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

An overview and comparison
Update including the CSRs 2014-2015

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Background analysis 2014.01

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Introduction¹

In 2010, the European Commission presented and adopted, as a successor to its earlier Lisbon strategy, the so-called “Europe 2020 strategy” with, as its main objective, to deliver more growth that is simultaneously “smart” (by investing more in education, research and innovation), “sustainable” (by, among other things, moving in the direction of a low-carbon economy) and “inclusive” (by boosting job creation and reducing poverty). To ensure that the Europe 2020 strategy delivers on the goals it has set itself² and, in particular, that the Member States, which committed themselves to achieve the abovementioned objectives and targets, do in fact draw up and implement the requisite policies, a system of economic governance has been put in place to coordinate policy actions between the EU and national levels.³ One of the main pillars of this new economic governance is the so-called European Semester.

As in previous years and in line with the calendar of the European Semester⁴, on 2 June 2014 the European Commission, following its assessment of,

1. The author would like to thank, in particular, his ETUI colleagues, Torsten Müller, Isabelle Schömann and Philippe Pochet for their very valuable and constructive remarks on this paper.
2. The EU has set itself five goals/targets to be achieved by 2020 in the areas of employment (75% of 20-64 year-olds to be employed), innovation (3% of the EU's GDP to be invested in research and development), education (reducing the rates of early school-leaving below 10% and ensuring that at least 40% of 30-34-year-olds have completed third-level education), poverty reduction (at least 20 million fewer people in or at risk of poverty and social exclusion by 2020) and climate/energy (greenhouse gas emissions should be 20% – or even 30%, given the right conditions – lower than in 1990; 20% of energy should come from renewables and energy efficiency). For more information on the objectives, targets and process of the Europe 2020 Strategy, see: http://ec.europa.eu/europe2020/index_en.htm; for some critical views on the EU 2020 strategy, see, among others, Pochet (2010a), Pochet (2010b) and Barbier (2011).
3. For more information on this new European economic governance, see also Degryse (2012).
4. The European Semester consists of basically a six-month period each year during which Member States' budgetary, macro-economic and structural policies are coordinated so as to allow them to take EU considerations into account at an early stage of their national budgetary processes and in other aspects of their (economic) policymaking. Within the framework of this European Semester, five key stages are established. Following the adoption in January of each year of the Commission's Annual Growth Survey, which sets out EU priorities for the coming year to boost growth and job creation, in March the EU Heads of State and Government issue EU guidance for national policies on the basis of the Annual Growth Survey. One month later, in April, Member States have to submit their plans for sound public finances (by means of so-called Stability or Convergence Programmes), as well as plans for reforms and measures intended to achieve progress towards smart, sustainable and inclusive growth (via so-called National Reform Programmes, hereafter NRPs). Following assessment of these programmes and NRPs, the Commission, in the course of June, puts forward the country-specific recommendations (hereafter CSRs) that it considers appropriate; these, finally, are endorsed and adopted by the European Council by the end of June or early July. For more information on the process of the European Semester, see http://ec.europa.eu/europe2020/making-it-happen/index_en.htm

among other things, the new National Reform Programmes submitted by the member states and its own evaluation of the implementation of the 2013 country-specific recommendations (CSRs)⁵, presented its proposals for new CSRs for 2014-2015.⁶ On 8 July 2014, at a meeting of the Economic and Financial Affairs Council and after the European Council's endorsement of the recommendations on 27 June 2014, the Council issued "without discussion" the final recommendations.⁷ This year, a total of 157 of what could be called 'package' recommendations (as they often contain several sub-recommendations) were delivered to 26 Member States in the fields of public finance, financial-sector regulation and structural reforms in areas such as research and development and energy efficiency, but also in relation to employment and social policies, such as Active labour market policies (ALMPs), labour market participation or wage-setting mechanisms (for a general overview of the fields in which these recommendations need to be situated, see Figure 1 below)

For this year, the emphasis remained "*on policies to enhance competitiveness, support job creation and fight unemployment, and on the follow-up to reforms to improve the functioning of labour markets.*" Despite some signs of economic recovery, the Council remains worried about "*the –in particular youth– unemployment which is still at unprecedented and unacceptable levels*", whereas "*poverty and social exclusion remain also major concerns*". Thus, Member States must continue on the path of fiscal consolidation and growth-enhancing structural reforms, whereas for this year increased attention is needed, among other things, to reduce the tax wedge on labour.⁸

This paper provides an overview of the recommendations in the field of employment and social policies and in particular it provides an update of a last year's similar ETUI research (Clauwaert (2013)b)⁹. As then, for the purpose of this analysis also the following categories and measures are considered as coming within the social field¹⁰:

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5. European Commission (2014)
 6. All proposals and background documents are available at: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm.
 7. Council of the European Union (2014b) states indeed in footnote 1 that at the meeting of 8 July 2014 of the Economic and Financial Affairs Council it issued the 2014 recommendations "without discussion", albeit without any further clarification.
 8. Ibidem
 9. For similar previous ETUI research, see also ETUI/ETUC 2013 (in particular Chapter 7, Figure 7.2, p. 91) and Clauwaert (2013)a.
 10. However, given 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.

Table 1 **Categories and measures**

Wages	Reviewing wage indexation
	Reviewing wage-setting system – align with productivity developments
EPL ¹¹	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 from school to work by giving companies incentives to hire young people
	Facilitating transition from 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 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

This paper is intended to provide mainly a brief 'statistical' comparison between the CSRs 2014-2015 and those presented by the Commission and adopted by the European Council in 2011, 2012 and 2013. In Annex 1, one can find an overview country per country of the "social recommendations" Member States have received; underneath each box with the text of the recommendation, an overview is provided of the Councils' analysis/clarification as well as eventual alternative solutions as it figures in the corresponding documents entailing the recommendations. Annex 2 provides a table where one can compare the language of the social recommendations as they were adopted over the years. Finally, Annex 3 provides a comparison of the texts of the social recommendations for this year and highlights in particular the different in language between the proposals for recommendations made by the Commission and the final text of the recommendations as endorsed and adopted by the Council.

¹¹. For this paper, the acronym EPL is used for what economists commonly use to refer to the entire set of regulations that place some limits on the faculties of firms to hire and fire workers, even if they are not grounded primarily in the law but originate from collective bargaining conducted by the social partners, or are a consequence of court rulings. In particular, provisions favouring the employment of disadvantaged groups in society, determining the conditions for the use of temporary or fixed-term contracts, or imposing training requirements on the firm, affect hiring policies, while redundancy procedures, mandated pre-notification periods and severance payments, special requirements for collective dismissals and short-time work schemes influence firing decisions. For other recent research on in this area, see also Lang et al. 2013a and 2013b, and Schömann (2014).

CSRs 2014 versus CSRs 2011, 2012 and 2013

In 2014, a total of 157 of what could be called ‘package’ recommendations for 2013-2014 were adopted with regard to 26 EU Member States (Figure 1). In 2013, only 141 recommendations were adopted (concerning 23 Member States); in 2012 137 recommendations (also concerning 23 Member States) and in 2011 117 recommendations were adopted relating to 22 Member States.

The main reason for this nominal increase in Member States receiving recommendations this year (26 Member States compared to 23 or 22 in the previous years) is twofold. Firstly, on 1st July 2013, Croatia became the newest member state meaning also that it was this year for the first time subject to the new economic governance process. Secondly, and unlike previous years, Ireland and Portugal also received specific recommendations having now exited their financial assistance programmes and become fully integrated into the EU’s normal economic governance procedures, including the European Semester. For this year, therefore, Cyprus and Greece were the only countries not to receive additional specific recommendations in addition to a single general recommendation requesting them to implement their respective Memorandums of Understanding (including any subsequent supplements).¹²

Out of these 157 package recommendations for 2014-2015, 74 could indeed be considered recommendations relating to the ‘social field’. This means an increase of 17 compared to 2013 and the highest figure since the start of the European Semester process. Percentage-wise (i.e. comparing the social versus the total number of recommendations) this brings us to 47.13% again the highest percentage since 2011. To note also is that compared to 2013, and not taking into account the three «new» Member States receiving CSRs, 8 Member States received in 2014 more social CSRs, 14 received an equal number of them and only 1 Member State (Austria) received less social CSRs (see Table 2).

¹². Indeed, since the start of the European Semester process in 2011, Member States subject to a financial assistance programme have, as a priority requirement, to implement the programme as agreed with the EU and IMF; as such, they each receive one single recommendation. This was the case in 2011 for Greece, Ireland, Latvia, Portugal and Romania; in 2012 for Greece, Ireland, and Portugal; in 2013 for Cyprus, Greece, Ireland and Portugal; in 2014 for Cyprus and Greece only. In this year 2014, Ireland and Portugal received specific recommendations as they had exited their financial assistance programmes, however both countries (along with Spain) are now subject to so-called “post-programme surveillance” (PPS) which involves short technical missions to the countries twice a year and the subsequent preparation of reports by the Commission, in liaison with the European Central Bank. PPS complements and does not duplicate the surveillance taking place under the European Semester, and does not involve the adoption of any additional policy recommendations. For further clarification, Spain has also, since July 2012, been subject to a financial assistance programme but this related to the banking sector alone and not, as for the other countries, to the economy as a whole. For this reason Spain has, over the years, received specific recommendations.

Figure 1 Overview of country-specific recommendations for 2014-2015

	Public Finances				Financial sector		Structural reforms					Employment and social policies					
	Sound public finances	Pension and healthcare systems	Fiscal frame work	Taxation	Banking and access to finance	Housing market	Network industries	Competition in service sector	Public administration and smart regulation	R&D and innovation	Resource efficiency	Labour market participation	Active labour market policy	Wage setting mechanisms	Labour market segmentation	Education and training	Poverty and social inclusion
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																	

Note: Country-specific recommendations for 2014-2015 proposed by the Commission on 2 June 2014. Cyprus and Greece should implement commitments under EU/IMF financial assistance programmes. Recommendations for Portugal are conditioned by exit from the programme. More information at : http://ec.europa.eu/europe2020/index_en.htm
Source: European Commission 2014

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

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

Source: European Commission country-specific recommendations; ETUI calculations.

The following tables 3, 4, 5 and 6 provide an overview of the categories/measures in the social field in which the Council adopted recommendations in 2011, 2012, 2013 and 2014 respectively.

Table 3 European Commission 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: European Commission 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 4 European Commission 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: European Commission country specific recommendations 2012-2013; note that GR, IE, PT and RO did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements)

Whereas in 2011 the areas of wage-setting/indexation, employability of older workers and young people (mainly via apprenticeship and work-based learning schemes) and pension reform formed the top three of the list, in 2012 this remained the case although there was also a growing interest in employability for women and the situation of “drop-outs”.

Table 5 European Commission 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: European Commission country specific recommendations 2013-2014; CY, GR, IE, and PT did not get specific recommendations but were in general recommended to implement their respective Memorandums of Understanding (incl. eventual subsequent supplements)

The most remarkable changes for 2013 compared to the previous two years are the drop in “EPL recommendations” and the introduction of the “youth guarantee recommendation”. However, and as for instance in relation to the drop in the “EPL recommendations”, this might be somewhat misleading as it means only that for the European Commission the required structural reform is being implemented satisfactorily. It permits, however, no negative or positive judgment on the actual impact of these deregulatory reforms on workers’ individual and collective fundamental social rights reforms (Clauwaert 2013b).

Table 6 European Commission 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/ low income 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: European Commission 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)

In Table 7 an overview is provided of the evolution over the period 2011-2014 of the number of recommendations per (sub-)category. The figures for 2014 mainly confirm the trends already identified over previous years: 1) a continuous intervention in wage(setting/indexation) mechanisms and (decentralization of) industrial relations systems, 2) high and even increasing concern for the employability of older workers and young workers (in particular by offering quality apprenticeships), 3) a constantly high persistence of pension reform mainly via increase of retirement age and phasing out of early retirement schemes and 4) a constantly high insistence on tax reform shifting away the tax burden on labour. Rather new this year is a clear growing interest in protecting vulnerable groups like the elderly, unemployed, women etc. via reforms of social protection systems/benefits and better targeting the social assistance systems/benefits. There seems to be also “regained interest” in changes to employment protection legislation; however, the fact that the Commission and Council are asking this year more Member States for more flexibility in particular in relation to their labour law, but at the same time alerting them to the risks of increased segmentation of the labour market, appears rather contradictory, or could even be regarded as a palliative measure.¹³

Table 7 Evolution of the number of social CSRs from 2011-2013

		CSRs 2011-2012	CSRs 2012-2013	CSRs 2013-2014	CSRs 2014-2015
Wages	Reviewing wage indexation	5	4	2	3
	Wage-setting mechanisms	8	7	7	11
EPL	Employment protection legislation	6	8	4	8
Labour market participation	Women	6	9	5	7
	Older workers	8	7	12	10
	Tax disincentives second / low income earners	3	2	3	8
Youth	Youth guarantee	0	0	12	8
	Transition school-work via companies	0	2	5	6
	Apprenticeships/ work-based learning	9	12	8	15
	'Drop outs'	4	7	6	3
Pensions	Link pensionable age- life expectancy	13	12	11	11
	Reducing early retirement	12	11	10	7
Vulnerable	Social protection systems	4	2	5	9
	Quality social services	0	1	2	3
	Targeting social assistance	2	4	3	10
Child poverty	Effective child support	0	1	2	3
	Childcare facilities	6	7	9	9
Tax	Shift tax burden away from labour	9	9	10	9

Source: European Commission country-specific recommendations; ETUI calculations.

¹³. See also Liaison sociales Europe (2014)

Preliminary conclusion

Insofar as the need was perceived in 2014 for the emphasis to “remain on policies to enhance competitiveness, support job creation and fight unemployment, on the follow-up to reforms to improve the functioning of labour markets, as well as the worry about the –in particular youth– unemployment which is still at unprecedented and unacceptable levels¹⁴ and in particular the need to reduce the tax wedge on labour”¹⁵, it is not surprising that the “social field” should be once again one of the largest areas targeted in this years’ recommendations. Thus, interventions in wage(setting/indexation) mechanisms and (decentralization of) industrial relations systems, (enhanced) employability in particular of older workers and young workers, more flexibility via changes to employment protection legislation and changes to social protection/social assistance systems (with particular attention to pension systems) remain the (traditional) “victim areas” for reform.

This ongoing “fixation” on the social field becomes even clearer if one looks at the changes made by the Council to the texts of the recommendations as proposed by the Commission. Insofar as these changes effect little manifest change in the text of the recommendations while nonetheless making their content and impact more far-reaching, it is –depending on how one looks at it– fascinating or alarming to see that almost all of the 11 amendments made by the Council to the proposed recommendations “and with which the Commission is in disagreement”, are to be found in the social field.¹⁶ Six of these relate to the reform of pension/(early) retirement systems (AT, BE, FI, LUX, MT and SI), two to youth employment (LT, LUX), two to minimum income schemes (ES, PT), with one relating to the housing sector but in particular social housing (NL). What is more, the “Council agreed to a number of additions as well as factual or technical changes to recommendations with the full support of the Commission” – but these are not reflected in the “explanation” document. These additions must thus relate to, among other things, the changes made to CSR n° 2 – to Portugal – on reforming collective bargaining systems¹⁷ although one may

14. The unemployment rate in the EU28 has been rising steadily since 2008 from 7% in 2008, to 10% in 2010 and 11% in 2013 (second quarters). This adds up to a dramatic total increase of 10 million – from 16.2 to 26.1 million – in the numbers of persons unemployed in the EU28 over the five year period in question (ETUI/ETUC 2014, pp. 27-42).

15. Council of the European Union (2014b)

16. Council of the European Union (2014a)

17. See Annex 3 in relation to Portugal where the initial Commission proposal stated “2. Maintain minimum wage developments consistent with the objectives of promoting employment and competitiveness. Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level. Explore, in consultation with the social partners and in accordance with national practice, the possibility of firm-

wonder whether substituting “the possibility of firm-level temporary opt-out arrangements from sectoral contracts” for “the possibility of mutually agreed firm-level temporary suspension of collective agreements” can be considered as a merely “factual or technical change (for an overview of the changes made by the Council to the text of the preambles to the recommendations as well as the recommendations themselves, see annexes 1 and 3 respectively).

Whereas, not surprisingly, employers’ circles welcomed the 2014 CSRs as “sending out the right reform messages”¹⁸, European and national trade unions are rightly criticizing the (new) structural reforms “recommended” by the Council/Commission. These can indeed be described as a kind of “business as usual“ with Council and Commission stalling their “ideological hobbyhorses” (i.e. neo-liberal measures like deregulating labour markets and decentralizing collective bargaining systems) (ACV 2014) in the “Chamber of Horrors” (Industriall 2014) by proposing the same measures as before which lead to more poverty, precariousness and social injustice and, rather than using the opportunity to change direction, choosing to remain deaf to the warnings sent by the EU citizens (ETUC 2014).

Given the foreseeably once again invasive impact of the 2014 CSRs on labour market and other social policy fields, the warning of last year remains more than relevant and the trade union movement will have to continue its vigilant monitoring of the content and implementation of the CSRs, in particular since, in Commission circles and in order to play more closely to the ball, ideas are being put forward to carry out the monitoring of the progress in CSR implementation once or twice a year. In case of an annual review, it could take place in early spring so that Member States could reflect the analysis in the process of drafting their National Reform Programmes and Stability/Convergence Programmes due each year in April. In case of a bi-annual exercise, a first analysis could be envisaged in late November with the second in the early spring. In any case, the idea seems to be to undertake this exercise for the first time as part of the 2015 European Semester.¹⁹

level temporary opt-out arrangements from sectoral contracts agreed between employers and workers’ representatives. By September 2014, present proposals on firm-level opt-out arrangements from sectoral contracts agreed between employers and workers’ representatives and on a revision of the survival of collective agreements”. However, the final Council version stated “2. Maintain minimum wage developments consistent with the objectives of promoting employment and competitiveness. Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level. Explore, in consultation with the social partners and in accordance with national practice, the possibility of **mutually agreed** firm-level temporary opt-out arrangements from sectoral contracts agreed between employers and worker² representatives **suspension of collective agreements**. By September 2014, present proposals on firm-level opt-out arrangements from sectoral contracts agreed between employers and workers’ representatives **mutually agreed firm-level temporary suspension of collective agreements** and on a revision of the survival of collective agreements.”

18. *Businesseurope* (2014b); see also their analysis of the labour market reforms and implementation of country specific recommendations in 2013 highlighting that 1) the 2013 CSRs “broadly focussed on the right issues”, 2) but that most of them are “not implemented appropriately in most countries” and 3) pleading in particular for more labour law and wage flexibility. (*Businesseurope* 2014a)
19. *European Commission* (2014)

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All links were checked on 12/09/2014.

Annex 1

Country per country overview of the "social CSRs" 2014-2015

Austria (2 out of 5)²⁰

2. Improve the long-term sustainability of the pension system, in particular by bringing forward the **harmonisation of the statutory retirement age for men and women, by increasing the effective retirement age and by aligning the retirement age to changes in life expectancy. Monitor the implementation of recent reforms restricting access to early retirement.** Further improve the cost effectiveness and sustainability of healthcare and long-term care services.²¹

(10) Medium and long-term pension and health care expenditures and to a lesser degree those for long-term care pose a risk to the sustainability of public finances. In 2014, some measures to **limit access to early retirement** schemes and to increase incentives for staying longer in employment have entered into force. Still, the effective retirement age of 58.4 years in 2012 is well below the EU-average. It remains considerably below the statutory retirement age (5.6 years for men and 2.6 years for women in 2012). The National Reform Programme contains relatively ambitious short-term targets to raise the effective retirement age by 1.6 years between 2012 and 2018, and their implementation will have to be closely monitored. The recent **reforms to the pension system** are likely to reduce the sustainability risks to some degree, if accompanied by improvements in labour market conditions that allow older workers to stay longer in employment. There are however **no plans to introduce measures with a more structural and long-term effect, such as accelerating the harmonisation of the statutory retirement age for men and women** and linking the statutory retirement age with life expectancy, which would additionally contribute to longer working lives and the financial sustainability of the pension system.

²⁰. This « X out of Y » indicates the number of « social CSRs out of the total number of CSRs received by the country this year ».

²¹. This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

3. **Reduce the high tax wedge on labour for low-income earners** by shifting taxation to sources less detrimental to growth, such as recurrent taxes on immovable property, including by updating the tax base. **Reinforce measures to improve labour market prospects** of people with a migrant background, **women and older workers**. This includes further **improving child- and long-term care** services and the recognition of migrants' qualifications. Improve educational outcomes in particular of young people with a migrant background, by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce dropouts.

(12) Austria's tax system continues to be characterised by a high tax and social security burden on labour, in particular for low-income earners. Labour taxes account for 24.7% of GDP in 2012, one of the highest in the EU. Social security contributions and payroll taxes amount to almost 50 percent of gross wages. High social contributions and entry income taxes are likely to lower incentives to work for individuals with low earnings potential and for second earners. The recently adopted tax package includes limited measures to **reduce the tax burden on labour** but does not exploit the potential for a tax shift towards taxes less detrimental to growth, such as recurrent taxes on immovable property, where estimates of taxable values are outdated.

(13) The Austrian labour market continues to perform well with one of the lowest unemployment rates in the EU (2013: 4.9%). However, the future challenges resulting from population ageing and a potentially shrinking work force **call for a better use of the underutilized labour market potential of older workers, women and migrants**. The employment rate of older workers remains below the EU average (44.9 % v. 50.3 %), although their participation rate has increased substantially since 2000, by almost 15 percentage points to 44.9% in 2013. Measures to curb early retirement are becoming effective in 2014 and further measures to strengthen incentives for exiting the labour market later are in preparation. Nevertheless, difficulties for **older workers** to stay in or re-enter employment remain. Migrants continue to face obstacles to full integration in the labour market and significantly higher unemployment rates, partly due to remaining barriers to the recognition of their qualifications, while they constitute an increasing part of the labour force. While the **female employment rate** of 70.8% in 2013 is relatively high, it is far less favourable in full-time equivalents (55.6% in 2012). Austria has one of the **highest percentages of women in part-time employment and a high concentration of women in low-pay employment**. As a consequence, the gender pay and pension gap is one of the highest in the EU. Although some measures have been taken to improve **child care** and long-term care services, **availability is still limited**.

