of recent assessments and the “Assises de la fiscalité” initiative while reducing the statutory rates; take additional measures to remove the debt bias in corporate taxation; broaden the tax base, notably on consumption; phase out environmentally harmful subsidies.

3. Ensure that the labour cost reductions stemming from the tax credit for competitiveness and employment and from the responsibility and solidarity pact are sustained, in particular by implementing them as planned in 2016. **Evaluate the effectiveness of these schemes in the light of labour and product market rigidities**. Reform, in consultation with the social partners and in accordance with national practices, the wage-setting process to ensure that wages evolve in line with productivity. Ensure that minimum wage developments are consistent with the objectives of promoting employment and competitiveness.

GR Greece	CSRs 2014	CSRs 2015	CSRs 2016
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To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.

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2. Adopt legislation by March 2015 to **accelerate the planned harmonisation of statutory retirement ages of women and men** and to **advance the planned increase of the statutory retirement age to 67 years. Reduce access to early retirement.** Ensure enforcement of tighter disability pensions assessments and controls and accelerate the integration of pensions under special schemes into the general pension system. (...)

2. **Discourage early retirement** by raising penalties for early exits. **Improve the adequacy and efficiency of pension spending** by tightening the definition of arduous and hazardous professions. (...)

2. By the end of 2016, take measures to **discourage early retirement**, accelerate the **transition to the higher statutory retirement age** and align pension provisions for specific categories with the rules of the general scheme. Provide appropriate up- and re-skilling measures to enhance the employability of the working-age population, with a focus on the low-skilled and the long-term unemployed. Consolidate **social protection benefits** by reducing special schemes, aligning eligibility criteria, integrating their administration, and focus support on those most in need.

3. **Implement the second phase of the labour law reform, following consultation with the social partners**, notably as regards conditions for dismissals and working time, and with a view to preventing further labour market segmentation including for young people, by March 2015. **Review the wage-setting system** with a view to better aligning productivity developments and wage conditions. Present the conclusions of this review by the end of 2014. Strengthen the effectiveness and reach of active labour market policies by reinforcing the administrative capacities of the public employment services, including at regional level, and by increasing the coverage of the young, long-term unemployed and older workers. Prioritise outreach to nonregistered youth and **mobilise the private sector to offer more apprenticeships**, in line with the objectives of a **youth guarantee**. Outline plans, by the end of 2014, to address **undeclared work**. Implement measures to improve the labour market relevance and quality of education outcomes by modernising the qualification systems, by putting in place **quality assurance mechanisms** and by **improving school-to-work transitions**, notably through strengthening vocational education and **work-based learning**.

3. **Tackle the weaknesses in the wage-setting framework**, in consultation with the social partners and in accordance with national practices, to foster the **alignment of wages with productivity** and macroeconomic conditions. Strengthen incentives for the unemployed and inactive to take up paid employment. Based on the 2014 review, carry out the **reform of the social protection system and further consolidate social benefits** by improving targeting and eliminating overlaps.

3. By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in **public administration** to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners, **harmonise the wage-setting frameworks across the public administration and public services**. Advance the divestment process of state assets and reinforce the monitoring of state-owned enterprises' performance and boards' accountability, including by advancing the listing of shares of state-owned companies.

4. Review tax and benefits systems by the end of 2014, and present an action plan to improve the reactivation of inactive and unemployed persons. **Strengthen the effectiveness and transparency of the social protection system** by further consolidating benefits, unifying eligibility criteria and linking data from all relevant levels and government entities in the "one-stop shop". **Improve the effectiveness and adequacy of social assistance benefits** through their better targeting.

2. By the end of 2016, take measures to **discourage early retirement**, accelerate the **transition to the higher statutory retirement age** and align pension provisions for specific categories with the rules of the general scheme. Provide appropriate up- and re-skilling measures to enhance the employability of the working-age population, with a focus on the low-skilled and the long-term unemployed. Consolidate **social protection benefits** by reducing special schemes, aligning eligibility criteria, integrating their administration, and focus support on those most in need.

