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

An overview and comparison Update including the CSRs 2017-2018

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Background analysis 2017.02

europaen trade union institute

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Brussels, 2017
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Print: ETUI Printshop, Brussels



The ETUI is financially supported by the European Union. The European Union is not responsible for any use made of the information contained in this publication.

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Introduction

On 22 May 2017, 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 2016 country-specific recommendations (CSRs), presented its proposals for new CSRs for 2017-2018.¹ Following meetings and debates within several Committees (the Economic and Financial Committee (EFC), the Employment Committee (EMCO), the Social Protection Committee (SPC) and the Economic Policy Committee (EPC)) as well as with other stakeholders, including European and national social partners, amendments were introduced. The recommendations were then approved by the EPSCO Council on 15 June (regarding the employment and social aspects)² and the ECOFIN Council on 16 June (regarding the economic/financial and Macroeconomic Imbalance Procedure (MIP)-related aspects³). They were subsequently endorsed by the European Council on 22-23 June and legally adopted by the ECOFIN Council on 11 July 2017.

This year, a total of 78 of what could be called ‘package’ recommendations (as they often contain several sub-recommendations) were delivered to 27 Member States (all except Greece)⁴ concerning the fields of public finance and 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.

1. These CSRs are available at: https://ec.europa.eu/info/publications/2017-european-semester-country-specific-recommendations-council-recommendations_en.
2. Council of the European Union (2017a and b)
3. The Macroeconomic Imbalance Procedure (MIP), introduced in 2011, aims to identify, prevent and address the emergence of potentially harmful macroeconomic imbalances that could adversely affect economic stability in a particular EU country, the euro area, or the EU as a whole. Under the MIP, when a country is found to have an excessive imbalance, it is subject to enhanced monitoring known as the Excessive Imbalance Procedure (EIP). In addition to the increased monitoring, countries in the euro area can also face sanctions. More information on the MIP can be found at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/macroeconomic-imbalance-procedure/dealing-macroeconomic-imbalance_en. The results of the MIP surveillance for 2017 can be found at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/macroeconomic-imbalance-procedure/mip-surveillance-2017_en.
4. Since the start of the European Semester process in 2011, it is the priority of Member States under a financial assistance programme agreed upon with the EU and IMF to implement this programme, and they thus receive a single recommendation enjoining them to do so. See also below.

The EU and its economies might be in the process of overcoming the effects of the financial and economic crisis but the EU institutions rightly recognise that the recovery is still unevenly distributed across Member States. The legacies of the crisis like high unemployment, poverty and (income) inequality remain key concerns in many countries. Furthermore, EU economies and the social model remain under pressure in the wake of globalisation, digitisation, and ageing societies.⁵ Therefore, it is finally recognised that *'structural reforms are needed to foster social justice, mitigate income inequalities and support convergence towards better outcomes'* and that *'social priorities and consequences should be taken into account when designing and implementing the reform agenda'*.⁶ As Marianne Thyssen, Commissioner for Employment, Social Affairs, Skills and Labour Mobility, rightly said, after turning the page on the crisis *'the next chapter is social'*.⁷ A particular focus in this year's recommendations are therefore reforms that facilitate investment in social infrastructure, education, early childhood education and care, and lifelong learning. There are also recommendations to ensure the overall efficiency of welfare and tax-benefit systems in order to address income equality and poverty.

In 2017, the renewed focus on social aspects has been further underlined by the Commission with the launch of the widely debated and long-awaited European Pillar of Social Rights, designed as a compass for a renewed process of both economic and social upward convergence. The European Semester, and in particular the CSRs, has been deliberately chosen as one of the main vehicles to implement the 20 principles enshrined in the Pillar. In order to track the progress made in this implementation, a Social Scoreboard has been established which maps indicators over 12 economic and social areas. Outcomes of this mapping are intended to feed into and be reflected in the recommendations over the following years. In the ETUC's view, it is clear that a stronger Pillar will, amongst other things, only be achieved when the European Semester is revised and the social dimension and social rights have an ensured place at the core of the European integration process.⁸ It now remains to be seen whether the final version of the Pillar that will hopefully be officially proclaimed by the end of this year (jointly by the European Council, Parliament and Commission) will not be downgraded by Member States. The Social Scoreboard, which helps to map progress, is also certainly ripe for improvement if the aim is indeed upward social convergence and progress.⁹

5. European Commission 2017b

6. European Commission 2017d

7. European Commission 2017a

8. ETUC (2017a), for ETUI research on the Pillar, see in particular Lörcher and Schömann (2016), Rasnača (2017a and b).

9. In the ETUC's view, the Social Scoreboard can be a driver for progressive social policies in the future but there is room for further improvement, particularly as not all 20 principles of the Pillar are covered by the Scoreboard, and certain crucial indicators (e.g. quality of jobs, collective bargaining levels, pension levels, etc.) are absent or underrepresented (ETUC 2017 b). Similar criticism comes from the ETUI, which in addition highlights that the Scoreboard has no assessment methodology attached to it and that it also remains to be seen how this set of benchmarks relates (or not) to other sets of indicators such as the Europe 2020 Targets, those used in the Macroeconomic Imbalance Procedure (MIP) and those in the already established Employment and Social Protection Performance Monitors (ETUI 2017). On the need to ensure a complementarity between the Scoreboard and other sets of indicators,

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 research.¹⁰ As in previous years and for reasons of consistency, the different reforms and measures requested via the CSRs have been grouped, for the purpose of this analysis, into the following eight categories (which are further subdivided into some measures/issues which recur in the CSRs): 1) wages (including wage indexation and reform of wage-setting systems), 2) employment protection legislation (EPL),¹¹ 3) labour market participation (and that of different groups of workers, e.g. women, older workers), 4) youth employment (including the youth guarantee, facilitating the transition from education to work and reducing early school-leaving), 5) pensions (including general pension reforms and reforming the (early) retirement age), 6) social protection/assistance (including 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) the tax burden (including mainly requests about ‘shifting the tax burden away from labour’ or ‘broadening the tax base’, in the words of the Commission) (see table 1).¹²

This paper provides a brief ‘statistical’ comparison between the CSRs issued in 2017-2018 and those adopted by the European Council in the period from 2011 to 2016. Furthermore, Annex 1 contains a country-by-country overview of the ‘social recommendations’ received by Member States and of their clarifying recitals. Annex 2 provides an overview in table format of the social CSRs adopted over the period 2011-2017. As in previous years, Annex 3 provides a comparison between the texts of social recommendations over the period 2015-2016 by country.¹³ Finally, Annex 4 provides a comparison between the texts of the social CSRs for 2017-2018, as proposed by the European Commission in May 2017 and finally adopted by the Council in July 2017.

see also Council of the European Union (2017a and c). For a comprehensive comparison of the overlapping and/or incoherence of the employment and social indicators used in these latter sets of indicators mentioned above, as well as suggestions for considering additional indicators, see European Parliament (2016).

10. For similar previous ETUI research, see Clauwaert (2013a), Clauwaert (2014) and Clauwaert (2015). All other ETUI research looking at the reforms that took place in the last ten years in the different Member States in the areas of labour markets, pensions and strikes have been brought together in a new online web information service of the ETUI, called ‘Reforms Watch’ (<https://www.etui.org/ReformsWatch>).
11. The acronym EPL used in this paper is what economists commonly use to refer to the entire set of regulations that place some limits on 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.
12. However, due to the sometimes slightly different language and/or content of certain recommendations over the years, the categories and measures mentioned above were slightly altered and/or extended. For this year (2017), no real alterations to the classification were considered necessary (yet).
13. As in previous years, and chiefly for practical and ‘readability’ reasons, the tables in this Annex have been limited to the CSRs from 2015 to 2017. 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 2017 versus CSRs 2011 - 2016

In 2017, a total of 78 of what could be called ‘package’ recommendations were adopted with regard to 27 EU Member States (all except Greece). This means a nominal decrease of around 14% compared to last year when 89 recommendations were adopted (also with regard to 27 Member States). To recap, the situation in earlier years was as follows: 102 recommendations in 2015; in 2014, 157 recommendations (concerning 26 Member States); in 2013, 141 recommendations (concerning 23 Member States); in 2012, 137 recommendations (also concerning 23 Member States); and in 2011, 117 recommendations were adopted concerning 22 Member States (see Table 2).

Like last year, only Greece received no additional specific recommendations but simply a general one requesting it to implement its Memorandums of Understanding (including any subsequent supplements).¹⁴

As in previous years, this nominal decrease in recommendations is mainly due to the fact that, according to the Commission, *‘the country-specific recommendations focus on a selected number of key priority issues of macro-economic and social relevance that require Member States’ immediate action. 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 various EU policy processes and will continue to encourage Member States to take a holistic approach in their National Reform Programmes.*¹⁵

The Commission’s approach to opt for ‘more focused CSRs on selected key priorities that require Member States’ immediate action’ has of course had an influence on both the nominal decrease in package recommendations as well as on the number of ‘social recommendations’. Indeed, this year, out of the 78 package recommendations, 46 could be considered recommendations concerning the ‘social field’. This is, on the one hand, the lowest nominal figure of social CSRs since the start of the European Semester process, but on the other hand, and calculated percentage-wise (i.e. comparing the social versus the total number of

14. As already mentioned, since the start of the European Semester process in 2011, Member States under a financial assistance programme have as their priority to implement the programme agreed upon with the EU and IMF and hence each receive a single recommendation enjoining them to do so. This was the case for Greece, Ireland, Latvia, Portugal and Romania in 2011; for Greece, Ireland, and Portugal in 2012; for Cyprus, Greece, Ireland and Portugal in 2013; and for Cyprus and Greece in 2014 and 2015; whereas in 2016 only Greece received a single recommendation.

15. European Commission (2017b)

recommendations), it shows that the social field remains a main field of focus of the Commission and Council under the European Semester, basically since the start of this system. Indeed, this year not less than 60.50% of the recommendations are to be situated in the social field, this being the highest percentage since the start of the European Semester and the third year in a row where they represent 50 or more percent of the total number of CSRs (see Table 2). Of note is that, as in the past two years, two countries (DK and SE)¹⁶ yet again received no social recommendation. Furthermore, whereas last year, two countries (LV and MT) managed a ‘full score’ (i.e. meaning that all recommendations they received related, at least partially, to the social field), this year three countries managed to do so, namely Austria, the Czech Republic and, again, Latvia.

As in previous years, the more focused approach of the Commission led to it employing more succinct language (and number of words) in formulating its recommendations.¹⁷ Thus the wealth of explicit detail, also found in previous recommendations, has again been to a considerable degree shifted to and even concealed in the explanations/recitals.¹⁸ This also implies that these explanatory recitals touch again upon issues not covered by the actual recommendation issued to the country, while nonetheless entailing some warnings or ‘implicit’ recommendations on reforms in certain (social) fields that the country concerned should introduce and/or continue. In fact, in its opinion, the EMCO underlined the importance of these recitals by stating that *‘given the tendency for CSRs to be rather more general or broad than in previous years, the recitals may be essential for understanding exactly what a given CSR was seeking to address (...). In this context it would be helpful, where possible, if recitals could be forward-looking’*.¹⁹ Furthermore, *‘the bundling of several issues into*

16. Of note, however, is that in the explanatory paragraphs to the recommendations, Denmark was reminded that despite different reforms taken and planned, ‘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), partly due to their on average lower education performance compared to native-born. The gap persists into the second generation’ and that ‘further measures should still be taken to include other marginalised groups, such as young people with low educational attainment and workers above the age of 60, into the labour market more effectively.’ (See section on Denmark in Annex 1). Sweden on the other hand was reminded that ‘a lack of available and affordable housing can also limit labour market mobility and the effective integration of migrants into the labour market, and contribute to intergenerational inequality.’ Furthermore, in relation to the integration of refugees ‘further improvements appear possible as in 2016 only one third of participants to the introduction programme were in work or education 90 days after having completed the programme, and a comprehensive approach and governance on the corresponding recognition of qualifications are still missing.’ Finally, the Commission considers that ‘the measures launched by the Government to improve school outcomes and equity warrant close monitoring, together with the initiatives aimed at integrating newly-arrived migrant pupils into the school system.’ (See section on Sweden in Annex 1).

17. See Clauwaert (2015) and (2016). It is also noteworthy that the Commission has clarified that the reason why some countries have more detailed recommendations is that ‘the level of detail and specificity of an individual country-specific recommendation depends on the specific economic situation of the country concerned. In general, Member States which face more urgent and/or encompassing challenges, such as, for example, those experiencing excessive imbalances (Bulgaria, Croatia, Cyprus, France, Italy and Portugal), receive more detailed and comprehensive recommendations than other Member States. For Member States where economic performance is overall satisfactory and challenges are more specific, the recommendations are less comprehensive and detailed.’ (European Commission 2017b)

18. See Clauwaert (2015) and (2016).

19. Council of the European Union (2017b), p. 11.

one CSR makes discussing them, and following them up, more difficult. The rationale for such bundling is at times not clear. This may also cause problems for the assessment of the CSR implementation – with some CSRs covering so many different actions, how can the level of implementation be satisfactorily assessed? (...) Although EMCO continues to welcome a limited number of recommendations, it would clearly prefer a “one CSR= one recommendation” approach, even if this led to an increase in the overall number of CSRs.’²⁰ The Social Protection Committee (SPC), on the other hand, takes a milder tone by just stating that it ‘encourages the Commission to continue enhancing the synergies between the recitals and the CSRs.’²¹ (See also Annex 1).

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 also reflect – as in previous years – the 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 2011-2017 of the number of recommendations per (sub)category. The focus on employment and social performance/issues, translates into the fact that, with a few exceptions, the overall figures in our classification have increased in almost every (sub) category.²² The figures for 2017 seem to confirm some of the trends already identified over previous years such as 1) a continuous intervention in wage(-setting/indexation) mechanisms (including four countries having received a recommendation on the gender pay gap) and 2) a strong insistence on pension reform.²³ On the other hand, a growing importance is attached to issues relating to social protection, social assistance (including social benefits and social services) and improvement of labour market participation, in particular of older workers. Member States seem to have acted on the recommendations of previous years to shift the tax burden away from labour and/or to broaden the tax base, as fewer recommendations have concerned issues in this area (although EMCO highlights that ‘*progress is often rather limited and the tax wedge remains high overall*’).²⁴ The reform of public administration (including sometimes state-owned enterprises) being a new feature identified last year, eight Member States have again been asked to continue the reform of their administration,²⁵ with a particular focus on introducing a (re)new(ed) HR management and/or looking more closely at the wage(-setting) of public employees (see also Table 4).

20. Ibidem, p.12.

21. Ibidem, p. 22.

22. Our classification does not correspond to the classification used by the Commission in its ‘overview of policy areas covered in the CSRs 2017’ (available at: https://ec.europa.eu/info/files/2017-european-semester-policy-areas-covered-csrs_en) (European Commission 2017c). This explains the sometimes different figures between both tables.

23. As for the recommendations on pension reforms, the SPC welcomed this continuous focus and particularly that, in contrast to previous years, the CSRs are less prescriptive and leave the necessary space for Member States to use the appropriate policy levers in order to achieve the desired policy objectives (Council of the European Union (2017b), p. 20).

24. Council of the European Union (2017b), p. 10.

25. Croatia, Cyprus, Italy, Latvia, Romania, Slovakia, Slovenia and Spain.

Table 2 Overview of the number of CSRs 2017-2018 per country compared to the 'social' CSRs of the previous cycles 2011-2016

Country	2011-2012		2012-2013		2013-2014		2014-2015		2015-2016		2016-2017		2017-2018	
	Total	Social	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	2	2
BE	6	3	7	3	7	4	6	4	4	4	3	2	3	2
BG	6	3	7	2	7	3	6	4	5	2	4	3	4	3
CY	7	3	7	3	-	-	-	-	-	-	5	2	5	2
CZ	6	3	6	3	7	3	7	4	4	1	3	1	2	2
DE	4	1	4	1	4	1	4	2	3	1	3	1	2	1
DK	5	2	5	2	3	1	3	1	2	0	2	0	1	0
EE	4	1	5	2	5	2	5	3	3	2	2	1	2	1
EL	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ES	7	4	8	5	9	4	8	5	4	1	4	2	3	1
FI	5	2	5	2	5	2	5	2	4	2	3	2	3	2
FR	5	4	5	3	6	4	7	6	6	4	5	3	4	3
HR	-	-	-	-	-	-	8	3	6	2	5	2	5	3
HU	5	2	7	3	7	3	7	3	5	3	3	2	3	2
IE	-	-	-	-	-	-	7	2	4	2	3	1	3	1
IT	6	2	6	3	6	2	8	3	6	2	5	2	4	3
LT	6	2	6	3	6	3	6	3	3	3	3	2	3	2
LU	4	3	5	2	6	3	5	3	3	3	2	1	2	1
LV	-	-	7	3	7	3	5	3	4	3	3	3	3	3
MT	5	3	6	3	5	2	5	2	4	2	2	2	2	1
NL	4	2	5	2	4	2	4	2	3	1	3	2	2	1
PL	7	3	6	2	7	2	6	2	4	2	3	1	3	1
PT	-	-	-	-	-	-	8	4	5	3	5	3	4	2
RO	-	-	-	-	8	3	8	4	4	2	4	2	3	3
SE	3	1	4	1	4	1	4	1	1	0	1	0	1	0
SI	6	3	7	4	9	2	8	2	4	2	4	3	3	2
SK	6	3	7	5	6	2	6	2	4	1	3	2	3	1
UK	5	2	6	2	6	2	6	2	3	1	3	1	3	1
	117	54	137	61	141	57	157	74	102	51	89	48	78	46
	46.15%		44.52%		40.42%		47.13%		50%		53.93%		60,53%	

Source: Country-specific recommendations; ETUI calculations.

Table 3 Evolution of the number of social CSRs from 2011-2017

		CSRs 2011-2012	CSRs 2012-2013	CSRs 2013-2014	CSRs 2014-2015	CSRs 2015-2016	CSRs 2016-2017	CSRs 2017-2018
Wages	Reviewing wage indexation	5	4	2	3	0	0	0
	Wage-setting mechanisms	8	8	7	11	11	12	14
	Subtotal	13	12	9	14	11	12	14
EPL	Employment protection legislation	6	8	4	8	4	8	7
Labour market participation	Women	6	9	5	7	11	7	8
	Older workers	8	7	12	10	8	4	8
	Tax disincentives second / low income earners	3	2	3	8	7	5	6
	Subtotal	17	18	20	25	26	16	22
Youth employment	Youth guarantee	0	0	12	8	15	7	8
	Transition school-work via companies	0	2	5	6	11	7	5
	Apprenticeships/ work-based learning	9	12	8	15	5	4	2
	"Drop outs"	4	7	6	3	6	6	6
	Subtotal	13	21	31	32	37	24	21
Pensions	Link between pensionable age and life expectancy	13	12	11	11	4	5	8
	Reducing early retirement	12	11	10	7	4	5	2
	Pension reform	-	-	-	-	14	13	13
	Subtotal	25	23	21	18	22	23	23
Social protection/ assistance	Social protection systems	4	2	5	9	7	3	8
	Quality social services	0	1	2	3	2	5	5
	Targeting social assistance	2	4	3	10	10	4	8
	Subtotal	6	7	10	22	19	12	21
Child poverty	Effective child support	0	1	2	3	1	1	1
	Childcare facilities	6	7	9	9	9	7	9
	Subtotal	6	8	11	12	10	8	10
Tax	Shift tax burden away from labour	9	9	10	9	14	14	6
Total n° specific social CSRs		95	106	116	140	143	117	124

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 policy areas covered in the CSRs of 2017'.²⁶

In addition, and as mentioned above, due to the fact that the Commission continues its approach of prioritising and slimming down the text of the CSRs, it was again all the more necessary to also read the related recitals, as these frequently entail far more ‘hidden recommendations’ which may make the figures/information contained in Tables 3-5 look somewhat more distorted in comparison with the figures/information relating to previous years and the figures provided by the Commission.