Belgium (4 out of 6)

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

(12) The overall tax level in Belgium is among the highest in the EU and the **tax burden is heavily skewed towards labour**, resulting in one of the largest tax wedges in the EU. A number of specific features of the tax system are environmentally harmful, such as the tax treatment of company cars. Some targeted measures have been taken to decrease labour costs for specific groups and to reduce the gap between gross and net wages at the bottom of the pay scale. **However, no significant shift of the tax burden towards bases that are less detrimental to growth** has taken place. First reflections on a comprehensive tax reform to facilitate the achievement of sustainability of public finances, support competitiveness and employment growth, and preserve the environment have been launched. Such comprehensive tax reform would need to involve shifting taxes away from labour, simplifying the tax system, increasing VAT efficiency, broadening tax bases, reducing tax expenditures, closing legislative loopholes and phasing out environmentally harmful subsidies.

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

(13) Belgium faces a very significant projected impact from ageing, with ageing costs projected to rise by more than 8% of GDP between 2010 and 2060, in particular from pensions and long-term care. **The recently initiated reform of social security for older people is set to have a positive impact** on their employment. Nevertheless, given the magnitude of the challenge, additional efforts are required to achieve fiscal sustainability. These must take account of the need to maintain the adequacy of old age social security schemes. **Measures are needed to link the statutory retirement age to developments in life expectancy, to reduce the gap between the statutory and effective retirement age**, and to improve the cost-effectiveness of public spending on long-term care.

22. This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

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

(14) Belgium faces a chronic underutilisation of labour. Activity and employment rates are below the EU average and stagnant, while long-term unemployment as a percentage of total unemployment remains high. In most cases, the large tax wedge on labour, through interaction with the benefit system, creates significant unemployment and inactivity traps for most categories of workers. While action has been taken to reduce unemployment traps for people with very low salaries, the trap has widened for most other categories and inactivity traps remain pervasive. With labour costs remaining high, recruitment policies tend to minimise risk and penalize outsiders such as the **young**, the low-skilled and people with a migrant background, who, together with **elderly workers**, **show labour market participation rates well below the EU average. Strong insider protection** whereby changing job implies losing entitlements (e.g. severance pay, early retirement, seniority benefits), discourages professional mobility between jobs and sectors. Such inertia makes active labour market policies in Belgium relatively inefficient and leads to a situation where high unemployment in some areas and sectors exists alongside tight labour markets and growth-hampering skills shortages in others. **Youth unemployment has increased significantly over the past year**, with large differences across the regions and groups. Addressing the structural problem of skills mismatches will have to go hand in hand with fighting the pressing problem of early school leaving and of youngsters leaving education without qualifications. The sixth state reform offers the opportunity to improve the efficiency and targeting of employment policies, provided that cooperation between the federal and regional level is optimised.

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

(15) Belgium continues to experience worsening competitiveness, including as regards non cost aspects. Notably, the ability of manufacturing to compete internationally is eroding, which is reflected in diminishing margins for producers and in job destruction. Belgium has traditionally relied on **wage indexation** to maintain purchasing power. **However, overshoots in total**

wage growth have been corrected late and insufficiently. Moreover, the central wage norm does not always allow for sectorial productivity developments and local labour market conditions to be reflected adequately. Consequently, wages have grown more quickly than productivity, leading to job and competitiveness losses. In consultation with the social partners and in accordance with national practice, Belgium would **need to reform its system of wage formation so as to allow for greater sectorial wage dispersion and for wages to be better aligned with productivity developments.** (...) If the country is to maintain high wages and at the same time create new jobs, it must produce and sell more sophisticated and higher value added goods in world markets than it is doing today. Belgium lacks fast-growing firms in innovative sectors. Innovation support is considered complex and highly fragmented. Where high added value activities do take off, their growth is often hampered by the lack of sufficient skilled human resources.

Bulgaria (4 out of 6)

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

(10) **Tax compliance and the quality of the tax administration remain central** challenges in Bulgaria. Available estimates point to a considerable size of the **shadow economy, confirmed by data for undeclared work in Bulgaria.** The administrative costs of revenue collection and the compliance costs of paying taxes are relatively high. Despite several measures taken to respond to these challenges, Bulgaria still lacks a fully-fledged tax compliance strategy, which would cover the work of all tax collection authorities and include a prior analysis of the most significant risks to tax collection as well as an evaluation of the measures already in place, including simplification measures as well as improved controls.

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

(11) In 2013, Bulgaria took a step back from past commitments in the area of pension reform. **Early retirement schemes were not reduced**

as envisaged.²³ The planned annual increase in the statutory retirement age was postponed. No progress was made with regard to harmonising the retirement age for men and women and no steps were taken to tighten eligibility criteria and controls to limit abuse in the allocation of invalidity pensions. Bulgaria has one of the most rapidly ageing populations in the Union, which has negative implications for the labour market, for growth potential in the economy and for the financing of its pension system. **Bulgaria therefore needs to continue the reform of its pension system. (...)**

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

(12) The labour market has been underperforming in recent years, thus limiting the adjustment capacity of the economy and undermining its growth potential. Unemployment levelled off in 2013, but the **number of young and long-term unemployed has continued to rise. Bulgaria faces one of the highest proportions of young people who are not in employment, education nor training**, implying a severe underutilisation and underdevelopment of human capital. There has been only very limited progress in strengthening the capacity of the Employment Agency. There is also a need to extend the coverage and efficiency of active labour market policies. **Bulgaria lacks effective measures to target the non-registered young people**, including Roma, **in line with the objectives of a youth guarantee**. Significant proportions of the **unemployed are not covered by the standard safety nets (unemployment benefits and social assistance)** but rely instead on family solidarity or informal work. Bulgarians experience one of the highest risks of poverty and social exclusion in the EU. **Minimum thresholds for the payment of social insurance contributions could prevent the low-skilled from participating fully in the formal economy.** Some analyses have been carried out to assess the possible impact and these need to be assessed and followed up with appropriate policy action. **There are no clear guidelines for transparent minimum wage setting in Bulgaria.** Statutory minimum wages have

²³ Compared to the Commission proposal for recommendations, this part was corrected as in the Commission proposal it was stated that “*additional early retirement schemes were introduced (...)*”.

been increased substantially in 2013 which may have a negative impact on employment and should, therefore, be monitored.

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

(13) Bulgaria has still not adopted the School Education Act providing a framework for implementation of the necessary comprehensive reforms of the school system, including the modernisation of curricula and the improved training for teachers. There is a **need to enhance the quality of vocational education and training** in Bulgaria and to integrate it better into the general educational structures so as **to allow for flexible pathways, reduce early school leaving and improve access to lifelong learning**. Higher education, in turn, faces persisting challenges in responding better to labour market needs. The low standard of quality certification contributes to poor performance. A new strategy on higher education is being discussed, calling for the restructuring of university management through the direct involvement of interested stakeholders such as businesses and students, the consolidation of universities, and a performance-based approach to better align educational outputs with the demands of the labour market. (...) The rules linking the child allowance with participation in education are in force, but the measures may not yet have produced the desired effects.²⁴

Croatia (NEW) (3 out of 8)

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

(12) Croatia has taken measures with a view to improving the sustainability and adequacy of pensions: since November 2010, **the statutory retirement age, the early retirement age and the qualifying period for women have been gradually increased** and are set to be fully harmonised by 2030.

²⁴ Compared to the Commission proposal for recommendations, this part was corrected as in the Commission proposal it was stated that “*the rules linking the child allowance with participation in education are not yet effectively implemented.*”

The amendments to the Pension Insurance Act adopted in December 2013 raise the statutory retirement age from 65 to 67 and the early retirement age from 60 to 62. However, this increase will become effective only as of 2031, which is insufficiently ambitious taking account of demographic trends. Despite reforms implemented over recent years, **various possibilities for early retirement still exist**. Considering the extent of exemptions, the penalties for early retirement and the late retirement bonus create little incentive to work to the statutory retirement age, impacting negatively on labour supply and the sustainability of the pension system. The Act on the Single Forensic Expertise Body was adopted in 2013 to **help limit the inflow of disability pensioners** and reduce fraud by unifying disability assessments. Together with increased inspections, this addresses a definite need but the effect on expenditure will depend on how measures are implemented and the extent to which decisions are enforced. Pensions under special schemes that were above a certain threshold were cut by 10%, albeit on a temporary basis, while their indexation has been tied to a GDP trigger. **Despite recent attempts to curb expenditure and increase transparency, the pace and extent of convergence of pensions under special schemes towards general rules are slow and overall progress is still limited.**

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

(14) **Employment and activity rates are amongst the lowest in the EU**, and are particularly low for **young people and older people**. Beyond cyclical developments, these labour market outcomes are partly related to institutional and policy settings. Croatia has embarked on labour market reforms to increase flexibility on the labour market. A first phase of the reform, was completed in 2013, focused on regulation of **fixed-term employment contracts**. The government adopted a second legislative proposal in January 2014 which provides for **reducing dismissal costs by shortening and simplifying procedures and increasing working-time flexibility**. In addition, **more flexible forms of employment such as part-time contracts would be introduced**. These changes would put Croatia broadly on a par with its peers, as far as the employment protection index is concerned. Although these reforms are expected to have a positive effect on overall employment, they also entail **an increased risk of labour**

market segmentation, including the development of fixed-term contracts. Meanwhile, **no changes are foreseen to the wage-setting institutions** despite Croatia's particular combination of relatively high average wages and very low employment. Despite further rising unemployment, spending and coverage of active labour market policy measures to enable improved access to, and longer stay in, the labour market are still below average, especially as regards young people, long-term unemployed and older workers. The administrative capacity of the Croatian public employment service is under severe pressure, including at regional level. An overall system to monitor and evaluate developments on the labour market and labour market needs including skills forecasting does not exist nor is there a regular evaluation of active labour market policy measures. There is **high proportion of undeclared paid activity**.

(15) The **situation on the labour market** is of particular concern for **young people** as their unemployment increased drastically and reached almost 50% in 2013, while the proportion of young people not in education, employment or training keeps increasing. Important challenges include outreach to non-registered youth and mobilisation of the private sector to **offer more apprenticeships**, in line with the objectives of a **youth guarantee**. Croatia also faces serious challenges in education as regards labour-market relevance and quality of provision across all educational sectors. Work-based learning and career guidance across secondary and tertiary education are lacking while employers' engagement with vocational education and training, and secondary and tertiary education is low. Employment rates among recent graduates are significantly lower than in the rest of the EU. The outdated vocational education and training system is undergoing a reform in the form of piloting new school curricula. The implementation of the Croatian Qualifications Framework and the Strategy on Education, Science and Technology is pending but should improve educational outcomes and align them with labour market needs.

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

(16) High unemployment and low labour market participation have led to a deterioration of the social situation in Croatia. The proportion of persons at risk of poverty and social exclusion has increased in recent years and is significantly above the EU average. **The design of the social benefit system** makes it possible for recipients to accumulate overlapping cash transfers. When recipients move into work, they lose the benefit of some of these social transfers, thereby creating disincentives for them to enter the labour market. There is **scope to make the social protection system more efficient and transparent**: currently, the allocation of income support schemes and benefits is scattered across many institutions and levels of government, with inconsistent application

of criteria and overlaps. The 2013 Social Welfare Act introduced stricter means-testing and merged four of more than 70 benefits at national level, including some targeting specific groups, into the General Minimum Income. A national ‘one-stop shop’, through which all national level cash benefits will be administered, is being implemented gradually until 2016. However, systematic monitoring and evaluation will be difficult as the income support schemes and programmes at local and regional levels and the various non-means tested cash benefits targeting specific categories of the population, have not been integrated. Despite several legislative reforms since 2011, the design of the social benefit systems failed to effectively target, people most in need.

Cyprus

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

Czech Republic (4 out of 7)

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

(11) In the field of taxation, the **key challenges** for the Czech Republic are **to make revenue collection more efficient and achieve a more growth-friendly tax structure**. The Czech Republic took some measures to improve tax compliance, in particular in the area of indirect taxation, but the overall cost of compliance is still too high. In this context, the tax bases (income taxes, health and security contributions) have not yet been harmonised and the establishment of a single collection point foreseen in 2015 was cancelled. The Czech government however announced its intention to address the issue of the harmonisation of the tax bases. The 2013 recommendations regarding the taxation structure have not been followed up. **Labour taxation remains high, especially for low-income earners, including part-time workers**, notably due to the elevated social security contributions. **Some potential exists for a shift away from labour taxation to other areas**, such as environmental and recurrent housing taxes, which are both relatively low. **Significant discrepancies remain in the tax and social contributions treatment of employees and the self-employed**, which lead to the narrowing of the tax base and create incentives for **bogus self-employment** with unfair consequences for those employed under a regular employment contract.

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

(12) The Czech Republic faces medium sustainability risks in the long term largely due to projected increases in pensions and healthcare expenditure. According to the current legislation, the statutory retirement age is planned to increase over the long-run but too slowly in the medium term. **The government plans to introduce a revision mechanism aligning the retirement age to changes in life expectancy but this is only a partial response to the sustainability gap challenge.** Furthermore, the temporarily lower indexation of pensions will be terminated in 2015, a year earlier than planned, and the standard pension indexation mechanism (prices plus a third of the rise in real wages) has not been reviewed. **Limited progress has been made in promoting the employability of older workers.** (...)

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

(13) Some initial steps have been made to **improve the capacity and quality of the public employment service.** These go in the right direction but their impact needs to be evaluated. **Active labour market policies remain underfunded and do not effectively target women with young children, young people and older workers.** Despite the relatively high overall employment rate, these groups remain under-represented in the labour market. A **limited access to affordable childcare facilities and services** and a comparatively low take-up of part-time work hampers women's participation in the labour market. The **gender pay gap** in 2012 was still one of the largest in the EU.

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

(14) The quality and labour market relevance of the Czech education system are a cause for concern. Some measures were taken to improve the evaluation framework in the compulsory education, but the follow up with schools and pupils with weaker outcomes remains a challenge. (...)

Denmark (1 out of 3)

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

(10) Denmark has not yet made enough progress on addressing the situation for groups at the margins of the labour market as well as advancing the cost-effectiveness of the education system. The **reform of disability pensions and flex-jobs has begun to show results, the cash benefit reform has entered into force, a sickness benefit reform has been agreed** and, in April, the government launched a reform proposal for active labour market policies. **Challenges remain so as to ensure a sufficient number of apprenticeships** and enhance the quality and image of this type of learning, upgrade vocational education and training systems and address high rates of school drop-outs. Due to the early stage of implementation of the reforms, the full effect remains yet to be seen. Regarding vocational education and training, a reform agreement was reached in February 2014 and is expected to come into force in mid-2015, with a view to improving the quality of vocational education and training through a wide range of initiatives.

Estonia (3 out of 5)

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

(10) As regards the labour market, substantial progress has been made in reducing youth and long-term unemployment. **Particular attention needs to be paid to measures that provide incentives to work for low-wage earners**. Further efforts are necessary to address growing work-force shortages, including those caused by ageing and health and disability related exits from the labour market. The timely adoption and implementation of the Work Capacity Reform, while ensuring the availability of enabling services, is therefore highly relevant. The **cost-effectiveness of the family policy expenditure could be further improved, including by reallocating financing from parental benefit to measures such as childcare services**. This is expected to foster an early return of women to the labour market and to **reduce the persistently high gender pay gap**. Efforts to promote entrepreneurship and job creation in regions outside Tallinn and

Tartu need to be stepped up to prevent economic development differentials from widening and to reduce unemployment, especially among the low skilled.

3. To ensure the labour-market relevance of education and training systems, improve skills' and qualification levels by **expanding life-long learning measures and systematically increasing participation in vocational education and training, including in apprenticeships.** (...)

(11) In the field of education and training reforms to align education to the requirements of the labour market have recently been adopted. **Further efforts will be necessary to facilitate the transition from education to employment.** Systematic efforts will be needed, in particular involving social partners, to **increase participation in vocational education and training, and in work-based learning, especially apprenticeships.** The **implementation of the Lifelong Learning Strategy will require serious efforts** to provide the much-needed up-skilling, re-skilling and qualification levels, especially for people in a weak position vis-à-vis the labour market. (...)

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

(13) Widening regional differences combined with negative demographic trends, inefficiencies and lack of cooperation among local governments hamper Estonia's development potential. . This partly reflects the persistent mismatch between fiscal capacity and devolved responsibilities in small municipalities as well as limited economies of scale. A more efficient and accessible delivery of quality public services at local level, based on service areas and minimum service standards, especially in transport, long-term care, early childhood education and social services, is a prerequisite for activation and labour market measures to be effective.

Finland (2 out of 5)

2. **Ensure effective implementation of the on-going administrative reforms concerning** municipal structure and **social and healthcare services**, in order to increase the cost-effectiveness in the provision of public services.

(11) The efficiency of public services has not kept up with productivity developments in the private sector. Finland is preparing administrative **reforms** on municipal structure and on **healthcare and social services.** The municipality reform is built on voluntary merger of municipalities, with

financial incentives from the State. The outcome of the voluntary mergers is as yet uncertain. Social welfare and health care services are to be delivered by five regional providers, and municipalities will continue to participate in the provision of the services. Details are not yet known, and a legislative proposal is planned for autumn 2014. New structures should be in place at the beginning of 2017. The July 2013 act on supporting the functional capacity of older people with a stronger focus on prevention, rehabilitation and independent living should contribute to reducing the need for institutional care and contain the future costs of long-term care.

3. Improve the use of the full labour force potential in the labour market, including by **improving the employment rate and the employability of older workers, and increasing the effective retirement age, by reducing early exit pathways and aligning the retirement age or pension benefits to changes in life expectancy. Improve the labour-market prospects of young people and the long-term unemployed, with a particular focus on vocational education and targeted activation measures.**²⁵

(12) The key labour market challenge for Finland continues to be long-term labour supply, as the number of people exiting the labour market is now higher than the number of entering. Lengthening working careers and improving labour supply are necessary to meet the demand for labour in future. **The government's 2013 structural policy programme includes measures to extend working careers** and improve the labour supply, also increasing the incentives to accept jobs. **Finland is reducing early exit but some pathways such as the so-called 'unemployment tunnel'**, where older unemployed persons can, under certain conditions, continue to draw unemployment benefits until they retire, remain. The recently introduced life-expectancy coefficient and the tripling of the entitlement accrual rate seem to have a limited effect on retirement practices. Moreover, as life expectancy is increasing faster than foreseen and people fail to work longer, there is a risk that pension adequacy will fall. **Finland has set itself the target of raising the effective retirement age to at least 62.4 years by 2025.** It is questionable whether the target can be achieved without new measures such as raising the statutory retirement age and strengthened efforts to enhance the employability of older workers. The social partners are working on their proposal for the pension reform to be implemented by the new government after the general election in spring 2015 and to enter into force in the beginning of 2017. Finland has taken relevant and ambitious measures to tackle youth and long-term unemployment. A permanent improvement in the job-relevant skills of the target groups and their labour market prospects will take time.

²⁵ This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

France (6 out of 7)

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

(11) Given the high and still increasing government debt and the fact that the deadline for correcting the excessive deficit was extended to 2015, it is all the more important that the 2014 budget is strictly implemented and substantial consolidation efforts are firmly pursued in 2015. (...) Sizeable short-term savings cannot be achieved without **reducing significantly the increase in social security spending**, which accounts for nearly half of public sector expenditure. This **implies curbing healthcare and pension costs**, for example through setting more ambitious annual healthcare expenditure targets and **temporarily freezing pensions, as well as other social benefits**, as currently envisaged by the government. (...) *“However the pension reform will not suffice to eliminate the system’s deficit, in particular the deficit arising from schemes for state government officials and employees working in a number of state-controlled companies and”*²⁶ all in all, according to projections from the French authorities, the new pension measures will only halve the system’s total deficit to some 0.5% of GDP by 2020. Moreover, the size of adjustment is subject to significant risks as the macroeconomic scenario underpinning these projections could prove overly optimistic. The newly created pensions monitoring committee (“Comité de suivi des retraites”) should ensure that the system’s deficit is gradually eliminated.

²⁶ This part of the text between brackets and in italic did not appear in the Commission proposal for recommendations to France and was added by the Council.

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

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

(12) France is among the Member States where the **cost of labour** is the highest. In particular, the high tax burden on labour reduces firms’ profitability. In order to support cost competitiveness, the **French government has taken a number of initiatives to reduce the tax burden on labour**. A tax rebate for competitiveness and employment (CICE), equivalent to a decrease in the cost of labour for wages below 2.5 times the minimum wage, was adopted in December 2012. A further EUR 10 billion cut in the cost of labour was announced as part of a “responsibility and solidarity pact” in January 2014. The two measures will account for EUR 30 billion or 1.5% of GDP, which is commensurate with the overall increase in corporate taxation, recorded in 2010-2013 and would only bridge half of the gap between France and the euro area average in terms of employer social security contributions. Moreover, exporting firms, which tend to pay high wages, will benefit less from the CICE than non-exporting firms, thus reducing the impact of the measure on competitiveness. The responsibility and solidarity pact includes a reduction in the cost of labour for low wages and one targeting wages between 1.6 and 3.5 times the minimum wage. The latter measure, expected to enter into force from 2016, would have a more direct impact on exporting firms. **Wage-setting in France tends to result in distortions of the wage structure and limit the ability of firms to adjust wages** in economic downturns. The High Council for the Financing of Social Protection (“Haut Conseil du financement de la protection sociale”) has assessed the impact of various scenarios for social security exemptions on employment, but limited emphasis has been put on the impact on wage developments and competitiveness. However, although extensive exemptions were granted, for workers paid the minimum wage, the cost of labour at the minimum wage remains high. These exemptions contributed to containing labour costs in 2013, which is a positive development, but the *“level of the minimum wage in France remains high when compared to other Member*

States".²⁷ The minimum wage should therefore continue to evolve in a manner that is supportive of competitiveness and job creation. France has only few exemptions from the statutory minimum wage and additional efforts could be made to reduce the cost of labour for vulnerable groups.

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

(13) France's global ranking in a number of international business environment surveys has deteriorated. While efforts have been made as part of a "simplification shock" launched in July 2013 to ease relation between firms and the administration, there is **a need for further improving the business environment**. In addition, a number of measures considered under the simplification plan still need to be defined and implemented. **In particular, specific attention should be paid to regulations from the labour code or to accounting rules linked to specific size thresholds that hamper the growth of French firms.** These may play a role in SMEs' difficulties in reaching the size that would allow them to export and to innovate. (...)