3. Ensure a stable, more balanced and streamlined corporate tax system, including by phasing out distortive sector-specific taxes. **Reduce the tax wedge for low-income earners**, inter alia by improving the efficiency of environmental taxes. Step up measures to improve tax compliance – in particular to reduce VAT fraud – and reduce its overall costs.
3. Reduce distortive sector-specific corporate taxes; remove the unjustified entry barriers in the service sector, including in the retail sector; **reduce the tax wedge for low-income earners, including by shifting taxation to areas less distortive to growth**; continue to fight tax evasion, reduce compliance costs and improve the efficiency of tax collection. (...)
4. Strengthen well-targeted active labour market policy measures, inter alia by accelerating the introduction of the client profiling system of the Public Employment Service. **Put in place the planned youth mentoring network** and coordinate it with education institutions and local stakeholders to increase outreach. Review the public works scheme to evaluate its effectiveness in helping people find subsequent employment and further strengthen its activation elements. **Consider increasing the period of eligibility for unemployment benefits**, taking into account the average time required to find new employment and link to activation measures. **Improve the adequacy and coverage of social assistance** while strengthening the link to activation. (...)
4. **Reorient the budget resources** allocated to the public work scheme to **active labour market measures to foster integration into the primary labour market**; and **improve the adequacy and coverage of social assistance and unemployment benefits**.
3. Facilitate the transition from the **public works scheme** to the primary labour market and **reinforce other active labour market policies**. Improve the **adequacy and coverage of social assistance and unemployment benefits**. Take measures to improve educational outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education.
6. Implement a national strategy on early school leaving prevention with a focus on drop-outs from vocational education and training. (...) **Support the transition between different stages of education and towards the labour market**, and closely **monitor the implementation of the vocational training reform**. (...)
5. **Increase the participation of disadvantaged groups** in particular Roma in inclusive mainstream education, and improve the support offered to these groups through targeted teacher training; **strengthen measures to facilitate the transition between different stages of education and to the labour market**, and improve the teaching of essential competences.
2. Further reduce sector-specific taxes and **reduce the tax wedge for low-income earners**. (...)

1. Fully implement the 2014 budget and ensure the correction of the excessive deficit in a sustainable manner by 2015 through underpinning the budgetary strategy with additional structural measures while achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. (...) To support fiscal consolidation, consideration should be given to raising revenues through broadening the tax base. **Enhance the growth and environmental friendliness of the tax system.**

1. (...) **Broaden the tax base** and review tax expenditures, including on value-added taxes.

3. Pursue further improvements in active labour market policies, with a particular focus on the long-term unemployed, the low-skilled and, in line with the objectives of a **youth guarantee**, young people. **Advance** the on-going reform of the further education and training (FET) system, employment support schemes and **apprenticeship programmes**. **Offer more workplace training**; improve and ensure the relevance of FET courses and apprenticeships with respect to labour market needs. Increase the level and quality of support services provided by the Intreo labour offices. Put in place a seamless FET referrals system between Intreo offices and Education and Training Boards.

3. Take steps to increase the work-intensity of households and to address the poverty risk of children by **tapering the withdrawal of benefits and supplementary payments upon return to employment** and through better access to **affordable full-time childcare**.

2. Expand and **accelerate the implementation of activation policies** to increase the work intensity of households and address the poverty risk of children. Pursue measures to incentivise employment by **tapering the withdrawal of benefits** and supplementary payments. Improve the provision of quality, affordable full-time **childcare**.

- 5. Evaluate, by the end of 2014, the impact of the labour market and wage-setting reforms** on job creation, dismissals' procedures, labour market duality and cost competitiveness, and assess the need for additional action. Work towards a **comprehensive social protection for the unemployed**, while limiting the use of wage supplementation schemes to facilitate labour re-allocation. Strengthen the link between active and passive labour market policies, starting with a detailed roadmap for action by September 2014, and reinforce the coordination and performance of public employment services across the country. **Adopt effective action to promote female employment, by adopting measures to reduce fiscal disincentives for second earners** by March 2015 and **providing adequate care services**. Provide adequate services across the country to **non-registered young people and ensure stronger private sector's commitment to offering quality apprenticeships and traineeships** by the end of 2014, in line with the objectives of a **youth guarantee**. To address exposure to poverty and social exclusion, **scale-up the pilot social assistance scheme**, in a fiscally neutral way, guaranteeing appropriate targeting, strict conditionality and territorial uniformity, and strengthening the link with activation measures. **Improve the effectiveness of family support schemes and quality services favouring low-income households with children.**
- 6. Implement the National System for Evaluation of Schools** to improve school outcomes in turn and reduce rates of early school leaving. **Increase the use of work-based learning** in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education. Create a national register of qualifications to ensure wide recognition of skills. Ensure that public funding better rewards the quality of higher education and research.
- 2. Further shift the tax burden** from productive factors to consumption, property and the environment, in compliance with the budgetary targets. To this end, **evaluate the effectiveness of the recent reduction in the labour tax wedge** and ensure its financing for 2015, review the scope of direct tax expenditures and broaden the tax base, notably on
- 5. Adopt the legislative decrees on the design and use of wage supplementation schemes, the revision of contractual arrangements, work-life balance and the strengthening of active labour market policies. Establish, in consultation with the social partners and in accordance with national practices, an effective framework for second-level unemployment, adopt and implement the planned school reform and expand vocationally-oriented tertiary education.**
- 4. Implement the reform of active labour market policies, in particular by strengthening the effectiveness of employment services. Facilitate the take-up of work for second earners. Adopt and implement the national anti-poverty strategy and review and rationalise social spending.**
- 1. Achieve a fiscal adjustment of at least 0.25% of GDP towards the medium-term objective in 2015 and of 0.1% of GDP in 2016 by taking the necessary structural measures in both 2015 and 2016, taking into account the allowed deviation for the implementation of major structural reforms. (...)** Implement the enabling law for **tax reform** by September

consumption. (...) Further improve tax compliance by enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration. Pursue the fight against tax evasion and **take additional steps against the shadow economy and undeclared work.**

2015, in particular the revision of tax expenditures and cadastral values and the measures to enhance tax compliance.

