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

## An overview and comparison Update including the CSRs 2019-2020

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## Introduction

On 5 June 2019, the European Commission presented its proposals for new country-specific recommendations (CSRs) for 2019-2020.<sup>1</sup> Following meetings and debates within several committees (the Economic and Financial Committee (EFC), the Employment Committee (EMCO), the Social Protection Committee (SPC) and the Economic Policy Committee (EPC)) as well as with other stakeholders, including European and national social partners, amendments were introduced. The recommendations were then approved by the EPSCO Council on 8 July (regarding the employment and social aspects) and the ECOFIN Council on 9 July (regarding the economic/financial and Macroeconomic Imbalance Procedure (MIP)-related aspects).

This is the ninth cycle under the European Semester system since its launch in 2011, but it is also the second set of CSRs launched since the proclamation of the European Pillar of Social Rights (EPSR) in November 2017.<sup>2</sup>

This year, a total of 96 of what could be called ‘package’ recommendations (as they often contain several sub-recommendations) were delivered to 28 Member States concerning the fields of: public finance and financial sector regulation; structural reforms in areas such as research and development and energy efficiency; employment and social policies, such as active labour market policies (ALMPs); employment protection legislation; social security and assistance systems/benefits; and collective bargaining and wage-setting mechanisms.

This year’s buzzword is ‘investment, investment and investment’. All Member States received a direct and/or implicit recommendation to focus on investment-related economic policy and, depending on the country concerned,

1. These CSRs are available at: <https://www.consilium.europa.eu/en/press/press-releases/2019/07/09/economic-employment-and-fiscal-policies-2019-country-specific-recommendations/>.
2. European Parliament et al. (2017). The European Semester, and in particular the CSRs, has been chosen as one of the main vehicles to implement the 20 principles enshrined in the Pillar. In order to track the progress made in this implementation, a Social Scoreboard has been established which maps indicators over 12 economic and social areas. For more details on the implementation of the Pillar via the Semester, see European Commission (2018). For an analysis of the use and application of the Pillar and its Scoreboard in the European Semester 2018 (in particular in the Annual Growth Survey, the national reports and National Reform Programmes as well the 2018-2019 CSRs themselves), see Hacker (2019). While the application of the Pillar in the 2018 European Semester led to a stronger focus on social objectives, Hacker questions whether the Pillar (and the Scoreboard) in its current form and application is able to overcome the prioritisation of economic aspects over social ones and to reverse the dominance of budgetary and competition policy governance.

particularly in the area of education and skills (with a focus on lifelong and adult learning, as well as on improving the working and pay conditions of teachers), to strengthen the effectiveness of labour market policies (in particular for low-skilled workers, older workers, people with disabilities and those with a migrant background), to reinforce the capacity of employment services, to ensure sustainable and inclusive social welfare systems, and to provide better (child)care services.<sup>3</sup>

These are all positive developments, and so is the fact that this year the Commission and Council has put an even greater focus in the CSRs on promoting and ensuring social dialogue. They have also emphasised the need to improve the involvement of all relevant stakeholders, including social partners, in national policy design and decision-making processes. The latter is clearly needed as both scholars (Sabato et al. 2017) and the ETUC Trade Union Involvement Index show that, despite the Commission's efforts, trade union involvement in the Semester process at national level has deteriorated over the past few years, with a lack of commitment from governments to properly involve national social partners, problems with the timing of the consultation, limited access to meaningful information and an overall limited capacity of national social partners (ETUC 2019c).

Most of the 2019 CSRs are therefore to be welcomed and need to be continued in future years. However, as will be highlighted below in this analysis, in several fields that are crucial for the trade union movement, like triggering a positive wage dynamic and ensuring the adequacy of social protection (pensions in particular) and social services, the CSRs only partially meet the trade union demands. While the overall call for investment is very welcome, there seems to be a misalignment between the investment objectives found in the 2019 CSRs and the actual resources available at national level, as well as a lack of clarity about how governments should and will be able to finance the requested investments (ETUC (2019a) (2019b) (2019c) and ETUCE (2019)).

Furthermore, the Commission is a little over-optimistic about the economic and employment recovery in Europe (ETUC 2019 b and c, ETUC/ETUI 2019), and also about the progress made in the implementation of past CSRs, particularly in the social/employment sphere, when it states that the most progress has been achieved in employment policies (European Commission 2019a and b). On the contrary, in fact, recent ETUI research has found that most Member States do not fully implement the social CSRs and that the level of implementation has even worsened in the past few years. Furthermore, in general, the social CSRs that are the least complied with tend to be those related to 'hard' economic and political 'tinderbox' issues, such as wages and pensions, which hints at their sensitivity and deters national governments from implementing them<sup>4</sup> (Al-Kadi and Clauwaert 2019).