Table 4 Social CSRs 2017-2018 – issue based overview

		Countries
Wages	Reviewing wage indexation	–
	Reviewing wage-setting system -align with productivity developments ²⁷	AT, BE, BG, CY (public sector), DE, EE, FI, FR, HR (public sector), IT, LV, NL, PT, RO
EPL	Adjusting Employment Protection Legislation	CZ, DE, EE, ES, FR, NL, PL
Labour market participation	Enhancing participation of women	AT, CZ, DE, EE, MT, PL, RO, SK
	Enhancing participation older workers, promoting active ageing, LLL	BE, DK, FI, HR, LU, MT, PL, SI
	Reducing tax disincentives for second/ low income earners	BE, EE, HU, IT, LV, SK
Youth employment	Youth employment / guarantee	BG, CY, DK, ES, FI, IT, PT, RO
	Facilitating transition education / school to work	BE, BG, FR, MT, PL
	Apprenticeships / work-based learning	LV, UK
	Reducing school/education “drop outs”	ES, FR, HU, MT, PT, RO
Pensions	Explicit link between pensionable age and life expectancy	AT, CZ, HR, LT, LU, PL, RO ²⁸ , SK
	Reducing early retirement	HR, LU
	Pension reform	AT, BG (private pension funds), CZ, DE, LT, LU, LV, MT, NL (second pillar), PL, PT, SI, SK
Social protection/ assistance	Ensuring the adequacy and coverage of social protection systems	BG, EE, FI, FR, HR, HU, LV, PL
	(Access to) quality social services	BG, EE, ES, FI, RO
	Better targeting social assistance	BG, EE, ES, FI, HR, HU, IT, LV
Child poverty	Making child support more effective	HU
	Access to and quality of childcare services	CZ, DE, ES, HR, IE, IT, PL, SK, UK
Tax	Shift away from tax on labour (incl. attention for low income earners)	AT, BE, FR, LT, LU, LV

Source: Country-specific recommendations 2017-2018; EL did not get specific recommendations but was in general recommended to implement their respective Memorandums of Understanding (incl. any subsequent supplements). ETUI own classifications / calculations

²⁷. AT, DE and EE are in particular criticized because the gender wage gap in these countries is considered too high, although only EE received (again) a formal and explicit recommendation about it.

²⁸. In the case of Romania, of particular concern is the non-convergence of pension ages between men and women, whereby women, due to a lower retirement age, also have lower pension entitlements.

Table 5 Social CSRs 2017-2018 – EU-wide overview²⁹

		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; EL did not receive specific recommendations but was in general recommended to implement their respective Memorandums of Understanding (incl. any subsequent supplements).

²⁹. Similar tables on the social CSRs for 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016 and 2016-2017 can be found in Annex 2.

Conclusion

Is 2017 the year of the breakthrough? The EU institutions seem to have understood that although the EU (or at least some Member States) is in a process of slight economic recovery, the legacy of the crisis remains. High unemployment, income inequality and poverty are still key challenges for the Member State societies and urgently need to be tackled. One can only concur with Commissioner Thyssen that it is high time for the EU to ‘turn the page’ and that ‘the next chapter needs to be social’. Indeed, following the manifold structural (fiscal and economic) reforms, Europe urgently needs a reform agenda which is designed and implemented based on social priorities and policies.

The 2017 CSRs are thus right to focus on increasing the effectiveness of active labour market policies (in particular towards women, older workers and migrants), reducing labour market segmentation (by better framing the labour and social protection rights of workers in temporary forms of employment) and ensuring that social protection and assistance systems provide to all an adequate income support.

However, on the other hand, it is damaging that, to a certain extent, the Commission keeps on pressing for yet more austerity in some countries by limiting pay rises, and also that minimum wages are dealt with so negatively. It is also a missed opportunity that it limits requests for increased public investment in countries with budget surpluses.³⁰

2017 has also been the year of the launch of the European Pillar of Social Rights, which is designed as a compass for a renewed process of both economic and social convergence. A Social Scoreboard will now help to track this progress in 12 economic and social areas and the outcomes of this mapping exercise should be then again reflected in future CSRs. Whether this will actually turn out to be the case still remains to be seen, as the Pillar in its current form – which, at least in the eyes of the European trade union movement, could be strengthened – is still to be proclaimed by the EU institutions, and the Social Scoreboard also needs improving.

However, let us hope that these small steps taken by European politicians now in 2017 will inspire a giant leap forwards towards a stronger Social Europe in the future. It is high time to put ‘Social Rights First’³¹ again!

30. ETUC (2017c and d); ETUCE and EPSU likewise regret the significant lack of a generalised call to enhance public investment, particularly in education and social services (ETUCE (2017) and EPSU (2017)).

31. See the ETUC campaign website ‘Social Rights First’ at <http://socialrightsfirst.eu/en>.

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Annex 1

Country-by-country overview of the 'social CSRs' 2017-2018

Introductory note

Below, an overview of the 2017 social CSRs is provided on a country-by-country basis. In the boxes, one can find the text of the CSR followed by a quotation from the relevant (parts of the) recitals in the Council documents relating to the concerned CSR and providing more clarification on the reasons for/context behind the proposed CSR. Where relevant, other (parts of the) recitals of the Council Recommendations which relate to the social field but which do not correspond to a clear social CSR are also incorporated under the subsection 'other relevant information'.

In each of the texts and boxes below an overview is also provided of all (substantial) modifications introduced by the Council. The text marked in grey or stricken-out has been, respectively, added/changed or deleted in the Council text compared with the text of the recommendations/recitals proposed by the Commission in May 2017.

Austria

(2 out of 2; pension reform, retirement age, female workers, better integration of migrants/refugees (children) in labour market (in education), shift tax burden)³²

1. (...) Ensure the sustainability of the healthcare system and of the **pension system**. (...)

(9) **Pension** and healthcare spending pose a medium risk to fiscal sustainability in the medium and long term, due to a rapidly ageing population. Austria's public expenditure on pensions is relatively high compared to the rest of Europe and is expected to increase by 0.5 percentage points of GDP by 2060. This compares to the Union average which is expected to decrease by 0.2 percentage points of GDP over the same period. The **effective retirement age**, which **remains low** despite recent reforms, is one of the main drivers of higher pension expenditure. ~~It is currently at 60 years and 3 months, well below the EU average of 63 years and 6 months for men and 62 years and 6 months for women (2014).~~ Expressed as the average exit age from the labour market it is 62 years and 6 months for men and 61 years for women, which is below the union average of 63 years and 7 months for men and 62 years and 7 months for women (2014). Furthermore, the current statutory retirement age for women of 60 years is among the lowest in the Union, and it will only

³². This '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 12). For the convenience of the reader, some keywords are added reflecting the main (social) fields that the concerned CSRs relate to.

start to be harmonised with that of men in 2024. **Linking the statutory retirement age to changes in life expectancy would help** to ensure pension sustainability in an ageing demographic context, also by contributing to raising the effective retirement age.

2. **Improve the labour market outcomes for women**, also through, *inter alia*, the provision of full-time care services. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background. (...)

(13) While the labour market performs better in Austria than in most Member States, challenges remain. In particular, **women's labour market potential is underused**, as reflected in the high gender pay gap, *inter alia* resulting from a high share of part-time employment. In 2015, the **gender pay gap** was 21.7 %, compared to the Union average of 16.3 %. The high and above-average proportion of women working part-time is largely driven by care responsibilities for children and the elderly. The number of early childcare places for children under 3 years of age was at 25.5 % in 2015, still significantly below the Barcelona target of 33 %.

(14) Austria has already exceeded its national Europe 2020 targets for education. However, education outcomes depend considerably on the socioeconomic background as confirmed by the 2015 OECD Programme for International Student Assessment (PISA) results. Furthermore, the **education results of pupils with a migrant background are considerably worse** than those without one. In 2015, foreign born pupils were three 2,7 times more likely to leave school before completing upper secondary education than native born pupils. The integration challenge also affects Austrian born children of immigrants. Furthermore, Austria faces **challenges to integrate a large number of asylum seekers and refugees into its education system**.

(18) Austria has made considerable efforts in receiving asylum seekers and in integrating refugees as well as other immigrants. Nevertheless, **labour market integration of people with a migrant background, in particular women born outside the Union and job seeking refugees, remains a challenge**.

Other relevant information

(7) The Stability Programme indicates that the **budgetary impact of the exceptional inflow of refugees** and security-related measures is significant and provides adequate evidence of the scope and nature of these additional budgetary costs. According to the Commission, the eligible additional expenditure in 2016 amounted to 0.25% of GDP for the exceptional inflow of refugees and 0.04% of GDP concerning security-related measures. In 2017, the additional impact compared to 2016 of the security-related measures is currently estimated at 0.01% of GDP. The provisions set out in Article 5(1) and Article 6(3) of Regulation (EC) No 1466/97 cater for this additional expenditure, in that the inflow of refugees as well as the severity of the

terrorist threat are unusual events, their impact on Austria's public finances is significant and sustainability would not be compromised by allowing for a temporary deviation from the adjustment path towards the medium-term budgetary objective. Therefore, the required adjustment towards the medium-term budgetary objective for 2016 has been reduced to take into account additional refugee-related and security-related costs. Regarding 2017, a final assessment, including on eligible amounts, will be made in spring 2018 on the basis of observed data as provided by the Austrian authorities.

(8) On 12 July 2016, the Council recommended Austria to ensure that the deviation from the medium-term budgetary objective is limited to the allowance linked to **the budgetary impact of the exceptional inflow of refugees**,³³ and to that effect achieve an annual fiscal adjustment of 0.3% of GDP in 2017 unless the medium-term budgetary objective is respected with a lower effort. Based on the Commission 2017 spring forecast, the structural balance is required to remain stable in 2017, taking into account the granted allowances. The Commission forecast points to a risk of some deviation from that requirement in 2017. In 2018, based on the Commission 2017 spring forecast, Austria should ensure that the nominal growth rate of net primary government expenditure³⁴ does not exceed 2.2%, corresponding to an improvement in the structural balance by 0.3% of GDP.³⁵ Under unchanged policies, Austria would be at risk of some deviation from the requirement in 2018. At the same time, Austria is forecast to comply with the debt rule in 2017 and 2018. Overall, the Council is of the opinion that Austria needs to stand ready to take further measures to ensure compliance in 2017 and 2018.

(12) While the 2016 **tax reform has reduced the tax wedge** from 49.5 % to 46.7 %, it **remains relatively high compared** to the Union average of 40.6 % (figures refer to a single average income earner without children). In the absence of an indexation of tax brackets to inflation, the tax wedge will again gradually increase as an effect of the yearly fiscal drag. By contrast, more growth-friendly sources of revenue, such as recurrent property taxes, are underutilised, mainly because the tax base is outdated. Revenues from recurrent property taxes in Austria are very low, amounting to 0.2 % of GDP compared to the Union average of 1.6 % of GDP in 2014. Similarly, the implicit tax rate on energy in Austria is relatively low, pointing to unexploited potential for environmental taxes, which also include positive behavioural incentives.

33. Fn 5 Austria is allowed to deviate from its medium-term budgetary objective up to 2017 and 2018 by the additional budgetary impact related to the exceptional inflow of refugees and security-related measures incurred in 2015 and 2016 respectively, as temporary deviations are carried forward in each case for a total period of three years.

34. Fn 6 Net government expenditure is comprised of total government expenditure excluding interest expenditure, expenditure on Union programmes fully matched by Union funds revenue and non-discretionary changes in unemployment benefit expenditure. Nationally financed gross fixed capital formation is smoothed over a 4-year period. Discretionary revenue measures or revenue increases mandated by law are factored in. One-off measures on both the revenue and expenditure sides are netted out.

35. Fn 7 For Austria the adjustment requirement in 2018 takes into account the allowance linked to the unusual events granted for 2016, as temporary deviations are carried forward for a period of three years.

Belgium

(2 out of 3; ALMPs, vocational training, shift tax burden)

1. (...) Remove distortive tax expenditures. (...)

(20) Belgium has made **some progress in reforming the tax system, in particular by shifting taxes from labour to other tax bases**, which will gradually reduce the tax wedge on labour. Taxes on labour, including social contributions, are being reduced in several steps between 2016 and 2020. The effects of the ongoing tax reform are beginning to materialise. 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. The tax shift does not seem to be neutral from a budgetary point of view since labour tax cuts have only been partially compensated by increases in other taxes, **mainly including** consumption taxes. 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 stemming from, among other things, the favourable tax treatment of company cars and fuel cards which impedes further progress in tackling congestion, air pollution and greenhouse gas emissions. The government envisages changes to the company car system, but the environmental benefit of this reform is likely to be limited.

2. Ensure that the **most disadvantaged groups**, including people with a migrant background, have **equal access** opportunities to participate in quality education, vocational training, and the labour market.

(14) **Some progress has been made on the functioning of the labour market. A higher retirement age and further limits on pre-retirement** encourage older people to stay in or return to work. Gradual decreases in the tax wedge have helped to boost employment rates. Job creation has been robust, fuelled by economic growth and improved cost competitiveness. This also reflects labour tax cuts and wage moderation that have improved the labour cost competitiveness of Belgian companies. Nevertheless, **a number of structural shortcomings remain**. Transition rates from unemployment or inactivity to employment are low, and the overall employment rate is still weighed down by the poor performance of specific groups. These include the **low-skilled, the young, older workers and people with a migrant background such as non-EU born workers but also second-generation migrants**. The employment outcomes for people with a migrant background, even adjusting for other individual characteristics, are among the worst in the Union. In particular, the employment gap for the non-EU born is the highest in the Union: their employment rate for the age group 20-64 was 49.1 % in 2016, compared to 70.2 % for native-born people, and was even lower for non-EU born women (39.1 %). In 2015, the risk of poverty and social exclusion was 50.7 % for non-EU born residents, compared to 17 % for the native-born. These sizeable employment differentials between specific population groups continue to result in a chronic under-utilisation of labour. Although ongoing regional reforms of employment incentive schemes

aim to rationalise and tailor the system, the cost-effectiveness of the policy choices made should be monitored on a regular basis. Some design features of the target group policies may have windfall and displacement effects. Coordination and communication between and within the different policy levels is also key for the effectiveness of targeted policies. **Taxes, including social contributions on lower wages and the withdrawal of social benefits upon entering the labour market or increasing hours worked, may create inactivity and low wage traps.**

(15) Some progress has been made in **educational and training reforms** aiming to improve equity, key competences and the quality of education. However, despite good average performance compared internationally, the share of top performers among the 15-year-old students declined while the percentage of low achievers increased. In addition, educational inequalities linked to socioeconomic background are above the Union and OECD averages. The gap in performance based on migrant background is also large and the second generation performs only slightly better than the first, even taking socioeconomic background into account. Addressing educational inequality will thus require a broad policy response going beyond the educational system. The strong growth of the school population, in particular among pupils with a migrant background (their proportion rose from 15.1 % in 2012 to 17.7 % in 2015), will exacerbate the equity challenge. Moreover, Belgium faces a shortage of **qualified teachers**, and the teachers are not always well prepared or supported to cope with an increasingly diverse school population. The main reasons are the difficulty of attracting the most suitable students and candidates to the profession; the high exit rate of starting teachers; and the unavailability of a proportion of teachers for teaching. Also, at 3 years currently, the course length for initial teacher training is relatively short in Belgium. **Education and training reforms are key to improving the labour market participation of low-skilled young people and to supporting the transition to a knowledge-intensive economy.**

Other relevant information

(8) The 2017 Stability Programme indicates that the **budgetary impact of the exceptional inflow of refugees and security-related measures** in 2016 and 2017 is significant, and provides adequate evidence of the scope and nature of these additional budgetary costs. According to the Commission, the eligible additional expenditure in 2016 amounted to 0.08% of GDP for the exceptional inflow of refugees and to 0.05% of GDP for security-related measures. In 2017, the additional impact compared to 2016 of the security-related measures is currently estimated at 0.01% of GDP. The provisions set out in Article 5(1) and Article 6(3) of Regulation (EC) No 1466/97 cater for this additional expenditure, in that the inflow of refugees as well as the severity of the terrorist threat are unusual events, their impact on Belgium's public finances is significant and sustainability would not be compromised by allowing for a temporary deviation from the adjustment path towards the medium-term budgetary objective. Therefore, the required adjustment

towards the medium-term budgetary objective for 2016 has been reduced to take into account additional refugee-related and security-related costs. Regarding 2017, a final assessment, including on the eligible amounts, will be made in spring 2018 on the basis of observed data as provided by the Belgian authorities.

(9) On 12 July 2016, the Council recommended Belgium to achieve an annual fiscal adjustment of at least 0.6% of GDP towards the medium-term budgetary objective in 2017. Based on the Commission 2017 spring forecast, there is a risk of some deviation from that requirement in 2017. However, there is still a risk of a significant deviation from the recommended adjustment path towards the medium-term budgetary objective over 2016 and 2017 taken together. **This conclusion would not change in case the budgetary impact of the exceptional inflow of refugees and of security measures were deducted from the requirement.**

(13) Belgium has made **substantial progress in reforming its wage-setting system**. The revision of the 1996 law regulating wage bargaining aims at safeguarding the cost competitiveness gains realised as a result of the recent wage moderation efforts. The more conservative baseline projections and the built-in prior adjustments in the calculation of the wage norm mean the reformed framework goes a long way in improving Belgium's cost competitiveness relative to key trading partners within the euro area. In addition, the reform provides more guarantees that government measures to reduce non-wage labour costs will effectively benefit cost competitiveness, and expands the role of the government in preventing detrimental cost competitiveness trends as a result of excessive inflation. The collective bargaining framework provides for close monitoring of wage and productivity trends and other cost and non-cost competitiveness determinants by the social partner organisations represented in the Central Council for the Economy. **As the practice of linking wage developments to inflation is still widespread in many sectors**, and in the context of the widening inflation gap between Belgium and its neighbours, changes in unit labour costs will continue to be closely monitored under the European Semester.

Bulgaria

(3 out of 4; undeclared work, private pension funds, ALMPs (older workers, NEETs), social services, minimum wage setting, social protection/benefits)

1. Further improve tax collection and tax compliance, including through a comprehensive set of measures beyond 2017. Step up enforcement of measures to reduce the extent of the informal economy, in particular undeclared work.

(7) Efforts to improve tax collection are ongoing. Despite improvements, tax compliance remains a challenge. **The shadow economy and undeclared work are still high**. The tax-related administrative burden has been reduced but is still significant. Measures to cut red tape appear to have produced limited results so far and there are no indications of major improvements

in voluntary tax compliance. Under these circumstances, enforcing the rules appears to be key not only for implementing controls but also for strengthening the prevention of tax non-compliance. The Action Plan to the 2015-2017 Single National Strategy for improving tax collection, tackling the shadow economy and reducing compliance costs appears to be a useful tool, especially for evaluating and improving the coordination and efficiency of a number of administrative bodies working in the tax field. An ex post analysis of the impacts of the specific measures could contribute to the proper assessment, planning and targeting of future tax compliance measures. These measures will be included in a comprehensive single national strategy to replace the current strategy, which expires at the end of 2017.

2. Take follow-up measures on the financial sector reviews, in particular concerning reinsurance contracts, group-level oversight, hard-to-value assets and related-party exposures. Improve banking and non-banking supervision through the implementation of comprehensive action plans, in close cooperation with European bodies. (...)

(8) The authorities, in consultation and cooperation with the relevant European bodies, conducted asset quality reviews and stress tests of the banking and insurance sectors, and **a review of private pension funds' assets**. While the results confirmed the robustness of the sectors on aggregate, pockets of vulnerabilities were confirmed, including in some systemically-important institutions. **As the follow-up measures have not yet been fully implemented, the source of the vulnerability remains.** Furthermore, some issues, including valuing illiquid financial instruments and assets as well as related-party exposures, were not fully tackled by the three reviews. The supervisors could take a more conservative approach to address these issues. Outstanding issues in the insurance sector also include the treatment of certain reinsurance contracts, some insurance receivables and group-level supervision.