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

(16) Although a number of policy measures were taken in France, the **situation on the labour market continued to deteriorate** in 2013 and significant challenges remain. Unemployment continued to increase to 10.3% in 2013 (against 7.5% in 2008). France's labour market remains segmented with **very low levels of transitions from temporary to permanent contracts** (the likelihood of moving from a temporary to a permanent job was only 10.6% in 2010, as against 25.9% on average in the EU). The inter-professional agreement on securing employment was translated into a law

²⁷ In the Council text this part was changed as the Commission proposal mentioned that "the level of the minimum wage in France is such that it provides one of the highest purchasing power levels in the EU".

adopted in July 2013. Although this reform is a positive step, its impact remains uneven at this stage. In particular, very few companies have made use of the arrangements for company-level agreements created by the law to increase the flexibility of work conditions in the event of temporary economic difficulties. However, **the rate of effective dismissals brought to court has been significantly reduced**. While negotiations took place in 2014 between social partners to **reform the unemployment benefit system**, the new agreement is not expected to substantially reduce the deficit of the system. The cumulated deficit of the unemployment benefit system, which was close to 1% of GDP in 2013, calls for additional structural measures to ensure its sustainability. In particular, some elements, such as the eligibility conditions, the degressivity of benefits over time or the replacement rates for workers with the highest wages were only marginally modified following the last agreement between social partners in March 2014, and they should be further adapted to ensure that incentives to work are adequate. Thanks to successive pension reforms, the employment rate of workers between 55 and 64 years of age has seen a constant increase in the past three years. However, **the employment rate among older workers** in France (45.6% in 2012) remains well below the average in the EU (-4.5 percentage points below) and only 55% of older workers in France retire directly after employment (2008-2011). As a result, the unemployment rate for this group has increased strongly over the last few years. Hence, there is a need to strengthen measures to improve their employability while reviewing incentives for them to stay in or return to work.

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

(17) The 2013 Programme for International Student Assessment survey showed that educational inequality in France is amongst the highest in OECD countries. A sixth of young people in France leave education and training without a qualification. This is particularly worrying as the **unemployment rate of young people** was of 25.5% at the end of 2013 and as the risk of being unemployed was almost two times higher for the least qualified young people. Schemes to promote apprenticeships should reach in particular the least qualified young people. Some progress in addressing this issue was made through the launch of the reform of compulsory education in July 2013 and the adoption of a law on vocational education and lifelong learning in March 2014. However, it is too early to assess whether these measures will effectively reduce inequalities in the education system and a new plan targeting lower-secondary education schools in disadvantaged areas announced in January 2014, still needs to be implemented. Lastly, **transition from school to work has been facilitated** but the **number of apprentices decreased** in 2012 and the schemes increasingly benefitted students in higher education.

Germany (2 out of 4)

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

(10) Only limited progress has been made by Germany in enhancing the cost effectiveness of public spending on healthcare and long-term care, although new initiatives have been announced. While their aim is to improve the cost-effectiveness of health care, these plans might not be sufficient to contain expected future cost increases. **The recently adopted pension reform aims to improve early retirement conditions** (“Rente mit 63”) and pension levels for certain groups, the latter also including a pension supplement for those having raised children born before 1992 (“Mütterrente”). **The reform puts an additional strain on the sustainability of the public pension system** and is planned to be financed by a higher pension contribution rate, with negative implications for disposable incomes of the active labour force. The reform could also have a negative impact on take-up of complementary second and third pillar pensions. (...)

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

(11) Germany has made **overall limited progress** in improving the efficiency and growth-friendliness of the tax system and **to reduce the high tax burden on labour**. No major measures are foreseen to shift towards more growth-friendly revenue sources. The application of the reduced value-added tax (VAT) rate (currently 7 %) could be narrowed and the general VAT base broadened. Rather low revenues from recurrent property taxes suggests that there is scope for increases and the distribution of the tax burden could be fairer if the tax base for the municipal real estate tax (*Grundsteuer*) would be reassessed. Conditions for investment in Germany could be further improved by reforming the local trade tax (*Gewerbesteuer*), cutting the administrative burden linked to tax collection, and reducing the existing corporate tax bias in favour of debt-financing.

(13) **Wages** have risen in recent years after a prolonged period of wage moderation, but in 2013 real wage growth was more moderate than in 2012. Germany plans to introduce a general minimum wage of EUR 8.50/hour in 2015, which will take full effect as of 2017. The **introduction of the planned general minimum wage**, which is aimed at ensuring an adequate minimum income for workers, **requires close monitoring of its impact, notably on employment**. Limited effort has been made to **reduce the high tax wedge, notably for low-wage earners**. The adopted **pension reform** and current reform plans in the area of long-term care, which involve a rise in social insurance contribution rates, **could again increase the tax wedge**. Germany has made some progress in raising the educational achievement of disadvantaged people, but the link between educational achievement and socio-economic background remains strong and persists over people's working life. Despite some progress towards appropriate activation and integration measures, long-term unemployment remains a concern, signalling a need for additional measures. **Only limited progress has been made in taking measures to facilitate the transition from mini-jobs** into forms of employment subject to full mandatory social security contributions. **No progress has been made to reduce fiscal disincentives to work for second earners**. Germany has made **some progress in** expanding the availability of full-time early **childhood education and care places**, while progress in the extension of all-day schools has been limited. At the same time, childcare facilities and all-day schools are still the subject of quality concerns and regional disparities.

Greece

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

Hungary (3 out of 7)

3. Ensure a stable, more balanced and streamlined corporate tax system, including by phasing out distortive sector-specific taxes. **Reduce the tax wedge for low-income earners**, inter alia by improving the efficiency of environmental taxes. Step up measures to improve tax compliance – in particular to reduce VAT fraud – and reduce its overall costs.

(12) Although the frequency of tax changes has decreased compared to the previous year, no substantial progress was made in making the corporate tax system more balanced. Some of the existing sector-specific taxes were even increased. The application of different tax rates across sectors is an obstacle to the effective allocation of resources and thus negatively affects growth. **To make taxation more employment-friendly**, Hungary has widened eligibility for the personal income tax family tax credit, which can help low-wage earners. **The tax wedge on single low-income earners is one of**

the highest in the EU. *“Despite some broadening of the scope for mothers with three or more children”²⁸*, the eligibility criteria for the Job Protection Act have remained in essence unchanged, even though a significant proportion of low earning workers remain outside the scope of the measure. It will be important to evaluate the impact and cost-effectiveness of the scheme and to adapt it as necessary to enhance its capacity to bring people into employment. **Some progress was made in shifting taxation away from labour** towards environmental taxes, but additional measures are needed. The online connection of cash-registers to the tax authority is gradually being implemented, after repeated delays in the past. However, Hungary still suffers from a high level of tax non-compliance, with a sustained level of undeclared work and VAT compliance gap. Control measures should be strengthened in particular with a view to improving the efficiency of combatting VAT fraud.

4. Strengthen well-targeted active labour market policy measures, inter alia by accelerating the introduction of the client profiling system of the Public Employment Service. **Put in place the planned youth mentoring network** and coordinate it with education institutions and local stakeholders to increase outreach. Review the public works scheme to evaluate its effectiveness in helping people find subsequent employment and further strengthen its activation elements. **Consider increasing the period of eligibility for unemployment benefits**, taking into account the average time required to find new employment and link to activation measures. **Improve the adequacy and coverage of social assistance** while strengthening the link to activation. (...)

6. Implement a national strategy on early school leaving prevention with a focus on drop-outs from vocational education and training. (...) **Support the transition between different stages of education and towards the labour market, and closely monitor the implementation of the vocational training reform.** (...)

(13) The **youth unemployment rate has decreased** in 2013, while the rate of young people who are not in employment, education or training has increased. An efficient coordination of the Public Employment Service branch offices with educational institutions and local stakeholders could increase outreach. Capacity-building in the public employment service, including preparation of a client profiling system, has started, while active labour market policies for the open labour market should be evaluated to assess their efficiency and effectiveness and if necessary adapted to improve access to the labour market for some disadvantaged groups. The activation element in different labour market and social measures (Public Work Scheme, unemployment benefits, and social assistance) needs to be strengthened. The Public Work Scheme attracts the bulk of budgetary resources available for employment measures, but in 2013 11,54 %²⁹ of its participants were able to return to the open labour market after exiting the scheme. This raises the question of whether the scheme should be adapted, for example by building

²⁸. In the Council recommendations, the part in italic was added to this preamble compared to the text of the Commission proposals.

²⁹. This was in the Council recommendations corrected as the Commission proposal referred to “less than 10%”.

stronger links to activation, training and job search support, to secure a more lasting employment impact. **Women's labour market participation** has been encouraged by **increased flexibility in the paid parental leave system and the provision of childcare capacities, but further efforts are needed** as employment levels among women remain below 60%. The period of eligibility for unemployment benefit is shorter than the average time required by job seekers to find employment. The number of people at risk of poverty or social exclusion in Hungary is growing steadily and currently represents close to a third of the whole population. Poverty continues disproportionately to affect disadvantaged groups, in particular children and the Roma. While a National Social Inclusion Strategy is in place, policy measures in most fields do not systematically promote the goals defined by that strategy. Integrated and streamlined policy measures are needed to reduce poverty effectively.

(15) The proportion of early school leavers is on the rise and the adoption of an early school leaving prevention strategy has been repeatedly delayed. Further efforts are needed to equip pupils with basic skills, competences and qualifications that are relevant for the labour market. Equal access to mainstream quality education still remains a major problem for disadvantaged children, in particular Roma. **A new law on vocational training, which inter alia introduces a new 'dual model', has been enacted** to reduce the still-difficult transition from education to the labour market, the effects of which need to be closely monitored.

Ireland (NEW) (2 out of 7)

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

10) Tax reforms have contributed to the fiscal adjustment, but there is further scope to improve the efficiency and growth-friendliness of the tax system. Property taxation has been shifted from a transaction tax to a recurrent tax based on residential property values, but the tax base is still relatively narrow as certain properties remain outside of the tax net. **Labour taxation is fragmented and complex**; and the tax bases for consumption and environment taxes are narrowed by reduced rates and exemptions, while such taxes are more growth-friendly. Zero and reduced VAT rates result in a VAT efficiency below the EU average. Reduced VAT rates are widely used to achieve redistribution objectives even though they are not an efficient and well-targeted policy tool to protect vulnerable groups. There is scope to improve the effectiveness of environmental tax instruments and removing environmentally harmful subsidies.

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

(12) Ireland faces challenges relating to unemployment, particularly long-term and **youth unemployment**, and there is still a large working age population with low skills, resulting in inequality and skills mismatches. Long-term unemployment has fallen gradually with the recent strengthening of the labour market, but it remains high and continues to increase as a proportion of overall unemployment, representing over 61% of the total at the end of 2013. The unemployment rate among young people **peaked above 30% in mid 2012**.³⁰ Additionally, the proportion of young people not in employment, education or training increased by eight percentage points between 2007 and 2012 to 18.7% before ebbing to 16.1%, but still among the highest in the EU. There is a need to cover all young people in need within a 4-month period, in line with the objectives of a **youth guarantee**. Skills mismatches have emerged with the rebalancing of the economy, making re-skilling and upskilling a challenge for the education and training system. In addition, **participation in lifelong learning is lower than the EU average** (7.3%, as compared with 10.7% in 2013).

4. Tackle low work intensity of households and address the poverty risk of **children** through tapered withdrawal of benefits and supplementary payments upon return to employment. **Facilitate female labour market participation by improving access to more affordable and full-time childcare**, particularly for low income families.

(13) Ireland has one of the highest proportions of people living in households with low work intensity in the EU, which generates serious social challenges. The proportion was higher than the EU average prior to the crisis and surged from 14.3% in 2007 to 24.2% in 2011. **Low work intensity is particularly severe among single-parent households with children**. This has contributed to a growing risk of poverty or social exclusion of children in Ireland **and exacerbates the issue of the unequal labour market participation of women which stood at 67.2% in 2013**, as compared with 83.4% for men. As a result, **attention has turned to access to and affordability of childcare**, a significant barrier to parents finding employment and avoiding the risk of poverty. The labour market is also affected

³⁰ The last part was slightly altered in the Council version, as the Commission proposals referred to “in late 2012 and early 2013”.

by pockets of unemployment traps. The flat **structure of unemployment benefits** under the Jobseeker's Benefit and Jobseeker's Allowance system, the unlimited duration of the Jobseeker's Allowance and the loss of supplementary payments (in particular rent supplement and medical cards) upon return to employment mean that replacement rates are relatively high for the long-term unemployed with low income potential and other categories of workers depending on family circumstances.

Italy (3 out of 8)

2. **Further shift the tax burden** from productive factors to consumption, property and the environment, in compliance with the budgetary targets. To this end, **evaluate the effectiveness of the recent reduction in the labour tax wedge** and ensure its financing for 2015, review the scope of direct tax expenditures and broaden the tax base, notably on consumption. (...) Further improve tax compliance by enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration. Pursue the fight against tax evasion and **take additional steps against the shadow economy and undeclared work**.

(10) Recent action to alleviate taxation on the factors of production has been somewhat limited. There is thus **scope to further shift the tax burden towards consumption, property and the environment**, in strict compliance with the budgetary targets. As regards consumption, improving the structure of the tax system also crucially requires a revision of VAT reduced rates and of direct tax expenditures, with due attention to the need to lessen possible distributional impact. As regards property, a revision of cadastral values in line with current market values would allow for fairer recurrent taxation on immovable property. A recently adopted enabling law for tax reform represents an opportunity to carry out such necessary reforms. Given the size of the challenge, action on the composition of the tax structure needs to be complemented by additional measures to improve tax administration and tax compliance and decisive measures to combat tax evasion, the shadow economy and undeclared work, which continue to weigh both on public finances and on the tax burden for compliant taxpayers. In this respect, the enabling law for tax reform foresees several measures to strengthen tax administration – comprehensive estimation and monitoring system of the tax gap, simplification measures, actions to improve relationship with taxpayers, measures to improve local tax debt recovery and reinforcement of tax controls. The decision to introduce pre-filled tax returns as from 2015 is an additional positive step to enhance tax compliance.

5. Evaluate, by the end of 2014, the impact of the labour market and wage-setting reforms on job creation, dismissals' procedures, labour market duality and cost competitiveness, and assess the need for additional action. Work towards a **comprehensive social protection for the unemployed**, while limiting the use of wage supplementation schemes to facilitate labour re-allocation. Strengthen the link between active and passive labour market policies, starting with a detailed roadmap for action by September 2014, and reinforce the coordination and performance of public employment services across the country. **Adopt effective action to promote female employment, by adopting measures to reduce fiscal disincentives for second earners** by March 2015 and **providing adequate care services**. Provide adequate services across the country to **non-registered young people** and **ensure stronger private sector's commitment to offering quality apprenticeships and traineeships** by the end of 2014, in line with the objectives of a **youth guarantee**. To address exposure to poverty and social exclusion, **scale-up the pilot social assistance scheme**, in a fiscally neutral way, guaranteeing appropriate targeting, strict conditionality and territorial uniformity, and strengthening the link with activation measures. **Improve the effectiveness of family support schemes and quality services favouring low-income households with children**.

(13) The **labour market situation further deteriorated** in 2013, with unemployment rising to 12.2% and **youth unemployment reaching 40%** in Italy. **Ensuring proper implementation and careful monitoring of the effect of the labour market and wage setting reforms adopted is key** to guaranteeing that the expected benefits in terms of enhanced exit flexibility, better regulated entry flexibility, **a more comprehensive system of unemployment benefits** and **better alignment of wages on productivity** materialise. Plans for improving effectiveness of placement services through the reinforcement of public employment services have been subject to delays and need to be accelerated. Measures aimed at fostering job creation in the short term need to be complemented with measures addressing segmentation. Globally, the Italian labour market continues to be marked by segmentation and low participation, which affects women and young people in particular. Therefore, the limited steps taken so far need to be extended, including in line with the objectives of a **youth guarantee**. Italy is witnessing declining household disposable income combined with rising poverty and social exclusion, affecting families with children in particular. Social expenditure in Italy remains largely oriented towards the elderly and with little focus on activation, limiting the scope to address the risk of social exclusion and poverty. The recently introduced **pilot social assistance scheme** aims at providing a social safety net. Its envisaged extension to the whole country will require improving the effectiveness of social spending and services throughout the territory.

6. Implement the National System for Evaluation of Schools to improve school outcomes in turn and reduce rates of early school leaving. **Increase the use of work-based learning** in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education. Create a national register of qualifications to ensure wide recognition of skills. Ensure that public funding better rewards the quality of higher education and research.

(14) Efforts to upgrade educational performance and human capital endowment need to be made at all educational levels, i.e. primary, secondary and tertiary. (...) To **ensure a smooth transition between education and the labour market**, strengthening and broadening practical training, through **increased work-based learning and vocational education and training, appear crucial** at the upper secondary and tertiary levels. (...)

Latvia (3 out of 5)

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

(10) Latvia has taken **steps to lower the tax burden for low-income earners and families with dependants** and to strengthen property and environmental taxation, but the level and design of these taxes does not sufficiently affect the behaviour of economic operators, and some environmentally harmful subsidies remain in place. While the authorities have made some progress in improving tax compliance and **reducing the proportion of undeclared economic activity**, notably by improving risk assessment and tightening sanctions against fraudulent behaviour, challenges in the fight against tax fraud and evasion remain. In particular, despite representing a significant proportion of total taxation, revenue from consumption taxes has ample potential for further increase if tax compliance is improved.

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

(12) Latvia has made **progress in tackling unemployment**, which has fallen considerably. **However, youth unemployment is still relatively high** and there is a need for outreach measures to non-registered inactive youth. Although Latvia has taken measures to address skills mismatches and the quality of vocational education, these **still require attention, notably in improving the quality of apprenticeships** and in developing comprehensive career guidance. Active labour market policies are still limited in scope and over rely on public works.

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

(13) Working age poverty remains very high in Latvia. Latvia has taken **some steps to reform social assistance** and has **completed a large-scale assessment of the social security system** providing a solid basis for an evidence-based reform. It has **significantly increased various child-related benefits**, and raised the non-taxable thresholds in personal income tax for dependants. However, the effectiveness of social protection in terms of poverty reduction remains poor and designing an effective social safety net remains a challenge. Overall, a high proportion of population is at risk of poverty or social exclusion, and such proportion is even higher for children. Families with children, the unemployed, people with disabilities and people living in rural areas are at a particularly high risk of poverty and social exclusion. Latvia's spending on social protection as a percentage of GDP is the lowest in the EU. (...)

Lithuania (3 out of 6)

2. **Adopt and implement legislation on a comprehensive pension system reform.** In particular, **align the statutory retirement age with life expectancy, restrict access to early retirement, establish clear rules for the indexation of pensions,** and promote the use of complementary savings schemes. Underpin pension reform with **measures that promote the employability of older workers.**

(9) The relative importance of taxes considered less detrimental to growth, such as property and environmental taxes, remains low. **Tax revenues rely to a large extent on indirect and labour taxation** while the proportion accounted for by environmental taxation remains low. Increased revenue from more growth-friendly taxes could be used to alleviate the tax burden on low-income earners, in particular the low-skilled. A partial review of the tax system was undertaken at the beginning of 2013 and the government decided to adjust capital taxation, raise the taxable income threshold and increase excise duties for tobacco and alcohol. Overall, however, these measures will have a rather negative effect on revenues. Further steps on improving the sustainability of public finances and strengthening the revenue side therefore remain crucial. No major measures were taken following the 2013 country-specific recommendation on environmental taxation. There was limited progress in strengthening the fiscal framework, as expenditure ceilings remain insufficiently binding and legislative changes have not yet been approved. Lithuania continues to face challenges in terms of tax compliance, in particular to tackle VAT fraud by, among others, strengthening risk management measures. The 2013-14 tax compliance action plan is being implemented and first estimates suggest some positive effects. In 2013, a set of measures was

taken to strengthen tax compliance in the field of VAT and excise duties. For 2014-2015 a new targeted strategy has been launched.

(10) Unfavourable demographic developments cast doubts on Lithuania's long-term fiscal sustainability. Pension spending is projected to increase substantially and is estimated over 50 years to reach almost double the EU average. The **gradual increase of the statutory retirement age that started in 2012 is not enough** to keep up with shrinkage in the labour force and rising life expectancy. In addition, the sharp rise in poverty and severe material deprivation among older people points to problems linked to pension adequacy. Lithuania has made important but isolated steps in the right direction and **more significant changes are needed to implement a comprehensive reform**. It has **completed the reform of the second pension pillar**, but neither occupational schemes nor voluntary pension accumulation are widely used. Alongside the increase in the statutory retirement age, **measures that ensure the employability of older workers and age-friendly working environments are also** necessary.

3. Better target active labour market policy measures to the low-skilled and long-term unemployed. **Improve coverage and adequacy of unemployment benefits** and link them to activation. Address persistent skills mismatches by improving the labour-market relevance of education inter alia based on skills forecast systems and promote life-long learning. In order to increase the employability of young people, **prioritise offering quality apprenticeships, other forms of work-based learning, and strengthen partnership with the private sector**. **Review the appropriateness of labour legislation**, in particular with regard to the framework for labour contracts and for working-time arrangements, in consultation with social partners.³³

4. Ensure adequate coverage of those most in need and continue to **strengthen the links between cash social assistance and activation measures**.

(11) Overall unemployment has gone down but structural unemployment remains high, suggesting skills mismatches, in particular for the low-skilled. **Youth unemployment and the rates of young people not in education employment or training are decreasing, but are still high**. The limited coverage of active labour market policies remains a challenge, and its effectiveness and timeliness needs to be improved. Skilled labour shortages are forecast to become even more pronounced in the future. To improve young people's employability it is important to improve the labour market relevance of vocational and higher education, **improve the quality of apprenticeship schemes and work-based learning, in partnership with the private sector including SMEs**. Increased participation in lifelong learning remains insufficient. **A comprehensive review of the labour law, with the involvement of social partners, is needed** to find ways of alleviating the administrative burden on employers. Primarily it

³³ This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

will be **essential to identify and eliminate unnecessary restrictions affecting flexible contractual agreements, dismissal provisions and working time arrangements.**

(12) Despite recent improvement, **working-age poverty remains above the EU average. Increases in the minimum monthly wage** and non-taxable threshold **have helped** to address poverty. However, old-age poverty and severe material deprivation have risen steeply in recent years. In 2012-13, **the cash social assistance reform pilot resulted in a lower number of social beneficiaries** and expenditure on cash social benefits. In 2014, the pilot was expanded to all municipalities. There is a need to ensure monitoring and evaluation as regards the effects of the reform on the neediest. The coverage of activation measures for long-term unemployed social assistance beneficiaries is insufficient. Moreover, the measures are still focused on public works schemes, and thus provide income support, but do not help to improve the beneficiaries' employability. The impact of the reform on those on low incomes needs to be assessed. Lithuania adopted the 2014-2020 Action Plan for Enhancing Social Inclusion. However, there remains a need to establish the main target groups, the budget and concrete measures, specifying how the targets will be achieved and how the various ministries, local governments and civil society actors implementing the Action Plan will cooperate.