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3. European Commission (2019a and b).

4. Even the Commission confirms that the overall implementation of the CSRs addressed to the Member States in July 2018 (Semester cycle 2018-2019) was worse than in previous years (European Commission 2019b, p. 3).

Table 1 **Categories and measures**

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

This paper provides an overview of the CSRs in the field of employment and social policies and an update of previous similar ETUI research<sup>5</sup>. As in previous years, the different reforms and measures requested via the CSRs have been grouped, for the purpose of this analysis, into the following eight categories (which are then further subdivided into some measures/issues which recur in the CSRs): 1) wages (including wage indexation and the reform of wage-setting systems); 2) employment protection legislation (EPL)<sup>6</sup>; 3) labour market participation (and that of different groups of workers, e.g. women, older workers); 4) youth employment (including the youth guarantee, facilitating transition from education to work and reducing early school-

5. For similar previous ETUI research see Clauwaert (2013a and b, 2014, 2015, 2016, 2017 and 2018a) and Al-Kadi and Clauwaert (2019). All other ETUI research looking at the reforms that took place in the last ten years in the different Member States in the areas of labour markets, pensions and strikes has been brought together in a new online web information service called 'Reforms Watch' (<https://www.etui.org/ReformsWatch>).

6. For this paper, the acronym EPL is used to refer to the entire set of regulations that place some limits on the possibilities of firms to hire and fire workers, even if such limits are not grounded primarily in the law but originate from the collective bargaining of the social partners or are a consequence of court rulings. In particular, provisions favouring the employment of disadvantaged groups in society, determining the conditions for the use of temporary or fixed-term contracts, or imposing training requirements on the firm, affect hiring policies, while redundancy procedures, mandated pre-notification periods and severance payments, special requirements for collective dismissals and short-time work schemes influence firing decisions.

leaving); 5) pensions (including general pension reforms and reforming the (early) retirement age); 6) social protection/assistance (including demands for better coverage and better quality of social security and assistance systems/benefits); 7) child poverty (including more child support and more and better childcare facilities); and 8) 'tax' (mainly the request to shift the tax burden away from labour, or 'broadening the tax base' as the Commission calls it)<sup>7</sup>.

This paper provides a brief 'statistical' comparison between the CSRs issued in 2019-2020 and those adopted by the European Council in the period from 2011 to 2018. Furthermore, Annex 1 contains a country-by-country overview of the actual texts of the 'social recommendations' received by Member States and of their clarifying recitals. Annex 2 provides an overview in table format of the social CSRs adopted over the period 2011-2018, Annex 3 provides a comparison of the social recommendations over the 2017-2019 period by country, and Annex 4 provides a comparison between the 2019-2020 social CSRs proposed by the European Commission on 5 June 2019 and those finally adopted by the Council in July 2019.

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7. Given the sometimes slightly different language and/or content of certain recommendations over the years, these categories and measures have in the past also been slightly altered and/or extended (see for, example, Clauwaert (2015), p. 4, footnote 7). However, for this year (2019), no real alterations to the classification were considered necessary.



## CSRs 2019 versus CSRs 2011 - 2018

In 2019, a total of 96 of what could be called ‘package’ recommendations were adopted with regard to 28 EU Member States, including Greece. It is the first time since the start of the Semester process that specific recommendations have been addressed to all EU Member States. This, and the fact that all except seven countries (Croatia, Cyprus, Germany, Ireland, Lithuania, Poland and the UK) received at least one recommendation more than last year, led to a considerable nominal increase in the number of CSRs, from 73 in 2018 to 96 this year. Out of all 28 countries, only the UK (perhaps because of Brexit) received fewer recommendations than last year. To recap, the situation in earlier years was as follows: 73 recommendations in 2018 and 78 recommendations in 2017 (concerning 27 Member States); 89 recommendations in 2016, 102 recommendations in 2015 and 157 recommendations in 2014 (concerning 26 Member States); 141 recommendations in 2013 and 137 recommendations in 2012 (concerning 23 Member States); and, finally, 117 recommendations were adopted in 2011, concerning 22 Member States (see Table 2 and Clauwaert (2013-2018)). On the other hand, this year’s considerable nominal increase in the total number of CSRs is hard to explain as it seems to run counter to the ambition of the Juncker Commission to further streamline the European Semester by drastically reducing the number (and scope) of CSRs (Zeitlin and Vanhercke 2018).