2. Implement the **reform of the public administration** by adopting and implementing all necessary legislative decrees, in particular those reforming publicly owned enterprises, local public services and the **management of human resources.** (...)

- 2. Adopt and implement legislation on a comprehensive pension system reform.** In particular, **align the statutory retirement age with life expectancy, restrict access to early retirement**, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes. Underpin pension reform with **measures that promote the employability of older workers**.
-
- 3. Better target active labour market policy measures to the low-skilled and long-term unemployed. Improve coverage and adequacy of unemployment benefits** and link them to activation. Address persistent skills mismatches by improving the labour-market relevance of education inter alia based on skills forecast systems and promote life-long learning. In order to increase the employability of young people, **prioritise offering quality apprenticeships, other forms of work-based learning, and strengthen partnership with the private sector. Review the appropriateness of labour legislation**, in particular with regard to the framework for labour contracts and for working-time arrangements, in consultation with social partners.
4. Ensure adequate coverage of those most in need and continue to **strengthen the links between cash social assistance and activation measures**.
1. Avoid deviating from the medium-term objective in 2015 and ensure that the deviation in 2016 is limited to the allowance linked to the **systemic pension reform. Broaden the tax base** and improve tax compliance.
3. **Adopt a comprehensive reform of the pension system** that also addresses the challenge of pension adequacy, **improve the coverage and adequacy of unemployment benefits and cash social assistance** and improve the employability of those looking for work.
2. Address the challenge of a shrinking working-age population by **improving the labour-market relevance of education**, increasing attainment in basic skills, and improving the performance of the healthcare system; **reduce the high tax wedge for low income earners by shifting the tax burden** to other sources less detrimental to growth.
3. **Adopt a comprehensive reform of the pension system** that also addresses the challenge of pension adequacy. **Improve the coverage and adequacy of unemployment benefits and cash social assistance** and improve the employability of those looking for work.
1. Ensure that the deviation from the medium-term budgetary objective is limited to the allowance linked to the **systemic pension reform in 2016 and in 2017. Reduce the tax burden on low-income earners by shifting the tax burden** to other sources less detrimental to growth and improve tax compliance, in particular in the area of VAT.
1. Ensure that the deviation from the medium-term budgetary objective is limited to the allowance linked to the **systemic pension reform in 2016 and in 2017. Reduce the tax burden on low-income earners by shifting the tax burden** to other sources less detrimental to growth and improve tax compliance, in particular in the area of VAT.
2. Strengthen investment in human capital and **address skills shortages**, by improving the labour market relevance of education, raising the quality of teaching and adult learning. **Reinforce the coverage and effectiveness of active labour market policies. Strengthen the role of social dialogue mechanisms.** (...) Improve the coverage and adequacy of **unemployment benefits and social assistance**.

1. **Broaden the tax base**, in particular on consumption, recurrent property taxation and environmental taxation.
2. Close the gap between the statutory and effective retirement age, by **limiting early retirement and by linking statutory retirement age to life expectancy**.
3. In view of ensuring fiscal sustainability, curb age-related expenditure by making long-term care more cost-effective, **pursue the pension reform so as to increase the effective retirement age, including by limiting early retirement, by aligning retirement age or pension benefits to change in life expectancy**. Reinforce efforts to **increase the participation rate of older workers**, including by improving their employability through lifelong learning.
3. Speed up the adoption of structural measures, in consultation with the social partners and in accordance with national practices, to **reform the wage indexation system with a view to improving the responsiveness of wages to productivity developments**, notably at sectoral level. Pursue the diversification of the structure of the economy, including by fostering private investment in research and further developing cooperation between public research and firms.
4. Pursue efforts to **reduce youth unemployment** for low-skilled jobs seekers, including those with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies, addressing skills mismatches, and reducing financial disincentives to work. To that effect, **accelerate the implementation of the reform of general and vocational education and training** to better match young people's skills with labour demand.
1. Ensure the long-term sustainability of public pensions by **increasing the effective retirement age**, by limiting early retirement and **increasing incentives to work longer**, and by **aligning the statutory retirement age to changes in life expectancy**.
3. **Reform the wage-setting system**, in consultation with the social partners and in accordance with national practices, with a view to **ensuring that wages evolve in line with productivity**, in particular at sectoral level.