Luxembourg (3 out of 5)

2. In view of ensuring fiscal sustainability, curb age-related expenditure by making long-term care more cost-effective, **pursue the pension reform so as to increase the effective retirement age, including by limiting early retirement, by aligning retirement age or pension benefits to change in life expectancy.** Reinforce efforts to **increase the participation rate of older workers**, including by improving their employability through lifelong learning.³⁴

(12) Gross public pension expenditure as a proportion of GDP in Luxembourg is to increase, according to figures of the 2012 Commission's Ageing Report, from 9.2% of GDP to 18.6% in 2060. This is mostly due to age-related spending and in particular to pensions. **The 2012 pension reform was limited in scope** and did not substantially address the threat posed to the long-term sustainability of the public finances. Short-term financing of the pension system is currently guaranteed by a low old-age dependency ratio and relies on the contributions paid by the relatively young population of cross-border workers. In the future, this trend is expected to reverse and pension costs, as well as long-term care costs, will probably increase substantially. In order to guarantee the viability of the pension system, a substantial increase in the contribution rate would be necessary after 2020, in addition to the built-in

³². This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

moderation of the adaptation of pensions to the standard of living. This would entail a significant increase in the burden on labour supported by the future active population and consequently a loss of cost competitiveness. Given the currently high level of the replacement rate, some different measures could have been taken so as to ensure a fairer distribution of the burden across generations. The introduction of a cap on pension adjustments based on real wage increases would increase pension reserves. **In addition, increasing the effective retirement age, currently situated at the age of 59, by aligning it to change in life expectancy would help** to ensure the long-term sustainability of the pension system. **Also, the possibilities for early retirement should be reduced.** Financial incentives to prolong working careers, as provided for in the pension reform, may contribute to the sustainability of the pension system, but the **employability of older workers should be further improved by reinforcing vocational education and lifelong learning.** Luxembourg needs to curb the future need for and related costs of, long-term care to ensure its sustainability. Long-term care services could also be made more cost effective by strengthening coordination between healthcare and social care, improving service delivery and **better supporting family carers.**

3. Speed up the adoption of structural measures, in consultation with the social partners and in accordance with national practices, to **reform the wage indexation system with a view to improving the responsiveness of wages to productivity developments**, notably at sectoral level. Pursue the diversification of the structure of the economy, including by fostering private investment in research and further developing cooperation between public research and firms.

(13) Luxembourg's large current account surplus is driven by financial services and masks a persistent and gradually increasing deficit in the trade balance for goods, which stems from slow export growth. While this trend reflects the increasing importance of the service sector in the economy, it is also due to a more structural loss of cost-competitiveness. The recent steady increase in the unit labour cost has undermined the competitiveness of Luxembourg's industrial fabric. **The modulation of the wage indexation mechanism adopted by the government in 2012 will be terminated by the end of 2014.** While different avenues could be explored, **it is important that wages are more closely tied to productivity by means of a reform of the wage indexation system, allowing for sectoral differentiation.**
(...)

4. Pursue efforts to reduce youth unemployment for low-skilled jobs seekers, including those with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies, addressing skills mismatches, and reducing financial disincentives to work. To that effect, **accelerate the implementation of the reform of general and vocational education and training** to better match young people's skills with labour demand.³³

(14) Although various measures have been adopted, **youth unemployment is persistently high**, at 17.4% of the active population in 2013, albeit decreasing from 18% in 2012. It depends heavily on educational level and is lower among those with a higher educational attainment. Luxembourg's education system faces a number of specific challenges, such as multilingualism and the specific skills required by a highly specialised labour market with a big financial sector. The results of the OECD's 2012 students' skills survey confirmed that further measures are needed to counteract young people's relatively weak performance in basic skills, as observed since 2006. In this respect, the primary and secondary school reforms should be pursued. In addition, **the quality and attractiveness of vocational and educational training should be further improved** in order to provide the labour market with a qualified workforce, including in particular people with a migrant background. The design of the tax and benefit system is at the origin of very high labour-market traps, among the highest in the EU, for all wage levels and family compositions. Also, despite recent reform efforts, activation policies have remained weak; and participation in active labour market policies has not been compulsory at any point during the period of unemployment.³⁴

Malta (2 out of 5)

2. To ensure the long-term sustainability of public finances, **continue the ongoing pension reform**, such as by accelerating the already enacted **increase in the statutory retirement age and by consecutively linking it to changes in life expectancy**. Ensure that a comprehensive reform of the public health system delivers a cost-effective and sustainable use of available resources, such as strengthening primary care.³⁵

(13) Despite still facing challenges regarding the sustainability of Malta's public finances, **little progress can be registered as yet on its pensions system reforms** and the sustainability of its healthcare services. While a Pensions Strategy Group has been set up to assess all options for reforming

³³. This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

³⁴. In the Commission proposals, this preamble ended with the following addition: "and there is no requirement to continue job-seeking while participating in active labour market policies."

³⁵. This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

the pension system, the Maltese authorities have given a commitment not to raise the statutory retirement age beyond the increases outlined in the 2006 pension reform.³⁶ While Malta intends to address these shortcomings with labour market measures and notably its recently adopted active ageing strategy, it is unlikely that this solves the problem. (...)

3. Continue policy efforts to address the labour-market relevance of education and training and improve basic skills attainment by **stepping up efforts on the overdue reform of the apprenticeship system**. Further reduce early school leaving, notably by finalising and implementing the announced national literacy strategy. Further **improve the labour-market participation of women**, notably those wishing to re-enter the labour market by **promoting flexible working arrangements**.

(14) Malta's early school leaving rate is still very high, but measures are being taken to reduce it and a comprehensive monitoring system is being set up. Basic skill attainment remains low, however, thereby contributing to low literacy and early school leaving. Proper implementation of the recently adopted National Literacy Strategy is expected to support efforts addressing this shortcoming. This is to be complemented by further measures, which are expected to increase the labour-market relevance of training and education. These **include the reform of the apprenticeship framework**, establishing a lifelong learning strategy, the **introduction of work-based learning in vocational educational and training**, and a specific programme financed through the European Social Fund.

(15) Malta is currently implementing **a number of significant measures that seek to increase the participation of women in the labour market**, notably through the **provision of free child care services** to households in which parents are in employment or pursuing further education. Effective implementation will be crucial. The authorities are also helping to provide after-school care and offering opportunities to send children to school before the stipulated opening hours, so that parenthood can be better reconciled with working life. Tax incentives are also envisaged to encourage parents to send children to childcare facilities already running under previous schemes. **Little is being done, however, to provide and promote the use of flexible working arrangements, such as teleworking and flexi-time**, which would help the reintegration of women into the labour market.

(16) In order to further improve its international competitiveness, in addition to avoiding the **potentially negative impact of a misalignment between wage and productivity developments**, Malta still needs to address infrastructure shortcomings in the energy and transport sectors that dampen its potential, in particular in view of elevated energy costs. (...)

³⁶ Compared to the Commission proposals, in the Council text the following sentence was deleted hereafter: "The statutory retirement age therefore remains disconnected from life expectancy, which poses a problem for the long-term sustainability and adequacy of pensions."

Netherlands (2 out of 4)

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

(11) The long-term **sustainability of the pension system has been improved through the gradual increase in the statutory retirement age** from 65 years in 2012 to 67 in 2023. The Netherlands has initiated comprehensive reforms in the public- and private funded pillars of the pension system and in the long-term care system. This is **complemented by reforms encouraging older workers** to work longer and increase labour market mobility. (...)

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

(12) The labour market reforms proposed by the government aim to increase labour market participation and mobility. The Participation Act aims at boosting labour market participation. However, the reforms are not yet enshrined in law. In addition, further measures are needed to reduce fiscal disincentives to work and to improve the employability of people at the margin of the labour market, including women, people with a migrant background, people with a disability and the elderly. The Netherlands has **announced reforms to the unemployment benefit scheme and its relatively strict employment protection legislation**, including a tax incentive to increase participation. However, while these measures point in the right direction, they cannot be fully assessed until actually implemented. **Accelerating the removal of remaining disincentives for second earners** to increase the number of hours worked has the potential of further alleviating future labour supply shortages. Finally, **making better use of existing flexibility in the institutional framework for more differentiated wage increases** can support overall household income and thus domestic demand without hurting competitiveness.

Poland (2 out of 6)

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

(10) **Youth unemployment has been gradually increasing** over the last year, which partly results from the ongoing mismatch between education outcomes and labour market needs as well as the growing proportion of young people that are not in education, employment or training. Despite ongoing efforts to reform the vocational education and training system, there is a **need to further facilitate access to good quality apprenticeships and work-based learning**, to strengthen cooperation between schools and employers and to reach out non-registered youth, in line with the objectives of a **youth guarantee**. Adjustment of skills to labour market requirements is also particularly important in the context of lifelong learning, where participation remains very low, especially with regard to **older workers**, whose competencies are often outdated. Labour market segmentation persists with the **extensive use of fixed-term employment, as well as civil law contracts**. The incidence of fixed-term employment is particularly high among the young. While fixed-term contracts are often regarded as an instrument for the unemployed to enter the labour market with a view to later moving on to a permanent contract, this seems not to be the case for the majority of workers in Poland, given that the transition rate from fixed-term employment to permanent employment is low, which tends to negatively influence productivity and the quality of human capital.

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

(11) **Female labour market participation remains low**. Poland has taken several measures to enhance female employment, including an **increase in the availability of early childcare services (nurseries)**, and an **increase in public funding for kindergartens** to encourage parents to enroll their children in pre-school education. Nevertheless, **availability of early childcare services is still low**, especially in rural areas, and disparities in access to pre-school education remain. **Labour market participation of**

older workers in Poland remains low. Early retirement possibilities have been reduced significantly but further efforts are needed to increase the employability of older workers and the effective duration of working life. Reforming the special pension schemes for miners and farmers remains a challenge. The farmers' scheme (KRUS) creates incentives for small-scale farmers to remain in the agricultural sector, resulting in hidden unemployment in rural areas and stimulating the informal economy. Miners continue to enjoy privileges in terms of pension rights and minimum work record required. Both pension schemes impede sectoral and territorial labour mobility.

Portugal (NEW) (4 out of 8)

1. Implement the necessary fiscal consolidation measures for 2014 so as to achieve the fiscal targets and prevent the accumulation of new arrears. For the year 2015, rigorously implement the budgetary strategy as laid out in the Fiscal Strategy Document 2014, in order to bring the deficit to 2.5% of GDP, in line with the target set in the Excessive Deficit Procedure recommendation, while achieving the required structural adjustment. (...) **Effectively implement single wage and supplements' scales in the public sector from 2015 onwards.**

2. **Maintain minimum wage developments** consistent with the objectives of promoting employment and competitiveness. **Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level.** Explore, in consultation with the social partners and in accordance with national practice, the **possibility of mutually agreed firm-level temporary suspension of collective agreements.** By September 2014, **present proposals on mutually agreed firm-level temporary suspension of collective agreements and on a revision of the survival of collective agreements.**³⁷

3. Present, by March 2015, an independent evaluation of the **recent reforms in the employment protection system**, together with an action plan for possible further reforms to tackle labour market segmentation. Pursue the ongoing reform of active labour market policies and Public Employment Services aimed at increasing employment and labour participation rates, specifically by improving job counselling/job search assistance and activation/sanction systems with a view to reducing long-term unemployment and integrating those furthest away from the labour market. **Address the high youth unemployment**, notably by effective skills anticipation and outreach to non-registered young people, in line with the objectives of a **youth guarantee.** **Ensure adequate coverage of social assistance, including the minimum income scheme**, while ensuring effective activation of benefit recipients.

(15) **Good progress has been made** under the macroeconomic adjustment programme in rationalising and **modernising the public administration in terms of employment, remuneration policy, working conditions, organisational efficiency and quality of services.** However, some of the envisaged reform measures still need to be completed and transparency improved. (...)

³⁷. This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

³⁸. This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

(10) Portugal faces challenges relating to unemployment which, notwithstanding the recent decline, remains very high, particularly for the younger cohorts. The unemployment rate stood at 16,4% in 2013 and **youth unemployment** at 38,1%³⁹, substantially above the EU average, as well as the percentage of young people not in education, employment, or training. Portugal's traditionally high employment rate has declined markedly since the start of the economic crisis, from 73.1% in 2008 to 65.6 % in 2013. As regards youth unemployment, in line with the objectives of a **youth guarantee**, the main challenges include weak outreach to non-registered young people, and a **need to better align education and training with labour market needs**. Under the macroeconomic adjustment programme, Portugal has **implemented a wide range of labour market reforms aimed at easing overly restrictive employment protection legislation, making wage-setting mechanisms more flexible** and improving the functioning of the public employment services and activation policies. Challenges remain, however, in particular the need to tackle labour market segmentation and improve the responsiveness of wages to the economic conditions. An independent evaluation of the effects of the recent reforms in the employment protection system would help to assess, in particular, their impact on job creation, precariousness, overall labour costs and on the number of court appeals against dismissals and their outcome. Despite efforts to alleviate the negative social impact, the necessary economic adjustment following the crisis has had negative repercussions in terms of poverty.

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

(11) Portugal has made significant progress in reforming its education system by means of several measures to fight early school leaving, and improve tertiary attainment rate and labour market matching. However, the full implementation and efficient use of funding remain crucial. In particular, **further work is necessary** to reduce skills mismatches, **including by increasing the quality and attractiveness of vocational education and training**, including dual vocational education and training, fostering employers' involvement in helping to design programmes **and providing adequate in job trainings and apprenticeships**. There is also a need to effectively implement career guidance and counselling services for secondary and tertiary students in line with labour market needs and skills anticipation, and strengthen links with the business sector.

³⁹. In the Council text, these figures were altered as the Commission proposal text mentioned «17% in 2013 and youth unemployment at 37.7%».

Romania (4 out of 8)

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

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

(12) High inactivity, insufficient utilisation of labour potential and the need to increase the quality and productivity of the work force remain key challenges of the Romanian labour market. The quality of public job search and retraining services is still low, despite some small-scale measures. Limited resources within the public employment service and a lack of measurement of performance constrain the efficient delivery of personalised services to jobseekers, employer services and the integration of active and passive labour market policies. Romania has **a high and increasing percentage of young people not in employment, education or training** (17.3% in 2013). **A national Active Ageing Strategy to support an increase in the employment rate of older workers has been delayed** and now is due by the end of 2014.

(13) There is **no transparent guideline for minimum wage setting involving social partners** aiming at supporting employment and competitiveness and safeguarding labour income in a sustainable way.

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

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

(14) The Education Reform of 2011, which set a long-term agenda for upgrading the quality of education at all levels, is not yet fully operational, due to insufficient financial and human resources. **Following sharp decline in**

vocational education and training in the last twenty years, several reforms and pilot projects have been initiated in recent years but the availability of vocational education and training, its relevance to the labour market and business involvement in work-based learning and **apprenticeships remains low**. Important skills mismatches persist for tertiary graduates and the link between business and academia remains weak, as shown by a high unemployment rate and many university graduates being employed either in professions not corresponding to their training or in jobs requiring lower levels of qualification. Participation in lifelong learning activities continues to be among the lowest in the EU. The early school leaving rate continues to be one of the highest in the EU and is now higher than prior to 2010, affecting in particular Roma. **Female employment is hindered by low provision of and limited access to affordable quality childcare facilities**, in particular for the 0-3 years old.

(15) Poverty reduction remains a major challenge. Despite the relatively stable employment situation, gross household incomes have been declining and income inequalities have been growing. Families with children are particularly exposed. There was **only limited progress in speeding up the transition from institutional to alternative care for children deprived of parental care**. There is still a high number of persons with disabilities in large residential institutions, while community services for the disabled are not sufficiently developed.. The **low take-up, coverage and adequacy of social benefits** remain a challenge for the efficiency of social benefits in reducing poverty. The **introduction of the Minimum Insertion Income combining three existing social benefits** (the Guaranteed Minimum Income, the family allowance and the heating benefits) planned for 2015 has been delayed. (...)

Slovakia (2 out of 6)

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

(11) Slovakia has made progress in improving tax compliance and the implementation of the Action plan to combat tax fraud is in progress with around half of the measures in place. As a result the efficiency of the Slovak tax system appears to have improved in 2013, especially for VAT, although the need to consolidate efforts and strengthen the analytical and audit capacity of the tax administration remains and the unification of the collection of taxes, customs duties and social insurance contributions is behind schedule. To continue growth-friendly fiscal consolidation, **Slovakia could rely**

more on taxes less detrimental to growth, notably recurrent property and environmental taxation. In this respect, there has been no progress in reforming recurrent property taxation and linking it to the market value of the property. The revenues from this tax remain low and unchanged since 2000. In 2013, the government **implemented measures to reduce a large discrepancy in the tax wedge between employees and self-employed people**, but the substantial gap in the effective tax rates of the two groups observed in 2012 persists.

(1) The labour market continues to face a number of challenges. Most unemployment, which remains at around 14%, is long-term, pointing to the structural nature of the unemployment problem in Slovakia. Slovakia made **some progress towards reducing the tax wedge for low-paid workers** who enter the labour market after long-term unemployment, but the effectiveness of the measures needs to be monitored and assessed. Only limited progress has been made in other areas, namely enhancing the capacity of the public employment services to provide personalized services and strengthening the link between activation measures and social assistance. As regards youth unemployment, the public employment service has limited capacity for early intervention and for tailoring services to job-seekers profiles and for reaching out to non-registered youth. There is thus a need to act in these areas, in line with the objectives of a **youth guarantee**. More targeted measures are needed for the most disadvantaged jobseekers, including Roma, whose employment rate remains very low. The **lack of adequate child care facilities** in particular for children under three makes it more difficult for mothers to return to the labour market.

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

(13) The limited labour market relevance of education hampers the supply of skilled labour. The performance of pupils in compulsory education is below EU average and has decreased significantly. Public expenditure on education remains low despite recent increases in teachers' salaries; initial training of teachers is being strengthened and practical experience reinforced, but these efforts need to continue. **Despite government efforts to reform vocational education and training and subsidize jobs for young people, the youth unemployment rate remains among the highest in the EU** and school-to-job transition remains cumbersome. The relatively low percentage of job-oriented bachelor-level programmes and insufficient cooperation with employers reduces the labour market relevance of tertiary

education. Improving the quality of higher education and of cooperation between businesses and education institutions would also help to enhance the innovation capacity of the economy. The plans in the Smart Specialisation Strategy go in the right direction, but need to be effectively implemented. The persistently **low provision of good quality early childhood education and care weighs on educational achievements**, in particular for Roma. So far, initiatives aimed at improving educational outcomes for Roma pupils are overly reliant on EU co-financed projects.

Slovenia (2 out of 8)

2. Based on the public consultation, **agree measures to ensure the sustainability of the pension system and adequacy of pensions beyond 2020**, encompassing adjustments of key parameters, **such as linking the statutory retirement age to gains in life expectancy** and encouraging private contributions to the second pillar of the pension system. Contain age-related expenditure on long-term care by targeting benefits to those most in need and refocusing care provision from institutional to home care.⁴⁰

(13) In 2013, it was recommended to Slovenia to strengthen the long-term sustainability of the pension system and improve the efficiency, cost effectiveness and quality of the long-term care sector. Slovenia has made limited progress on measures taken to address this recommendation. **An evaluation of the 2012 pension reform was completed in April 2014 and the first findings are positive.** While certain fiscal savings have been realised, the level of pensions remained unchanged. Slovenia faces high fiscal sustainability risks in the medium and long term mainly due to an increase in ageing-related spending implied by Slovenia's demographics. Thus the pension and long-term care systems will need to be reformed in the medium term if overall expenditure is to be stabilised over the medium and long term while ensuring the adequacy of pensions and access to long-term care services. **The authorities plan to prepare a White Paper for a comprehensive pension reform.** A blueprint for a longterm care reform was adopted at the end of 2013 and the related legislation is expected by the end of 2014. However, it risks being delayed because the on-going reorganisation of healthcare insurance is lagging behind.

⁴⁰. This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

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

(14) The situation on the labour market has worsened. Unemployment reached 10.3% in 2013 and **youth unemployment climbed to 21.6% in 2013** while the proportion of young people not in employment, education or training increased by 2.1 pps between 2011 and 2013. **The evaluation of the labour market reform adopted in 2013 points towards decreasing segmentation between permanent and fixed-term contracts, albeit on the back of an increased use of other non-permanent contractual forms**, while the effect of incentives for the employment of older and younger people are still unclear. Labour market segmentation is also being addressed through **better regulation of student work**. While a new act is pending approval, concerns remain about whether it will adequately address shortcomings of previous rules. The government has made **limited progress in implementing last year's recommendation on the minimum wage, which continues to be indexed only to inflation**, while the act on minimum wage allows for indexation to other economic conditions. Limited progress has been made in developing effective tailor-made active labour market policy measures and addressing skills mismatches.

Spain (5 out of 8)

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

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

(11) In 2013, Spain adopted new measures to address the debt bias in corporate taxation. During 2013, Spain also made some progress on improving tax compliance by **intensifying the fight against tax fraud and undeclared work**, but important challenges remain. In 2013 and 2014, Spain also introduced **reductions in social security contributions for hiring young and new employees**. Following the delivery of a comprehensive report on tax reform by an Expert Committee commissioned by the government, the authorities plan to present concrete legislative proposals in the second quarter of 2014. According to the 2014 National Reform Programme, the **proposals will aim at modernizing the tax system, reduce the bias against employment**, foster revenue collection, favour economic development, ensure market unity and fiscal neutrality and enhance the competitiveness of the Spanish economy while contributing to fiscal consolidation. The design and implementation of this reform will be important to future economic prospects and public finances.

3. Pursue new measures to reduce labour market segmentation to favour sustainable, quality jobs, including **through reducing the number of contract types and ensuring a balanced access to severance rights**. Continue regular monitoring of the labour market reforms. **Promote real wage developments consistent with the objective of creating jobs**. Strengthen the job-search requirement in unemployment benefits. Enhance the effectiveness and targeting of active labour market policies, including hiring subsidies, particularly for those facing more difficulties in accessing employment. Reinforce the coordination between labour market and education and training policies. Accelerate the modernisation of public employment services to ensure effective personalised counselling, adequate training and job-matching, with special focus on the long-term unemployed. Ensure the effective application of public-private cooperation in placement services before the end of 2014, and monitor the quality of services provided. Ensure the effective functioning of the Single Job Portal and combine it with further measures to support labour mobility.