3. Improve the targeting of active labour market policies and the integration between employment and social services for disadvantaged groups. Increase the provision of quality mainstream education, in particular for Roma. (...) In consultation with social partners, establish a transparent mechanism for setting the minimum wage. Improve the coverage and adequacy of the minimum income.

(11) **Recent labour market developments have been positive, but structural problems remain.** The labour force continues to shrink because of population ageing combined with emigration. As the economy is undergoing structural changes, it is essential to tap into the unused labour potential. Currently, the labour market is characterised by a high share of long-term unemployment in total unemployment and a high inactivity rate, **limited inclusion of young people** in the labour market and skills shortages and mismatches. While the unemployment rate fell below the Union average in 2015⁶, the share of long-term unemployment and **the rate of young people not in employment, education or training and the low employment rate of low-skilled people are still major challenges**. In the face of these challenges, active labour market policies are insufficiently targeted towards disadvantaged groups and their needs, which

hinders their employability. In addition, the **insufficient integration of employment and social services for recipients of social benefits** can limit their labour market participation.

(12) **Improving educational outcomes and strengthening the provision of quality inclusive mainstream education remains a challenge, with potential consequences for poverty.** While the risk of poverty or social exclusion for children has slightly decreased, it remains one of the highest in the Union and is strongly linked to the educational level of the parents. Achievement in basic skills as measured by the 2015 OECD Programme for International Student Assessment (PISA) show that the proportion of under-achievers in reading, mathematics and science remains one of highest in the Union. The planned methodology to improve school financing has yet to be developed. This aims to support more equitable outcomes by providing additional support to low-performing schools. Children from families with lower socioeconomic status, particularly Roma families, do not *de facto* enjoy equal educational opportunities, including in early childhood. Vocational education and training is being reformed, but its quality and the cooperation with business and social partners are insufficient. Dual education continues to be rolled out. In higher education, performance-based funding seeks to improve quality and labour market relevance.

(14) Bulgaria's **minimum wage level**, while still the lowest in the EU, has increased significantly since 2011. Limited progress has been achieved in setting up an objective mechanism, despite employers and trade unions agreeing on the criteria. The absence of a transparent mechanism, which takes into account economic and social criteria, the labour market conditions, and the institutional aspect of their application, may jeopardise a proper balance between the objectives of supporting employment and competitiveness and safeguarding labour income. Despite some tensions among the social partners during the failed negotiations for minimum social security thresholds for 2017, social dialogue in the country remains in place.

(15) The **high share of people living at risk of poverty or social exclusion remains a major economic and social challenge.** Bulgaria is still the poorest Member State in the Union, with disadvantaged groups, such as Roma, children, the elderly, and people in rural areas, being disproportionately affected. After several years of sustained improvements, the at-risk-of-poverty rate for the elderly deteriorated substantially. Elderly women are at particularly high risk of poverty or social exclusion given their typically shorter pension contribution period. While the relative poverty situation of children has improved, poverty levels among this group remain very high. The deinstitutionalisation of children is keeping its momentum with the adoption of the new action plan. However, the process is still lagging behind for adults and people with disabilities. **Income inequality represents a significant and growing problem.** The ratio of the income of the richest 20 % of households to that of the poorest 20 % rose from 6.1 in 2012 to 7.1 in 2015 and is among the highest in the Union. In Bulgaria, the difference between income inequality before and after taxes and social

transfers is among the smallest in the Union. **The social protection system, including the general minimum income scheme** (consisting of monthly social assistance benefits and heating benefits); **does not provide adequate levels of support.** Coverage of people on social benefits remains low, driven by very restrictive entry requirements. The level of minimum income remains low and has not been updated since 2009 and does not have a transparent adjustment mechanism.

Croatia

(3 out of 5; (early) retirement, child care, social protection benefits, vocational training (incl. work-based learning), HR management in public administration (incl. wages))

2. 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. **Improve coordination and transparency of social benefits.**

(10) The labour market has continued to recover recently, but **unemployment is still high, with a high share of long-term jobseekers.** Along with low and declining activity, this means there is a large untapped labour potential. The decline in activity in 2016 was particularly pronounced among prime-aged low skilled workers and was driven by a shrinking working-age population due to ageing and emigration, both of which have been increasing.

(11) **Inactivity is relatively high among cohorts eligible for early retirement.** Short contribution periods result in low current and future pension adequacy and risks of old-age poverty. There are many pathways to early retirement, possible a full five years before the statutory retirement age. Financial incentives to work until that age are weak. Announced measures to encourage longer working lives have not been implemented. **Care responsibilities contribute to low labour market participation, of elder prime-aged women in particular.** There is a **shortage of formal childcare** and there are large regional disparities, with work contracts allowing little flexibility to balance work and care. **Paternity leave is unpaid, and work contracts allow little flexibility to balance work and care.** To date, the statutory pensionable age is 61 years and 9 months for women and 65 years for men. **The convergence and increase of the statutory retirement ages is slow**, with both sexes to reach a pensionable age of 67 in 2038. Speeding this up is under consideration but has not yet been adopted. The pension system gives entitlement to more favourable conditions to specific categories of workers in occupations classified as arduous and hazardous, and in specific sectors. **The authorities have completed a review of the arduous or hazardous professions, but the rules have not yet been streamlined.**

(12) According to the latest data, in 2015, almost 30 % of the population was exposed to the risk of poverty or social exclusion. **The social protection system displays shortcomings in effectiveness and fairness**, stemming

from inconsistencies in eligibility criteria, fragmented geographical coverage, lack of coordination across authorities in charge, and low transparency. In 2016, only 0.6 % of GDP was spent on the minimum income scheme targeting the poorest households. Reform plans including the institutional reassignment of responsibilities and the harmonisation of eligibility criteria have stalled.

3. Improve **adult education**, in particular for older workers, the low-skilled and the long-term unemployed. Accelerate the reform of the education system.

(13) The acquisition of skills needed in the labour market is an important condition for employability. **Participation in adult education is very low, as are expenditure and coverage of active labour market policies, retraining measures and lifelong learning.** Training does not sufficiently focus on older and low skilled workers and the long-term unemployed, who tend to face particular employability challenges. The preparation of legislation to improve the quality of the institutions, programmes, and teaching for adult learning has been delayed.

(14) Sufficient basic skills are essential for people to find and retain good, stable jobs and successfully participate in economic and social life. **International survey information points to severe deficiencies in basic skills**, applied science, and mathematics among Croatian 15-year-old schoolchildren. Since 2015, as part of the implementation of the education, science and technology strategy, a reform of the school curricula was launched to improve on content and teaching of transferable skills. After ambivalent stakeholder reactions, the curricular reform was revised, and implementation has been significantly delayed. The process now needs to continue in line with the original objectives. Croatia **recently adopted a vocational education and training (VET) strategy**. This is expected to lead to an update of the VET curricula, an increased role of work-based learning, and improved VET teaching quality. The introduction of the system for recognising and validating non-formal and informal learning is pending.

4. Reduce the fragmentation and improve the functional distribution of competencies in public administration, while enhancing the efficiency and reducing 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.**

(15) **The territorial and functional fragmentation of public administration weighs on service delivery and the efficiency of public expenditure.** Current competences and fiscal relations between levels of government are not conducive to the efficient and fair delivery of public services, in particular **in health, education, and social assistance.** The comprehensive public administration reform faces delays. Legislation to reallocate tasks between the central and local authorities is pending, as is the streamlining of the system of state agencies. In early 2017 the Croatian authorities announced the establishment of a task force to draw up legislation on sub-national government financing.

(16) **Fragmentation in wage setting in public administration continues to impede the transparency of wages and equality of treatment**, as well as government control over the public wage bill, with risks of spillovers to the broader economy. In February 2017, the Government adopted common guidelines for negotiating and monitoring collective agreements in the public sector, but the streamlining of the wage setting frameworks has been postponed to 2018.

Other relevant information

(2) (...) The unemployment rate is falling rapidly, thanks to moderate job creation, but also a shrinking labour force. (...)

Cyprus

(2 out of 5; public sector (wages), ALMPs (i.a young workers), public employment services)

1. (...) **By end-2017, adopt key legislative reforms aiming to improve efficiency in the public sector**, in particular on the functioning of public administration, governance of State-owned entities and local governments.

(9) The **Cypriot public sector has one of the euro area's highest wage bills** (as a percentage of GDP) and remains characterised by inefficiencies. Under the macroeconomic adjustment programme, a series of reforms aiming to address this issue were designed and agreed with social partners. These included the introduction of a binding permanent mechanism limiting wage growth for public employees and a comprehensive reform of the public administration. However, with the exception of the recently adopted reform law on mobility of public employees, the adoption of these legislative reforms is facing obstacles, in particular after a negative vote by the House of Representatives in December 2016. Pending adoption in its binding form, the mechanism limiting growth of public sector wages is being implemented under collective bargaining agreements and is applicable until 2018.

5. Speed up reforms aimed at **increasing the capacity of public employment services and improving the quality of active labour market policies** delivery. Complete the reform of the education system to improve its labour market relevance and performance, including teachers' evaluation. (...)

(14) **Unemployment is decreasing but remains high, especially among young people and the long-term unemployed**. Plans to increase the numbers of counsellors in **public employment services** and improve their specialisation have not yet been implemented. Moreover, their recruitment is likely to occur on temporary contracts, therefore not addressing the challenge in structural terms. As a consequence, there is still insufficient capacity to meet the needs of jobseekers, especially those having more difficulties to integrate in the labour market, and to put in place outreach measures for their activation. The impact of active labour market programmes and income support schemes continues to be constrained by limited quality assessment and follow-up measures.

(15) Cyprus maintains a level of spending in education that is above the Union average. However, **educational outcomes are low and have even declined** compared to previous years. According to the 2015 results of the Programme for International Student Assessment, Cyprus ranks among the lowest in the Union on the level of basic skills in mathematics, science and reading. While recently introduced remedial measures such as a **better system for appointing teachers** and a modernisation of school curricula are first steps in the right direction, further action to complete planned reforms, including of teachers' evaluation, could significantly contribute to improving the situation.

(16) **Skills mismatches in the labour market are still largely unaddressed**, affecting prospects for long-term sustainable growth. **Participation levels are low in upper-secondary vocational education and training and the labour market relevance of higher education is weak**, resulting in a high share of tertiary graduates working in occupations that do not necessarily require a tertiary degree.

Czech Republic

(2 out of 2, ALMPs (in particular improve public employment services and activation of women (incl. via more childcare facilities, reduced parental leave), pension reforms)

1. Ensure the **long-term sustainability of public finances, in view of the ageing population**. Increase the effectiveness of public spending, in particular by fighting corruption and inefficient practices in public procurement.

(6) The Czech Republic continues to show **medium fiscal sustainability risks in the long term**. These are derived **primarily from the projected impact of age-related public spending, in particular in the areas of health care and pensions**. (...) Recently adopted or planned **measures to amend the pension system may, if implemented, worsen public finances in the long term**. Firstly, the Parliament adopted legislation giving the Government the power to adjust the pension indexation mechanism more flexibly. The Parliament is also **discussing proposals to cap the statutory retirement age at 65** and establish a mechanism for regularly reviewing the pensionable age. Further changes, such as a more generous pension indexation formula and differentiated social insurance rates depending on the number of children, are currently also being discussed.

2. **Remove obstacles to growth**, in particular by streamlining procedures for granting building permits and further reducing the administrative burden on businesses, by rolling out key e-government services, by improving the quality of R&D and **by fostering employment of underrepresented groups**.

(12) Educational outcomes are generally good, but basic skills have deteriorated. Performance is 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. A significant number of legislative and administrative measures have been taken to promote inclusive education and are now beginning to be implemented. These are expected to help reduce 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.** Increased requirements of teachers and an ageing teacher population mean that the attractiveness of the **teaching profession remains a challenge. This is due in part to comparatively low pay**, although salaries have increased in recent years. A new career system for teachers and pedagogical staff, developed to increase the attractiveness of the profession, was finally approved by the Government after several postponements. Continuous professional development opportunities for teachers are being developed with significant support from Union funds, in particular professional development activities related to teaching mixed groups and inclusive education. The higher education reform was adopted by the Parliament in January 2016 and its results need to be monitored. A reform of the funding system of higher education institutions is also planned.

(13) The unemployment rate in the Czech Republic continues to fall. The tightening labour market conditions are making it more difficult for employers to recruit workers. There is still some potential to offset the shortages by mobilising under-represented groups, such as women with young children, low-skilled workers and members of the Roma community. **Increasing the outreach and activation capacities of public employment services**, together with appropriate and well-targeted active labour market policies and individualised services, would help boost the participation of untapped 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 3 years old, by **long parental leave entitlements**, by the limited use of flexible working-time arrangements by both parents and by a low take-up of parental leaves by fathers. Some measures have been taken in recent years to address these issues. However, labour market outcomes for low-skilled workers are notably weaker than for all other groups. The Parliament is currently discussing the legislative framework for **social housing**, which is expected to set national standards and target groups.

Denmark

(0 out of 1; but request for more ALMPs for young and older workers)

(6) Ensuring labour supply in times of demographic challenge is a precondition for sustainable growth in Denmark. **A series of substantial labour market reforms in recent years aims 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, to the sustainability of the Danish welfare model and to address the emerging shortage of certain qualifications. **Reforms aiming to increase participation and completion rates in vocational education, and a tripartite agreement to create more apprenticeships, are likely to increase the supply of skilled workers.** 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), partly due to their on average lower education performance compared to native-born. The gap persists into the second generation. The **job-integration measures agreed in the 2016 tripartite negotiations could improve the situation for newly arrived refugees,** whose situation will have to be closely monitored in the future. However, **further measures should still be taken to include other marginalised groups, such as young people with low educational attainment and workers above the age of 60, into the labour market more effectively.**

Estonia

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

1. (...) ~~Ensure better~~ **Improve the adequacy of the social safety net.** Take measures to reduce the **gender pay gap**, in particular by improving wage transparency and **reviewing the parental leave system.**

(8) Estonia has taken action to ensure **the provision and accessibility of high-quality services, including social services** at local level as part of its local government reform. In particular, Estonia has adopted the Administrative Reform Act with a view to making it easier to create viable local municipalities that can finance their own activities, to plan development and growth, and to offer quality services. It successfully completed the voluntary phase of the merger of local municipalities and it is implementing the Social Welfare Act. Some key steps to complete the local government reform have not yet been taken. The revision of the financing scheme for municipalities is still pending. Further legislative acts on the responsibilities and division of tasks between municipalities and central government are still in preparation. Adopting these proposals is critical to ensuring the provision of quality public services in areas such as education, youth work, health promotion and transport.

(9) The **gender pay gap in Estonia fell** from 28.3 % in 2014 to 26.9 % in 2015 **but is still the highest in the Union.** The Government is taking steps to further narrow the gender pay gap. In particular, the 2016-2023 Welfare Plan has been adopted and is being implemented to tackle gender

segregation in the labour market and to fight stereotypes. The modification of the Gender Equality Act to give the labour inspectorates the task of more closely monitoring gender equality in the private sector has still to be adopted. **The revision of the parental leave system to allow a more flexible take-up of parental leave is also being considered.** The legislative change has not yet been adopted.

(10) **Income inequality in Estonia is high.** The ratio of incomes of the richest 20 % of households to that of the poorest 20 % rose from 5.4 in 2012 to 6.2 in 2015, and is now the seventh highest in the Union. The key driver appears to be the high wage dispersion as a result of strong income growth among the higher skilled. In absolute terms, the incomes of the poorest 10 % of households have lagged behind growth in median incomes, leading to problems with the adequacy of the social safety net. **A contributing factor is that benefits (particularly pensions and social assistance and unemployment benefits) are not keeping pace with the growth in market incomes.** This has also resulted in a gradual increase in the at-risk-of-poverty rate from 15.8 % in 2010 to 21.6 % in 2015. Substantial efforts have been undertaken to make the tax system more progressive as of 2018, in particular for low-income earners, by raising the basic allowance of the personal income tax system.

(11) (...) **Wage growth** has consistently exceeded productivity growth in recent years, affecting profits and thereby pulling investment growth downwards. (...)

Finland

(2 out of 3; social services, wage setting, ALMPs (i.a. young workers), social benefits)

1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium term budgetary objective in 2018, taking into account the allowances linked to unusual events, the implementation of the structural reforms and investments for which a temporary deviation is granted. Ensure timely adoption and implementation of the administrative reform **to improve cost-effectiveness of social and healthcare services.**

(8) The 2017 Stability Programme indicates that the **budgetary impact of the exceptional inflow of refugees is significant** and provides adequate evidence of the scope and nature of these additional budgetary costs. According to the Stability Programme, the costs were 0.34% of GDP in 2016. According to the Commission, the eligible additional expenditure in 2016 amounted to 0.17% of GDP. The provisions set out in Article 5(1) and Article 6(3) of Regulation (EC) No 1466/97 cater for this additional expenditure, in that the inflow of refugees is an unusual event, its impact on Finland's public finances is significant and sustainability would not be compromised by allowing for a temporary deviation from the adjustment path towards the medium-term budgetary objective. Therefore, the required adjustment towards the medium-term budgetary objective for 2016 has been reduced to take into account these

costs. According to the 2017 Stability Programme, the costs related to the exceptional inflow of refugees are projected to decrease by 0.15% of GDP in 2017. The Commission will make a final assessment on 2017, including on the eligible amounts, in spring 2018 on the basis of observed data as provided by the authorities.

(10) The request for flexibility for structural reforms refers to **reforms in the labour market, in particular the Competitiveness Pact and the pension reform**. For more than 90% of employees, the Pact freezes wages for 12 months, and permanently increases the annual working time by 24 hours without compensation. In addition, employees will permanently pay a larger proportion of the contributions to social security. To compensate for the wage freeze and the increased cost burden for employees, the Government lowered the taxes on earned income permanently as from 2017. The pension reform will raise the lowest statutory retirement age from 63 to 65 by 2027; thereafter, the retirement age will be linked to life expectancy. Both reforms came into force in 2017. As a result of the Competitiveness Pact, improved cost competitiveness could lead to higher employment and an increase in real GDP of some 1.5%-2% as presented in the 2017 Draft Budgetary Plan. Given the nature of the measure, there are uncertainties surrounding the estimates for employment or GDP, but they seem to be broadly plausible. Therefore, these reforms will have a positive impact on the sustainability of public finances. Furthermore, the results of the detailed assessment of the output gap estimate for 2017 carried out on the basis of the Commission 2017 spring forecast imply that Finland meets the minimum benchmark in 2017. As an additional assurance to safeguard the 3%-of-GDP deficit reference value, Finland's government has publicly committed to take additional measures in 2017, if necessary, to ensure compliance with the fiscal rules, including the observance of the 3%-of-GDP reference value of the Treaty. On this basis, Finland can currently be assessed as qualifying for the requested temporary deviation of 0.5% of GDP in 2017, provided that it adequately implements the agreed reforms, which will be monitored under the European Semester.

(13) Due to an ageing population and a declining workforce, expenditure on pensions, health and long-term care is set to increase from 23 % of GDP in 2013 to 27 % by 2030. In January 2017, a **pension reform entered into force** that will raise the lowest statutory retirement age from 63 to 65 by 2027 and will link the statutory retirement age to changes in life expectancy. The costs of social and healthcare services, currently a responsibility of the municipalities, amount to 10 % of GDP. Without a reform of the system, that expenditure is forecast to grow by ~~2.4%~~ 4.4% annually in the coming years in nominal terms and increase as a share of GDP. The reforms' main aims include the reduction of the long-run sustainability gap in public finances through better control of the costs. This will be achieved through the integration of services, larger entities as providers of services and digitalisation. **The first batch of legislative proposals for the social and healthcare service reforms was presented to the parliament** in March 2017. These laws will establish the legal framework for the 18 new counties that will take over responsibility for the social and healthcare services from the municipalities

as from 2019. The legislative proposals for the most controversial parts of the reform, in particular on the patients' freedom to choose their service provider, ~~still need to be finalised because of the reform being~~ have been submitted to Parliament in the beginning of May 2017 and will need to be adopted in order to be implemented from 2019 as planned.