1. Preserve a sound fiscal position in 2014 and strengthen the budgetary strategy as of 2015, ensuring that the deviation from the medium-term objective remains limited to the impact of the systemic pension reform. Pursue efforts to **further reduce the tax burden on low-income earners** in the context of a **shift towards more growth-friendly property and environmental taxes** and by improving tax compliance and collection.

2. Step up implementation of the higher education reform, in particular through the establishment of an independent accreditation agency and a financing model that rewards quality. Provide career guidance at all education levels, **improve the quality of vocational education and training, including by strengthening apprenticeship, and make progress in employability of young people** including by putting in place outreach measures for non-registered youth not in employment education or training. Take steps for a more integrated and comprehensive research system also by concentrating financing towards internationally competitive research institutions.

3. **Reform social assistance** and its financing further to ensure better coverage, adequacy of benefits, strengthened activation and targeted social services. Increase coverage of active labour market policies. (...) Improve the cost-effectiveness, quality and accessibility of the health care system.

1. Ensure that the deviation from the adjustment path towards the medium-term budgetary objective in 2016 and 2017 is limited to the allowance linked to the **systemic pension reform** and the major structural reform in the healthcare sector. **Reduce the tax wedge for low-income earners by exploiting a growth-friendly tax shift** towards environmental and property taxes and improving tax compliance.

2. Improve the **adequacy of social assistance benefits** and step up measures supporting recipients in finding and retaining work, including through increased coverage of **activation measures**. Speed up the curricula reform in **vocational education**, establish with the involvement of social partners a **regulatory framework for work-based learning** and increase their offer.

3. Take concrete steps to **reform social assistance, ensuring adequacy of benefits**, and take measures to increase employability. **Reduce the high tax wedge for low-income earners by shifting tax burden** to other sources less detrimental to growth. (...)

3. (...) Strengthen the conflict of interest prevention regime and set up a common **legal framework for all public employees**.(...)

MT Malta	CSRs 2014	CSRs 2015	CSRs 2016
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2. To ensure the long-term sustainability of public finances **continue the ongoing pension reform**, such as by accelerating the already enacted **increase in the statutory retirement age and by consecutively linking it to changes in life expectancy.** (...)
3. Continue policy efforts to address the labour-market relevance of education and training and improve basic skills attainment by **stepping up efforts on the overdue reform of the apprenticeship system**. Further reduce early school leaving, notably by finalising and implementing the announced national literacy strategy. Further **improve the labour-market participation of women**, notably those wishing to re-enter the labour market by **promoting flexible working arrangements**.
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3. To ensure the long-term sustainability of public finances continue the ongoing pension reform, such as by **accelerating the already enacted increase in the statutory retirement age and by consecutively linking it to changes in life expectancy.**
2. **Take measures to improve basic skills and further reduce early school-leaving** by promoting the continuous professional development of teachers.
1. (...) Step up measures to ensure the long-term **sustainability of public finances**.
2. Take measures to strengthen labour supply, notably through increased participation of low-skilled persons in **lifelong learning**.

3. Implement reforms of the second pillar of the pension system, ensuring an appropriate intra- and inter-generational distribution of costs and risks. **Underpin the gradual increase of the statutory retirement age with measures to improve the employability of older workers.** Implement the envisaged reform in the area of long-term care with a view to ensure sustainability, while ensuring fair access and the quality of services and monitor its effects.

3. **Reduce the level of contributions to the second pillar of the pension system** for those in the early years of working life.

3. Take measures to make the second pillar of the **pension system** more transparent, inter-generationally fairer and more resilient to shocks. Take measures to reduce the remaining distortions in the **housing market** and the debt bias for households, in particular by decreasing mortgage interest tax deductibility.

4. Take further measures to **enhance labour market participation particularly among people at the margin of the labour market and to reduce tax disincentives on labour. Implement reforms of employment protection legislation and the unemployment benefit system**, and further address labour market rigidities. In consultation with the social partners and in accordance with national practice, **allow for more differentiated wage increases** by making full use of the existing institutional framework.

2. Tackle **remaining barriers to hiring staff on permanent contracts** and **facilitate the transition from temporary to permanent contracts**. Address the high increase in self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection.

3. **Continue efforts to increase female labour market participation**, in particular by taking further steps to **increase the availability of affordable quality childcare** and pre-school education and ensuring stable funding. Include farmers in the general pension system, starting by speeding up the creation of the system for assessment and recording of farmers' incomes. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general **pension reform** by stepping up efforts to **promote the employability of older workers** to raise exit ages from the labour market.

2. Start the process of aligning the **pension arrangements** for farmers and miners with those for other workers, and adopt a timetable for progressive full alignment; put in place a system for assessing and recording farmers' incomes.