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

(13) The labour market is showing some signs of stabilisation and a mild recovery is expected in 2014 with growing employment and decreasing unemployment levels. However, with an annual average of 26.1% in 2013, the unemployment rate remains very high. **Of particular concern are the high youth unemployment rate of 54.3%**, and the significant peak of long-term unemployment at 49.7% of total unemployment in 2013, the latter with particularly **high rates among older** and the low-skilled workers. Available evaluations of the 2012 labour market reform conclude that the reform, together with the social partners' commitment to wage moderation in 2012-14, has helped to provide firms with greater internal flexibility and limit job losses, prioritising collective bargaining agreements at firm level and enhancing possibilities for firms to opt out of a collective agreement. The reform has also reduced the compensation costs for unfair dismissal and contributed to a lowering the number of dismissals challenged in court, and introduced a new contract to promote stable hiring in SMEs. Further measures were introduced in 2013 and early 2014 to facilitate stable part-time employment, and reducing temporarily social security contributions on new indefinite contracts. However, segmentation remains an important challenge for the Spanish labour market, **the number of contract types remains high and the gap between severance costs for fixed-term and indefinite contracts remains among the highest in the EU even after the reform**.

(14) Progress has been made in the reform of active labour market policies, including the approval of the annual Employment Plan (PAPE). However, action to modernise and reinforce the public employment service seems to

be lagging behind, which threatens to hinder the successful implementation of the new framework. The full operationalisation of the single job portal has suffered delays. Progress has been made in fostering cooperation with private placement agencies, but further efforts are needed.

(15) The inadequate labour-market relevance of education and training and the high proportion of unemployed without formal qualifications (35.2%) contribute to the high **youth unemployment** rate, as well as to long term unemployment. The rate of young people not in employment, education or training remains higher than the EU average and has been increasing sharply. The proportion of pupils and students leaving education and training early, although decreasing, also remains very high (23.5%). Tertiary attainment rates are sustained, **but vocational education and training and apprenticeship schemes are still under-used** and the proficiency of upper secondary vocational education and training graduates lags behind the EU average. Spain is also working on measures to encourage youth employment. The national 2013-2016 Youth Employment and Entrepreneurship Strategy, presented in March 2013 is now being implemented, although some measures have yet to be put in place. Building on the Strategy, Spain has undertaken steps to fight youth unemployment, in line with the objectives of a **youth guarantee**. **Some progress** has been registered in measures to fight early school leaving and **to promote dual vocational education and training**, but full implementation and efficient use of funding remain crucial. On dual vocational training, continued coordination among all stakeholders, including decision makers and training providers at all government levels and employers, is needed to streamline the system, favour a better match of training to labour demands and guarantee the compatibility of dual vocational education and training models across regions.

5. Implement the 2013-2016 National Action Plan on Social Inclusion and assess its effectiveness covering the full range of its objectives. **Strengthen administrative capacity and coordination between employment and social services** in order to provide integrated pathways to support those at risk, and boost, among the Public Administrations responsible for the minimum income schemes, streamlined procedures to support transitions between minimum income schemes and the labour market. **Improve the targeting of family support schemes and quality services favouring low-income households with children**, to ensure the progressivity and effectiveness of social transfers.⁴¹

(16) Mainly as a result of the labour market situation, but also due to the **limited effectiveness of social protection in reducing poverty**, Spain is below the EU average as regards the main indicators measuring poverty and social exclusion, with children and young adults being particularly exposed. As a result of the crisis, Spain also witnessed one of the highest falls in household disposable income and one of the highest levels of income inequality in the EU.

⁴¹. This recommendation was modified by the Council compared to the initial Commission proposal. For more details, see Annex 3.

The **key challenges are to simplify procedures for social assistance claimants** and improve governance and interinstitutional coordination at national, regional and local level. The 2013-2016 National Action Plan for Social Inclusion provides an appropriate policy framework for adapting active labour market policies to those further away from the labour market, tackling child poverty and improving the efficiency of family support services. Moreover, **social assistance and benefits have limited redistributive effects** across different groups at risk, suggesting poor targeting. In addition, limited coordination between employment and social services (including those at regional and local levels) and the administrative burden involved in accessing minimum income schemes hinders the smooth transition between social assistance and the reintegration into the labour market.

Sweden (1 out of 4)

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

(13) The labour market situation of the young, the low-skilled and people with a migrant background remains weak. **Youth unemployment** remains above the EU average. While the government has taken steps to address these points, it appears that difficulties may be linked to problems in the education field, with the Swedish education system failing to supply a proportion of young people with the necessary skills for successful integration into the labour market. As regards labour market integration and education and training, Sweden has **adopted measures to facilitate the transition from school to work (apprenticeships reform, including an ‘apprentice salary’)** and help young people get work experience (‘vocational introduction employment’). The transition has been *de facto* strengthened through the introduction of early measures for those most in need. However, coverage and outreach to unregistered people who are not in education, employment or training remains weak. Sweden is also working to speed up the integration of people with a migrant background, while challenges persist notably with people with a migrant background from outside the EU. Finally, Sweden is in the process of evaluating the effectiveness of the current reduced VAT rate for restaurants and catering services in support of job creation. The final evaluation is expected to be ready in January 2016.

United Kingdom (2 out of 6)

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

(13) The United Kingdom continues to address the challenges of unemployment and underemployment as well as the specific issues related to youth unemployment. There are **important challenges with** equipping young people with the skills and work experience required by the labour market and **increasing the supply of apprenticeships**. This helps to explain the fact that the take-up of wage subsidies provided for by the Youth Contract remains lower than forecast. The labour market suffers from skill mismatches and the authorities are attempting to re-skill the workforce to address both unemployment and a shortage of high-quality vocational and technical skills. While there have been efforts to improve the quality of apprenticeship programmes, further efforts are needed. Moreover, the qualifications system remains complex and needs to be streamlined to facilitate universal recognition and a higher level of engagement by employers.

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

(14) The authorities are addressing the problem of weak work incentives, especially for recipients of social benefits with **the introduction of the Universal Credit**, which will allow individuals to keep more of their benefit income as they move into work. Whilst Universal Credit could have a positive impact on employment much will depend on effective implementation and support services, including the interaction with other benefits. The focus on getting back into work has also been reflected in limiting the annual adjustment to many working-age benefits and tax credits to 1% per annum until 2016.

(15) The United Kingdom **continues to tackle challenges to increasing parental employment by increasing access to high-quality, affordable childcare**. It continues to introduce schemes to make childcare affordable for both part-time and full-time employed parents, taking into account different levels of earnings. **Childcare costs, however, remain among the highest in the EU** and continue to pose problems particularly for second earners and for single parents.

Annex 2: Country specific recommendations (CSRs) in the social field under the European Semester Cycles 2011, 2012, 2013 and 2014

AT	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014
Austria	<p>3. In consultation with the social partners and according to national practices, take steps to further limit access to the current early retirement scheme for people with long insurance periods and take steps to reduce the transition period for harmonisation of the statutory retirement age between men and women to ensure the sustainability and adequacy of the pension system. Apply strictly the conditions for access to the invalidity pension scheme.</p>	<p>3. Bring forward the harmonisation of the statutory retirement age between men and women; enhance older workers' employability and monitor closely the implementation of the recent reforms restricting access to early exit channels in order to ensure that the effective retirement age is rising including through linking the statutory retirement age to life expectancy.</p>	<p>2. Bring forward the harmonisation of pensionable age for men and women, link the statutory retirement age to life expectancy, implement and monitor the recent reforms restricting access to early retirement and improve older workers' employability in order to raise the effective retirement age and the employment rate of older workers.</p>	<p>2. Improve the long-term sustainability of the pension system, in particular by bringing forward the harmonisation of the statutory retirement age for men and women, by increasing the effective retirement age and by aligning the retirement age to changes in life expectancy. Monitor the implementation of recent reforms restricting access to early retirement. Further improve the cost-effectiveness and sustainability of healthcare and long-term care services.</p>
	<p>4. Take measures to enhance participation in the labour market, including the following: reduce, in a budgetary neutral way, the effective tax and social security burden on labour, especially for low- and medium-income earners; implement the National Action Plan on the equal treatment of women and men in the labour</p>	<p>4. Take steps to reduce the effective tax and social security burden on labour especially for low income earners with a view to increasing employment rates for older persons and women given the need to counteract the impact of demographic change on the working population. Shift the tax burden in a budgetary neutral way, towards real estate taxes, and environmental taxes. Reduce the high gender pay gap and enhance full-time employment opportunities for women, in particular through the provision of additional care services for dependants.</p>	<p>3. Take new measures to increase the labour market participation of women, namely by further improving child care and long-term care services and address the high gender pay and pension gaps. Fully use the labour market potential of people with a migrant background by improving the recognition of their qualifications and their education outcomes. Reduce the effective tax and social security burden on labour for low income earners in a budget-neutral way by relying more on other sources of taxation less detrimental to growth, such as recurrent property taxes.</p>	<p>3. Reduce the high tax wedge on labour for low-income earners by shifting taxation to sources less detrimental to growth, such as recurrent taxes on immovable property, including by updating the tax base. Reinforce measures to improve labour market prospects of people with a migrant background, women and older workers. This includes further improving child- and long-term care services and the recognition of migrants' qualifications. Improve educational outcomes in particular of young people with a migrant background, by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce dropouts.</p>
	<p>5. Continue to implement measures to improve educational outcomes, especially of disadvantaged young people. Take measures to reduce drop-outs from higher education.</p>	<p>5. Improve educational outcomes, in particular of disadvantaged young people, including by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce drop-outs.</p>	<p>5. Improve educational outcomes, in particular of disadvantaged young people, including by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce drop-outs.</p>	<p>5. Improve educational outcomes, in particular of disadvantaged young people, including by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce dropouts.</p>

2. Take steps to improve the long-term sustainability of public finances. In line with the framework of the three-pronged EU strategy, the focus should be put on curbing age-related expenditure, notably by **preventing early exit from the labour market** in order to markedly increase the effective retirement age. Measures such as **linking the statutory retirement age to life expectancy** could be considered.

2. Continue to improve the long-term sustainability of public finances by curbing age-related expenditure, including health expenditure. In particular, implement the **reform of pre-retirement** and pension schemes and take further steps to ensure an increase in the effective retirement age, including through **linking the statutory retirement age to life expectancy**.

2. Step up efforts to **close the gap between the effective and statutory retirement age**, including by quickly including by pursuing the on-going reforms to reduce the early-exit possibilities. Underpin reforms of the old-age social security systems with employment-support measures and labour-market reforms conducive to active ageing. Accelerate the adoption of a decision to **link the statutory retirement age to life expectancy**. Continue to improve the cost-efficiency of public spending on long term institutional care.

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

4. Take steps to **reform**, in consultation with the social partners and in accordance with national practice, the **system of wage bargaining and wage indexation**, to ensure that wage growth better reflects developments in labour productivity and competitiveness.

4. To boost job creation and competitiveness, take steps to reform, in consultation with the social partners and in accordance with national practice, the **system of wage bargaining and wage indexation**. As a first step, ensure that wage growth better reflects developments in labour productivity and competitiveness, by (i) ensuring the implementation of *ex post* correction mechanisms foreseen in the 'wage norm' and promoting all-in agreements to improve cost-competitiveness and (ii) **facilitating the use of opt-out clauses from sectoral collective agreements** to better align wage growth and labour productivity developments at local level.

3. To restore competitiveness, pursue the ongoing efforts to **reform the wage setting system, including wage indexation**; in particular, by taking structural measures, in consultation with the social partners and in accordance with national practice, to ensure that wage setting is responsive to productivity developments, reflects local differences in productivity and labour market conditions, and provides automatic corrections when wage evolution undermines cost-competitiveness.

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

5. Improve participation in the labour market by **reducing the high tax and social security burden** for the low-paid in a budgetary neutral way and by introducing a system in which the level of unemployment benefits decreases gradually with the duration of unemployment. Take steps to **shift the tax burden from labour** to consumption and to make the tax system more environmentally friendly. Improve the effectiveness of **active labour policies** by targeting measures at **older workers** and vulnerable groups.
5. **Significantly shift taxes from labour to less growth-distortive taxes** including for example environmental taxes. Pursue the initiated reform of the unemployment benefit system to reduce disincentives to work and strengthen the focus of employment support and **activation policies on older workers** and vulnerable groups, in particular people with a migrant background. Take advantage of the planned further regionalisation of labour market competencies to boost interregional labour mobility and to strengthen the coherence between education, lifelong learning, vocational training and employment policies. **Extend existing activation efforts to all age groups.**
5. Establish concrete and time-specific proposals for **shifting taxes from labour to less growth-distortive tax bases**, notably by exploring the potential of environmental taxes, for example on diesel, heating fuels and the taxation of the private use of company cars. Simplify the tax system by reducing tax expenditures in income taxation, increasing VAT efficiency and improving tax compliance by closing existing loopholes.
6. Further reduce disincentives to work by ensuring effective enforcement of job-search requirements and personalised job search assistance for all unemployed. Take measures to increase interregional labour mobility. Simplify and reinforce coherence between employment incentives, **activation policies**, labour matching, education, lifelong learning and vocational training policies for **older people and youth**. Develop comprehensive social-inclusion strategies for people with a migrant background.
2. Improve the balance and fairness of the overall tax system and prepare a comprehensive tax reform that will allow **shifting taxes away from labour** towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency, broadening tax bases, reducing tax expenditures and phasing out environmentally harmful subsidies.
4. **Increase labour market participation**, notably by reducing financial disincentives to work, increasing labour market access for disadvantaged groups such as the **young** and people with a migrant background, improving professional mobility and addressing skills shortages and mismatches as well as early school leaving. Across the country, strengthen partnerships of public authorities, public employment services and education institutions to provide early and tailor-made support to the young.

<p>1. Reinforce the budgetary measures for 2014 in the light of the emerging gap relative to the Stability and Growth Pact requirements. In 2015, strengthen the budgetary strategy to ensure reaching the medium-term objective and remain at it thereafter. Ensure the capacity of the new fiscal council to fulfil its mandate. Implement a comprehensive tax strategy to strengthen tax collection, tackle the shadow economy and reduce compliance costs.</p>			<p>3. Implement the agreed steps with social partners under the current pension reform, advance some of its key measures that would help to increase the effective retirement age and reduce early exit, such as through the gradual increase of the social insurance length of service, and strengthen policies to help older workers to stay longer in employment.</p>
<p>2. Adopt a long-term strategy for the pension system, proceeding with the planned annual increase in the statutory retirement age and setting out a mechanism to link the statutory retirement age to life expectancy in the long term, while phasing out early retirement options and equalising the statutory retirement age for men and women. Tighten eligibility criteria and procedures for the allocation of invalidity pensions, for example by taking better account of the remaining work capacity of applicants. (...)</p>	<p>2. Phase out early retirement options. Introduce the same statutory retirement age for men and women and implement active labour market policies that enable older workers to stay longer in the labour market. Tighten the eligibility criteria and controls for the allocation of invalidity pensions to effectively limit abuse.</p>	<p>2. Take further steps to reduce risks to the sustainability and to improve adequacy of the pension system by making the statutory retirement age the same for men and women with full career contributions. Introduce stricter criteria and controls for the allocation of invalidity pensions.</p>	
<p>3. Improve the efficiency of the Employment Agency by developing a performance monitoring system and better targeting the most vulnerable, such as low-skilled and elderly workers, the long-term unemployed and Roma. Extend the coverage and effectiveness of active labour market policies to match the profiles of job-seekers, and reach out to non-registered young people who are neither in employment, education or training, in line with the objectives of a youth guarantee. Improve the effective coverage of unemployment benefits and social assistance and their links with activation measures. Take forward the comprehensive review of minimum thresholds for social security contributions so as to make sure that the system does not price the low-skilled out of the labour market. Establish, in consultation with</p>	<p>3. Accelerate the national Youth Employment Initiative, for example through a Youth Guarantee. Reform the Employment Agency with a view to providing effective counseling to jobseekers and develop capacity for identifying and matching skill needs. Enhance active labour-market policies, in particular concerning national employment schemes. Undertake a review of the minimum thresholds for social security contributions to ensure that the system does not price the low-skilled out of the labour market. Ensure concrete delivery of the National Strategies on Poverty and Roma integration. Improve the accessibility and effectiveness of social transfers and older services, in particular for children and older people.</p>	<p>3. Accelerate the implementation of the national Youth Employment Initiative. Ensure that the minimum thresholds for social security contributions do not discourage declared work. Step up efforts to improve the Public Employment Service's performance. To alleviate poverty, improve the effectiveness of social transfers and the access to quality social services for children and the elderly and implement the National Roma Integration Strategy</p>	<p>4. Promote, in consultation with the social partners and in accordance with national practices, policies to ensure that wage growth better reflects developments in productivity and sustain competitiveness while paying attention to on-going convergence.</p> <p>5. Take steps to address the challenge of combating poverty and promoting social inclusion, especially for vulnerable groups facing multiple barriers. Take measures for modernising public employment services to enhance their capacity to match skills profiles with labour market demand; and focusing support on young people with low skills. Advance the educational reform by adopting a Law on Pre-School and School Education and a new Higher Education Act by mid 2012.</p>

social partners, transparent guidelines for the **adjustment of the statutory minimum wages** taking into account the impact on employment and competitiveness. In order to alleviate poverty, further **improve the accessibility and effectiveness of social services and transfers for children** and older people.

4. Adopt the School **Education** Act and pursue the reform of higher education, in particular through better **aligning outcomes to labour-market needs** and strengthening cooperation between education, research and business. Improve access to inclusive education for **disadvantaged children**, in particular Roma. (...)

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

CY Cyprus	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014
	<p>3. Improve the long-term sustainability of public finances by implementing reform measures to control pension and healthcare expenditure in order to curb the projected increase in age-related expenditure. For pensions, extend years of contribution, link retirement age with life expectancy or adopt other measures with an equivalent budgetary effect, while taking care to address the high at-risk-of-poverty rate for the elderly. For healthcare, take further steps to accelerate implementation of the national health insurance system</p>	<p>3. Further improve the long-term sustainability and adequacy of the pensions system and address the high at-risk-of-poverty rate for the elderly. Ensure an increase in the effective retirement age, including through aligning the statutory retirement age with the increase in life expectancy.</p>	<p>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.</p>	<p>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.</p>
	<p>4. Take steps to reform, in consultation with social partners and in accordance with national practices, the system of wage bargaining and wage indexation to ensure that wage growth better reflects developments in labour productivity and competitiveness.</p>	<p>7. Improve competitiveness, including through the reform of the system of wage indexation, in consultation with social partners and in line with national practices, to better reflect productivity developments. Take steps to diversify the structure of the economy. Redress the fiscal balance by restraining expenditure.</p>		
	<p>5. Take further steps, within the reforms planned for the vocational education and training system, to match education outcomes to labour market needs better, including by setting up post-secondary vocational education and training institutes. Take measures to increase the effectiveness of the vocational training system by increasing the incentives for and improving access to vocational education and training, especially for low-skilled workers, women and older workers.</p>	<p>5. Improve the skills of the workforce to reinforce their occupational mobility towards activities of high growth and high value added. Take further measures to address youth unemployment, with emphasis on work placements in companies and promotion of self-employment. Take appropriate policy measures on the demand side to stimulate business innovation.</p>		

1. Implement the planned consolidation in 2011 and take countervailing measures of a permanent nature as needed in case of any revenue shortfalls or expenditure slippages. Adopt fiscal measures as planned in the Convergence Programme for 2012 and underpin the target for 2013 by more specific measures; subject to this, avoid cutting expenditure on growth-enhancing items. Improve the efficiency of public investments, and continue efforts to exploit the available space for increases in indirect tax revenue to **shift taxes away from labour**, improve tax compliance, and reduce tax evasion. Ensure an average fiscal effort over the period 2010-2013 of 1 % of GDP, in line with the Council recommendations on correcting the excessive deficit, which will allow meeting the EDP deadline with a sufficient margin in 2013.

1. Ensure planned progress towards the timely correction of the excessive deficit. To this end, fully implement the 2012 budget and specify measures of a durable nature necessary for the year 2013 so as to achieve the annual average structural adjustment specified in the Council recommendation under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark. In this context, avoid across-the-board cuts, safeguard growth-enhancing expenditure and step up efforts to improve the efficiency of public spending. Exploit the available space for increases in taxes least detrimental to growth. **Shift the high level of taxation on labour to housing and environmental taxation. Reduce the discrepancies in the tax treatment of employees and the self-employed.** Take measures to improve tax collection, reduce tax evasion and improve tax compliance, including by implementing the Single Collection Point for all taxes.

2. **Reduce the high level of taxation on labour** by shifting taxation to areas less detrimental to growth, such as recurrent taxes on housing and vehicle circulation taxes. Further **reduce discrepancies in the tax treatment of employees and the self-employed**. Improve tax compliance and reduce compliance costs by establishing the Single Collection Point and **harmonising the tax bases for personal income tax and social and health contributions. Reduce the high level of taxation on labour, particularly for low-income earners. Shift taxation to areas less detrimental to growth**, such as recurrent taxes on housing and environmental taxes. **Further reduce discrepancies in the tax treatment of employees and the self-employed.**

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

2. Implement the planned **pension reform** in order to improve the long-term sustainability of public finances and to ensure the future adequacy of pensions. Additional efforts should focus on further changes to the public pillar to ensure that the system is not a source of fiscal imbalances in the future, and on the development of private savings. With a view to raising the effective retirement age, measures such as a **link between the statutory retirement age and life expectancy** could be considered. Ensure that the envisaged funded scheme attracts broad participation, and is designed to keep administrative costs transparent and low.

3. **Increase the effective retirement age** by aligning retirement age or pension benefits to changes in life expectancy, and review the indexation mechanism. Accompany the increase in retirement age with measures promoting **employability of older workers** and reduce early exit pathways. In particular, **remove the public subsidy for the pre-retirement scheme.** (...)