2. **Promote the further alignment of wages with productivity** developments, fully respecting the role of social partners. **Take targeted active labour market policy measures** to address employment and social challenges, provide incentives to accept work and promote entrepreneurship.

(14) **Wage increases have been moderate** over recent years. The average year-on-year increase in negotiated wages was 0.7 % in 2014-2016. Due to weak growth of labour productivity, cost competitiveness has improved only gradually. In 2016 the social partners signed the Competitiveness Pact aimed at improving Finland's cost competitiveness in a stepwise manner in 2017. For more than 90 % of employees, the Competitiveness Pact freezes wages for 12 months and increases annual working time permanently by 24 hours without additional compensation. In addition, employees will permanently pay a larger proportion of social contributions. These measures are expected to support the expansion of exports and employment in the coming years. The upcoming wage negotiation round in the latter half of 2017 will be crucial to secure these expected positive effects as the Competitiveness Pact did not fully close the cost competitiveness gap to peer economies.

(15) The **labour market** situation started to improve gradually in 2016, but **challenges remain**. Employment in the manufacturing sector declined by 21 % between 2008 and 2015. Other sectors such as construction, real estate and healthcare, are showing signs of labour shortages. This highlights the need for targeted active labour market policies and continued investments in adult learning and in vocational training to enable occupational mobility. The open vacancies-to-employment ratio was in 2016 almost as high as in 2007, while the unemployment rate was two percentage points higher. This may **reflect mismatches between labour demand and supply, low attractiveness of certain vacant jobs or limited incentives to take up work. Continued efforts are needed** to ensure better labour market outcomes for the inactive, **especially those in the 25-39 age group, the long-term unemployed and migrants**. Ensuring improved social and labour market outcomes of people with migrant background will also require continued investments in their education.

(16) In terms of activation, the **complex benefits system** with its different types of allowances **can result in significant inactivity and low wage traps**, as well as bureaucratic problems on reinstating of benefits. It would be crucial that such traps be addressed. To increase the incentives to accept job offers, the obligation for the unemployed to accept a job offer and the obligation to participate in activation schemes have been tightened. In addition, the duration of earnings-related unemployment benefits was reduced. Positive incentives, such as allowing the use of basic unemployment benefit as mobility and wage subsidies to activate jobseekers, were introduced. **Further**

increased incentives to accept work could be complemented with the elimination of existing bureaucratic barriers to take up a job or to become an entrepreneur.

France

(3 out of 4; minimum wage, (labour) law reform, ALMP (i.a. young workers), shift tax burden)

2. Consolidate the measures reducing the cost of labour to maximise their efficiency in a budget neutral manner and in order to scale up their effects on employment and investment. Broaden the overall tax base and take further action to implement the planned decrease in the statutory corporate-income rate.

(10) **High social security contributions combined with high level of taxes weighing on companies can discourage** private investment and hamper companies' growth and **new hires**. Policy measures to reduce labour costs have continued to be implemented, with the start in April 2016 of the second phase of reductions in employers' social security contributions planned under the solidarity and responsibility pact. In addition, the Government has increased for 2017 the tax credit for competitiveness and employment (CICE) from 6 % to 7 %. These measures to reduce the labour tax wedge have improved France's competitiveness since 2013 but accumulated past losses have not yet been recovered. At the average wage, in 2015 France had the highest employers' social security contribution in the Union as a share of total labour costs paid by the employer, even though it is on a declining trend. The recent evaluations of these measures highlighted their positive effect on employment and firms' profit margins but further evaluations are needed to fully assess their impact on wages, investment, employment and firms' margins. Recent evaluations also suggest that the consolidation of all labour cost reduction schemes and their transformation in permanent reductions in social contributions would optimise their effects on employment and investment.

(11) At 38.4 % in 2016, the effective average corporate tax rate was the highest in the Union and other taxes on production are also particularly high. ~~To curb this trend~~ However, France has **adopted steps to reduce the statutory corporate-income rate to 28 % in 2020**. At the same time, the tax burden continues to fall less on consumption than in other Member States. In 2014, France ranked 27th in the Union for tax revenues from consumption as a percentage of total taxation. The VAT system is characterised by a middle-ranking standard rate and low reduced rates applied to a large base. **The complexity of the tax system is may be a barrier to a well-functioning business environment**. France has a high tax burden coupled with many tax breaks, reduced rates and a great number of tax schemes resulting in increased compliance costs and uncertainties, in particular for businesses. Total tax expenditure is sizeable in France at more than 3 % of GDP. The administrative cost to tax authorities of collecting taxes is also high and is above the Union average.

3. Improve the access to the labour market for jobseekers, in particular less qualified workers and people with a migrant background, including by revising the system of vocational education and training. Ensure that minimum wage developments are consistent with job creation and competitiveness.

(12) In 2016, the unemployment rate decreased to 10.1 %. **Unemployment is higher among young people, the low-skilled and those not born in the Union.** Ongoing governance reforms are key to aligning training opportunities with employment prospects and economic needs. In parallel, **jobseekers, less qualified workers and SME employees face persistent difficulties in having access to training.** Ensuring their participation and the relevance of training provided may require strengthening existing measures and rebalancing resources. **Young people**, and among them the least qualified, still face difficulties entering the labour market. In this context, measures taken to support apprenticeships have translated into positive results so far. But the initial vocational education and training offered, specifically when school-based and in some tertiary sectors, is not sufficiently linked to employment opportunities. Moreover, pupils from a disadvantaged background are more often steered towards initial vocational education, which also accounts for the large majority of **early drop outs**, contributing to high educational inequalities. The impact of socioeconomic status on students' performance is the highest in the OECD.

(13) In 2016 only 54.5 % of non-EU born people of working-age were in employment. The **non-EU-born female employment rate (45.4 %) was one of the lowest in the Union.** The employment gap between non-EU born and French born people increased to 17.5 percentage points in 2016 (23.7 percentage points for women). The poor performance of non-EU born people pulls down the overall employment rate and represents a chronic underutilisation of labour. Second generation immigrants also face adverse employment outcomes that are not explained by differences in age, education and skills. Moreover, gaps in educational outcomes are persistent, as second-generation immigrants are only partially catching up. In order to address this challenge, a comprehensive strategy is necessary, including in particular specific measures on language skills, upskilling and training, job counselling and other targeted active labour market policies. Effective access to services is key to promoting labour market participation, as well as action against discriminatory practices affecting the hiring of non-EU-born and second-generation immigrants.

(14) Since 2013 the **French minimum wage has followed its indexation rules.** In a context of weak inflation and slowing wage growth, its growth has been lower than reference wages. While the minimum wage is high compared with the median wage, the cost of labour at the minimum wage has been reduced by exemptions from social contributions. Increases in the minimum wage induce wage increases for most categories of workers and risk creating upward wage compression. While indexation of the minimum wage is important to preserve workers' purchasing power, the **current indexation mechanism might contribute to delaying the necessary overall wage adjustment.** Moreover, in the current context of high unemployment, there

are risks that the cost of labour at the minimum wage hampers employment opportunities for low skilled people. The group of independent experts annually assesses the minimum wage in France and provides non-binding opinions on its development. Their opinion on ad-hoc hikes has always been respected so far and is playing an important role to control the use of such ad-hoc hikes.

(15) With the law of July 2016 on labour, social dialogue and professional pathways, France introduced measures aimed at improving firms' capacity to adjust to economic cycles and at reducing segmentation. The law clarifies rules on **individual economic dismissals**, extends the scope of majority company-level agreements and increases the effectiveness of collective bargaining. **Persistently high levels of unemployment have put a strain on the sustainability of the unemployment benefit system.** In that regard social partners reached in March 2017 an agreement on a new unemployment benefit convention, endorsed by the Government, which aims at reducing the annual deficit by EUR 1.2 billion.

4. Further reduce the regulatory burden for firms, including by pursuing the simplification programme. Continue to lift barriers to competition in the services sector, including in business services and regulated professions. Simplify and improve the efficiency of public support schemes for innovation.

(15) With the law of July 2016 on labour, social dialogue and professional pathways, France introduced measures aimed at improving firms' capacity to adjust to economic cycles and at reducing segmentation. The law clarifies rules on **individual economic dismissals**, extends the scope of majority company-level agreements and increases the effectiveness of collective bargaining. **Persistently high levels of unemployment have put a strain on the sustainability of the unemployment benefit system.** In that regard social partners reached in March 2017 an agreement on a new unemployment benefit convention, endorsed by the Government, which aims at reducing the annual deficit by EUR 1.2 billion.

(16) Although France has improved its overall regulatory performance, the business environment continues to be middle ranking in comparison to major competitors. In particular, despite continued simplification efforts, **businesses are still faced with a high regulatory burden and fast-changing legislation.** This is one of the main obstacles to private investment. With the simplification programme, France has taken steps to reduce red tape for businesses, but a **significant amount one fifth** of the measures adopted before 2016 had not yet been implemented by May 2017. At the same time, threshold effects continue to affect the development of firms with implications for their economic and market performance. **Increased social and fiscal obligations applicable to firms above a certain number of employees may discourage them from expanding** to a size that would allow them to export and innovate. These threshold effects can, in turn, affect firms' productivity, competitiveness and internationalisation. Indeed, according to empirical evidence, the 10- and 50-employee thresholds are particularly costly for employers, while the French economy is characterised by a disproportionately low share of companies above these thresholds implying a link between the two phenomena.

(17) Competition in services has improved in a number of sectors, but some economically important sectors such as accountancy, architecture, homecare services, accommodation and food services, **taxi and private hire vehicle services, are still characterised by low competition and/or regulatory obstacles**. Barriers remain in place for these services, in particular excessive regulatory requirements, and these discourage entry or limit effective competition. Reducing these barriers could allow existing firms or new ones, **making use of new technological and digital developments**, to increase their competitiveness and/or enter markets, and lead to benefits for consumers through lower prices and better-quality service. To this end, as part of a package of measures to tackle barriers in services markets,³⁶ in January 2017 the Commission has launched a mutual evaluation exercise inviting Member States to conduct evaluation of the respective barriers they have in place to limit access to certain professions.

Germany³⁷

(1 out of 2, second earners, female workers (i.a. childcare), pension reform, shift tax burden, EPL)

2. **Reduce disincentives to work for second earners** and facilitate transitions to standard employment. Reduce the **high tax wedge for low-wage earners**. Create conditions to promote higher real wage growth, respecting the role of the social partners.

(15) Employment has continued to rise and unemployment has fallen to historically low levels. However, the increase in employment has been partly due to an **increase in part-time work, in particular among women**, and has been only partially reflected in aggregate real wage growth, which decelerated in 2016. **Disincentives to work for second earners and widespread part-time work are hampering the full use of the labour market potential**. Better provision of quality and affordable full-time **child care**, all-day schools and the recently reformed long-term care is a crucial lever for increasing female participation in the workforce. Joint taxation of income for married couples and free health care insurance coverage for non-working spouses discourage second earners, in many cases women, from taking up a job or increasing the number of hours worked. Moreover, lower labour market attachment is combined with a **high gender pay gap of 22 %** compared to a Union average of 16.3 % in 2015.

(16) Despite a slight reduction, **mini-jobs remain widespread**, with about 4.8 million people having a mini-job as their only job in September 2016. The number of temporary agency workers has quadrupled since 2005, reaching

³⁶ In the Commission proposals, a footnote 14 clarified that it concerned the package of measures contained in COM(2016) 820 final, COM(2016) 821 final, COM(2016) 822 final, COM(2016) 823 final, COM(2016) 824 final.

³⁷ Although the DGB welcomed some of the recommendations (such as the ones in relation to mini-jobs and to create conditions to promote higher real wage growth, thereby respecting the role of the social partners), it considers some of the recommendations counterproductive (e.g. to have more competition in the service sector) (DGB 2017).

around 1 million (close to 3 % of total employment) in June 2016. Protection from potential abuses in temporary agency work and work contracts is expected to improve, but developments deserve monitoring. In addition, **fixed-term contracts appear to have a comparatively high unadjusted wage gap of 27%** compared to permanent contracts.

17) The **tax wedge for low-wage earners is high** in comparison with other Member States, thus reducing work incentives, take-home pay and consumption opportunities. Germany increased the minimum personal income tax allowance and child allowances and adjusted the income tax brackets. These measures tend to benefit low and middle income groups, but the overall impact on the tax wedge will be limited. In spite of recent substantial rises in real disposable income, wages and productivity evolutions have been diverging over a long period, leading to a considerable accumulated gap. Higher real wage growth would also contribute to reducing the high external imbalances.

(18) Germany has made considerable efforts in receiving **asylum seekers** and in integrating **refugees** and other migrants. Further improvements appear possible, as in 2016 the number of job-seeking refugees increased to 10% 9% of all unemployed jobseekers. Labour market integration of people with a migrant background, in particular women, remains a major challenge which, including through the education system, also applies to children born in Germany with parents born outside the Union.

(19) Not all members of society have benefited equally from the overall positive economic and labour market developments of the last few years. After a period of increases, **income inequality** moderated only recently, while wealth inequality remains among the highest in the euro area. Moreover, the good labour market performance has not led to a decline in the risk of poverty. The at-risk-of-poverty rate in old age is above the Union average and the number of people at risk of old-age poverty is expected to increase in the coming years. The replacement rate of the statutory pension scheme is forecasted to further decline. At the same time, the **rates of enrolment in second or third-pillar pension schemes are too low** to fully compensate for the decrease in the replacement rate of the first pillar for everyone. If not offset, **pension adequacy is thus expected to deteriorate**. It remains to be seen how effective the recent proposals to improve incentives for later retirement (Flexi-Rente) can be in counteracting the incentives for early retirement introduced in 2014.

Other relevant information

(9) (...) Additional investment in education, research and innovation is crucial for Germany's future economic success and in particular to **effectively integrate recently arrived immigrants, refugees and migrants**. To achieve the latter, Germany has undertaken considerable efforts, especially in the area of vocational education and training. In the coming years, **comparable efforts will be necessary in other educational sectors** the efforts across the whole education sector will have to be sustained.

Hungary

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

2. Complete the reduction of the tax wedge for low-income earners and simplify the tax structure, in particular by reducing the most distortive sector-specific taxes. (...)

(10) Hungary's total tax-to-GDP ratio remains well above those of its regional peers and challenges in the tax system remain. The Government has decreased employers' social security contributions by 5 percentage points in 2017, and a further 2 percentage points reduction is planned for 2018. This measure has significantly reduced the **tax wedge for low-income earners** but it **remains high**. This is particularly the case for low-income earners without children, where it is still among the highest in the Union. The tax system remains complex. Despite a declining trend since 2013, sector-specific taxes – some of which remain highly distortive – still tend to complicate the tax system and weaken investor confidence. The complexity and uncertainty of the tax system, associated with high compliance costs and administrative burdens, continue to weigh on investor confidence in Hungary.

3. Better target the **public works scheme** to those furthest away from the labour market and provide effective support to jobseekers in order to facilitate transitions to the labour market, including by **reinforcing active labour market policies**. Take measures to improve education outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education. Improve the **adequacy and coverage of social assistance** and the **duration of unemployment benefits**.

(13) To support Hungary's competitiveness and potential growth in the medium term, structural reforms to promote investment in human capital, particularly in education and healthcare, and to continue improving the functioning of the labour market will be key. **Enhancing social fairness will be also essential** to deliver more inclusive growth.

(14) Performance in providing basic skills remains weak by international standards. The 2015 OECD Programme for International Student Assessment (PISA) survey of educational systems showed significantly worsening results and the impact of pupils' socioeconomic background on education outcomes is one of the highest in the Union. The impact of the school type on education outcomes is very significant. The reduction in teaching hours for science subjects in vocational grammar schools since 2016 is likely to amplify Hungary's backlog in science skills. The **share of early school leavers has been stagnating for the last 5 years** and remains especially high among Roma people. The distribution of disadvantaged pupils between schools is uneven, and Roma children increasingly attend Roma-majority schools and classes. Measures are in place to support teacher training, early education and school achievement and to combat early school leaving among Roma. ~~However, comprehensive and systemic measures to address segregation are lacking.~~ Although steps have been taken to address segregation, they are insufficiently comprehensive and systemic to address the challenge. The

growing demand for a highly skilled workforce is not matched by a sufficiently large pool of applicants to tertiary education and adequate completion rates. The modification of the Act on higher education adopted in 2017 may cause to the situation to deteriorate further.

(15) The labour market has developed favourably in recent years, with unemployment returning to its pre-crisis level. Employment reached historical high levels thanks to private sector job creation and the **public work scheme**, which **is still the largest active labour market policy** in Hungary with over 200 000 participants. In recent years, a set of measures have been adopted to facilitate the transition from the scheme to the primary labour market. However, **the scheme is still not sufficiently targeted** and its effectiveness in reintegrating participants into the open labour market continues to be limited. At the same time, certain sectors face increasing labour shortages. Other active labour market policies are being reinforced, partly with the support of Union funds, but further efforts are needed to facilitate transitions to the primary labour market effectively. The profiling system for the unemployed is operational but not yet fully effective. The **gender employment gap has increased** in recent years and the impact of parenthood on women's employment is one of the highest in the Union. Labour market participation is affected by comparatively weak health outcomes and unequal access to healthcare. **The participation of social partners in policy-making is limited.**

(16) Some poverty indicators are back to pre-crisis levels but remain above the Union average. **Poverty among children** and Roma **remains particularly high**, although declining. A significant proportion of Roma in employment work in the public works scheme. Their effective integration into the open labour market remains limited so far.

(17) **The adequacy and coverage of social assistance and unemployment benefits is limited.** The duration of unemployment benefits is still the lowest in the Union at 3 months, below the average time required by job seekers to find employment. The 2015 social assistance reform streamlined the benefits system but it does not seem to have guaranteed a uniform and minimally adequate living standard for those in need. With regards to the benefits administered by municipalities, there is a high degree of discretion in the eligibility criteria and the level of entitlements, which creates uncertainty for beneficiaries. The **minimum income benefit remains frozen at a low level** but the Hungarian authorities are planning to gradually increase the level of the targeted cash benefits in the coming years. Already in 2017 three of these benefits were slightly increased. Additional targeted measures would help alleviate material deprivation of the most disadvantaged groups, in particular children and Roma.

Ireland

(1 out of 3; ALMPs, childcare)

2. (...) Enhance social infrastructure, including **social housing and quality childcare**; deliver an integrated package of **activation policies** to increase employment prospects of low-skilled people and to address low work intensity of households.

(12) Promoting sustainable and inclusive growth that benefits all groups in society remains a challenge. Unemployment was below the Union average at 6.4 % in ~~March~~ April 2017. However, the low work intensity of many households creates concerns that some people are left behind as the recovery continues. From 2013 to 2015, the percentage of the population living in low or very low-work-intensity households fell by just 15 %; the overall unemployment rate over the same period dropped by 28 %. Overall, the welfare system has worked well to contain poverty and inequality and Ireland has taken measures to incentivise employment by tapering the withdrawal of benefits and supplementary payments. However, barriers to inclusive growth still exist. The disparities between the employment rates of low-, medium- and highly-skilled workers are among the highest in the Union. **Skills mismatches and skills shortages have emerged in certain areas, while upskilling and reskilling opportunities are insufficient.** The labour market and social challenges point to the importance of an integrated approach to training and labour market activation for those furthest from the labour market. Moreover, **concerns remain over the quality of childcare provisions**, including the availability of full-time services. As a percentage of wages, net childcare costs in Ireland are among the highest in the Union. The availability and cost of quality full-time childcare present barriers to female labour market participation and hinder efforts to reduce child poverty, which has fallen slightly but remains higher than the Union average.