2. Ensure the sustainability and adequacy of the **pension system** and increase participation in the labour market, by starting to reform the preferential pension arrangements, **removing obstacles to more permanent types of employment** and improving the **labour market-relevance of education and training**.

2. **Strengthen efforts to reduce youth unemployment**, notably by further improving the relevance of education to labour market needs, **increasing the availability of apprenticeships and work-based learning places** and by strengthening outreach to unregistered youth and the cooperation between schools and employers, in line with the objectives of a **youth guarantee**. Increase adult's participation in lifelong learning in order to adjust skills supply to skills demand. Combat labour market segmentation by stepping up efforts to **ensure a better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts**.

3. Take measures to **reduce the excessive use of temporary and civil law contracts in the labour market**.

2. Ensure the sustainability and adequacy of the **pension system** and increase participation in the labour market, by starting to reform the preferential pension arrangements, **removing obstacles to more permanent types of employment** and improving the **labour market-relevance of education and training**.

1. Fully implement the budgetary strategy for 2014 so as to achieve the fiscal targets and prevent the accumulation of new arrears. For the year 2015, rigorously implement the budgetary strategy as laid out in the Fiscal Strategy Document 2014, in order to bring the deficit to 2.5% of GDP, in line with the target set in the Excessive Deficit Procedure recommendation, while achieving the required structural adjustment. (...) **Effectively implement single wage and supplements' scales in the public sector from 2015 onwards.**
1. (...) **Improve the medium-term sustainability of the pension system (...)**
1. (...) Conduct, by February 2017, a comprehensive expenditure review at all levels of **public administration** and strengthen expenditure control, cost effectiveness and adequate budgeting. (...) Reduce the reliance of the **pension system** on budgetary transfers. By the end of 2016, refocus ongoing restructuring plans of state-owned enterprises.
2. **Maintain minimum wage developments** consistent with the objectives of promoting employment and competitiveness. **Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level.** Explore, in consultation with the social partners and in accordance with national practice, the possibility of mutually agreed firm-level temporary suspension of collective agreements. By September 2014, present proposals on mutually agreed firm-level temporary suspension of collective agreements and on a revision of the survival of collective agreements.
2. Promote the **alignment of wages and productivity**, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. **Ensure that developments relating to the minimum wage are consistent with the objectives of promoting employment and competitiveness.**
2. In consultation with social partners, ensure that **minimum wages** are consistent with the objectives of promoting employment and competitiveness across sectors.
3. Present, by March 2015, an independent **evaluation of the recent reforms in the employment protection system**, together with an action plan for possible further reforms to tackle labour market segmentation. Pursue the ongoing reform of active labour market policies and Public Employment Services aimed at increasing employment and labour participation rates, specifically by improving job counselling/job search assistance and activation/sanction systems with a view to reducing long-term unemployment and integrating those furthest away from the labour market. **Address the high youth unemployment**, in particular by effective skills anticipation and outreach to non-registered young people, **in line with the objectives of a youth guarantee.** Ensure adequate coverage of social assistance, including the **minimum income scheme**, while ensuring effective activation of benefit recipients.
3. Improve the efficiency of public employment services, in particular by increasing outreach to non-registered **young people. Ensure effective activation of benefit recipients and adequate coverage of social assistance, in particular the minimum income scheme.**
3. Ensure the effective activation of the long term unemployed and improve the coordination between **employment and social services.** Strengthen incentives for firms to **hire through permanent contracts.**

4. Improve the quality and labour-market relevance of the education system in order to reduce early school leaving and address low educational performance rates. Ensure efficient public expenditure in education and reduce skills mismatches, **including by increasing the quality and attractiveness of vocational education and training and fostering co-operation with the business sector.** Enhance cooperation between public research and business and foster knowledge transfer.

2. Implement the budgetary strategy for 2014, significantly strengthen the budgetary effort to ensure reaching the medium-term objective in 2015 in line with commitments under the Balance of Payments programme and as reflected in the 2014 convergence programme, in particular by specifying the underlying measures, and remain at the medium-term objective thereafter. Improve tax collection by continuing to implement a comprehensive tax compliance strategy, stepping up efforts to reduce VAT fraud. **Fight undeclared work. Reduce tax burden for low- and middle-income earners** in a budget-neutral way. Finalise the pension reform started in 2010 by **equalising the pensionable age for men and women**.

4. Strengthen active labour-market measures and the capacity of the National Employment Agency. Pay particular attention to the **activation of unregistered young people**. Strengthen measures to **promote the employability of older workers. Establish, in consultation with social partners, clear guidelines for transparent minimum wage setting**, taking into account economic and labour market conditions.

2. (...) Implement the comprehensive tax compliance strategy, **strengthen verification control systems in order to tackle undeclared work, and push ahead with the equalisation of the pensionable age for men and women**.