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

3. **Enhance participation in the labour market** by reducing the barriers for **parents** with young children to re-enter the labour market through increased **availability and access to affordable childcare facilities. Increase the attractiveness and availability of more flexible forms of working arrangements, such as part-time jobs.**
4. Improve the performance of the public employment service in order to increase the quality and effectiveness of training, job search assistance and individualised services, linking funding of the programmes to results. In cooperation with stakeholders, **extend tailor-made training programmes, for older workers, young people, low-skilled workers and other vulnerable groups.**
3. Take additional measures to significantly increase the availability of affordable and quality pre-school **childcare.**
4. Strengthen PES by increasing the quality and effectiveness of training, job search assistance and individualised services, including of outsourced services.
4. Take measures to strengthen the efficiency and effectiveness of the public employment service. Increase significantly the availability of **inclusive childcare facilities** with a focus on children up to three years old, and the participation of Roma children, notably by adopting and implementing the law on provision of **childcare** services and strengthening the capacities of both public and private childcare services.
3. Take additional measures to significantly increase the availability of affordable and quality pre-school **childcare.**
4. Strengthen PES by increasing the quality and effectiveness of training, job search assistance and individualised services, including of outsourced services.
4. **Strengthen the efficiency and effectiveness of the public employment service,** in particular by setting up a **nonregistered youth** and provide individualised services. **Increase considerably the availability of affordable and quality childcare facilities and services,** with a focus on children up to three years old.
5. Ensure that the accreditation, governance and financing of higher education contribute to improving its quality and labour market relevance.

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

3. **Enhance participation in the labour market** by improving equitable access to education and training systems and by taking further steps to **reduce the high tax wedge** in a budgetary neutral way and improve work incentives for persons with low income perspectives. Increase the number of fulltime **childcare facilities** and all-day schools. Closely monitor the effects of recent reform measures to **reduce tax disincentives for second earners** and take further measures in case disincentives remain.

3. **Reduce the high tax wedge** in a budgetary neutral way, in particular for low-wage earners, and maintain appropriate activation and integration measures, in particular for the long-term unemployed. **Create the conditions for wages to grow in line with productivity**. Take measures to raise the educational achievement of disadvantaged groups, in particular through ensuring equal opportunities in the education and training system. **Phase out the fiscal disincentives for second earners**, and increase the availability of fulltime **childcare facilities** and all-day schools.

2. **Sustain conditions that enable wage growth to support domestic demand**. To this purpose, **reduce high taxes and social security contributions**, especially for low-wage earners and raise the educational achievement of disadvantaged people. Maintain appropriate activation and integration measures, especially for the long-term unemployed. **Facilitate the transition from non-standard employment such as mini-jobs into more sustainable forms of employment**. Take measures to improve incentives to work and the employability of workers, in particular for second earners and low-skilled, also with a view to improving their income. To this end, **remove disincentives for second earners** and increase the availability of fulltime **childcare facilities** and all-day schools.

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

DK	Denmark	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014
		<p>2. In order to strengthen employment and the sustainability of public finances, take further steps to increase long-term labour supply, by implementing the recently concluded reform on the voluntary early retirement pension (VERP) scheme, reforming the disability pension and better targeting subsidised employment schemes (the 'flex-job' system) towards the most vulnerable groups.</p>	<p>2. Take further steps to enhance long-term labour supply by reforming the disability pension, better targeting subsidised employment schemes (the 'flex-job' system) towards people with reduced work capacity, and improving the employability of people with a migrant background.</p>		
		<p>3. Speed up the implementation of reforms to improve the quality of the education system. Reduce drop-out rates, particularly in the vocational education sector, and increase the number of apprenticeship places available.</p>	<p>3. Implement announced measures, without delay, to improve the cost-effectiveness of the education system, reduce drop-out rates, in particular within vocational education, and increase the number of apprenticeships.</p>	<p>2. Take further steps to improve the employability of people at the margins of the labour market, including people with a migrant background, the long-term unemployed and low-skilled workers. Improve the quality of vocational training to reduce drop-out rates and increase the number of apprenticeships. Implement the reform of primary and lower secondary education in order to raise attainment levels and improve the cost-effectiveness of the education system.</p>	<p>2. Take further measures to improve the employability of people at the margins of the labour market. Improve educational outcomes, in particular for young people with a migrant background, and the effectiveness of vocational training. Facilitate the transition from education to the labour market, including through a wider use of work-based training and apprenticeships.</p>

2. Take steps to support labour demand and to reduce the risk of poverty, by **reducing the tax and social security burden** in a budgetary neutral way, as well as through improving the **effectiveness of active labour market policies, including by targeting measures on young people** and the long-term unemployed, especially in areas of high unemployment.

2. Improve incentives to work by **streamlining the social benefits system** and increasing flexibility in the allocation of disability, unemployment and parental benefits, while ensuring **adequate social protection**. Improve **delivery of social services**, while better targeting family and parental benefits and removing distortionary income tax exemptions related to children. **Increase the participation of the young** and the long-term unemployed in **the labour market**.

2. Improve incentives to work by **making the various existing social-benefit systems more consistent** and by increasing the flexibility and targeting of benefit allocation. Improve the **delivery of social services, including childcare**, while increasing the efficiency and cost-effectiveness of family policy. Strengthen activation measures to facilitate the **return to the labour market of the long-term unemployed and people receiving disability benefits** and incapacity for work benefits. Establish coordinated measures for fostering economic development in regions affected by high unemployment.

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

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

3. Link **training and education** more effectively to the needs of the labour market, and enhance cooperation between businesses and academia. Increase opportunities for low-skilled workers to improve their access to lifelong learning. Foster prioritisation and internationalisation of the research and innovation systems.

3. Continue efforts to improve the labour-market relevance of **education and training systems**, including by further involving social partners and implementing targeted measures to **address youth unemployment**. Significantly increase the participation of the low skilled in life-long learning. Intensify efforts to prioritise and internationalise the research and innovation systems and enhance cooperation between businesses, higher education and research institutions.

3. To ensure the labour-market relevance of education and training systems, improve skills' and qualification levels by **expanding life-long learning measures and systematically increasing participation in vocational education and training, including in apprenticeships**. (...)

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

2. Adopt the proposed **pension reform to extend the statutory retirement age** and increase the number of working years for the calculation of pensions as planned; regularly review pension parameters in line with changes to life expectancy, as planned, and develop further measures to **improve lifelong learning for older workers.**
2. **Ensure that the retirement age is rising in line with life expectancy** when regulating the sustainability factor foreseen in the recent pension reform and **underpin the Global Employment Strategy for Older Workers** with concrete measures to develop lifelong learning further, **improve working conditions** and foster the reincorporation of this group in the job market.
1. (...) Finalise by end-2013 the regulation of the sustainability factor so as to ensure the long-term financial stability of the pension system, including by **increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy.**

<p>4. Explore the scope for improving the efficiency of the tax system, for example through a move away from labour towards consumption and environmental taxes while ensuring fiscal consolidation plans.</p>	<p>3. Introduce a taxation system consistent with the fiscal consolidation efforts and more supportive of growth, including a shift away from labour towards consumption and environmental taxation. In particular, address the low VAT revenue ratio by broadening the tax base for VAT. Ensure less tax-induced bias towards indebtedness and homeownership (as opposed to renting).</p>
<p>5. Following consultation with social partners and in accordance with national practice, complete the adoption and proceed with the implementation of a comprehensive reform of the collective bargaining process and the wage indexation system to ensure that wage growth better reflects productivity developments as well as local- and firm-level conditions and to grant firms enough flexibility to internally adapt working conditions to changes in the economic environment.</p>	<p>4. Finalise the evaluation of the 2012 labour market reform covering the full range of its objectives and measures by July 2013, and present amendments, if necessary, by September 2013. Adopt the 2013 national Employment Plan by July 2013 and enact swiftly a result-oriented reform of active labour market policies, including by strengthening the targeting and efficiency of guidance. Reinforce and modernize public employment services to ensure effective individualised assistance to the unemployed according to their profiles and training needs. Reinforce the effectiveness of re-skilling training programmes for older and low-skilled workers. Fully operationalize the Single Job Portal and speed up the implementation of public private cooperation in placement services to ensure its effective application already in 2013.</p>
<p>6. Assess, by the end of 2011, the impacts of the labour market reforms of September 2010 and of the reform of active labour market policies of February 2011, accompanied, if necessary, by proposals for further reforms to reduce labour market segmentation, and to improve employment opportunities for young people; ensure a close monitoring of the effectiveness of the measures set out in the National Reform Programme to reduce early school leaving, including through prevention policies, and facilitate the transition to vocational education and training.</p>	<p>3. Pursue new measures to reduce labour market segmentation to favour sustainable, quality jobs, including through reducing the number of contract types and ensuring a balanced access to severance rights. Continue regular monitoring of the labour market reforms. Promote real wage developments consistent with the objective of creating jobs. Strengthen the job-search requirement in unemployment benefits. Enhance the effectiveness and targeting of active labour market policies, including hiring subsidies, particularly for those facing more difficulties in accessing employment. Reinforce the coordination between labour market and education and training policies. Accelerate the modernisation of public employment services to ensure effective personalised counselling, adequate training and job-matching, with special focus on the long-term unemployed. Ensure the effective application of public-private cooperation in placement services before the end of 2014, and monitor the quality of services provided. Ensure the effective functioning of the Single Job Portal and combine it with further measures to support labour mobility.</p>
<p>5. Implement the labour market reforms and take additional measures to increase the effectiveness of active labour market policies by improving their targeting, by increasing the use of training, advisory and job matching services, by strengthening their links with passive policies, and by strengthening coordination between the national and regional public employment services, including sharing information about job vacancies.</p>	<p>5. Implement and monitor closely the effectiveness of the measures to fight youth unemployment set out in the Youth Entrepreneurship and Employment Strategy 2013-2016, for example through a Youth Guarantee. Continue with efforts to increase the labour market relevance of education and training, to reduce early school leaving and to enhance life-long learning, namely by expanding the application of dual vocational training beyond the current pilot phase and by introducing a comprehensive monitoring system of pupils' performance by the end of 2013.</p>
<p>4. Assess, by the end of 2011, the impacts of the labour market reforms of September 2010 and of the reform of active labour market policies of February 2011, accompanied, if necessary, by proposals for further reforms to reduce labour market segmentation, and to improve employment opportunities for young people; ensure a close monitoring of the effectiveness of the measures set out in the National Reform Programme to reduce early school leaving, including through prevention policies, and facilitate the transition to vocational education and training.</p>	<p>4. Implement the 2013-2016 Youth Entrepreneurship and Employment Strategy and evaluate its effectiveness. Provide good quality offers of employment opportunities, apprenticeships and traineeships for young people and improve the outreach to nonregistered unemployed young people, in line with the objectives of a youth guarantee. Effectively implement the new educational schemes to increase the quality of primary and secondary education. Enhance guidance and support for groups at risk of early school leaving. Increase the labour-market relevance of vocational education and training and of higher education, in particular by enhancing the cooperation with employers and supporting the training of trainers and tutors.</p>

7. Improve the employability of vulnerable groups, combined with **effective child and family support services** in order to improve the situation of people at risk of poverty and/or social exclusion, and consequently to achieve the well-being of children.

6. Adopt and implement the necessary measures to reduce the number of people at risk of poverty and/or social exclusion by reinforcing active labour market policies to **improve employability of people further away from the labour market** and by improving the targeting and increasing efficiency and effectiveness of support measures including **quality family support services**.

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

2. Ensure effective implementation of the ongoing administrative reforms concerning municipal structure and social and healthcare services, in order to increase the cost-effectiveness in the provision of public services.

3. Target active labour market measures better on the long-term unemployed and **young people**.

4. Take measures to improve the **employability of older workers** and their participation in lifelong learning. Take further steps, in consultation with social partners and in accordance with national practices, to encourage older workers to stay in the labour market, by measures to **reduce early exit and increase the effective retirement age**. In view of the already existing system of linking pension benefits to life expectancy, consider a **link between the statutory retirement age and life expectancy**.

3. Implement the ongoing measures to improve the labour market position of **young people** and the long-term unemployed, with a particular focus on skills development. Take further steps to improve the employment rate of older workers, including by **reducing early exit pathways**. Take measures to **increase the effective retirement age taking into account the improved life expectancy**.

3. Take further steps to **increase the employment rate of older workers**, including by improving their employability and **reducing early exit pathways, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy**. Implement and monitor closely the impact of on-going measures to improve the labour-market position of **young people** and the long-term unemployed, with a particular focus on the development of job-relevant skills.

3. Improve the use of the full labour force potential in the labour market, including by **improving the employment rate and the employability of older workers, and increasing the effective retirement age, by reducing early exit pathways and aligning the retirement age or pension benefits to changes in life expectancy. Improve the labour-market prospects of young people** and the long-term unemployed, with a particular focus on vocational education and targeted activation measures.

5. In order to strengthen productivity growth and external competitiveness, continue efforts to diversify the business structure, in particular by hastening the introduction of planned measures to broaden the innovation base while continuing to **align wage and productivity developments** fully respecting the role of social partners and in line with national practices.

5. (...) In the current low-growth environment, **support the alignment of real wage and productivity developments** whilst fully respecting the role of social partners and in line with national practices.

1. Ensure the recommended average annual fiscal effort of more than 1 % of GDP over the period 2010-2013 and implement the correction of the excessive deficit by 2013, in line with the Council recommendations under the EDP, thus bringing the high public debt ratio on a downward path, and ensure adequate progress to the medium-term objective thereafter; specify the necessary corresponding measures for 2012 onwards, take additional measures if needed and use any windfall revenues to accelerate the deficit and debt reduction as planned; **continue to review the sustainability of the pension system** and take additional measures if needed.

1. Reinforce and implement the budgetary strategy, supported by sufficiently specified measures, notably on the expenditure side, for the year 2012 and beyond to ensure a correction of the excessive deficit by 2013 and the achievement of the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the debt reduction benchmark. **Continue to review the sustainability and adequacy of the pension system** and take additional measures if needed.

1. Reinforce and pursue the budgetary strategy in 2013. (...) Take measures by the end of 2013 to **bring the pension system into balance** in a sustainable manner no later than 2020, for example by adapting indexation rules, by increasing the full-pension contribution period, by further increasing the effective **retirement age** by aligning retirement age or pension benefits to changes in life expectancy and by reviewing special schemes, while avoiding an increase in employers' social contributions, and increase the cost-effectiveness of healthcare expenditure, including in the areas of pharmaceutical spending.

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

2. Undertake renewed efforts, in accordance with national practices of consultation with the social partners, to combat labour market segmentation by **reviewing selected aspects of employment protection legislation** while improving human capital and upward transitions; **ensure that any development in the minimum wage is supportive of job creation.**

3. Encourage access to lifelong learning in order to help maintain **older workers** in employment and enhance measures to support return to employment. Step up active labour market policies and introduce measures to improve the organisation, decision-making, and procedures of the public employment service to strengthen services and individualised support provided to those at risk of long-term unemployment.

2. Introduce further reforms to combat labour market segmentation by **reviewing selected aspects of employment protection legislation**, in consultation with the social partners in **accordance with national practices, in particular related to dismissals; continue to ensure that any development in the minimum wage is supportive of job creation** and competitiveness; take actions to increase adult participation in lifelong learning.

3. Adopt labour market measures to ensure that **older workers** stay in employment longer; improve youth employability especially for those most at risk of unemployment, by providing for example **more and better apprenticeship schemes** which effectively address their needs; step up active labour market policies and ensure that public employment services are more effective in delivering individualised support.

2. Ensure that the reduction in the labour cost resulting from the 'credit d'impôt compétitivité et emploi' yields the planned amount and that no other measure will offset its effect. **Take further action to lower the cost of labour**, in particular through further measures to reduce employers' social-security contributions, in association with social partners. **Ensure that developments in the minimum wage are supportive of competitiveness and job creation**, taking into account the existence of wage support schemes and social contribution exemptions.

6. Implement fully and without delay the January 2013 inter-professional agreement, in consultation with the social partners. Take further action to combat labour-market segmentation, in particular to **address the situation of interim agency workers**. Launch **urgently a reform of the unemployment benefit system** in association with the social partners to ensure sustainability of the system while ensuring that it provides adequate incentives to return to work. **Enhance the employment rate of older workers** and

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

3. Simplify companies' administrative, fiscal and accounting rules and take concrete measures to implement the government's ongoing "simplification plan" by December 2014. **Eliminate regulatory**

stimulate their participation in the labour market. Take specific action to improve the employment perspective of older unemployed people in particular through specific counseling and training. Increase adult participation in lifelong learning, especially of the least qualified and of the unemployed. Ensure that public employment services effectively deliver individualised support to the unemployed and that active labour market policies effectively target the most disadvantaged. Take further measures to **improve the transition from school to work** through, for example, a **Youth Guarantee** and promotion of **apprenticeship**.

impediments to companies' growth, in particular by reviewing size-related criteria in regulations to avoid thresholds effects. Take steps to simplify and improve the efficiency of innovation policy, notably through an evaluation and if necessary an adaptation of the "crédit d'impôt recherche". Ensure that resources are focused on the most effective competitiveness poles and further promote the economic impact of innovation developed in the poles.

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

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

4. Increase the efficiency of the tax system, including for example through **a move away from labour towards environmental and consumption taxes**, and implementation of the planned reduction in the number and cost of tax and social security exemptions (including 'niches fiscales').

4. Take further steps to introduce a more simple and balanced taxation system, **shifting the tax burden from labour to other forms of taxation** that weigh less on growth and external competitiveness, in particular environmental and consumption taxes; continue efforts to reduce and streamline tax expenditures (in particular those providing incentives to indebtedness); review the effectiveness of the current reduced VAT rates in support of growth and job creation.

5. Pursue efforts to simplify the tax system and improve its efficiency, while ensuring continuity of tax rules over time. Take additional measures to remove the debt bias in corporate taxation. Step up efforts to reduce and streamline personal and corporate income tax expenditures while reducing statutory rates; bring reduced VAT rates closer to the standard rate and remove inefficient reduced rates. **Take further measures shifting the tax burden from labour** to environmental taxation or consumption.

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

GR	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014
Greece	<p>Fully implement the measures laid down in the Decision 2010/320/EU, as amended by Decision 2011/257/EU, and as further specified in the Memorandum of Understanding of 3 May 2010 and its subsequent supplements, in particular the last supplement of 2 July 2011.</p>	<p>Implement the measures laid down in Decision 2011/734/EU, as amended on 8 November 2011 and 13 March 2012, and the Memorandum of Understanding on Specific Economic Policy Conditionality, which was signed on 14 March 2012.</p>	<p>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.</p>	<p>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.</p>

HR	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014
Croatia	N.A.	N.A.	N.A.	<p>2. Adopt legislation by March 2015 to accelerate the planned harmonisation of statutory retirement ages of women and men and to advance the planned increase of the statutory retirement age to 67 years. Reduce access to early retirement. Ensure enforcement of tighter disability pensions assessments and controls and accelerate the integration of pensions under special schemes into the general pension system. (...)</p>
				<p>3. Implement the second phase of the labour law reform, following consultation with the social partners, notably as regards conditions for dismissals and working time, and with a view to preventing further labour market segmentation including for young people, by March 2015. Review the wage-setting system with a view to better aligning productivity developments and wage conditions. Present the conclusions of this review by the end of 2014. Strengthen the effectiveness and reach of active labour market policies by reinforcing the administrative capacities of the public employment services, including at regional level, and by increasing the coverage of the young, long-term unemployed and older workers. Prioritise outreach to nonregistered youth and mobilise the private sector to offer more apprenticeships, in line with the objectives of a youth guaranteed. Outline plans, by the end of 2014, to address undeclared work. Implement measures to improve the labour market relevance and quality of education outcomes by modernising the qualification systems, by putting in place quality assurance mechanisms and by improving school-to-work transitions, notably through strengthening vocational education and work-based learning.</p>
				<p>4. Review tax and benefits systems by the end of 2014, and present an action plan to improve the reactivation of inactive and unemployed persons. Strengthen the effectiveness and transparency of the social protection system by further consolidating benefits, unifying eligibility criteria and linking data from all relevant levels and government entities in the "one-stop shop". Improve the effectiveness and adequacy of social assistance benefits through their better targeting</p>

HU Hungary	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014
	<p>3. Enhance participation in the labour market by alleviating the impact of the tax reform on low earners in a budget-neutral manner. Strengthen measures to encourage women's participation in the labour market by expanding childcare and pre-school facilities.</p>	<p>3. Make the taxation of labour more employment-friendly by alleviating the impact of the 2011 and 2012 tax changes on low earners in a sustainable, budget-neutral manner, for example by shifting part of the tax burden to energy taxes and recurrent taxes on property. Strengthen measures to encourage women's participation in the labour market, particularly by expanding childcare and pre-school facilities.</p>	<p>3. (...) Continue making taxation of labour more employment-friendly by alleviating the tax burden on low-wage earners, inter alia by refining the eligibility criteria for the Job Protection Act, and by shifting taxation away to environmental taxes. (...)</p>	<p>3. Ensure a stable, more balanced and streamlined corporate tax system, including by phasing out distortive sector-specific taxes. Reduce the tax wedge for low-income earners, inter alia by improving the efficiency of environmental taxes. Step up measures to improve tax compliance – in particular to reduce VAT fraud – and reduce its overall costs.</p>
	<p>4. Take steps to strengthen the capacity of the Public Employment Service and other providers to increase the quality and effectiveness of training, job search assistance and individualised services. Reinforce active labour market measures delivering positive evidence-based results. In consultation with stakeholders, introduce tailor-made programmes, for the low-skilled and other particularly disadvantaged groups.</p>	<p>4. Strengthen the capacity of the Public Employment Service to increase the quality and effectiveness of training, job search assistance and individualised services, with particular regard for disadvantaged groups. Strengthen the activation element in the public work scheme through effective training and job search assistance. Implement the National Social (Roma) Inclusion Strategy, and mainstream it with other policies.</p>	<p>4. Address youth unemployment, for example through a Youth Guarantee. Strengthen active labour market policy measures and enhance the client profiling system of the Public Employment Service. Reduce the dominance of the public works scheme within employment measures and strengthen its activation elements. Reinforce training programmes to boost participation in lifelong learning. Continue to expand child-care facilities to encourage women's participation. Ensure that the objective of the National Social Inclusion Strategy is mainstreamed in all policy fields in order to reduce poverty, particularly among children and Roma.</p>	<p>4. Strengthen well-targeted active labour market policy measures, inter alia by accelerating the introduction of the client profiling system of the Public Employment Service. Put in place the planned youth mentoring network and coordinate it with education institutions and local stakeholders to increase outreach. Review the public works scheme to evaluate its effectiveness in helping people find subsequent employment and further strengthen its activation elements. Consider increasing the period of eligibility for unemployment benefits, taking into account the average time required to find new employment and link to activation measures. Improve the adequacy and coverage of social assistance while strengthening the link to activation. (...)</p>
	<p>6. Prepare and implement a national strategy on early school-leaving by ensuring adequate financing. Ensure that the implementation of the higher education reform improves access to education for disadvantaged groups.</p>	<p>6. Implement a national strategy on early school-leaving and ensure that the education system provides all young people with labour-market-relevant skills, competences and qualifications. Improve access to inclusive mainstream education, in particular for Roma. Support the transition between different stages of education and towards the labour market. (...)</p>	<p>6. Implement a national strategy on early school leaving prevention with a focus on drop-outs from vocational education and training. (...) Support the transition between different stages of education and towards the labour market, and closely monitor the implementation of the vocational training reform. (...)</p>	

IE Ireland	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014
	<p>Implement the measures laid down in Implementing Decision 2011/777/EU, as amended by Implementing Decision 2011/326/EU, and further specified in the Memorandum of Understanding of 16 December 2010 and its update of 18 May 2011.</p>	<p>Implement the measures laid down in Implementing Decision 2011/777/EU and further specified in the Memorandum of Understanding of 16 December 2010 and its subsequent supplements.</p>	<p>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Ireland.</p>	<p>1. Fully implement the 2014 budget and ensure the correction of the excessive deficit in a sustainable manner by 2015 through underpinning the budgetary strategy with additional structural measures while achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. (...) To support fiscal consolidation, consideration should be given to raising revenues through broadening the tax base. Enhance the growth and environmental friendliness of the tax system.</p>
				<p>3. Pursue further improvements in active labour market policies, with a particular focus on the long-term unemployed, the low-skilled and, in line with the objectives of a youth guarantee, young people. Advance the on-going reform of the further education and training (FET) system, employment support schemes and apprenticeship programmes. Offer more workplace training; improve and ensure the relevance of FET courses and apprenticeships with respect to labour market needs. Increase the level and quality of support services provided by the Intreo labour offices. Put in place a seamless FET referrals system between Intreo offices and Education and Training Boards.</p>

2. Reinforce measures to combat segmentation in the labour market, also by **reviewing** selected aspects of **employment protection legislation** including the **dismissal rules** and procedures and **reviewing the currently fragmented unemployment benefit system** taking into account the budgetary constraints. Step up efforts to fight undeclared work. In addition, take steps to **promote greater participation of women** in the labour market, by increasing the **availability of care facilities** throughout the country and providing **financial incentives to second earners to take up work** in a budgetary neutral way.