Out of the 96 package recommendations, 53 could be considered recommendations concerning the ‘social field’. Calculated percentage-wise (i.e. by comparing the ‘social’ versus the total number of recommendations), it shows that the social field continues to be a major focus for the Commission. Indeed, this year, not less than 55% of the recommendations are situated in or contain an element related to the social field (see Table 2 and Clauwaert (2018)). It is noteworthy that unlike in the period 2015-2018, Denmark and Sweden received again a ‘social recommendation’. While last year four countries (the Czech Republic, France, Germany and Latvia) managed a ‘full score’ (meaning that all recommendations they received related, at least partially, to the social field), this year only Germany has this honour. It also needs to be stressed that although 55% out of the total number of CSRs can be considered social CSRs, this still constitutes a considerable drop compared to (at least) the last two previous cycles in 2017 and 2018, where social CSRs amounted to 60% or even 63% of the total number of CSRs.

As in previous years, the Commission continued to employ a more succinct language (and number of words) in formulating its recommendations.<sup>8</sup> Thus the bulk of explicit detail has again been shifted to and even concealed in the explanations/recitals. This implies that these explanatory recitals touch again upon issues not covered by the actual recommendation issued to the country; they entail some warnings or ‘implicit’ recommendations on reforms in certain (social) fields that the country concerned should consider, introduce and/or continue. This is why, unlike in Table 2, for which the calculations are based mainly on the formal language of the CSRs (i.e. the extent to which reference is made to social aspects), Tables 3, 4 and 5 (which analyse the accompanying explanations/recitals) reveal a considerably higher number of sub-recommendations compared to the previous three years.

Table 3 gives an overview of the evolution in the number of recommendations per (sub) category over the period 2014-2019.<sup>9</sup> The focus on employment and social issues means that, with a few exceptions, the overall figures in our classification remained stable in almost every (sub) category.<sup>10</sup> In line with the priorities set by the Commission (see above), the notably bigger differences in recommendations lie mainly in the areas of ALMPs for women (combined with more CSRs on childcare), improving the quality and adequacy of social services and social benefits, and pension reforms. While for the first two areas the CSRs are very welcome, promoting ‘social investment’, the proposed CSRs in the area of pensions arguably promote too much ‘social retrenchment’ and can even be described as ‘austerity CSRs’ given that they remain oriented towards increasing the pension age, reducing early retirement possibilities and ensuring the (financial) sustainability and adequacy of pension systems; they also include more general constraints on public finance.<sup>11 12</sup>

Another factor not reflected in Tables 2 to 5 is the priority the Commission has given to improving social dialogue and social partner involvement in policy design and legislative processes. No less than seven countries (Austria, Bulgaria, Croatia, Greece, Hungary, Latvia, Poland, Romania and Spain) have been asked to work on this, and for Hungary, Poland and Romania it is the second year in a row that improving social dialogue/social partner involvement is explicitly included in one of their recommendations.

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**8.** See Clauwaert (2015, 2016, 2017 and 2018).

**9.** The table only provides the figures of the last six Semester cycles; for the figures of the cycles 2011-2013, see Clauwaert (2017).

**10.** Our classification does not correspond to the classification used by the Commission in its ‘overview of policy areas covered in the CSRs 2019’ (see Table 1 in European Commission (2019b), p. 17). This explains the sometimes different figures between both tables.

**11.** On the developments in (the number of) ‘social investment’ versus ‘social retrenchment’ CSRs, see also Crespy and Vanheuverzwijn (2016).

**12.** The growing attention given to such CSRs in the pension area since 2016, including CSRs relating to (the development of) second pillar pension schemes, was anticipated by Guardiancich and Natali (2017).