2. Strengthen the **National Employment Agency's services** to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social assistance, including social services, and reaching out to unregistered **young people**. Establish, in consultation with social partners, **objective criteria for setting the minimum wage**. Take action to prevent **early school leaving** and increase the provision of quality education, in particular among Roma. Adopt the **equalisation of the pension age for men and women**.

3. Strengthen the provision of labour market measures, in particular for **unregistered young people and the long-term unemployed**. Ensure that the national employment agency is adequately staffed. **Establish**, in consultation with the social partners and in accordance with national practices, **clear guidelines for setting the minimum wage transparently**. Introduce the minimum insertion income. **Increase the provision and quality of early childhood education and care**, in particular for Roma. Adopt the national strategy to **reduce early school leaving**. (...)

2. Strengthen the **National Employment Agency's services** to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social assistance, including social services, and reaching out to unregistered **young people**. Establish, in consultation with social partners, **objective criteria for setting the minimum wage**. Take action to prevent **early school leaving** and increase the provision of quality education, in particular among Roma. Adopt the **equalisation of the pension age for men and women**.

5. **Increase the quality and access to vocational education and training, apprenticeships**, tertiary education and of lifelong learning and adapt them to labour market needs. **Ensure better access to early childhood education and care**.

6. In order to alleviate poverty, increase the efficiency and effectiveness of social transfers, particularly for children, and **continue reform of social assistance**, strengthening its links with activation measures. Step up efforts to implement the envisaged measures to favour the integration of Roma in the labour market, increase school attendance and **reduce early school leaving**, through a partnership approach and a robust monitoring mechanism.

3. Strengthen the provision of labour market measures, in particular for **unregistered young people and the long-term unemployed**. Ensure that the national employment agency is adequately staffed. **Establish**, in consultation with the social partners and in accordance with national practices, **clear guidelines for setting the minimum wage transparently**. Introduce the minimum insertion income. **Increase the provision and quality of early childhood education and care**, in particular for Roma. Adopt the national strategy to **reduce early school leaving**. (...)

2. Strengthen the **National Employment Agency's services** to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social assistance, including social services, and reaching out to unregistered **young people**. Establish, in consultation with social partners, **objective criteria for setting the minimum wage**. Take action to prevent **early school leaving** and increase the provision of quality education, in particular among Roma. Adopt the **equalisation of the pension age for men and women**.

3. (...) Strengthen the independence and transparency of **human resources management in the public administration**.
(...) Strengthen corporate governance of state-owned enterprises.

SE				
Sweden	CSRs 2014	CSRs 2015	CSRs 2016	

4. Take appropriate measures to improve basic skills and **facilitate the transition from education to the labour market, including through a wider use of work-based training and apprenticeships**. Reinforce efforts to target labour market and education measures more effectively towards low-educated young people and people with a migrant background. Increase early intervention and outreach to young people unregistered with the public services.

2. Based on the public consultation, agree measures to ensure the sustainability of the pension system and adequacy of pensions beyond 2020, encompassing adjustments of key parameters, such as **linking the statutory retirement age to gains in life expectancy** and encouraging private contributions to the second pillar of the pension system. Contain age-related expenditure on long-term care by targeting benefits to those most in need and refocusing care provision from institutional to home care.

1. Ensure a durable correction of the excessive deficit in 2015, and achieve a fiscal adjustment of 0.6% of GDP towards the medium-term objective in 2016. Adopt the Fiscal Rule Act and revise the Public Finance Act. **Advance long-term reform of the pension system.** By end of 2015 adopt a healthcare and long-term care reform.

1. (...) By the end of 2017, adopt the necessary measures to ensure the long-term sustainability and adequacy of the **pension system**.

3. Following consultation with social partners and in accordance with national practices, develop a comprehensive Social Agreement by the end of 2014 **ensuring that wage developments, including the minimum wage, support competitiveness, domestic demand and job creation. Redefine the composition of the minimum wage and review its indexation system.** Take measures for further decreasing segmentation, notably **addressing the efficiency of incentives for hiring young and older workers and the use of civil law contracts. Adopt the Act on Student Work.** Prioritise outreach to non-registered young people ensuring adequate public employment services capacities. To increase employment of low-skilled and **older workers**, adapt the working environment to longer working life and focus resources on tailor made active labour market policy measures, while improving their effectiveness. **Address skills mismatches by improving the attractiveness of vocational education and training** and by further developing cooperation with the relevant stakeholders in assessing labour market needs.

2. **Review**, in consultation with the social partners and in accordance with national practices, **the mechanism for setting the minimum wage**, and in particular the role of allowances, in light of the impact on in-work poverty, job creation and competitiveness. Increase the employability of low skilled and **older workers**. Take measures to address long-term unemployment and provide adequate incentives to extend working lives.