3. Take further steps, based on the 2009 agreement **reforming the collective bargaining framework** and in consultation with the social partners in accordance with national practices, to ensure that wage growth better reflects productivity developments as well as local and firm conditions, including clauses that could allow firm level bargaining to proceed in this direction.

4. Adopt the labour market reform as a priority to tackle the segmentation of the labour market and establish an integrated unemployment benefit scheme. Take further action to incentivize **labour market participation of women**, in particular through the provision of **childcare and elderly care**. Monitor and if needed reinforce the implementation of the **new wage setting framework in order to contribute to the alignment of wage growth and productivity at sector and company level**.

3. Take further action to **address youth unemployment**, including by improving the labour market relevance of education and facilitating **transition to work**, also through incentives for business start-ups and for hiring employees. Enforce nation-wide recognition of skills and qualifications to promote labour mobility. Take measures to reduce tertiary education **dropout rates and fight early school leaving**.

4. Ensure the effective implementation of the labour market and **wage setting reforms to allow better alignment of wages to productivity**. Take further action to foster **labour market participation, especially of women and young people**, for example through a **Youth Guarantee**. Strengthen vocational education and training, ensure more efficient public employment services and improve career and counseling services for tertiary students. **Reduce financial disincentives for second earners** to work and improve the provision of **care, especially child and long-term care, and out-of-school services**. Step up efforts to **prevent early school leaving**. Improve school quality and outcomes, also by enhancing teachers' professional development and diversifying career development. Ensure effectiveness of social transfers, notably through better targeting of benefits, especially for low-income households with children.

5. **Evaluate, by the end of 2014, the impact of the labour market and wage-setting reforms on job creation, dismissals' procedures, labour market duality and cost competitiveness**, and assess the need for additional action. Work towards a **comprehensive social protection for the unemployed**, while limiting the use of wage supplementation schemes to facilitate labour re-allocation. Strengthen the link between active and passive labour market policies, starting with a detailed roadmap for action by September 2014, and reinforce the coordination and performance of public employment services across the country. **Adopt effective action to promote female employment, by adopting measures to reduce fiscal disincentives for second earners** by March 2015 and **providing adequate care services**. Provide adequate services across the country to **non-registered young people and ensure stronger private sector's commitment to offering quality apprenticeships and traineeships** by the end of 2014, in line with the objectives of a **youth guarantee**. To address exposure to poverty and social exclusion, **scale-up the pilot social assistance scheme**, in a fiscally neutral way, guaranteeing appropriate targeting, strict conditionality and territorial uniformity, and strengthening the link with activation measures. **Improve the effectiveness of family support schemes and quality services favouring low-income households with children**.

6. Implement the National System for Evaluation of Schools to improve school outcomes in turn and reduce rates of early school leaving. **Increase the use of work-based learning** in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education. Create a national register of qualifications to ensure wide recognition of skills. Ensure that public funding better rewards the quality of higher education and research.

5. Pursue the fight against tax evasion. Pursue the shadow economy and undeclared work, for instance by stepping up checks and controls. Take measures to reduce the scope of tax exemptions, allowances and reduced VAT rates and simplify the tax code. **Take further action to shift the tax burden away from capital and labour to property and consumption as well as environment.**

5. **Shift the tax burden from labour** and capital to consumption, property and the environment in a budgetary neutral manner. To this purpose, review the scope of VAT exemptions and reduced rates and of direct tax expenditures, and reform the cadastral system to align the tax base of recurrent immovable property to market values. Pursue the fight against tax evasion, improve tax compliance and take decisive steps against the shadow economy and undeclared work.

2. **Further shift the tax burden** from productive factors to consumption, property and the environment, in compliance with the budgetary targets. To this end, **evaluate the effectiveness of the recent reduction in the labour tax wedge** and ensure its financing for 2015, review the scope of direct tax expenditures and broaden the tax base, notably on consumption. (...) Further improve tax compliance by enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration. Pursue the fight against tax evasion and **take additional steps against the shadow economy and undeclared work.**

2. Adopt the proposed implementing legislation on **Pension System Reform**. In order to enhance participation in the labour market, **remove fiscal disincentives to work, especially for people at pensionable age**.

2. Adopt legislation on a comprehensive pension system reform. **Align the statutory retirement age with life expectancy**, establish clear rules for the indexation of pensions, and improve complementary savings schemes. **Underpin pension reform with active ageing measures**.

2. Adopt and implement legislation on a comprehensive pension system reform. **Align the statutory retirement age with life expectancy, restrict access to early retirement**, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes while ensuring implementation of ongoing reforms. **Underpin pension reform with measures that promote the employability of older workers**.

2. **Adopt and implement legislation on a comprehensive pension system reform**. In particular, **align the statutory retirement age with life expectancy, restrict access to early retirement**, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes. **Underpin pension reform with measures that promote the employability of older workers**.

3. Enhance labour market flexibility by **amending the labour legislation** to make it more flexible and to **allow better use of fixed-term contracts**. Amend the relevant legislation to **ensure that the social assistance system does not contain disincentives to work**.

3. Tackle **high unemployment**, in particular among **youth, low-skilled** and long-term unemployed, by focusing resources on active labour market policies while improving their efficiency. Enhance the **effectiveness of apprenticeship schemes**. **Amend the labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements**.

3. Tackle high unemployment amongst low-skilled and long-term by refocusing resources on active labour market policies while improving their coverage and efficiency. **Improve the employability of young people**, for example through a **Youth Guarantee**, enhance the implementation and effectiveness of **apprenticeship schemes**, and address persistent skill mismatches. **Review the appropriateness of labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements, in consultation with social partners**.

3. Better target active labour market policy measures to the low-skilled and long-term unemployed. **Improve coverage and adequacy of unemployment benefits** and link them to activation. Address persistent skills mismatches by improving the labour-market relevance of education inter alia based on skills forecast systems and promote life-long learning. In order to increase the employability of young people, **prioritise offering quality apprenticeships, other forms of work-based learning, and strengthen partnership with the private sector**. **Review the appropriateness of labour legislation**, in particular with regard to the framework for labour contracts and for working-time arrangements, in consultation with social partners.

4. Increase work incentives and strengthen the links between the **social assistance reform** and activation measures, in particular for the most vulnerable, to reduce poverty and social exclusion.

4. Implement concrete targeted measures to reduce poverty and social exclusion. Strengthen the links between the cash **social assistance reform** and activation measures.

4. Ensure adequate coverage of those most in need and continue to **strengthen the links between cash social assistance and activation measures**.

2. Propose and implement a broad pension reform to ensure the long-term **sustainability of the pension system**, starting with measures that will **increase the participation rate of older workers**, in particular by **discouraging early retirement**. With a view to raising the effective retirement age, measures such as a **link between the statutory retirement age and life expectancy**, could be considered.

2. Strengthen the proposed **pension reform** by taking additional measures to **increase the participation rate of older workers**, in particular by **preventing early retirement**, and by taking further steps to increase the effective retirement age, including through **linking the statutory retirement age to life expectancy**, in order to ensure the long-term sustainability of the pension system.

3. Curb age-related expenditure by making long-term care more cost effective, in particular through a stronger focus on prevention, rehabilitation and independent living, strengthening the recently adopted pension reform, **taking additional measures to curb early retirement and increasing the effective retirement age, by aligning retirement age or pension benefits to change in life expectancy**.

2. In view of ensuring fiscal sustainability, curb age-related expenditure by making long-term care more cost-effective, **pursue the pension reform so as to increase the effective retirement age, including by limiting early pension benefits to change in life expectancy**. Reinforce efforts to **increase the participation rate of older workers**, including by improving their employability through lifelong learning.

3. Take steps to **reform**, in consultation with social partners and in accordance with national practices, the **system of wage bargaining and wage indexation**, to ensure that wage growth better reflects developments in labour productivity and competitiveness.

3. Take further steps to **reform**, in consultation with the social partners and in accordance with national practice, **the wage bargaining and wage indexation system**, with a view to preserve the competitiveness of the Luxembourg economy in the longer term, as a first step by maintaining the current one-year indexation interval beyond 2014 and by reducing the impact of energy and other volatile items on the reference index.

4. Beyond the current freeze, take further structural measures, in consultation with the social partners and in accordance with national practices, to **reform the wage setting system, including wage indexation**, to improve its responsiveness to productivity and sectoral developments and labour market conditions and foster competitiveness. (...)

3. Speed up the adoption of structural measures, in consultation with the social partners and in accordance with national practices, to **reform the wage indexation system with a view to improving the responsiveness of wages to productivity developments**, notably at sectoral level. Pursue the diversification of the structure of the economy, including by fostering private investment in research and further developing cooperation between public research and firms.

4. Take steps to **reduce youth unemployment** by reinforcing training and education measures aimed at better matching young people's qualifications to labour demand.

4. Continue efforts to **reduce youth unemployment** by reinforcing stakeholders' involvement, and by strengthening training and education measures, in particular for those with low education levels, with the aim of better matching young people's skills and qualifications to labour demand.

5. Step up efforts to **reduce youth unemployment** by improving the design and monitoring of active labour market policies. Strengthen general and vocational education to better match young people's skills with labour demand, in particular for people with migrant background. **Reinforce efforts to increase the participation rate of older workers**, including by improving their employability through lifelong learning.

4. Pursue efforts to **reduce youth unemployment** for low-skilled jobs seekers, including those with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies, addressing skills mismatches, and reducing financial disincentives to work. To that effect, **accelerate the implementation of the reform of general and vocational education and training** to better match young people's skills with labour demand.

Implement the measures laid down in Decision 2009/290/EC, as amended by Decision 2009/592/EC, and further specified in the Memorandum of Understanding of 20 January 2009 and its subsequent supplements, in particular the last supplement of 7 June 2011.

2. Implement measures to shift taxation away from labour to consumption, property, and use of natural and other resources while improving the structural balance; ensure adoption of the Fiscal Discipline Law and develop a medium term budgetary framework law to support the long-term sustainability of public finances; restore contributions to the mandatory funded private pension scheme at 6 % of gross wages from 2013.

1. Reinforce the budgetary strategy to ensure that the deviation from the MTO only reflects the incremental impact of the systemic pension reform. Within this strategy, **reduce taxation of low-income earners by shifting taxation** to areas such as excise duties, recurrent property taxes and/or environmental taxes. Maintain efforts to improve tax compliance and combat the shadow economy. Continue strengthening the fiscal framework through effective implementation of the Fiscal Discipline Law and multi-annual budgeting.

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

3. Take measures to **reduce long-term and youth unemployment by fighting early school leaving**, promoting more efficient vocational education and training and its **apprenticeship** component, enhancing the quality, coverage and effectiveness of active labour market policy and its training component and **through an effective wage subsidy scheme**.

3. Tackle long-term and **youth unemployment** by increasing coverage and effectiveness of active labour market policies and targeted social services. Improve the employability of young people, for example through a **Youth Guarantee**, establish comprehensive career guidance, implement reforms in the field of vocational education and training, and **improve the quality and accessibility of apprenticeships**.

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

4. Tackle high rates of poverty and social exclusion by **reforming the social assistance system** to make it more efficient, while better protecting the poor. Ensure better targeting and increase incentives to work.

4. Tackle high rates of poverty by **reforming social assistance** for better coverage, by improving benefit adequacy and strengthening activation measures for benefit recipients. Reinforce the delivery mechanisms to effectively reduce child poverty.

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

2. Take action to ensure the **sustainability of the pension system** such as by accelerating the progressive increase in the **retirement age and by linking it to life expectancy**. Accompany the higher statutory retirement age with a comprehensive active ageing strategy, **discourage the use of early retirement schemes** and encourage private pension savings.

2. Take action, without further delay, to ensure the long-term **sustainability of the pension system**, comprising an increase in the effective retirement age, including through a significant acceleration of the **progressive increase in the statutory retirement age** compared to current legislation and through a clear **link between the statutory retirement age and life expectancy**, and measures to encourage private pension savings. Take measures to **increase the participation of older workers** in the labour force and **discourage the use of early retirement schemes**.

2. To ensure the long-term sustainability of public finances, continue to **reform the pension system** to curb the projected increase in expenditure, including by measures such as accelerating the **increase in the statutory retirement age**, increasing the effective retirement age by **aligning retirement age or pension benefits to changes in life expectancy** and by encouraging private pension savings. Take measures to **increase the employment rate of older workers** by finalizing and implementing a comprehensive active ageing strategy. (...)

2. To ensure the long-term sustainability of public finances **continue the ongoing pension reform**, such as by accelerating the already enacted **increase in the statutory retirement age and by consecutively linking it to changes in life expectancy** (...).

3. **Focus education outcomes more on labour market needs**, notably by making additional efforts to improve access to higher education and by strengthening the effectiveness of the vocational training system. Take further measures to **reduce early school-leaving** by identifying, analysing and measuring its causes by 2012 and by setting up a regular monitoring and reporting mechanism on the success rate of the measures.

3. Take steps to **reduce the high rate of early school leaving**. Pursue policy efforts in the education system to match the skills required by the labour market. Enhance the provision and affordability of **more childcare** and out-of-school centres, **with the aim of reducing the gender employment gap**.

3. Continue to **pursue policy efforts to reduce early school leaving**, notably by setting up a comprehensive monitoring system, and increase the labour-market relevance of education and training to address skills gaps, including through the **announced reform of the apprenticeship system**. Continue supporting the improving **labour market participation of women by promoting flexible working arrangements**, in particular by enhancing the **provision and affordability of child-care** and out-of-school centers.

3. Continue policy efforts to address the labour-market relevance of education and training and improve basic skills attainment by **stepping up efforts on the overdue reform of the apprenticeship system**. Further reduce early school leaving, notably by finalising and implementing the announced national literacy strategy. Further **improve the labour-market participation of women**, notably those wishing to re-enter the labour market by **promoting flexible working arrangements**.

4. Review and take the necessary steps to **reform**, in consultation with social partners and in accordance with national practices, **the system of wage bargaining and wage indexation** to ensure that wage growth better reflects developments in labour productivity and competitiveness.

4. Take the necessary further steps to **reform**, in consultation with social partners and in accordance with national practices, **the system of wage bargaining and wage indexation**, so as to better reflect developments in labour productivity and reduce the impact of prices of imports on the index.

2. Take measures to **increase the statutory retirement age by linking it to life expectancy**, and underpin these measures with others to raise the effective retirement age and to improve the long-term sustainability of public finances. Prepare a blueprint for reforming long-term care in view of an ageing population.

2. Take measures to **increase the statutory retirement age, including linking it to life expectancy**, and underpin these with labour market measures to support raising the effective retirement age, whilst improving the long-term sustainability of public finances. Adjust the second pension pillar to mirror the increase in the statutory retirement age, while ensuring an appropriate intra- and inter-generational division of costs and risks. Implement the planned reform in long-term care and complement it with further measures to contain the increase in costs, in view of an ageing population.

3. Adjust the second pension pillar, in consultation with social partners, to ensure an appropriate intra- and inter-generational division of costs and risks. **Underpin the gradual increase of the statutory retirement age** with measures to increase the employability of older workers. (...).

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

3. Enhance participation in the labour market by **reducing fiscal disincentives for second-income earners to work** and draw up measures to support the most vulnerable groups and help them to re-integrate within the labour market.

3. Enhance **participation in the labour market, particularly of older people, women, and people with disabilities and migrants**, including by **further reducing tax disincentives for second-income earners**, fostering labour market transitions, and **addressing rigidities**.

4. Take further measures to enhance participation in the labour market, particularly of people at the margin of the labour market. **Continue to reduce tax disincentives on labour**, including by phasing-out of transferable tax credits for second income earners. Foster labour market transitions and **address labour market rigidities, including by reforming employment protection legislation and the unemployment benefit system**.

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

3. **Raise as planned the statutory retirement age for uniformed services, continue steps to increase the effective retirement age**, such as linking it to life expectancy. Establish a timetable to further **improve the rules for farmers' contributions to the social security fund (KRUS)** to better reflect individual incomes.
5. Increase female labour market participation by taking measures to ensure stable funding for pre-school child-care arrangements, to increase enrolment rates of children under three years.
4. Implement the proposed **lifelong learning strategy, enhance apprenticeships and programmes for older workers** and low-skilled workers. Strengthen links between science and industry by implementing the 'We build on Knowledge' programme ('Budujemy na Wiedzy'). Implement the higher education reform programme 'Partnership for Knowledge' ('Partnerstwo dla Wiedzy') so as to better align educational provision with labour market needs.
4. Reinforce efforts to **increase the labour market participation of women** and raise enrolment rates of children in both early **childcare** and pre-school education, by ensuring stable funding and investment in public infrastructure, the provision of qualified staff, and affordable access. **Tackle entrenched practices of early retirement** to increase exit ages from the labour market. Phase out the special pension scheme for miners with a view to integrating them into the general scheme. **Take more ambitious, permanent steps to reform the KRUS** to better reflect individual incomes.
4. Continue efforts to **increase female labour market participation, in particular by investing in affordable quality childcare** and pre-school education, by ensuring stable funding and qualified staff. With a view to improving sectoral labour mobility, take permanent steps to reform the farmers' social security scheme KRUS. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform with measures **promoting the employability of older workers to raise exit ages from the labour market**.
4. **Continue efforts to increase female labour market participation**, in particular by taking further steps to **increase the availability of affordable quality childcare** and pre-school education and ensuring stable funding. Include farmers in the general pension system, starting by speeding up the creation of the system for assessment and recording of farmers' incomes. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform by stepping up efforts to **promote the employability of older workers** to raise exit ages from the labour market.
3. **Continue efforts to increase female labour market participation**, in particular by taking further steps to **increase the availability of affordable quality childcare** and pre-school education and ensuring stable funding. Include farmers in the general pension system, starting by speeding up the creation of the system for assessment and recording of farmers' incomes. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform by stepping up efforts to **promote the employability of older workers** to raise exit ages from the labour market.
3. **Strengthen efforts to reduce youth unemployment**, notably by further improving the relevance of education to labour market needs, **increasing the availability of apprenticeships and work-based learning places** and by strengthening outreach to unregistered youth and the cooperation between schools and employers, in line with the objectives of a **youth guarantee**. Increase adult's participation in lifelong learning in order to adjust skills supply to skills demand. Combat labour market segmentation by stepping up efforts to **ensure a better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts**.
3. Strengthen efforts to **reduce youth unemployment**, for example through a **Youth Guarantee, increase the availability of apprenticeships and work-based learning**, strengthen cooperation between schools and employers and improve the quality of teaching. Adopt the proposed life-long learning strategy. Combat in-work poverty and labour market segmentation including through **better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts**.
3. **To reduce youth unemployment, increase the availability of apprenticeships and work-based learning**, improve the quality of vocational training and adopt the proposed lifelong learning strategy. Better match education outcomes with the needs of the labour market and improve the quality of teaching. To combat labour market segmentation and in-work poverty, **limit excessive use of civil law contracts and extend the probationary period to permanent contracts**.

PT	Portugal	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014
		<p>Implement the measures as laid down in Implementing Decision 2011/344/EU and further specified in the Memorandum of Understanding of 17 May 2011 and its subsequent supplements.</p>	<p>Implement the measures as laid down in Implementing Decision 2011/344/EU and further specified in the Memorandum of Understanding of 17 May 2011 and its subsequent supplements.</p>	<p>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Portugal.</p>	<p>1. Fully implement the budgetary strategy for 2014 so as to achieve the fiscal targets and prevent the accumulation of new arrears. For the year 2015, rigorously implement the budgetary strategy as laid out in the Fiscal Strategy Document 2014, in order to bring the deficit to 2.5% of GDP, in line with the target set in the Excessive Deficit Procedure recommendation, while achieving the required structural adjustment. (...) Effectively implement single wage and supplements' scales in the public sector from 2015 onwards.</p>
				<p>2. Maintain minimum wage developments consistent with the objectives of promoting employment and competitiveness. Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level. Explore, in consultation with the social partners and in accordance with national practice, the possibility of mutually agreed firm-level temporary suspension of collective agreements. By September 2014, present proposals on mutually agreed firm-level temporary suspension of collective agreements and on a revision of the survival of collective agreements.</p>	
					<p>3. Present, by March 2015, an independent evaluation of the recent reforms in the employment protection system, together with an action plan for possible further reforms to tackle labour market segmentation. Pursue the ongoing reform of active labour market policies and Public Employment Services aimed at increasing employment and labour participation rates, specifically by improving job counselling/job search assistance and activation/sanction systems with a view to reducing long-term unemployment and integrating those furthest away from the labour market. Address the high</p>

youth unemployment, in particular by effective skills anticipation and outreach to non-registered young people, **in line with the objectives of a youth guarantee**. Ensure adequate coverage of social assistance, including the **minimum income scheme**, while ensuring effective activation of benefit recipients.