(13) Infrastructure needs should be addressed in order to promote durable and balanced growth. The economic crisis led to a shift in the composition of general government expenditure away from investment and towards current spending. Years of sharply reduced government investment have had a negative impact on the adequacy and quality of infrastructure. The shift in government expenditure has also affected public-sector support for research and development with possible implications for the competitiveness of SMEs. Ireland ranks 25th in the Union in public research and development investment as a percentage of GDP. The most severe infrastructure shortcomings are in transport, water services and housing. **Demand for new housing currently exceeds supply by a wide margin** in the country's main urban areas. As a result, residential property prices and rents continue to increase rapidly, in turn resulting in a recent high increase in housing exclusion and homelessness. There is currently no evidence of overvaluation, but constraints limiting the supply of housing could generate macro-financial risks if they are not resolved. A coherent and timely spatial plan would help to deliver new homes in the right areas.

Italy

(3 out of 4; tax burden on labour, public administration reform, ALMPs (i.a. young workers, women), reform collective bargaining system, second-earners, childcare)

1. (...) **Shift the tax burden from the factors of production onto taxes less detrimental to growth** in a budget-neutral way by taking decisive action to reduce the number and scope of tax expenditures, reforming the outdated cadastral system and reintroducing the first residence tax for high-income households. (...)

(13) Italy's tax system is not supportive of economic growth and efficiency on several grounds. Despite a recent modest reduction, the tax burden on factors of production remains among the highest in the Union. There is **scope to shift further towards taxes less detrimental to growth, in a budget-neutral way**. The first residence tax was repealed in 2015, which was a step back in the process of achieving a more efficient tax structure. In spite of national legislation requiring it on an annual basis, the long-awaited revision of tax expenditures, in particular with respect to the reduced value added tax rates, was further postponed. A reform of outdated cadastral values in line with current market values is still pending. Low tax compliance and the complex tax code increase the burden on compliant firms and households. Recent measures, such as mandatory electronic invoicing and the 'natio payment' for purchases by government bodies, go in the right direction. However, electronic invoicing is not compulsory for private sector transactions and limits on using cash have recently been raised, so that the use of electronic payments remains well below the Union average, to the detriment of tax compliance.

2. (...) **Complete reforms of public employment** and improve the efficiency of publicly-owned enterprises. (...)

(17) A comprehensive enabling law **reforming the public administration** was adopted in 2015. It has the potential to improve the efficiency and effectiveness of the public administration. However, following the November 2016 Constitutional Court ruling that declared the procedure followed for the adoption of some implementing legislative decrees unconstitutional, the implementation of key parts of the reform is still pending. In particular, the ruling concerns three key areas of the reform: local public services, public employment, and publicly-owned enterprises. **New legislative initiatives are needed to reform the local public services and public employment** at management level, as the deadline for their decrees expired in November 2016. Regarding publicly-owned enterprises, the decree adopted before the ruling needs to be amended. The reform aims to reduce the number of publicly-owned enterprises, improve their efficiency, and ensure that they operate under the same rules as privately-owned entities. The implementation of the planned privatisations would also contribute to the rationalisation of publicly-owned enterprises.

4. With the involvement of social partners, **strengthen the collective bargaining framework** to allow collective agreements to better take into account local conditions. **Ensure effective active labour market policies.** Facilitate the take-up of work for **second earners.** **Rationalise social spending** and improve its composition.

(4) On 27 April 2017, Italy submitted its 2017 National Reform Programme and its 2017 Stability Programme. To take account of their interlinkages, the two programmes have been assessed at the same time. Italy's 2017 National Reform Programme includes commitments both for the short and medium term. In the short term, the final adoption of the pending laws concerning competition and the reform of criminal process and the statute of limitations, the implementation of the anti-poverty law as well as **measures related to firm-level bargaining**, tax shift and privatisation **are planned**. In the medium term, measures concern public finances, taxation, labour market, the banking and credit system, competition, public administration and justice, and investment. The 2017 National Reform Programme also covers the challenges identified in the 2017 country report and the Recommendation for the euro area, including the need to re-launch investment and ensure the sustainability of public finances. If fully implemented within the indicated timelines, these measures would help address Italy's macroeconomic imbalances and country-specific recommendations. Based on the assessment of Italy's policy commitments, the Commission confirms its previous assessment that at this stage no further steps are warranted in the framework of the Macroeconomic Imbalances Procedure. The implementation of the policy reform agenda will be followed closely by means of specific monitoring.

(17) A comprehensive enabling law **reforming the public administration** was adopted in 2015. It has the potential to improve the efficiency and effectiveness of the public administration. However, following the November 2016 Constitutional Court ruling that declared the procedure followed for the adoption of some implementing legislative decrees unconstitutional, the implementation of key parts of the reform is still pending. In particular, the ruling concerns three key areas of the reform: local public services, public employment, and publicly-owned enterprises. **New legislative initiatives are needed to reform the local public services and public employment** at management level, as the deadline for their decrees expired in November 2016. Regarding publicly-owned enterprises, the decree adopted before the ruling needs to be amended. The reform aims to reduce the number of publicly-owned enterprises, improve their efficiency, and ensure that they operate under the same rules as privately-owned entities. The implementation of the planned privatisations would also contribute to the rationalisation of publicly-owned enterprises.

(20) Despite the gradual improvement of the labour market, supported by reforms, long-term and **youth unemployment remain high** (6.7% and 38% respectively in 2016) and more than 1.2 million young people are not in education, employment or training. While the implementation of **Youth Guarantee** has progressed a lot, **some challenges remain** to ensure a more effective and a full-scale implementation. ~~The number and quality of offers~~

remain low and regional differences in the delivery are high. The percentage of Youth Guarantee beneficiaries still in employment, education, apprenticeships or traineeship six months after exit is above the Union average. However, the outreach to the target population is still low and regional differences in the delivery remain significant. The reform of the active labour market policies, including its governance system, is still at an early stage and **employment services remain weak**, with wide regional disparities. Adult learning is not sufficiently developed, which may negatively weigh on labour market outcomes of low-skilled people.

(21) The **participation of women in the labour market** and their labour force potential **remains largely underutilised**. The female employment rate is one of the lowest in the Union. Some features of the tax-benefit system continue to discourage **second earners** from participating in the labour force while **access to affordable care services** (for children and the elderly) **remains limited**, with wide regional disparities. Paternity leave is among the lowest in the Union.

(22) **Second-level bargaining is not broadly used**. This hampers the efficient allocation of resources and the responsiveness of wages to local economic conditions. This is also due to the existing framework rules and practices for collective bargaining, which ~~entail uncertainty in industrial relations~~ and leave limited scope for local-level bargaining. The agreements signed by social partners since January 2014 setting out procedures and criteria for measuring the representativeness of trade unions, which would reduce uncertainty in industrial relations, have not yet been implemented. Tax rebates on productivity-related pay increases have not proved effective in extending the use of second-level bargaining significantly.

(23) **The rate of people at risk of poverty or social exclusion is well above the Union average**, especially for children and people with a migrant background. There are also substantial regional disparities. Some progress has been made regarding the national anti-poverty strategy. The recently adopted Inclusion Income scheme is a positive step towards establishing a single comprehensive scheme against poverty. Its effectiveness will depend on its proper implementation with the mobilisation of adequate resources (including through the streamlining of various social allocations), appropriate targeting through means-testing and priority allocation to families with children and effective procedures on the ground, both in delivering income support and in providing well integrated services. At this stage, it is unclear whether the financial resources will be sufficient to address Italy's poverty challenge. Catering for additional resources while respecting the budgetary targets, **reducing the fragmentation of the social assistance system**, rationalising social spending, and addressing its current bias towards pensions, remain key challenges.

Other relevant information

(7) The 2017 Stability Programme indicates that the overall budgetary impact of the exceptional inflow of **refugees** and security-related measures in 2016 and 2017 is significant and provides adequate evidence of the scope and nature of these additional budgetary costs. According to the Commission, the eligible additional expenditure in 2016 amounted to 0.06% of GDP for the exceptional inflow of refugees and to 0.06% of GDP for security-related measures. For 2017, the eligible expenditure related to exceptional inflow of refugees is preliminarily estimated at 0.16% of GDP.³⁸ Moreover, the Italian authorities invoked the unusual event clause in 2017 for exceptional seismic activity. The eligible expenditure related to exceptional seismic activity is preliminarily estimated at 0.18% of GDP in 2017³⁹. The provisions set out in Article 5(1) and Article 6(3) of Regulation (EC) No 1466/97 cater for this additional expenditure, in that the inflow of refugees, the severity of the terrorist threat and the exceptional seismic activity are unusual events, their impact on Italy's public finances is significant, and sustainability would not be compromised by allowing for a temporary deviation from the adjustment path towards the medium-term budgetary objective. Therefore, the required adjustment towards the medium-term budgetary objective for 2016 has been reduced by 0.12% of GDP to take into account additional refugee-related and security-related costs. Regarding 2017, a final assessment, including on the eligible amounts, will be made in spring 2018 on the basis of observed data as provided by the Italian authorities.

(9) On 12 July 2016, the Council recommended Italy to achieve an annual fiscal adjustment of 0.6 % or more of GDP towards the medium-term budgetary objective in 2017. Based on the Commission 2017 spring forecast, there is a risk of a significant deviation from the recommended adjustment path towards the medium-term objective in 2017 and for 2016 and 2017 taken together. That conclusion would however change to a risk of some deviation, if the temporary allowance for the unusual event clause related to the exceptional inflow of **refugees** and to the preventive investment plan for the protection of the national territory against seismic risks (preliminarily estimated at 0.34% of GDP, overall) is deducted from the requirement in 2017.

38. Fn 7 mentions: "This amount is based on the 0,25 % of GDP overall budgetary cost estimated in the 2017 Stability Programme from which the temporary deviations of 0,03 % of GDP and of 0,06 % already granted in 2015 and 2016, respectively, are deducted. In its opinion on the 2017 Draft Budgetary Plan for Italy the Commission announced that it would stand ready to consider an additional deviation due to the persistent exceptional inflow of refugees in Italy also in light of the European Council of October 2016 which recognised «the significant contribution, also of financial nature, made by frontline Member States in recent years»."

39. Fn 8 mentions: "In its opinion on the 2017 Draft Budgetary Plan for Italy, the Commission considered that expenditure earmarked for emergency management and the preventive investment plan for the protection of the national territory against seismic risks could be considered of integrated nature. For the following years only positive incremental changes in resources earmarked for this purpose would be considered eligible for further possible temporary deviations."

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. (...) Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic **pension reform** and of the structural reforms for which a temporary deviation is granted. Reduce taxation for **low-income earners** by shifting it to other sources that are less detrimental to growth and by improving tax compliance.

(7) On 12 July 2016, the Council recommended Latvia to ensure that the deviation from the medium-term budgetary objective in 2017 is limited to the allowances linked to the systemic **pension reform** and the major structural reform in the healthcare sector. Taking into account these allowances, the structural balance would be allowed to deteriorate by maximum 1.0% of GDP in 2017. Based on the Commission 2017 spring forecast, Latvia is projected to comply with that requirement in 2017. In 2018, Latvia should achieve its medium-term objective, taking into account the allowances related to the implementation of the systemic pension reform granted for 2016 and related to the structural reform granted for 2017, as temporary deviations are carried forward for a period of three years. Based on the Commission 2017 spring forecast, this is consistent with a maximum nominal growth rate of net primary government expenditure⁴⁰ of 6.0% in 2018, corresponding to deterioration in the structural balance of 0.3% of GDP. Under unchanged policies, Latvia would be at risk of a significant deviation from that requirement. Overall, the Council is of the opinion that further measures will be needed in 2018 to comply with the provisions of the Stability and Growth Pact.

2. Improve the **adequacy of the social safety net** and **upskill the labour force** by speeding up the curricula reform in vocational education. (...)

(8) **Income inequality in Latvia is high.** The ratio of incomes of the richest 20 % of households to that of the poorest 20 % stood at 6.5 in 2015, among the highest in the Union, although the figure decreased slightly in 2016. The difference between income inequality before and after taxes and social transfers is among the smallest in the Union. Latvia's tax system is less progressive than in other Member States, contributing to the high inequality and in-work poverty. The **tax wedge on low-wage earners remains among the highest in the Union**, while the revenue potential of taxes which are less detrimental to growth is underused. The low tax revenue share in GDP limits resources for sustainable delivery of public services. Despite some

⁴⁰Fn 6 mentions: "Net government expenditure comprises total government expenditure excluding interest expenditure, expenditure on Union programmes fully matched by Union funds revenue and non-discretionary changes in unemployment benefit expenditure. Nationally financed gross fixed capital formation is smoothed over a 4-year period. Discretionary revenue measures or revenue increases mandated by law are factored in. One-off measures on both the revenue and expenditure sides are netted out."

progress in fighting tax evasion, tax compliance remains a serious challenge. The 2017 Stability Programme announced the introduction of a tax reform. The key measures include a reduction of the standard rate of personal income tax from 23% to 20% for incomes up to 45.000 euros per year, an increase in the income-differentiated basic allowance, an introduction of 0% corporate income tax rate for reinvested profits and aligning of capital tax rates at 20%. The reform addresses the country specific recommendation in so far as that the tax wedge on low-income earners is reduced. However, the tax reform is limited in terms of shifting taxation to sources less detrimental to growth and achieving the stated policy objective of increasing tax revenue share in GDP.

(9) **Weaknesses in basic social safety nets** contribute to high poverty and inequalities, including for people with disabilities and the elderly. Poverty rates for people with disabilities are among the highest in Europe. The **low adequacy of social assistance benefits** that has not improved since 2009, and of **pensions does not provide effective protection** against poverty and social exclusion. The **absence of minimum income level reform**, announced in 2014, but never implemented, negatively affects the poorest households, although medium-term plans on minimum income support are in preparation.

(10) With a declining labour force, employment growth has been weak, while unemployment has been falling only slowly. Employment prospects are better in centres of economic activity and for high-skilled workers, whereas unemployment is more prevalent among the low-skilled and those living in rural areas. In this context, upskilling the workforce will contribute to addressing these issues. However, even though the attractiveness of vocational education has improved, the curriculum reform aligning education with contemporary skills requirements has made limited progress. The regulatory framework for **work-based learning** has been put in place and an active participation of social partners and companies in its implementation is warranted. Moreover, involvement of the unemployed in active labour market measures is lower than in most other Member States but measures have been taken to improve this situation and they are worth pursuing. The **participation in lifelong learning remains low**.

3. Increase efficiency and accountability in the **public sector**, in particular by simplifying administrative procedures and strengthening the conflict of interest prevention regime, including for insolvency administrators.

(13) Weaknesses in regulatory quality and low **public administration** efficiency and effectiveness have a negative impact on the business environment. In 2016 the government presented an **ambitious reform plan** for a leaner and more professional public sector, aiming at improving efficiency through reductions in staff and centralisation of support functions, strengthening performance based payment and increasing transparency. This plan is **limited to the central administration**, while significant efficiency gains may also be realised at municipal level.

(15) (...) However, the governance and the organisational structure of Latvian public research funding remain inefficient, with funding functions scattered

between many institutions. Inefficient funding for public research contributes to a very low scientific performance, **a lack of skilled human resources in both public and private sectors** and low levels of public-private cooperation. (...)

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. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic **pension reform** and of the structural reforms for which a temporary deviation is granted. Improve tax compliance and **broaden the tax base** to sources that are less detrimental to growth. Take steps to address the medium term fiscal sustainability challenge related to pensions.

(7) In its 2017 Stability Programme, Lithuania requested to avail of the temporary deviation of 0.5% of GDP under the preventive arm pursuant to the “Commonly Agreed Position on Flexibility within the Stability and Growth Pact” endorsed by the ECOFIN Council in February 2016 in view of the planned implementation of major structural reforms with a positive impact on the long-term sustainability of public finances. In particular, this concerns **raising the sustainability of the pension system** through a reinforced indexation and a gradual increase of the pensionable service. However, the **reforms stopped short at establishing an automatic link between retirement age and life expectancy**. In addition, the reforms modernise labour relations by introducing new types of employment contracts, shorter periods of notice, lower severance allowances and more flexible working hours. The reforms also strengthen the **coverage and adequacy of unemployment and social insurance benefits**, expand the scope of active labour market policies and reduce the level of illegal and uninsured employment. The authorities estimate that the reforms have a positive impact on the sustainability of public finances by generating an average annual pension expenditure savings of up to 3.8% of GDP in the long run, while the labour market part of the reform may increase an average annual number of the employed by up to 10%, which seems to be a broadly plausible assumption. Therefore, if fully and timely implemented, this reform will have a positive impact on the sustainability of public finances. On this basis, Lithuania can currently be assessed as qualifying for the requested temporary deviation in 2017, provided that it adequately implements the agreed reforms, which will be monitored under the European Semester. However, in view of the need to ensure a continued respect of the minimum benchmark (i.e. a structural deficit of 1.5% of GDP) and taking into account the previously-granted allowance under the systemic pension reform clause (0.1% of GDP), Lithuania can currently be assessed as qualifying for an additional temporary deviation of 0.4 % of GDP in 2017, which is slightly below the requested 0.5% of GDP.

(8) On 12 July 2016, for 2017 the Council recommended Lithuania to ensure that the deviation from the medium-term budgetary objective is limited to the allowance linked to the systemic **pension reform**.⁴¹ Taking into account the allowances linked to the pension reform granted for 2016 and the temporary deviation linked to the implementation of structural reforms granted for 2017, the structural balance would be allowed to deteriorate by 1.3% of GDP in 2017. Based on the Commission 2017 spring forecast Lithuania is projected to comply with this requirement in 2017. In 2018, Lithuania should achieve its medium-term objective, taking into account the allowances related to the implementation of the systemic pension reform granted for 2016 and the structural reform granted for 2017, as temporary deviations are carried forward for a period of three years. Based on the Commission 2017 spring forecast, this is consistent with a maximum nominal growth rate of net primary government expenditure⁴² of 6.4% in 2018, corresponding to a deterioration in the structural balance of -0.6% of GDP. Under unchanged policies, Lithuania is projected to comply with this requirement in 2018. Overall, the Council is of the opinion that Lithuania is projected to comply with the provisions of the Stability and Growth Pact in 2017 and 2018.

(9) Following the latest increase in the non-taxable minimum wage, the tax burden on **low-income earners** has been substantially reduced over recent years and is now close to the Union average. At the same time, compensating tax increases have been limited and consequently, tax revenue as a share of GDP remains among the lowest in Union, limiting Lithuania's ability to address its social challenges. The low tax revenue is due to the relatively large share of the shadow economy and relatively low revenue from environmental and capital taxation.

(10) Although Lithuania has made progress in recent years to improve VAT collection, its VAT gap is among the highest in the Union. **Underreporting of wages adds to the problem of low tax collection**. Increasing tax compliance would raise budget revenues and improve the fairness of the tax system and the efficiency of the economy.

(11) The rise in the old-age dependency ratio is set to intensify and under the existing pension rules expenditure on pensions as a share of GDP is projected to rise by some 50 % by the end of the 2030s. **Linking the pension benefits with life expectancy is essential** to limit the strain the pension expenditure will put on public finances.

41. Fn 5 mentions: "Lithuania is allowed to deviate from its medium-term budgetary objective in 2017 and 2018 by allowance under the systemic pension reform clause granted for 2016, as temporary deviations are carried forward for a period of three years."

42. Fn 6 mentions: "Net government expenditure comprises total government expenditure excluding interest expenditure, expenditure on Union programmes fully matched by Union funds revenue and non-discretionary changes in unemployment benefit expenditure. Nationally financed gross fixed capital formation is smoothed over a 4-year period. Discretionary revenue measures or revenue increases mandated by law are factored in. One-off measures on both the revenue and expenditure sides are netted out."

(12) Lithuania has **postponed the entry into force of the new Labour Code** and other legislation on the new social model. This gives it an opportunity to ensure a good balance between flexibility and security in its labour relations. The high proportion of people at risk of poverty or social exclusion, together with **growing income inequality, remain major challenges** for Lithuania. The ratio of the incomes of the richest 20 % of households to that of the poorest 20 % rose from 5.3 in 2012 to 7.5 in 2015 and is the second highest in the Union. This is detrimental to economic growth, macroeconomic stability and development of an inclusive society. At the moment, **the social safety net does not effectively address this challenge** due to low spending on social protection. Moreover, the difference in income inequality before and after taxes and social transfers is amongst the smallest in the Union. However, the Government has put the fight against poverty and social exclusion high on its agenda. The legislation on the new social model envisages increasing the adequacy and coverage of unemployment benefits, and there are **some discussions on improving the adequacy of social assistance**. These important decisions still have to be adopted and implemented. To tackle poverty among the elderly, in 2016 Lithuania added an indexation mechanism to its pension legislation which can be used to improve the adequacy of pensions.