2. In consultation with social partners, increase the employability of low-skilled and **older workers**, including through targeted lifelong learning and activation measures.

4. Take measures to **modernise public administration** and reduce the administrative burden on business. Improve the governance and the performance of state-owned enterprises.

3. More effectively address long-term unemployment through activation measures, second-chance education and tailored quality training. Enhance the capacity of public employment services for case management, personalised counselling and activation of jobseekers, and **strengthen the link between unemployment and social assistance. Effectively tackle youth unemployment** by improving early intervention, in line with the objectives of a **youth guarantee. Improve incentives for women's employment**, by **enhancing the provision of child-care facilities**, in particular for children below three years of age.

2. Take additional measures to **address long term unemployment** by improving activation measures, second chance education and introducing high-quality training tailored to individuals' needs. Improve the **incentives for women** to remain in or return to employment by **improving the provision of childcare facilities**.

2. **Improve activation measures** for the long-term unemployed and other disadvantaged groups, including individualised services and targeted training. Facilitate the **employment of women**, in particular by extending the provision of affordable, quality **childcare. Improve educational outcomes** by making the teaching profession more attractive and by increasing the participation of Roma children from early childhood in mainstream education.

See above CSR 3

4. Take measures to increase the quality of teaching in order to raise educational outcomes. **Reinforce the provision of work-based learning in companies in vocational education and training.** Adapt accreditation, funding and governance measures to encourage the creation of profession-oriented bachelor-level programmes. Improve the quality and relevance of the science base and implement plans to foster effective knowledge transfer and co-operation between academia, research and business. Adopt systemic measures to improve access to high quality and inclusive pre-school and school education for marginalised communities, including Roma and **take steps to increase their wider participation in vocational training** and higher education.

3. (...) Improve the transparency, quality and effectiveness of **human resources management in public administration**, in particular by adopting a new civil service act, and the effectiveness of the justice system. Adopt a comprehensive plan to address administrative and regulatory barriers for businesses.

UK

United
Kingdom

CSRs 2014

CSRs 2015

CSRs 2016

3. **Maintain commitment to the Youth Contract**, especially by improving skills that meet employer needs. Ensure employer engagement by placing emphasis on addressing skills mismatches through more advanced and higher level skills provision and **furthering apprenticeship offers**. Reduce the number of young people with low basic skills.

3. Address skills mismatches by increasing employers' engagement in the delivery of **apprenticeships**. Take action to further reduce the number of young people with low basic skills. Further improve the availability of affordable, high-quality, full-time **childcare**.

3. **Address skills mismatches** and provide for skills progression, including by strengthening the **quality of apprenticeships**. Further improve the availability of affordable, high-quality, full-time **childcare**.

4. Continue efforts to reduce child poverty in low-income households, by **ensuring that the Universal Credit and other welfare reforms deliver adequate benefits** with clear work incentives and support services. **Improve the availability of affordable quality childcare**.

3. Address skills mismatches by increasing employers' engagement in the delivery of **apprenticeships**. Take action to further reduce the number of young people with low basic skills. Further improve the availability of affordable, high-quality, full-time **childcare**.

3. **Address skills mismatches** and provide for skills progression, including by strengthening the **quality of apprenticeships**. Further improve the availability of affordable, high-quality, full-time **childcare**.

Source: Country-specific recommendations 2014–2015, 2015–2016 and 2016–2017; Emphasis added by the author.

Annex 4: Country-specific recommendations (CSRs) in the social field under the European Semester 2016 – Commission versus Council versions

BE

Belgium

CSRs 2016
Commission proposals

CSRs 2016
Council Recommendations

2. Carry out the intended review of the 'Law of 1996' on competitiveness and employment in consultation with the social partners. Ensure that wages can evolve in line with productivity. Ensure the effectiveness of labour market activation policies. Move forward with education and vocational training reforms and provide training support, notably for people from a migrant background.

2. Carry out the intended review of the Law of 1996 on the promotion of employment and the safeguarding of competitiveness in consultation with the social partners. Ensure that wages can evolve in line with productivity. Ensure the effectiveness of labour market activation policies. Move forward with education and vocational training reforms and provide training support for **disadvantaged groups, notably in particular** people from a migrant background.

BG

Bulgaria

CSRs 2016
Commission proposals

CSRs 2016
Council Recommendations

3. Reinforce and integrate social services and active labour market policies, in particular for the long-term unemployed and young people not in employment, education or training. Increase the provision of quality education for disadvantaged groups, including Roma. Improve the efficiency of the health system by improving access and funding, and health outcomes. In consultation with social partners establish guidelines and criteria for setting the minimum wage. Increase the coverage and adequacy of the minimum income scheme.