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

RO Romania	CSRs 2011	CSRs 2012	CSRs 2013	CSRs 2014
	<p>Implement the measures laid down in Decision 2009/459/EC as amended by Decision 2010/183/EU, together with the measures laid down in Decision 2011/288/EU and further specified in the Memorandum of Understanding of 23 June 2009 and its subsequent supplements, and in the Memorandum of Understanding of 29 June 2011 and its subsequent supplements.</p>	<p>Implement the measures laid down in Decision 2009/459/EC, as amended by Decision 2010/183/EU, together with the measures laid down in Decision 2011/288/EU and further specified in the Memorandum of Understanding of 23 June 2009 and its subsequent supplements, and in the Memorandum of Understanding of 29 June 2011 and its subsequent supplements.</p>	<p>2. (...) Improve tax collection by implementing a comprehensive tax compliance strategy and fight undeclared work. In parallel, explore ways to increase reliance on environmental taxes.. Continue the pension reform started in 2010 by equalising the pensionable age for men and women and by promoting the employability of older workers.</p>	<p>2. Implement the budgetary strategy for 2014, significantly strengthen the budgetary effort to ensure reaching the medium-term objective in 2015 in line with commitments under the Balance of Payments programme and as reflected in the 2014 convergence programme, in particular by specifying the underlying measures, and remain at the medium-term objective thereafter. Improve tax collection by continuing to implement a comprehensive tax compliance strategy, stepping up efforts to reduce VAT fraud. Fight undeclared work. Reduce tax burden for low- and middle-income earners in a budget-neutral way. Finalise the pension reform started in 2010 by equalising the pensionable age for men and women.</p>
	<p>4. Improve labour market participation, as well as employability and productivity of the labour force, by reviewing and strengthening active labour market policies, to provide training and individualised services and promoting lifelong learning. Enhance the capacity of the National Employment Agency to increase the quality and coverage of its services. To fight youth unemployment, implement rapidly the National Plan for Youth Employment, including for example through a Youth Guarantee. To alleviate poverty, improve the effectiveness and efficiency of social transfers with a particular focus on children. Complete the social assistance reform by adopting the relevant legislation and strengthening its link with activation measures. Ensure concrete delivery of the National Roma integration strategy.</p>	<p>4. Strengthen active labour-market measures and the capacity of the National Employment Agency. Pay particular attention to the activation of unregistered young people. Strengthen measures to promote the employability of older workers. Establish, in consultation with social partners, clear guidelines for transparent minimum wage setting, taking into account economic and labour market conditions.</p>	<p>5. Increase the quality and access to vocational education and training, apprenticeships, tertiary education and of lifelong learning and adapt them to labour market needs. Ensure better access to early childhood education and care.</p>	

Implement a national strategy on early school leaving focusing on better access to quality early childhood education, including for Roma children. Speed up the transition from institutional to alternative care for children deprived of parental care.

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

3. Monitor and improve the **labour market participation of young people** and other vulnerable groups.

3. Take further measures to improve the **labour market participation of youth** and vulnerable groups, e.g. by improving the effectiveness of active labour market measures, **facilitating the transition from school to work**, promoting policies to increase demand for vulnerable groups and improving the functioning of the labour market. Review the effectiveness of the current reduced VAT rate for restaurants and catering services in support of job creation.

4. Reinforce efforts to improve the labour-market integration of low-skilled young people and people with a migrant background by stronger and better targeted measures to improve their employability and the labour demand for these groups. **Step up efforts to facilitate the transition from school to work, including via a wider use of work-based learning, apprenticeships and other forms of contracts combining employment and education.** Complete the **Youth Guarantee** to better cover young people not in education or training. Complete and draw conclusions from the review of the effectiveness of the current reduced VAT rate for restaurants and catering services in support of job creation.

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

2. Take the required steps to ensure the long-term **sustainability of the pension system**, while preserving the adequacy of pensions. **Increase the employment rate of older workers through later retirement**, and by further developing active labour market policies and lifelong learning measures.

2. Take urgent steps to ensure the long-term **sustainability of the pension system**, while preserving the adequacy of pensions, by: (i) equalising the statutory retirement age for men and women; (ii) **ensuring an increase in the effective retirement age, including through linking the statutory retirement age to life expectancy**; (iii) **reducing early retirement possibilities**; and (iv) reviewing the indexation system for pensions. **Increase the employment rate of older workers** also by further developing active labour market policies and lifelong learning measures.

2. Strengthen the long-term sustainability of the pension system beyond 2020 by further adjusting all relevant parameters, **including through linking the statutory retirement age to gains in life expectancy**, while preserving the adequacy of pensions. (...)

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

4. Take steps, in consultation with the social partners and in accordance with national practices, to **reduce asymmetries in rights and obligations guaranteed under permanent and temporary contracts**. Renew efforts to **tackle the parallel labour market resulting from 'student work'**.

5. Set up a system to forecast skills and competencies needed to achieve a responsive labour market. Evaluate the effectiveness of the public employment service, notably on career guidance and counselling services, to improve the matching of skills with labour market needs.

4. **Adjust employment protection legislation as regards permanent contracts** in order to reduce labour market segmentation, in consultation with social partners and in accordance with national practices. **Further tackle the parallel labour market caused by student work**.

5. Improve the matching of skills with labour market demand, particularly of low-skilled workers and tertiary graduates, and continue reforms of vocational education and training.

7. Following consultation with social partners and in accordance with national practice, **ensure that wage growth, including minimum wage adaptation, supports competitiveness and job creation**.

3. **Ensure that wage developments, including the minimum wage, support competitiveness and job creation**. Monitor closely the effects of the recent labour market reform and if necessary identify the areas where further action is needed to foster job creation and tackle segmentation, **including through the regulation for student work**. Take further measures to increase employment of young tertiary graduates, older persons and the low-skilled by focusing resources on tailor-made active labour market policy measures while improving their effectiveness. Address the skills mismatch by improving the attractiveness of the relevant vocational education and training programmes and by further developing cooperation with the relevant stakeholders in assessing labour market needs.

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

2. Increase tax compliance, in particular by improving the efficiency of VAT collection; **reduce distortions in taxation of labour across different employment types, also by limiting tax deductions**; link real estate taxation to the market value of property; make greater use of environmental taxation.

3. Enhance the long-term sustainability of public finances by further adjusting the pay-as-you-go pillar of the **pension system** also by changing the indexation mechanism and implement further measures with a view to raising the effective retirement age, in particular by **linking the pensionable age to life expectancy**. Introduce incentives to ensure the viability of the fully-funded pension pillar so as to progress towards fiscal sustainability while assuring adequate pensions.

3. Further adjust the pay-as-you-go pension pillar, mainly by changing the indexation mechanism, introducing a **direct link between the statutory retirement age and life expectancy** and introducing a sustainability factor in the pension calculation formula reflecting demographic change. Ensure the stability and viability also of the fully funded pillar.

4. Take steps to increase employment and to support labour demand for the low-skilled unemployed by **reducing the tax wedge for low-paid workers**. In addition, introduce measures to improve the administrative capacity of public employment services with a view to improving targeting, design and evaluation of active labour market policies, especially for the **young** and long-term unemployed.

4. Enhance the administrative capacity of public employment services with a view to improving the targeting, design and evaluation of active labour market policies to ensure more individualised employment services for the young, the long-term unemployed, older workers and women. **Ensure the provision of childcare facilities. Reduce the tax wedge for low-paid workers and adapt the benefit system.**

3. Take measures to enhance the capacity of public employment services to provide personalised services to jobseekers and **strengthen the link between activation measures and social assistance**. More effectively address long-term unemployment through activation measures and tailored training. **Improve incentives for women employment**, by enhancing the **provision of childcare facilities**, in particular for children below three years of age. **Reduce the tax wedge for low-paid workers and adapt the benefit system.**

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

<p>5. Speed up the implementation of planned general education, vocational education and training reforms and take steps to improve the quality of higher education and its relevance to market needs. Develop a framework of incentives for both individuals and employers to encourage participation of the low-skilled in lifelong learning.</p>	<p>5. Adopt and implement the youth action plan, in particular as regards the quality and labour market relevance of education and vocational training, including through the introduction of an apprenticeship scheme. Improve the quality of higher education by strengthening quality assurance and result orientation.</p> <p>6. Take active measures to improve access to and quality of schooling and pre-school education of vulnerable groups, including Roma. Ensure labour market reintegration of adults through activation measures and targeted employment services, second-chance education and short-cycle vocational training.</p>
<p>4. Step up efforts to address high youth unemployment, for example through a Youth Guarantee. Take steps to attract young people to the teaching profession and raise educational outcomes. In vocational education and training, reinforce the provision of work-based learning in companies. In higher education, create more job-oriented bachelor programmes. (...)</p>	<p>4. Take measures to increase the quality of teaching in order to raise educational outcomes. Reinforce the provision of work-based learning in companies in vocational education and training. Adapt accreditation, funding and governance measures to encourage the creation of profession-oriented bachelor-level programmes. Improve the quality and relevance of the science base and implement plans to foster effective knowledge transfer and co-operation between academia, research and business. Adopt systemic measures to improve access to high quality and inclusive pre-school and school education for marginalised communities, including Roma and take steps to increase their wider participation in vocational training and higher education.</p>

See above CSR 3

3. Take steps by 2012 to **ensure that a higher share of young people enter the labour market with adequate skills** and to improve the employability of 18 to 24-year-olds who left education or training without qualifications. Address skill shortages by increasing the numbers attaining intermediate skills, in line with labour market needs.

3. Continue to **improve the employability of young people**, in particular those not in education, employment or training, **including by using the Youth Contract**. Ensure that apprenticeship schemes are taken up by more young people, have a sufficient focus on advanced and higher-level skills, and involve more small and medium-sized businesses. Take measures to reduce the high proportion of young people aged 18-24 with very poor basic skills.

3. **Building on the Youth Contract, step up measures to address youth unemployment**, for example through a **Youth Guarantee**. Increase the quality and duration of apprenticeships, simplify the system of qualifications and strengthen the engagement of employers, particularly in the provision of advanced and intermediate technical skills. Reduce the number of young people aged 18-24 who have very poor basic skills, including through effectively implementing the Traineeships programme.

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

4. Take measures, within current budgetary plans, to reduce the number of workless households by targeting those who are inactive because of caring responsibilities, including lone parents.

4. Step up measures to facilitate the labour market integration of people from jobless households. Ensure that planned welfare reforms do not translate into increased child poverty. Fully implement measures aiming to **facilitate access to childcare services**.

4. Enhance efforts to support low-income households and reduce child poverty by ensuring that the Universal Credit and **other welfare reforms deliver a fair tax-benefit system with clearer work incentives** and support services. Accelerate the implementation of planned measures to **reduce the costs of childcare and improve its quality and availability**.

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

Source: Country-specific recommendations 2011-2012; 2012-2013; 2013-2014; 2014-2015
Emphasis added by the author.

Annex 3: Country specific recommendations (CSRs) in the social field under the European Semester 2014 – Commission versus Council versions

AT	<p>CSRs 2014 Commission proposals</p>	<p>CSRs 2014 Council Recommendations</p>
Austria	<p>2. Improve the long-term sustainability of the pension system, notably by bringing forward the harmonisation of the statutory retirement age for men and women and by linking the statutory retirement age to life expectancy. Monitor the implementation of recent reforms restricting access to early retirement. Further improve the cost effectiveness and sustainability of health care and long-term care services.</p>	<p>2. Improve the long-term sustainability of the pension system, notably by bringing forward the harmonisation of the statutory retirement age for men and women, by increasing the effective retirement age and by linking aligning the statutory-retirement age to changes in life expectancy. Monitor the implementation of recent reforms restricting access to early retirement. Further improve the cost effectiveness and sustainability of health care and long-term care services.</p>
	<p>Explanation: The text of the recommendation contains similar wording as agreed for other Member States. It was agreed that there are different channels to raise the effective retirement age and hence, to address challenges to the pension system and sustainability of public finances. The original COM text focusing only on raising the (statutory) retirement age appeared too prescriptive and narrowly defined. The new text recalls the text previously adopted by the Council, most recently on the 2012 Sustainability Report on 12 February 2013.</p>	
BE	<p>CSRs 2014 Commission proposals</p>	<p>CSRs 2014 Council Recommendations</p>
Belgium	<p>3. Contain future public expenditure growth relating to ageing, in particular from pensions and long-term care, by stepping up efforts to reduce the gap between the effective and statutory retirement age, bringing forward the reduction of early-exit possibilities, promoting active ageing, aligning the statutory retirement age and career length requirements to changes in life expectancy, and improving the cost effectiveness of public spending on long-term care.</p>	<p>3. Contain future public expenditure growth relating to ageing, in particular from pensions and long-term care, by stepping up efforts to reduce the gap between the effective and statutory retirement age, bringing forward the reduction of early-exit possibilities, promoting active ageing, aligning the statutory retirement age and career-length-requirements to changes in life expectancy, and improving the cost-effectiveness of public spending on long-term care.</p>
	<p>Explanation: It was agreed that the main challenge in Belgium remains increasing the effective retirement age, given the gap between the effective and the statutory retirement age. The minimum age and career length required for early retirement are being raised by an important on-going reform; increasing the statutory retirement age in the short run would increase this gap and be therefore a mistimed reform.</p>	

ES

Spain

CSRs 2014
Commission proposals

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

CSRs 2014
Council Recommendations

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

Explanation:

This wording is more in line with the distribution of powers among the Public Administration in the field of Social Services and Minimum Income Schemes where the State collaborates at a technical and political level with the regions which can lead to improved processes.

FI

Finland

CSRs 2014
Commission proposals

3. Improve the use of the full labour force potential in the labour market, including by **improving the employment rate and the employability of older workers, reducing early exit pathways and aligning statutory retirement age to changes in life expectancy. Improve the labour-market prospects of young people** and the long-term unemployed, with a particular focus on vocational education and targeted activation measures.

CSRs 2014
Council Recommendations

3. Improve the use of the full labour force potential in the labour market, including by improving the employment rate and the employability of older workers, **and increasing the effective retirement age, reducing early exit pathways and aligning statutory the retirement age or pension benefits** to changes in life expectancy. Improve the labour-market prospects of young people and the long-term unemployed, with a particular focus on vocational education and targeted activation measures.

Explanation:

The text of the recommendation contains similar wording as agreed for other Member States. It was agreed that there are different channels to rise the effective retirement age and hence, to address challenges to the pension system and sustainability of public finances. The original COM text focusing only on rising the (statutory) retirement age appeared too prescriptive and narrowly defined. The new text recalls the text previously adopted by the Council, most recently on the 2012 Sustainability Report on 12 February 2013.

LT

Lithuania

CSRs 2014
Commission proposals

CSRs 2014
Council Recommendations

3. Better target active labour market policy measures to the low-skilled and long-term unemployed. **Improve coverage and adequacy of unemployment benefits** and link them to activation. Address persistent skills mismatches by improving the labour market relevance of education and promote life-long learning. In order to increase employability of young people, **prioritise offering quality apprenticeships and strengthen partnership with the private sector. Review the appropriateness of labour legislation**, in particular with regard to the framework for labour contracts and for working-time arrangements, in consultation with social partners.

3. Better target active labour market policy measures to the low-skilled and long-term unemployed. Improve coverage and adequacy of unemployment benefits and link them to activation. Address persistent skills mismatches by improving the labour-market relevance of education **inter alia based on skills forecast systems** and promote life-long learning. In order to increase employability of young people, prioritise offering quality apprenticeships, **other forms of work-based learning**, and strengthen partnership with the private sector. Review the appropriateness of labour legislation, in particular with regard to the framework for labour contracts and for working-time arrangements, in consultation with social partners.

Explanation:

The conclusions of EMCO's Multilateral surveillance work recognised the role of work-based training reforms in Lithuania and the need for and the development of plans to raise the effectiveness of VET.

LU

Luxembourg

CSRs 2014
Commission proposals

CSRs 2014
Council Recommendations

2. In view of ensuring fiscal sustainability, curb age-related expenditure by making long-term care more cost-effective, **pursue the pension reform so as to increase the effective retirement age, including by limiting early retirement and linking the statutory retirement age to life expectancy**. Reinforce efforts to **increase the participation rate of older workers**, including by improving their employability through lifelong learning.

2. In view of ensuring fiscal sustainability, curb age-related expenditure by making long-term care more cost-effective, pursue the pension reform so as to increase the effective retirement age, including by limiting early retirement ~~and linking the statutory retirement age~~, **by aligning retirement age or pension benefits** to change in life expectancy. Reinforce efforts to increase the participation rate of older workers, including by improving their employability through lifelong learning.

Explanation:

This change was agreed as with the statutory retirement age being fixed at age 65, and the effective retirement being below 60, it is essential to first close the gap between the effective and statutory retirement age.

4. Pursue efforts to **reduce youth unemployment** for low-skilled jobs seekers with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies, addressing skills mismatches, and reducing financial disincentives to work. To that effect, **accelerate the implementation of the reform of general and vocational education and training** to better match young people's skills with labour demand.

4. Pursue efforts to reduce youth unemployment for low-skilled jobs seekers **including those** with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies, addressing skills mismatches, and reducing financial disincentives to work. To that effect, accelerate the implementation of the reform of general and vocational education and training to better match young people's skills with labour demand.

Explanation:

The Employment Performance Monitor indicates a challenge for LU in terms of youth unemployment. The EMCO multilateral surveillance welcomed the setting up of the Youth Guarantee and its increased focus on people with migrant background.

MT

Malta

CSRs 2014
Commission proposals

CSRs 2014
Council Recommendations

2. **Step up the ongoing pension reform**, notably by significantly accelerating the planned increase in the statutory retirement age and by **consecutively linking it to changes in life expectancy**. Ensure that a comprehensive reform of the public health system delivers a cost-effective and sustainable use of available resources, such as strengthening primary care.

To ensure the long-term sustainability of public finances, continue Step-up the ongoing pension reform, **such as by ~~retably~~ by significantly accelerating the planned already enacted** increase in the statutory retirement age and by **consecutively linking it to changes in life expectancy**. Ensure that a comprehensive reform of the public health system delivers a cost-effective and sustainable use of available resources, such as strengthening primary care.

Explanation:

Pension reform is an ongoing process in Malta. Specifically, Malta reiterates that the outcome of the Pensions Working Group is due in October 2014. The Group will draw a holistic strategy aimed at addressing the adequacy and sustainability of pensions in Malta. While Malta agrees with the aim of ensuring long-term sustainability, more latitude is required in relation to measures to achieve it as prescriptions will be counterproductive as they would stifle rather than enable the pension reform to continue to move forward. The proposed amendment is in line with the language contained in the 2013 CSR, which provided a measure of discretion as opposed to the overly prescriptive language being proposed in the 2014 CSR.

2. **Maintain minimum wage developments** consistent with the objectives of promoting employment and competitiveness. **Ensure a wage setting system that promotes the alignment of wages and productivity** at sectoral and/or firm level. **Explore**, in consultation with the social partners and in accordance with national practice, **the possibility of firm-level temporary opt-out arrangements from sectoral contracts** agreed between employers and workers' representatives. By September 2014, **present proposals** on firm-level opt-out arrangements from sectoral contracts agreed between employers and workers' representatives and on **a revision of the survival of collective agreements**.
3. Present, by March 2015, an independent evaluation of the **recent reforms in the employment protection system**, together with an action plan for possible further reforms to tackle labour market segmentation. Pursue the ongoing reform of active labour market policies and Public Employment Services aimed at increasing employment and labour participation rates, specifically by improving job counselling/job search assistance and activation/sanction systems with a view to reducing long-term unemployment and integrating those furthest away from the labour market. **Address the high youth unemployment**, notably by effective skills anticipation and outreach to non-registered young people, in line with the objectives of a **youth guarantee**. Increase the threshold for the eligibility for the minimum income scheme. **Ensure adequate coverage of social assistance**, while ensuring effective activation of benefit recipients.

2. Maintain minimum wage developments consistent with the objectives of promoting employment and competitiveness. Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level. Explore, in consultation with the social partners and in accordance with national practice, the possibility of **mutually agreed firm-level temporary opt-out arrangements from sectoral contracts agreed between employers and worker representatives suspension of collective agreements**. By September 2014, present proposals on **firm-level opt-out arrangements from sectoral contracts agreed between employers and workers representatives mutually agreed firm-level temporary suspension of collective agreements** and on a revision of the survival of collective agreements.

3. Present, by March 2015, an independent evaluation of the **recent reforms in the employment protection system**, together with an action plan for possible further reforms to tackle labour market segmentation. Pursue the ongoing reform of active labour market policies and Public Employment Services aimed at increasing employment and labour participation rates, specifically by improving job counselling/job search assistance and activation/sanction systems with a view to reducing long-term unemployment and integrating those furthest away from the labour market. Address the high youth unemployment, notably by effective skills anticipation and outreach to non-registered young people, in line with the objectives of a youth guarantee. ~~Increase the threshold for the eligibility for the minimum income scheme~~. Ensure adequate coverage of social assistance, **including the minimum income scheme**, while ensuring effective activation of benefit recipients.

Explanation:

This is an area of Member State competence and the compromise text is the promotion of the adequacy of the coverage of social assistance.

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

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

Explanation:

It was agreed to reflect in the recommendation that a further decrease of the replacement rate would risk additionally increase the poverty rate of people aged 65+ and put a burden the social expenditure.

Source: Country-specific recommendations 2011-2012; 2012-2013; 2013-2014; 2014-2015 ; Council of the European Union (2014) Explanations of modifications to Commission Recommendations for the Country Specific Recommendations, 10810/1/14 REV1, Brussels, 18 June 2014 (with the exception of the changes to the CSR 2 for Portugal)
Emphasis added by the author.