2. Address skills shortages through effective **active labour market policy measures** and **adult learning** and improve educational outcomes by rewarding quality in teaching and in higher education. (...) Improve the **adequacy of the social safety net**.

(13) It is important that Lithuania address its skills challenges and tackle the negative effects of its shrinking working age population. The **proportion of pupils with insufficient basic skills remains high**. Despite high tertiary education attainment rates, higher education is marred by poor quality standards and financial incentives that promote oversize and inefficiency rather than performance. Efforts should be pursued to ensure high quality teaching at all levels of education (including through reforming careers and working conditions). This is crucial to tackling underachievement and educational shortcomings and to ensuring quality in higher education (including by introducing performance-based funding and by consolidating higher education institutions). The **persistence of low levels of participation in adult learning** in Lithuania is hindering the effectiveness of labour market reforms and the development of a better skilled workforce. Lithuania has been focusing its efforts on increasing the offer and relevance of publicly provided learning opportunities, but so far this has not yielded tangible results. To achieve higher and sustainable participation rates in adult learning, Lithuania also needs to encourage individuals to take up learning and incentivise more employers to provide learning opportunities for their employees.

(14) Unemployment among low-skilled and medium-skilled individuals is still above the Union average. Persons with disabilities have a high poverty rate, partly due to their weak labour market integration. **Active labour market policy measures currently play a limited role in helping people re-**

enter the labour market in Lithuania. Lithuania has substantial scope to make its labour market more inclusive, including by offering more support measures to persons with disabilities. This implies, for instance, scaling up supported employment and the Vocational Rehabilitation Programme, and enhancing the availability of rehabilitation budgets. The recently adopted Law on Employment has the potential to improve the provision of active labour market policy measures.

(15) Lithuania has made progress in recent years to improve the **social dialogue**. The social partners are actively involved in the discussions on the new Labour Code and the new social model, and the Government has put in place the action plan to strengthen the social dialogue. It is aimed at building the capacity of the social partners, promoting collective bargaining and improving the social dialogue at all levels.

(16) In Lithuania, **health outcomes continue to have a significant negative impact on the potential available workforce and labour productivity**. Although efforts are being made to shift patients to more cost-effective types of healthcare, the health system's performance continues to be hampered by high reliance on in-patient care and low expenditure on prevention and public health. Out-of-pocket payments are very high, in particular for pharmaceuticals.

(17) **Adverse demographic developments mean that growth will increasingly depend on labour productivity**. Over the period 2000-2015 Lithuania had one of the highest labour productivity growth rates among Member States, but recently growth rates have slowed down. Lithuania's public investment suffers from poor planning and linkage to the country's strategic goals. Public R&D intensity increased to a value slightly above the Union average in 2015, while business R&D intensity still lags behind. The 'Lithuanian Science and Innovation Policy Reform Guidelines' adopted in 2016 aim to address the persisting challenges in research and innovation. They do so by calling for reform of institutional R&D funding; consolidation of research and higher education institutions, science valleys and technology parks; and improved policy coordination, monitoring and evaluation. Lithuania has made some progress in supporting alternative means of finance. It has helped to establish a number of venture capital and seed capital funds. The government has also recently passed a law on crowd-funding investing.

Luxembourg

(1 out of 2; pensions, (early) retirement, older workers, shift tax burden)

2. Ensure the long-term sustainability of the pension system, limit early retirement and increase the employment rate of older people.

(7) Long-term fiscal sustainability concerns remain given the projected increase in ageing costs. Under the 2012 pension reform, an exercise to monitor and evaluate the **sustainability of the pension system** should be

carried out every 5 years from the adoption of the reform. The Government advanced the first evaluation to 2016. Although the review concluded that the pension system is still recording a recurrent surplus which allowed sizeable pension reserves to be accumulated, the pension system is expected to record a negative balance from 2023 in terms of benefits expenditure in relation to contributions. According to the recent revised Eurostat population projections, the projected increase in population will be less significant than previously expected. This will have an impact on the dependency ratio, which will increase faster than previously expected and lead to a higher projected increase in public expenditure for pensions. There has been **no progress in linking statutory retirement age to life expectancy**, as previously recommended by the Council in 2016. Luxembourg stands out as the only Member State where no increase of the statutory retirement age has been laid down for the period between 2013 and 2060. Luxembourg has the Union's highest projected increase in the share of dependent population by 2060. Luxembourg has made **limited progress on early retirement**. In July 2015, a draft law modifying early retirement schemes was presented to Parliament, where it is still pending. Overall, early retirement remains widespread and incentives to work longer remain limited. Following the revision of demographic prospects, Luxembourg faces further risks related to long-term care expenditure. This is already at one of the highest levels among Member States as a share of GDP and is projected to increase from 1.5 % to 3.2 % of GDP by 2060 (more than doubling from the current level). A project of reform of the long-term care insurance is still being discussed by the Parliament.

(8) The Luxembourg authorities have adopted a **comprehensive tax reform** that entered into force in January 2017. The reform introduced changes mostly in the area of direct taxation, both for individuals and corporations, aimed at gradually reducing the corporate income tax rate (with the goal of increasing competitiveness) and increasing the progressivity of personal income tax (with the goal of increasing fairness). At the same time, the increase in certain tax expenditures risks narrowing the tax base. To improve the predictability of tax revenues, **there is scope to further broaden the tax base**. This could be achieved in particular by revisiting the current low taxation on housing and making greater use of alternative sources. This could include ensuring more coherence between environmental taxation and the diversification objectives of the economy.

Other relevant information

(11) **Targeted active labour market policies and lifelong learning programmes, in particular for older workers**, whose employment rate remains among the lowest in the Union, **are necessary** to avoid negative impacts. Measures have been adopted to improve their employability and labour market attachment. A law on the reclassification of workers with working disabilities has been implemented since 1 January 2016, increasing the possibilities for such workers to remain longer on the labour market. However, a comprehensive strategy, following consultations with social

partners, is yet to be put forward. The ‘age pact’, a draft law submitted to Parliament in April 2014 which aims to encourage firms with more than 150 employees to retain older workers, has still not been adopted. Upskilling opportunities through targeted active labour market policies and lifelong learning to support older workers will remain important for the success of such policies. **Investment in skills is crucial** to reap the full benefits of **digitalisation** and to maintain competitiveness.

(12) (...) Moreover, despite substantial investment in transport infrastructure, tackling traffic congestion remains a challenge. **This is all the more so as modern work practices, such as teleworking, are discouraged in the case of cross-border workers by the fiscal policies in neighbouring countries.** Both housing and mobility challenges are likely to put additional strain on efforts to diversify the economy and increase competitiveness. They could also act as barriers to attracting high-skilled workers into the labour market.

Malta

(1 out of 2; ALMPs (i.a. older female workers), lifelong learning, pension reform, drop outs)

1. Expand the scope of the ongoing spending reviews to the broader **public sector** and introduce performance-based public spending.

(8) Notwithstanding the achievement of the medium-term objective three years ahead of the target, expenditure increases outpaced potential output growth. If sustained further, this poses a challenge to the sustainability of public finances, especially in the case of unanticipated shocks to revenues. The Maltese authorities carried out spending reviews, in some areas of public spending particularly relevant in terms of sustainability – healthcare, education and training and **social security**. Timely and effective implementation of the ensuing recommendations will determine their effectiveness in achieving their goal. In addition, Malta’s public finances continues to face **sustainability risks** in the long-term due to the projected costs linked to population ageing, such as health care, long-term care and **pensions**. The steep increase in projected age-related expenditure is mainly due to pension expenditure, which is estimated to increase by 3.2 percentage points of GDP by 2060 according to the 2015 Ageing Report. Some of the recently introduced measures are likely to generate savings. However, these savings are unlikely to be sufficient to offset mounting spending pressures and decisively improve long-term sustainability. Further measures could, therefore, be necessary.

(9) Malta has put forward several measures to address the dual challenge of sustainability and ensuring adequate retirement incomes posed by the **pension system**. Measures introduced in the 2017 budget are expected to moderately lower the poverty risk for older people and improve somewhat the net replacement rate of the guaranteed minimum pension. Overall, **pension adequacy indicators still indicate considerable room for improvement** including on reducing the high gender coverage gap.

Other relevant information

(13) Labour shortages are emerging across the skills spectrum and the **adjustment of skills supply to labour market needs is still incomplete**. A substantial share of the Maltese labour force still has low qualifications. While educational attainment is increasing, the rate of early school leaving remains high. **Basic skills attainment among young people is still weak**. Access and participation in lifelong learning – with the involvement of employers – is improving including for the low-skilled, but given the extent of the challenge, efforts need to be sustained. Significant investments in the education and training system are expected to bear fruit, especially if the measures are maintained and improved in the future, notably through the recently established National Skills Council. Employment rates are steadily improving and the unemployment rate has dropped below 5 %. However, **labour market participation is still among the lowest** in the Union, in particular **for older and low-skilled women**, which also points to remaining social exclusion risks for those who are not equipped to adjust to a fast-changing economy. Therefore, current policy investments should continue to be sustained and further developments are to be closely monitored.

The Netherlands

(1 out of 2; EPL, pension reform, wage setting)

2. Tackle **remaining barriers to hiring staff on permanent contracts**. Address the high increase in the 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. Based on the broad preparatory process already launched, **make the second pillar of the pension system more transparent**, inter-generationally fairer and more resilient to shocks. **Create conditions to promote higher real wage growth**, respecting the role of the social partners

(7) The recent growth in employment can be largely attributed to an increase in the number of people employed on temporary contracts and of the self-employed. The **high and increasing percentage of temporary contracts** as well as the rapid increase in self-employment without employees is observed in the context of great differences in applicable labour regulations, labour protection, as well as differences in tax and social security legislation. Although some measures have been taken, some of these factors still create a financial incentive for employees to start working as self-employed or favours hiring them under a temporary contract. This **may have particularly distortive effects at the margin of the labour market and may have contributed to the observed moderation in aggregate real wage growth**. Self-employed are more often under-insured against disability, unemployment and old age. This could affect the sustainability of the social security system in the long run. The enforcement of measures to tackle bogus self-employment is suspended until 2018. The employment situation of people with a migrant background remains an important challenge. The employment rate for non-EU born migrants is 20 percentage points lower than for people

born in the Netherlands, only a small part of which is explained by differences in age and educational achievement.

(8) The rise in recent years in the household saving rate was partly due to higher saving in the **second pillar of the pension system** (mandatory supplementary private schemes), to which the regulatory environment contributed. An appropriate intra- and inter-generational distribution of costs and risks beyond the adopted rules on indexation and financial buffers (financial assessment framework) would help households to allocate their financial means in more growth-friendly ways. The government announced its intention to substantially reform the second pension pillar in order to improve the coverage, create a more transparent, more flexible and actuarially fairer system.

Poland

(1 out of 3; ALMPs (women/older workers) pensions, EPL, pension reform, retirement age, childcare)

2. Take steps to increase **labour market participation, in particular for women, the low-qualified and older people**, including by fostering adequate skills and **removing obstacles to more permanent types of employment**. Ensure the sustainability and adequacy of the **pension system** by taking measures to **increase the effective retirement age** and by starting to reform the preferential pension arrangements.

(9) Poland faces **expenditure pressures in various areas, in particular those related to population ageing**. This makes it necessary to put mechanisms in place to assess the efficiency and effectiveness of public spending to enable the reallocation of resources. With this in mind, the Government has announced plans to strengthen the budgetary process, in particular with regard to the medium-term budgetary framework and incorporating spending reviews into the budgetary process. Poland is the only Member State without a fully-fledged independent fiscal council and with no known plans to create one, even though it has independent fiscal institutions covering some of its functions.

(10) A decrease in the working-age population in Poland is expected to limit growth potential in the decades to come. The performance of the Polish labour market has been strong in recent years. Employment rates have continued to increase, **but several recent policy measures may reduce labour force participation, especially that of women, low-skilled and older people**. Lowering the statutory retirement age in late 2017 is expected to encourage some older workers to exit the labour force. The Polish **social protection system provides only limited incentives to take up work**. The new child benefit is expected to reduce poverty and inequality, but it may also have a negative effect on the labour market participation of parents, mostly women. The size of the child allowance and limited means-testing offsets work incentives built into other social benefits. The obligation to attend pre-school for five-year-olds was removed as of September 2016 and **formal childcare enrolment** for children under the age of three **remains among the** lowest

in the Union. Despite measures taken, labour market segmentation continues to be high, with negative effects on productivity and the accumulation of human capital. Obstacles to wider use of permanent contracts remain. The codification committee **is preparing new draft individual and collective labour codes**. This is an opportunity to address these obstacles.

(11) The average effective retirement age has increased in recent years, but it remains **too low** significantly below the statutory retirement age. A **higher effective retirement age is crucial** for economic growth, the adequacy of future pensions and the fiscal sustainability of the pension system. However, the recent decision to lower the statutory retirement age to 60 for women and 65 for men goes in the opposite direction and may negatively affect the effective retirement age. The costly special social insurance system for farmers (KRUS) is another reason for low labour mobility and hidden unemployment in agriculture.

(12) The education system has significantly improved over the last two decades, with the basic skills of 15-year-olds well above the Union average and one of the lowest early school leaving rates in the Union. Nevertheless, there is still room to improve the way pupils are equipped with skills that are adequate for the rapidly changing labour market. The forthcoming changes concerning primary and secondary education give rise to major organisational challenges and shorten the period of general education, which may have a negative impact on educational equality. **Additional changes to adapt vocational education and training to labour market needs have also been announced**, but their potential to address existing shortcomings remains to be seen. The Government has launched consultations on the higher education reform to improve the performance of the sector and its labour market relevance. Poland features insufficient participation in adult learning and the average level of older adults' basic skills is low, hampering their employability.

Portugal

(2 out of 4, public administration, pensions, minimum wages, ALMPs (i.a. young workers), EPL, drop outs)

1. (...) Step up efforts to finalise a comprehensive expenditure review at all levels of **public administration**. Step up efforts to broaden the expenditure review to cover a significant share of general government spending across several policies. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals and **ensure the sustainability of the pension system**. To increase the financial sustainability of state-owned enterprises set sector-specific efficiency targets in time for the 2018 budget, improving state-owned enterprises' overall net income and decreasing the burden on the State budget.

(9) (...) High and rising ageing costs still pose a risk to fiscal sustainability. In the medium term, higher fiscal risks are expected to be related largely to the costs of financing pensions. Long-term fiscal risks in the country are assessed as low, largely thanks to **pension reforms** and assuming a no-policy change

scenario and that there is a further reduction in the reliance of the pension system on budgetary transfers. The restructuring of state-owned enterprises to make them fiscally sustainable has not still been fully addressed. State-owned enterprises supervised by the Ministry of Finance's monitoring unit (UTAM) had a total indebtedness of EUR 32 billion in the second quarter of 2016. A framework with established targets to guarantee the financial sustainability of state-owned enterprises could help to decrease their dependence on State budget transfers and tackle the large debt stock.

2. **Promote hiring on open-ended contracts**, including by reviewing the legal framework. Ensure the effective activation of the long-term unemployed. Together with social partners, ensure that **minimum wage developments** do not harm employment of the low-skilled.

(3) (...) The Commission's analysis leads it to conclude that Portugal is experiencing excessive macroeconomic imbalances. In particular, the large stocks of net external liabilities, private and public debt and a high share of non-performing loans constitute vulnerabilities in a context of **high but decreasing unemployment** and slow productivity growth. Potential growth lags behind its pre-crisis level, affected by persistent bottlenecks and rigidities in the product and labour markets, together with external imbalances. The current account balance shows some improvements, though additional effort is required for a more significant adjustment of net external liabilities. Following a significant adjustment in recent years, unit labour costs started increasing due to sluggish productivity growth and rising wages. Private debt is falling, and government debt has stabilised, in a context of remaining deleveraging needs. (...) Labour market conditions have improved but **youth and long-term unemployment, as well as the share of temporary employees, are still high**.

(10) The Portuguese labour market continued to recover in 2016, with a steady improvement in labour market indicators and notably a decrease in the unemployment rate. A significant share of new jobs created are on open-ended contracts. However, the **stock of temporary contracts remains stable at high levels**. High labour market segmentation adversely affects workers' career prospects and incomes, in particular among the young. In January 2017, Portugal redesigned its employment support programme to promote hiring on open-ended contracts. However, its expected impact on reducing segmentation appears limited, as relatively few people are expected to be covered by that programme. Although recent labour market reforms improved incentives for job creation, **some aspects of the legal framework may still discourage firms from hiring workers on open-ended contracts**. In particular, employers face high and uncertain firing costs in case of individual dismissal of permanent workers is deemed unfair. This is due in part to the possibility of a worker being reinstated if the dismissal is deemed unfair, and to inefficiencies in legal proceedings.

(11) With the drop in unemployment since 2014, the absolute number of the long-term unemployed is also decreasing. However, more than half of unemployed people have been jobless for a year or more, and this share

is not decreasing with the recovery. High levels of long-term and youth unemployment increase the risk that jobless people will disengage from the labour market, gradually losing their skills and employability, thus also weighing negatively on potential growth. **Youth unemployment**, while still sizeable, is declining owing to a range of measures taken in previous years, including through outreach measures in the context of the **Youth Guarantee**. This may partly explain why the share of young people neither in employment nor in education or training (NEET) is lower than the Union average. Portugal is also taking action to streamline active labour market policies and to address the issue of the youth unemployment. This includes the introduction of employment incentives (through social security rebates) in April 2017, targeted to the hiring of young and long-term unemployed on open-ended contracts. However, to ensure effective activation of the long-term unemployed, it is crucial that public employment services cooperate effectively with social services to better identify and address the needs of this group. An important step in this direction would be to create the announced one-stop shops for employment.

(12) By following the announced schedule, the Government has increased the minimum wage for the third consecutive year in 2017. The last increase, above expected inflation and average productivity increases, is expected to make the minimum wage increasingly binding, as the share of employees covered already amounted to a fifth of the total in 2016. **Minimum wage increases** contribute to reducing high in-work poverty and may positively impact on aggregate demand. However, they **may entail employment risks, notably for the low-skilled**. These risks did not materialise in the current context of recovery, but remain a challenge. The Government is monitoring the impact of minimum wage developments through quarterly reports, which are published and discussed with social partners.

(13) Portugal has made significant improvements in its school education outcomes, as shown by the most recent results of the OECD Programme for International Student Assessment (PISA). However, the country remains among the OECD countries with the highest rates of grade repetition, which is proven to increase the risk of **early school leaving** and weighs significantly on education costs. The overall skills level of the labour force remains among the lowest in Europe and hampers the country's innovation potential and competitiveness. Moreover, digital skills remain a barrier for upgrading the labour force skills. About 22 % of people in the Portuguese labour force have no digital skills (mostly because they do not use the internet regularly), about double the Union average. The Government has taken action to promote adult education and **digital skills**, namely by establishing the 'Qualifica' Programme and a national initiative for digital skills (INCoDe2030 Initiative). To ensure they are effective, it will be crucial that they provide quality opportunities for up-skilling and re-skilling workers, in line with labour market needs. The government has also taken a number of measures to support cooperation between higher education and the business sector, namely regarding their research outcomes and activities. However, the university structures would need to adapt in order to favour this cooperation.

Romania

(3 out of 3; ALMPs (i.a. young workers/women), retirement age, minimum wage, public administration, social services, drop outs)

1. In 2017, ensure compliance with the Council Recommendation of 16 June 2017 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. In 2018, pursue ~~it's a substantial fiscal policy effort~~ in line with the requirements of the preventive arm of the Stability and Growth Pact, ~~which translates into a substantial fiscal effort for 2018~~. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection. **Fight undeclared work**, including by ensuring the systematic use of integrated controls.