3. Reinforce and integrate **social assistance, including relevant** social services, and active labour market policies, in particular for the long-term unemployed and young people not in employment, education or training. Increase the provision of quality education for disadvantaged groups, including Roma. Improve the efficiency of the health system by improving access and funding, and health outcomes. In consultation with social partners establish guidelines and criteria for setting the minimum wage. Increase the coverage and adequacy of the minimum income scheme.

HR

Croatia

CSRs 2016
Commission proposals

CSRs 2016
Council Recommendations

3. By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in public administration to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services. Reinforce the monitoring of state-owned enterprises' performance and boards' accountability. Advance the listing of shares of state-owned companies and the divestment process of state assets.

3. By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in public administration to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services. **Advance the divestment process of state assets and reinforce the monitoring of state-owned enterprises' performance and boards' accountability, including by advancing the listing of shares of state-owned companies.**

IT

Italy

CSRs 2016
Commission proposals

CSRs 2016
Council Recommendations

2. Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming local public enterprises, local public services and the management of human resources. (...)

2. Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming ~~local~~ **public**—**publicly-owned** enterprises, local public services and the management of human resources. (...)

LT

Lithuania

CSRs 2016
Commission proposals

CSRs 2016
Council Recommendations

2. Strengthen investment in human capital and address skills shortages, by improving the labour market relevance of education, raising the quality of teaching and pursuing more active labour market policies and adult learning. Strengthen the role of social dialogue mechanisms. Improve the performance of the healthcare system by strengthening outpatient care, disease prevention and health promotion. Improve the coverage and adequacy of unemployment benefits and social assistance.

2. Strengthen investment in human capital and address skills shortages, by improving the labour market relevance of education, raising the quality of teaching ~~and pursuing more active labour market policies~~ and adult learning. **Reinforce the coverage and effectiveness of active labour market policies.** Strengthen the role of social dialogue mechanisms. Improve the performance of the healthcare system by strengthening outpatient care, disease prevention and health promotion. Improve the coverage and adequacy of unemployment benefits and social assistance.

LU

Luxembourg

CSRs 2016
Commission proposals

CSRs 2016
Council Recommendations

1. Ensure the long-term sustainability of public pensions by further limiting early retirement, by linking the statutory retirement age to life expectancy and by increasing incentives to work longer.

1. Ensure the long-term sustainability of public pensions **by increasing the effective retirement age**, by **further** limiting early retirement and increasing incentives to work longer, and by **linking** aligning the statutory retirement age **to changes** in life expectancy.

<p>LV Latvia</p>	<p>CSRs 2016 Commission proposals</p>	<p>2. Improve the adequacy of social assistance benefits and step up measures supporting recipients in finding and retaining work, including through increased coverage of activation measures. Speed up the curricula reform in vocational education, establish with the involvement of social partners a regulatory framework for apprenticeship-type schemes and increase their offer.</p>	<p>CSRs 201 Council Recommendations</p> <p>2. Improve the adequacy of social assistance benefits and step up measures supporting recipients in finding and retaining work, including through increased coverage of activation measures. Speed up the curricula reform in vocational education, establish – with the involvement of social partners – a regulatory framework for apprenticeship-type schemes work-based learning and increase their offer.</p>
<p>PT Portugal</p>	<p>CSRs 2016 Commission proposals</p>	<p>2. In consultation with social partners, ensure that minimum wages are consistent with the objectives of promoting employment and competitiveness across industries.</p>	<p>CSRs 2016 Council Recommendations</p> <p>2. In consultation with social partners, ensure that minimum wages are consistent with the objectives of promoting employment and competitiveness across industries-sectors.</p>
<p>RO Romania</p>	<p>CSRs 2016 Commission proposals</p>	<p>2. Strengthen the National Employment Agency's services to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social services and reaching out to unregistered young people. Establish, in consultation with social partners, objective criteria for setting the minimum wage. Take action to prevent early school leaving and increase the provision for setting the minimum wage.</p>	<p>CSRs 2016 Council Recommendations</p> <p>2. Strengthen the National Employment Agency's services to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social assistance, including social services, and reaching out to unregistered young people. Establish, in consultation with social partners, objective criteria for setting the minimum wage. Take action to prevent early school</p>

of quality education, in particular among Roma. Adopt the equalisation of the pension age for men and women.

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SI

Slovenia

CSRs 2016
Commission proposals

CSRs 2016
Council Recommendations

1. (...) By the end of 2017, adopt the reform of the pension system.

1. (...) By the end of 2017, adopt the ~~reform~~ **necessary measures to ensure the long-term sustainability and adequacy** of the pension system.

Source: Country-specific recommendations 2016-2017 available at: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm. According to the Explanatory Note of the Council of the European Union, all the above-mentioned changes should be considered as 'a number of additions as well as factual or technical changes to the recommendations with the full support of the Commission' (Council of the European Union 2016a). All further emphasis has been added by the author.