(11) **Tax evasion** has been prevalent in Romania, reducing tax revenues and tax fairness and distorting the economy. In addressing a country-specific recommendation to strengthen tax compliance and collection, Romania has made limited progress. In 2016, the procedures for VAT registration and reimbursement were amended, and a nation-wide roll-out of electronic cash registers connected to the tax authority is underway. From 2017, a special scheme applies to sectors such as the hotel, catering and other related industries, where the duty is established irrespective of revenue bracket. In addition, restrictions were also adopted on self-employment and family businesses, to discourage tax avoidance. An improvement in compliance was observed in 2016 for tax declarations and payments, but the **joint tax and labour inspections and audits failed to achieve improved results**. Furthermore, the turnover threshold for the tax regime on micro enterprises was substantially increased while the rate was cut, enabling tax compliance to the detriment of budgetary revenues. The sectorial and categorical approaches to business taxation risk imposing an administrative burden on both businesses and the tax authority, and are not conducive to improving tax collection.

(12) The distribution of disposable household income (accounting for the size of the household) is particularly unequal in Romania, thereby impairing its potential for sustainable and inclusive growth. The richest 20 % of the population have an income over eight times higher than the poorest 20 %. This ratio is significantly higher than the Union average. Inequalities are driven to a large extent by **unequal access** to health care, **education, services and access to labour market**. Moreover, the difference between **income inequality** before and after taxes and social transfers is amongst the smallest in the Union. The social reference index at the basis of the main social benefits has not been updated since its introduction in 2008. Undeclared work including envelope wages remains prevalent and continues to weigh on tax revenue, distort the economy, and undermine the fairness and effectiveness of the tax and benefits system. Joint national inspections by the Fiscal Administration and labour inspectorates were undertaken as part of a pilot project, but this has failed to have a systemic impact so far. Resources are not focused on sectors with the highest risks of tax evasion, limited focus is given on envelope wages, while coercive measures prevail over preventive ones.

43. 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.'

2. **Strengthen targeted activation policies and integrated public services**, focusing on those furthest away from the labour market. Adopt legislation **equalising the pension age for men and women**. Establish a **transparent mechanism for minimum wage-setting**, in consultation with social partners. Improve access to quality mainstream education, in particular for Roma and children in rural areas. (...)

(13) Labour market outcomes improved in 2016, when the unemployment rate reached its pre-crisis low. The labour force continues to shrink, as the population is ageing and emigration remains high. Low unemployment is matched by one of the highest inactivity rates in the Union. **Employment and activity rates for young people, women, the low-skilled, people with disabilities and Roma in particular are well below the Union average**. The number of young people not in employment, education or training remains very high.

(14) Although declining, the risk of poverty or social exclusion has been very high, in particular for families with children, people with disabilities, Roma, and the rural population. In 2016, a comprehensive anti-poverty package was adopted in a **policy shift toward the enhanced provision of services catered to specific groups** of the population. It envisages a pilot project setting up integrated services in marginalised communities. A nation-wide roll-out would significantly improve the currently low provision of integrated services. Addressing successive country-specific recommendations, the **law on the minimum inclusion income was adopted**, to enter into force in 2018. The minimum inclusion income increases the adequacy and coverage of social assistance. It combines passive support with compulsory active labour market measures and inspections. Its activation potential is modest though, as the target is to reach 25 % of the beneficiaries by active labour market policy measures by 2021.

(15) Activation policies have been strengthened in the context of reforming the National Employment Agency. Reforms include more tailor-made support and integrated services to jobseekers and employers. The outreach and service offered to young people not in employment, education or training is being improved. However, **activation policies offered to groups furthest away from labour market remain limited** and recently proposed activation measures no longer focus on these specific groups. Their scale and link to social services is insufficient to significantly improve labour force participation for these groups in particular.

(16) Pension adequacy and old-age poverty have significant gender dimensions as, all else being equal, **lower retirement ages for women result in lower pension entitlements**. Romania is among the very few Member States that do not provide for the convergence of women's retirement ages to men's. The law on equalisation of pensionable ages for men and women was submitted to the parliament in 2013. So far it has only been adopted by the Senate.

(17) Given productivity developments, income convergence and the competitiveness position of Romania, **increases in public and private sector wages deserve special attention**. Public-sector wage increases

have the potential to spill over to the private sector, impacting Romania's competitiveness. **Romania's minimum wage level, while still among the lowest in the Union**, has increased significantly in recent years. Ad hoc minimum wage increases have significantly raised the share of workers earning the minimum wage and led to strong compression at the bottom of the wage distribution recently. Addressing a country-specific recommendation, a **tripartite working group to establish a mechanism for minimum wage-setting** based on objective economic, labour market and social criteria was established in early 2016 but work suffered significant delays and needs to be adequately taken up. **Social dialogue remains characterised by low collective bargaining at sector level** and by institutional weaknesses that limit the effectiveness of reforms.

(18) Sufficient basic skills are key to finding and keeping good and stable jobs and successfully participating in economic and social life. International surveys point to severe deficiencies in basic skills among Romanian teenagers. **High early school leaving rates**, low higher education attainment, and high emigration result in the under-supply of skilled labour. Access to quality mainstream education is limited in rural areas and for Roma children in particular. The difficulty to attract good teachers in rural areas and Roma-predominant schools, coupled with segregation and often discriminatory attitudes, result in lower educational achievement of Roma children. In response to repeated country-specific recommendations, Romania adopted and started implementing a strategy on early school leaving. Recent measures include integrated interventions, a warm-meal pilot programme, improved reimbursement of commuting costs, and social vouchers to encourage poor children's pre-school education. Project-based measures with Union funding to improve the quality of teaching in disadvantaged schools are planned for autumn 2017, and the modernisation of the curricula, albeit incomplete, is underway. Anti-segregation legislation was improved, including the reinforcement of school inspectorates' mandate in this area. However, a monitoring methodology is still missing. Further steps are needed for sustained progress in fighting socioeconomic inequalities in education. **The Youth Guarantee has only partially reached early school leavers so far and second-chance programmes are not readily available. The vocational education and training system is not sufficiently aligned** with labour market needs, and **participation in adult learning is very low.**

3. Adopt legislation to ensure a professional and independent **civil service**, applying objective criteria. Strengthen project prioritisation and preparation in public investment. (...).

(20) Romania's administrative and policy-making capacity has been suffering from opaque processes and decision-making, burdensome administrative procedures, little recourse to quality evidence, weak coordination across sectorial policies, and widespread corruption. **Progress in public administration reform has been limited.** Organisational structures remain unstable, which affects the independence and effectiveness of public administration. Civil service strategies were launched in 2016, but the legislative framework does not yet incorporate some of their main objectives,

especially as regards objective criteria for staff recruitment, assessment and reward of performance. Pay levels are proposed to be harmonised to some extent, but there is **no clear link between performance and remuneration, at central and local levels**. The capacity and authority of the National Agency of Civil Servants still needs to be strengthened. Some of the transparency measures in policy making, initiated in 2016, have been set for reversion. Strategic planning and regulatory impact assessment are not firmly established in administrative practice.

(24) Over 45 % of Romania's population live in rural areas, which remain far behind urban areas in terms of employment and education, access to services and infrastructure, and material well-being. In response to a country-specific recommendation to improve access to integrated public services, extend basic infrastructure and foster economic diversification in rural areas in particular, in 2016 Romania adopted a comprehensive set of measures on rural development, modernising small farms, supporting non-agricultural SMEs, **investment in infrastructure, including social services and education, and formalising employment**. Their longer-term success will hinge on the capacity to roll-out the pilot actions on a larger scale, and to effectively target and absorb available Union funding.

(25) **State-owned enterprises (SOEs)** play a major role in the economy, in particular in key infrastructure sectors. Weaknesses in SOE's governance translate into their lower profitability relative to private counterparts, with negative impacts on public finance. Addressing a country-specific recommendation, Romania achieved substantial progress to improve SOE corporate governance. The by-laws supporting the main legislation on SOE corporate governance were swiftly adopted in autumn 2016. The legislative framework follows good international practice on transparency in the appointment of board members and the management of SOEs, and provides the Ministry of Finance with specific powers of monitoring and enforcement. Measures were also taken to raise awareness of the new rules among local authorities, and budgetary information on SOEs was made public. However, **delays in the appointment of professional managers raise concern** with regard to further implementation.

Slovakia

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

2. **Improve activation measures** for disadvantaged groups, including by implementing the action plan for the long-term unemployed and by providing individualised services and targeted training. **Enhance employment opportunities for women**, especially by extending affordable, **quality childcare**. Improve the quality of education and increase the participation of Roma in inclusive mainstream education.

(11) Despite improvements in the labour market resulting from robust economic recovery and strong job creation, long-term unemployment remains a problem. The long-term unemployment rate continues to be one of the

highest in the Union. It particularly affects marginalised Roma, low-skilled and young people. In addition, regional disparities persist — the unemployment rate in eastern Slovakia is still twice that in Bratislava. Adult participation in lifelong learning and second-chance education remains low. Despite measures encouraging low-wage earners to work and an ongoing public employment services reform, there are **still difficulties in introducing individualised support to the long-term unemployed** and to vulnerable groups due among others to a high caseload. The Slovak action plan on the integration of the long-term unemployed, largely financed by the European Social Fund, seeks to remedy this via a comprehensive approach to personalised services. This will be achieved by providing specialised counselling, a new profiling system, cooperation with private employment agencies and the delivery of targeted training programmes designed by employers based on regional labour market needs. 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 contributing to their poor labour market outcomes. The **low employment rate of women** of childbearing age reflects the **long parental leave** (up to three years) rarely taken up by men, **shortage of childcare facilities**, especially for children under the age of three, and a **low uptake of flexible working-time arrangements**.

(12) The education system is insufficiently geared to increasing Slovakia's economic potential. Educational outcomes and the **level of basic skills remain disappointing** by international standards and have deteriorated further in ~~2012-15~~ **2012-2020**. Moreover, strong regional differences persist. Poor performance is primarily linked to a strong impact of the socioeconomic and ethnic background of students, to issues of equity, access and inclusiveness as well as the relatively low attractiveness of the teaching profession. Despite the ~~6% two-step~~ salary increase for **teachers** in 2016 (4% in January and 6% in September) and further increases planned for 2017-2020, **uncompetitive salary conditions** and limited continuous teacher training are among the factors that make the profession still largely unattractive, especially to prospective young teachers and those residing in the more developed regions of the country. The recently adopted anti-segregation legislation, on the marginalised Roma community, has yet to be fully implemented to bring about positive change and increase their participation in inclusive mainstream education, with a special focus on early childhood education and care as well as pre-school education.

Other relevant information

(9) Slovakia's public finances still face risks in the long term. (...) Meanwhile, the **deficit of the public pension system** is projected to double in the long term, and the **retirement age in Slovakia is among the lowest in the Union**. Recent adjustments in the pension system have largely been ad hoc and short-term.

(15) (...)In addition, **public administration** is still burdened by inefficiency, insufficient capacity and fragmentation. The adoption of the strategy on Human Resource Management in October 2015 and the recent adoption of the **Civil Service Act** are positive steps forward. The new, politically independent Civil Service Council will supervise the implementation of the principles of the Civil Service Act as well as the Code of Ethics for Civil Servants. (...)

Slovenia

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

1. (...) Adopt the necessary measures to ensure the long-term sustainability and adequacy of the **pension system**.

(11) The high public debt at 79.7% of GDP in 2016 represents a source of vulnerability for the public finances in Slovenia. The country's population is ageing faster than that of most Member States. Slovenia faces high risks on the long-term sustainability of public finances and its long-term sustainability gap indicator is the highest of all Member States, stemming from the projected **increase in pension-related public** spending, healthcare and long-term care expenditure.

(13) The **White Paper on pensions** was adopted by the government in April 2016 and has opened a public consultation on the future of the pension system. However, **concrete legislative proposals are still lacking**. Challenges on the way ahead are to ensure the long-term sustainability and adequacy of the pension system by adjusting the statutory pension age to life expectancy gains and promoting later retirement, to boost the coverage of the supplementary pension schemes, to adequately address varying career paths and to reduce old-age poverty risks.

2. Intensify efforts to increase the **employability of low-skilled and older workers**, particularly through targeted lifelong learning and activation measures.

(14) Labour market and social trends continued to improve. Job creation has picked up and unemployment is decreasing. The rate of people at risk of poverty and social exclusion decreased but remains above the Union average for the elderly. The improving labour market offers an opportunity to provide employment for **older workers**, but their **participation rates remain low**. Entering retirement via the unemployment insurance system has become increasingly common in recent years. Long-term unemployment remains above pre-crisis levels and represents more than half of all unemployed. More than 40 % of all long-term unemployed are over 50 and almost half of them are unemployed for two years or more. An analysis and an action plan that aims to increase the employment rate of older workers has been prepared and discussed with social partners. Timely implementation of the action plan can help to improve the activation of older workers. The employment rate of low-skilled workers remains low and well below the pre-crisis level and the Union average. The active labour market policy implementation plan adopted in

January 2016 continues the current approach, while expenditure in this field remains low. Older and low-skilled workers continue to be underrepresented in active labour market policy measures. **Labour market segmentation remains a challenge** despite the reform in 2013.

Other relevant information

(7) The 2017 Stability Programme indicates that the budgetary impact of the exceptional inflow of **refugees** is significant in 2016 and 2017 and provides adequate evidence of the scope and nature of these additional budgetary costs. According to the Commission, the eligible additional expenditure for the exceptional inflow of refugees in 2016 amounted to 0.07% of GDP. This amount is unchanged compared to the 2017 draft budgetary plan, which confirmed the projections of the 2016 Stability Programme. For 2017, the Stability Programme included a request for 0.07% of GDP, of which the Commission will consider the incremental impact amounting to 0.01% of GDP. The provisions set out in Article 5(1) and Article 6(3) of Regulation (EC) No 1466/97 cater for this additional expenditure, in that the inflow of refugees and security-related measures are related to unusual events, their impact on Slovenia's public finances is significant and sustainability would not be compromised by allowing for a temporary deviation from the adjustment path towards the medium-term budgetary objective. Therefore, the required adjustment towards the medium-term budgetary objective for 2016 has been reduced to take into account these costs. Regarding 2017, a final assessment, including on the eligible amounts, will be made in spring 2018 on the basis of observed data as provided by the Slovenia authorities.

(17) The implementation of the 2015-2020 strategy for the development of **public administration** is underway, and some progress has been made. However, some specific measures, like the adoption of the Civil Service Act, have been further delayed. The Government programme for reducing the administrative burden is estimated to have created total savings of EUR 365 million between 2009 and 2015 and almost 60% of 318 measures to reduce the administrative burden have been achieved. Private investment however continues to be hindered by complex and lengthy administrative procedures, especially in construction and spatial planning. (...)

Spain

(1 out of 3; ALMPs (i.a. young workers), employment/social services, EPL, minimum income, childcare, drop outs)

2. Reinforce the **coordination between regional employment services, social services and employers**, to better respond to jobseekers' and employers' needs. Take **measures to promote hiring on open-ended contracts**. Address regional disparities and fragmentation in **income guarantee schemes** and improve family support, including **access to quality childcare**. Increase the **labour market relevance of tertiary education**. Address regional disparities in educational outcomes, in particular by strengthening teacher training and support for individual students.

(3) (...) Job creation has been strong in recent years and **unemployment** has decreased rapidly, but **remains very high**. Labour market reforms and wage moderation have been important drivers of strong job creation and competitiveness gains in recent years.

(11) Job creation has been strong in recent years, supported by labour market reforms and wage moderation. **Unemployment** has decreased rapidly, but remains among the highest in the Union, **in particular among young** and low skilled people, entailing risks of disengagement from the labour market. Almost half of the unemployed have been without a job for more than a year. Spain is taking measures to support young people, notably by extending the **Youth Guarantee** eligibility criteria, and to strengthen individual support to the long-term unemployed. Their effectiveness depends also on the performance of the regional **public employment services**. **There is scope to enhance their cooperation with social services**, so as to improve the provision of extended services to jobseekers, in particular the long-term unemployed and beneficiaries of income guarantee schemes. At the same time, cooperation of public employment services with employers could be enhanced, notably by increasing the share of vacancies handled by the employment services.

(12) Spain has **one of the highest shares of temporary employment in the Union**, and many temporary contracts are of very short duration. Transition rates from temporary to permanent contracts are very low in comparison to the Union average. The widespread use of temporary contracts is associated with lower productivity growth (including through lower on-the-job training opportunities), poorer working conditions and higher poverty risks. The recent labour market reforms seem to have had a mildly positive effect in reducing segmentation between permanent and temporary contracts, and the ongoing reinforcement of labour inspections is showing positive results in addressing the abuse of temporary contracts. However, **some features of the Spanish labour market may still discourage hiring on permanent contracts**, including uncertainty in case of legal dispute following a dismissal, along with comparatively high severance payments for workers on permanent contracts. Moreover, the system of hiring incentives remains scattered and not effectively targeted at the promotion of open-ended employment. Although it has recently established a working group on the quality of employment, Spain has **not yet developed a comprehensive**

plan for fighting labour market segmentation, following the 2014 agreement between the Government and social partners.

(13) **Disparities persist in the eligibility conditions of income guarantee schemes** and in the link between activation and protection across regions and schemes. Certain categories of vulnerable households are left out of the income guarantee arrangements. The limited effectiveness of the schemes is partly explained by large disparities in adequacy and access conditions of the regional minimum income schemes and by the fragmentation of the national benefit system into multiple schemes addressing various categories of jobseekers and managed by different administrations. Fragmentation introduces discontinuity in the support given to those in need of it and hampers the delivery of integrated pathways. In response to the multiple challenges, an ongoing study aims at assessing the effectiveness of the national and regional income support schemes. **Family benefits are poorly targeted**. Moreover, when taking into account the impact of tax credits, the tax-benefit system is overall slightly regressive. In addition, **childcare** use strongly increases with family income, suggesting barriers to access for low-income parents. The provision of long-term care services is improving, but it differs across regions and current needs are still not met.

(14) Weak education outcomes negatively affect the longer-term potential for productivity growth in Spain. Despite significant improvements over the past years, the **early school leaving rate remains among the highest in the Union**. There are wide regional disparities in early school leaving and students' performance, in particular regarding basic skills. Teachers' training and individual students' support are among the drivers of successful school education in well performing regions. Spain has the second highest grade repetition rate in the Union, which increases the risk of school drop-out, lowers attainment expectations and weighs on education costs. Employability of tertiary graduates remains comparatively low. The reduced mobility of students and academic staff, limited traineeships' opportunities, lack of incentives and the rigidity of university governance remain obstacles to cooperation with business on education or research.

Other relevant information

(16) (...) **Coordination between relevant public administrations, including at sectoral conference level, requires more efforts**. This is essential to ensure that existing and forthcoming legislation at all levels effectively tackles unnecessary market entry barriers, including for new business models in the collaborative economy. (...) Market access requirements foreseen in the vehicle-with-drivers services sector legislation and the short-term rental accommodation services legislation at regional level may unnecessarily hamper the balanced development of the **collaborative economy**. (...)

Sweden

(0 out of 1)

(7) (...) Lack of available and affordable housing can also limit **labour market mobility and the effective integration of migrants into the labour market**, and contribute to intergenerational inequality.

(8) In 2016 Sweden had **one of the highest employment rates** in the Union (81.2 %), while recording one of the lowest long-term unemployment rates. However, challenges remain, such as integrating low-skilled people and non-EU migrants into the labour market and reducing the substantial employment gap for non-EU-born women. Sweden has made considerable efforts in the reception of asylum seekers and in the integration of **refugees** and other immigrants. Further improvements appear possible as in 2016 only one third of participants to the introduction programme were in work or education 90 days after having completed the programme, and a comprehensive approach and governance on the corresponding recognition of qualifications are still missing.

(9) Basic skills proficiency of 15 year olds has improved after years of deteriorating performance, according to OECD's Programme for International Student Assessment (PISA) 2015 survey. However, the proportion of low achievers is still around the Union average and the performance gap linked to the socioeconomic background of students has widened. The measures launched by the Government to improve school outcomes and equity warrant close monitoring, together with the initiatives aimed at **integrating newly-arrived migrant pupils into the school system**.

United Kingdom

(1 out of 3, apprenticeships, childcare)

3. Address skills mismatches and provide for skills progression, including by continuing to strengthen the quality of apprenticeships and providing for other funded "further education" progression routes.

(9) Labour market headline figures continue to be positive, with low long term and youth unemployment overall. However, the levels of inactivity, part-time and low-wage employment have room for improvement. Earnings growth remains modest, linked to weak productivity growth. Concerns about skills supply, utilisation and progression remain. There have been significant policy developments focusing on skills and progression via reforms to technical education and **apprenticeships**. Quality in apprenticeships will need focus on both the qualification level undertaken and the subject area in which it is taken. Other, strategically important, funded routes for skills enhancement, particularly for people over 25, would expand the skills offer available to the State, to business and to individuals seeking career progression. There are **also challenges related to the supply of childcare and social care**, which contribute to the high rate of female part-time employment. Childcare reforms to date have been constant but gradual. A step-change is likely with

the full roll-out of some initiatives in the next two years. The participation of children less than three years old in formal childcare is relatively low. While recent measures improve to some extent the availability and affordability of childcare for children aged 3 and 4, they do not address the issue of childcare supply for children under 3 years old. As a result of previously announced reforms and cutbacks, in particular to in-work support, social policy outcomes including child poverty may come under pressure in the near-to-medium term, particularly in a context of higher inflation. The number of children in poverty who live in working households is a particular cause for concern.

Annex 2: The social CSRs 2011-2016 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 EL, 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, EL, 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; CY and EL did not receive specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. any subsequent supplements).

Table A6 Country-specific recommendations 2016–2017 (social field only)

		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; EL did not receive any specific recommendations but was in general recommended to implement its respective Memorandums of Understanding (including any subsequent supplements).

Annex 3: Country specific recommendations (CSRs) in the social field under the European Semester Cycles 2015, 2016 and 2017¹

AT	CSRs 2015	CSRs 2016	CSRs 2017
Austria			

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.**

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

1. (...) **Ensure the sustainability of the healthcare system and of the pension system.** (...)

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.** (...)

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.**

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.

2. **Improve the labour market outcomes for women**, through, inter alia, the provision of full-time care services. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background. (...)

1. For practical and « readability » reasons this table has been limited to the CSRs of 2015 to 2017. 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).

BE Belgium	CSRs 2015	CSRs 2016	CSRs 2017
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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.

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. 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.

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. (...) **Remove distortive tax expenditures.** (...)

2. Ensure that the **most disadvantaged groups**, including people with a migrant background, have **equal opportunities to participate in quality education, vocational training, and the labour market.**

	<p>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.</p>	<p>1. Further improve tax collection and tax compliance, including through a comprehensive set of measures beyond 2017. Step up enforcement of measures to reduce the extent of the informal economy, in particular undeclared work.</p>
<p>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.</p>		<p>2. Take follow-up measures on the financial sector reviews, in particular concerning reinsurance contracts, group-level oversight, hard-to-value assets and related-party exposures. Improve banking and non-banking supervision through the implementation of comprehensive action plans, in close cooperation with European bodies. (...)</p>
<p>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.</p>	<p>3. Reinforce and integrate social assistance, including relevant social services, and active labour market policies, 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.</p>	<p>3. Improve the targeting of active labour market policies and the integration between employment and social services for disadvantaged groups. Increase the provision of quality mainstream education, in particular for Roma. (...) In consultation with social partners, establish a transparent mechanism for setting the minimum wage. Improve the coverage and adequacy of the minimum income.</p>
<p>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.</p>	<p>3. (...) Increase the provision of quality education for disadvantaged groups, including Roma. (...)</p>	

CY	Cyprus	CSRs 2015	CSRs 2016	CSRs 2017
		<p>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.</p>	<p>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.</p>	<p>1. (...) By end-2017, adopt key legislative reforms aiming to improve efficiency in the public sector, in particular on the functioning of public administration, governance of State-owned entities and local governments.</p>
			<p>5. Enhance the capacity of the public employment services and their provision to the long-term unemployed; improve outreach to the non-registered unemployed. (...)</p>	<p>5 Speed up reforms aimed at increasing the capacity of public employment services and improving the quality of active labour market policies delivery. Complete the reform of the education system to improve its labour market relevance and performance, including teachers' evaluation. (...)</p>

CZ	Czech Republic	CSRs 2015	CSRs 2016	CSRs 2017
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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. 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**.

2. **Remove obstacles to growth**, in particular by streamlining procedures for granting building permits and further reducing the administrative burden on businesses, by rolling out key e-government services, by improving the quality of R&D and by **fostering employment of underrepresented groups**.

1. Ensure the **long-term sustainability of public finances**, in view of the **ageing population**. Increase the effectiveness of public spending, in particular by fighting corruption and inefficient practices in public procurement.

DE	Germany	CSRs 2015	CSRs 2016	CSRs 2017
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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. **Reduce disincentives to work for second earners** and facilitate transitions to standard employment. Reduce the **high tax wedge for low-wage earners.** Create conditions to promote higher real wage growth, respecting the role of the social partners.

DK			
Denmark	CSRs 2015	CSRs 2016	CSRs 2017

No social CSR adopted

No social CSR adopted

No social CSR adopted

EE	Estonia	CSRs 2015	CSRs 2016	CSRs 2017
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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.** (...)

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. (...) Improve the **adequacy of the social safety net**. Take measures to reduce the **gender pay gap**, in particular by improving wage transparency and **reviewing the parental leave system**.

ES	Spain	CSRs 2015	CSRs 2016	CSRs 2017
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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. Reinforce the **coordination between regional employment services, social services and employers**, to better respond to jobseekers' and employers' needs. Take **measures to promote hiring on open-ended contracts**. Address regional disparities and fragmentation in **income guarantee schemes** and improve family support, including **access to quality childcare**. Increase the **labour market relevance of tertiary education**. Address regional disparities in educational outcomes, in particular by strengthening teacher training and support for individual students.

2. Reinforce the **coordination between regional employment services, social services and employers**, to better respond to jobseekers' and employers' needs. Take **measures to promote hiring on open-ended contracts**. Address regional disparities and fragmentation in **income guarantee schemes** and improve family support, including **access to quality childcare**. Increase the **labour market relevance of tertiary education**. Address regional disparities in educational outcomes, in particular by strengthening teacher training and support for individual students.

(3) Take further measures to **improve the labour market relevance of tertiary education**, including by providing incentives for cooperation between universities, firms and research.

2. Reinforce the **coordination between regional employment services, social services and employers**, to better respond to jobseekers' and employers' needs. Take **measures to promote hiring on open-ended contracts**. Address regional disparities and fragmentation in **income guarantee schemes** and improve family support, including **access to quality childcare**. Increase the **labour market relevance of tertiary education**. Address regional disparities in educational outcomes, in particular by strengthening teacher training and support for individual students.

2. Reinforce the **coordination between regional employment services, social services and employers**, to better respond to jobseekers' and employers' needs. Take **measures to promote hiring on open-ended contracts**. Address regional disparities and fragmentation in **income guarantee schemes** and improve family support, including **access to quality childcare**. Increase the **labour market relevance of tertiary education**. Address regional disparities in educational outcomes, in particular by strengthening teacher training and support for individual students.

FI	Finland	CSRs 2015	CSRs 2016	CSRs 2017
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2.(...) **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.

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

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**

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.

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

2. **Promote the further alignment of wages with productivity** developments, fully respecting the role of social partners. **Take targeted active labour market policy measures** to address employment and social challenges, provide incentives to accept work and promote entrepreneurship.

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.**

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.

2. **Consolidate the measures reducing the cost of labour** to maximise their efficiency in a budget neutral manner and in order to scale up their effects on employment and investment. **Broaden the overall tax base** and take further action to implement the planned decrease in the statutory corporate-income rate.

3. **Improve the access to the labour market for jobseekers**, in particular less qualified workers and people with a migrant background, including by **revising the system of vocational education and training. Ensure that minimum wage developments are consistent with job creation 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.

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.

4. **Further reduce the regulatory burden for firms, including by pursuing the simplification programme.** Continue to lift barriers to competition in the services sector, including in business services and regulated professions. Simplify and improve the efficiency of public support schemes for innovation.

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

GR Greece	CSRs 2015	CSRs 2016	CSRs 2017
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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. **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.

2. 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. **Improve coordination and transparency of social benefits**.

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. Reduce the fragmentation and improve the functional distribution of competencies in **public administration**, while enhancing the efficiency and reducing 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**.

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.

2. 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. **Improve coordination and transparency of social benefits**.

3. Improve **adult education**, in particular for older workers, the low-skilled and the long-term unemployed. Accelerate the reform of the education system.

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. (...)
2. Further reduce sector-specific taxes and **reduce the tax wedge for low-income earners**. (...)
2. **Complete the reduction of the tax wedge for low-income earners** and simplify the tax structure, in particular by reducing the most distortive sector-specific taxes. (...)
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.
3. Better target the **public works scheme** to those furthest away from the labour market and provide effective support to jobseekers in order to facilitate transitions to the labour market, including by **reinforcing active labour market policies**. Take measures to improve education outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education. Improve the **adequacy and coverage of social assistance** and the **duration of unemployment benefits**.
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. Better target the **public works scheme** to those furthest away from the labour market and provide effective support to jobseekers in order to facilitate transitions to the labour market, including by **reinforcing active labour market policies**. Take measures to improve education outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education. Improve the **adequacy and coverage of social assistance** and the **duration of unemployment benefits**.
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.
3. Better target the **public works scheme** to those furthest away from the labour market and provide effective support to jobseekers in order to facilitate transitions to the labour market, including by **reinforcing active labour market policies**. Take measures to improve education outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education. Improve the **adequacy and coverage of social assistance** and the **duration of unemployment benefits**.

IE	Ireland	CSRs 2015	CSRs 2016	CSRs 2017
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1. (...) **Broaden the tax base** and review tax expenditures, including on value-added taxes.
2. (...) **Enhance social infrastructure, including social housing and quality childcare**; deliver an integrated package of **activation policies** to increase employment prospects of low-skilled people and to address low work intensity of households.
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**.

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 contractual bargaining.** As part of efforts to tackle youth 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 antipoverty strategy** and review and **rationalise social spending.**

4. With the involvement of social partners, **strengthen the collective bargaining framework** to allow collective agreements to better take into account local conditions. **Ensure effective active labour market policies.** Facilitate the take-up of work for **second earners. Rationalise social spending** and improve its composition.

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

1. (...) **Shift the tax burden from the factors of production onto taxes less detrimental to growth** in a budget-neutral way by taking decisive action to reduce the number and scope of tax expenditures, reforming the outdated cadastral system and reintroducing the first residence tax for high-income households. (...)

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. (...) **Complete reforms of public employment** and improve the efficiency of publicly-owned enterprises. (...)

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.

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. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic **pension reform** and of the structural reforms for which a temporary deviation is granted. Improve tax compliance and **broaden the tax base** to sources that are less detrimental to growth. Take steps to address the medium term fiscal sustainability challenge related to pensions.

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.

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**.

2. Address skills shortages through **effective active labour market policy measures** and **adult learning** and improve educational outcomes by rewarding quality in teaching and in higher education. (...) Improve the **adequacy of the social safety net**.

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. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic **pension reform** and of the structural reforms for which a temporary deviation is granted. Improve tax compliance and **broaden the tax base** to sources that are less detrimental to growth. Take steps to address the medium term fiscal sustainability challenge related to pensions.

LU	CSRs 2015	CSRs 2016	CSRs 2017
Luxembourg			

- Broaden the tax base**, in particular on consumption, recurrent property taxation and environmental taxation.
- Close the gap between the statutory and effective retirement age, by **limiting early retirement and by linking statutory retirement age to life expectancy**.
- 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.

- 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**.
- Ensure the long-term sustainability of the pension system, limit **early retirement** and increase the employment rate of **older people**.

LV	CSRs 2015	CSRs 2016	CSRs 2017
Latvia			

1. Ensure that the deviation from the medium-term objective in 2015 and 2016 is limited to the allowance linked to the **systemic pension reform**.

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.

1. (...) Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic **pension reform** and of the structural reforms for which a temporary deviation is granted. Reduce taxation for **low-income earners** by shifting it to other sources that are less detrimental to growth and by improving tax compliance.

2. Improve **vocational education and training**, speed up the curricula reform and increase the offer for **work-based learning**. (...)

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.

2. Improve the **adequacy of the social safety net** and **upskill the labour force** by speeding up the curricula reform in **vocational education**. (...)

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. (...)

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.

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

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

3. Increase efficiency and accountability in the **public sector**, in particular by simplifying administrative procedures and strengthening the conflict of interest prevention regime, including for insolvency administrators.

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

MT	Malta	CSRs 2015	CSRs 2016	CSRs 2017
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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.**
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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.**

1. Expand the scope of the ongoing spending reviews to the broader **public sector** and introduce performance-based public spending.

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.

2. (...) Based on the broad preparatory process already launched, **make the second pillar of the pension system more transparent**, inter-generationally fairer and more resilient to shocks. **Create conditions to promote higher real wage growth**, respecting the role of the social partners.

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.

2. Tackle **remaining barriers to hiring staff on permanent contracts**. Address the high increase in the 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. (...) **Create conditions to promote higher real wage growth**, respecting the role of the social partners.

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. (...)

2. (...) Ensure the sustainability and adequacy of the **pension system** by taking measures to **increase the effective retirement age** and by starting to reform the preferential pension arrangements.

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**.

2. Take steps to increase **labour market participation, in particular for women, the low-qualified and older people**, including by fostering adequate skills and **removing obstacles to more permanent types of employment**. Ensure the sustainability and adequacy of the **pension system** by taking measures to **increase the effective retirement age** and by starting to reform the preferential pension arrangements.

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.

1. (...) Step up efforts to broaden the expenditure review to cover a significant share of general government spending across several policies. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals and **ensure the sustainability of the pension system**. To increase the financial sustainability of state-owned enterprises set sector-specific efficiency targets in time for the 2018 budget, improving the state-owned enterprises' overall net income and decreasing the burden on the State budget.

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.

2. (...) Ensure the effective activation of the long-term unemployed. Together with social partners, ensure that **minimum wage developments** do not harm employment of the low-skilled.

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**.

2. **Promote hiring on open-ended contracts**, including by reviewing the legal framework. Ensure the effective activation of the long-term unemployed. (...)

RO	CSRs 2015	CSRs 2016	CSRs 2017
Romania			

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. (...) Adopt the **equalisation of the pension age for men and women.**

1. In 2017, ensure compliance with the Council Recommendation of 16 June 2017 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. In 2018, pursue a substantial fiscal effort in line with the requirements of the preventive arm of the Stability and Growth Pact. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection. **Fight undeclared work**, including by ensuring the systematic use of integrated controls.

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. (...)

2. **Strengthen targeted activation policies and integrated public services**, focusing on those furthest away from the labour market. Adopt legislation **equalising the pension age for men and women**. Establish a **transparent mechanism for minimum wage-setting**, in consultation with social partners. Improve access to quality mainstream education, in particular for Roma and children in rural areas. (...)

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

3. Adopt legislation to ensure a professional and independent **civil service**, applying objective criteria. Strengthen project prioritisation and preparation in public investment. (...)

SE			
Sweden	CSRs 2015	CSRs 2016	CSRs 2017

No social CSRs adopted.

No social CSRs adopted.

No social CSRs adopted.

SI	Slovenia	CSRs 2015	CSRs 2016	CSRs 2017
		<p>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.</p>	<p>1. (...) By the end of 2017, adopt the necessary measures to ensure the long-term sustainability and adequacy of the pension system.</p>	<p>1. (...) Adopt the necessary measures to ensure the long-term sustainability and adequacy of the pension system.</p>
		<p>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.</p>	<p>2. In consultation with social partners, increase the employability of low-skilled and older workers, including through targeted lifelong learning and activation measures.</p>	<p>2. Intensify efforts to increase the employability of low-skilled and older workers, particularly through targeted lifelong learning and activation measures.</p>
		<p>4. Take measures to modernise public administration and reduce the administrative burden on business. Improve the governance and the performance of state-owned enterprises.</p>		

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.

2. **Improve activation measures** for disadvantaged groups, including by implementing the action plan for the long-term unemployed and by providing individualised services and targeted training. **Enhance employment opportunities for women**, especially by extending affordable, **quality childcare**. **Improve the quality of education** and increase the participation of Roma in inclusive mainstream 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 2015	CSRs 2016	CSRs 2017
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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**.

3. **Address skills mismatches** and provide for skills progression, including by continuing to strengthen the **quality of apprenticeships** and providing for other funded "further education" progression routes.

Source: Country-specific recommendations 2015–2016, 2016–2017 and 2017–2018; emphasis added by the author.

Annex 4: Country specific recommendations (CSRs) in the social field under the European Semester 2017 – Commission versus Council versions

AT Austria	CSRs 2017 Commission proposals	CSRs 2017 Council Recommendations
	<p>2. <i>Improve the labour market outcomes of women, also through the provision of full-time care services. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background. (...)</i></p>	<p>2. <i>Improve the labour market outcomes for women, also through the provision of full-time care services. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background. (...)</i></p>
BE Belgium	CSRs 2017 Commission proposals	CSRs 2017 Council Recommendations
	<p>2. <i>Ensure that the most disadvantaged groups, including people with migrant background, have equal access to quality education, vocational training, and the labour market.</i></p>	<p>2. <i>Ensure that the most disadvantaged groups, including people with a migrant background, have equal access opportunities to participate in quality education, vocational training, and the labour market.</i></p>

1. (...) *Ensure better **the adequacy of the social safety net**. Take measures to reduce the **gender pay gap**, in particular by improving wage transparency and reviewing the **parental leave system**.*
2. (...) *~~Ensure better~~ **Improve the adequacy of the social safety net**. Take measures to reduce the **gender pay gap**, in particular by improving wage transparency and reviewing the **parental leave system**.*

1. (...) *Step up efforts to finalise a comprehensive expenditure review at all levels of **public administration**. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals and **ensure the sustainability of the pension system**. To increase the financial sustainability of state-owned enterprises set sector-specific efficiency targets in time for the 2018 budget, improving state-owned enterprises' overall net income and decreasing the burden on the State budget.*
1. (...) *~~Step up efforts to finalise a comprehensive expenditure review at all levels of **public administration**. Step up efforts to broaden the expenditure review to cover a significant share of general government spending across several policies. Strengthen expenditure control, cost effectiveness and adequate budgeting, in particular in the health sector with a focus on the reduction of arrears in hospitals and **ensure the sustainability of the pension system**. To increase the financial sustainability of state-owned enterprises set sector-specific efficiency targets in time for the 2018 budget, improving state-owned enterprises' overall net income and decreasing the burden on the State budget.~~*

1. In 2017, ensure compliance with the Council Recommendation of [XX] (date of adoption of ST 999/2017) with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. In 2018, pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which translates into a substantial fiscal effort for 2018. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection. **Fight undeclared work**, including by ensuring the systematic use of integrated controls

1. In 2017, ensure compliance with the Council Recommendation of 16 June 2017 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. In 2018, pursue its ~~its~~ **substantial fiscal policy effort** in line with the requirements of the preventive arm of the Stability and Growth Pact, ~~which translates into a substantial fiscal effort for 2018~~. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection. **Fight undeclared work**, including by ensuring the systematic use of integrated controls

Source: Country-specific recommendations 2017–2018 available at: https://ec.europa.eu/info/strategy/european-semester/european-semester-timeline/eu-country-specific-recommendations_en; emphasis added by the author.