Table 2 Overview of the number of CSRs 2019-2020 per country compared to the 'social' CSRs of the previous cycles 2014-2018

Country	2014-2015		2015-2016		2016-2017		2017-2018		2018-2019		2019-2020	
	Total	Social	Total	Social	Total	Social	Total	Social	Total	Social	Total	Social
AT	5	2	4	2	3	2	2	2	2	2	3	2
BE	6	4	4	4	3	2	3	2	3	2	4	2
BG	6	4	5	2	4	3	4	3	3	2	4	2
CY	-	-	-	-	5	2	5	2	5	3	5	4
CZ	7	4	4	1	3	1	2	2	2	2	3	2
DE	4	2	3	1	3	1	2	1	2	2	2	2
DK	3	1	2	0	2	0	1	0	1	0	2	1
EE	5	3	3	2	2	1	2	1	2	1	3	1
EL	-	-	-	-	-	-	-	-	-	-	2	1
ES	8	5	4	1	4	2	3	1	3	1	4	2
FI	5	2	4	2	3	2	3	2	3	2	4	2
FR	7	6	6	4	5	3	4	3	3	3	4	2
HR	8	3	6	2	5	2	5	3	4	3	4	1
HU	7	3	5	3	3	2	3	2	3	2	4	2
IE	7	2	4	2	3	1	3	1	3	2	3	2
IT	8	3	6	2	5	2	4	3	4	2	5	3
LT	6	3	3	3	3	2	3	2	3	2	3	2
LU	5	3	3	3	2	1	2	1	2	1	4	1
LV	5	3	4	3	3	3	3	3	3	3	4	3
MT	5	2	4	2	2	2	2	1	2	1	3	2
NL	4	2	3	1	3	2	2	1	2	1	3	2
PL	6	2	4	2	3	1	3	1	3	2	3	2
PT	8	4	5	3	5	3	4	2	3	2	4	2
RO	8	4	4	2	4	2	3	3	3	2	5	3
SE	4	1	1	0	1	0	1	0	1	0	2	1
SI	8	2	4	2	4	3	3	2	2	1	3	1
SK	6	2	4	1	3	2	3	1	3	1	4	2
UK	6	2	3	1	3	1	3	1	3	1	2	1
	<b>157</b>	<b>74</b>	<b>102</b>	<b>51</b>	<b>89</b>	<b>48</b>	<b>78</b>	<b>46</b>	<b>73</b>	<b>46</b>	<b>96</b>	<b>53</b>
	47.13%		50%		53.93%		60.53%		63.01%		55.21%	

Note: The table only provides figures from the last six Semester cycles; for the figures from the 2011-2013 cycles, see Clauwaert (2017).  
Source: European Commission country-specific recommendations; ETUI calculations.

Table 3 Evolution of the number of social CSRs from 2014-2019

		CSRs 2014-2015	CSRs 2015-2016	CSRs 2016-2017	CSRs 2017-2018	CSRs 2018-2019	CSRs 2019-2020
<b>Wages</b>	Reviewing wage indexation	3	0	0	0	1	0
	Wage-setting mechanisms	11	11	12	14	9	7
	<b>Subtotal</b>	<b>14</b>	<b>11</b>	<b>12</b>	<b>14</b>	<b>10</b>	<b>7</b>
<b>EPL</b>	Employment protection legislation	8	4	8	7	5	5
<b>Labour market participation</b>	Women	7	11	7	8	8	14
	Older workers	10	8	4	8	5	7
	Tax disincentives second / low income earners	8	7	5	6	7	5
	<b>Subtotal</b>	<b>25</b>	<b>26</b>	<b>16</b>	<b>22</b>	<b>20</b>	<b>26</b>
<b>Youth employment</b>	Youth guarantee	8	15	7	8	7	10
	Transition school-work via companies	6	11	7	5	0	0
	Apprenticeships/ work-based learning	15	5	4	2	5	5
	"Drop outs"	3	6	6	6	9	9
	<b>Subtotal</b>	<b>32</b>	<b>37</b>	<b>24</b>	<b>21</b>	<b>21</b>	<b>24</b>
<b>Pensions</b>	Link between pensionable age and life expectancy	11	4	5	8	8	6
	Reducing early retirement	7	4	5	2	5	8
	Pension reform	-	14	13	13	16	18
	<b>Subtotal</b>	<b>18</b>	<b>22</b>	<b>23</b>	<b>23</b>	<b>29</b>	<b>32</b>
<b>Social protection/ assistance</b>	Social protection systems	9	7	3	8	3	2
	Quality social services	3	2	5	5	4	7
	Targeting social assistance	10	10	4	8	12	13
	<b>Subtotal</b>	<b>22</b>	<b>19</b>	<b>12</b>	<b>21</b>	<b>19</b>	<b>22</b>
<b>Child poverty</b>	Effective child support	3	1	1	1	2	0
	Childcare facilities	9	9	7	9	10	11
	<b>Subtotal</b>	<b>12</b>	<b>10</b>	<b>8</b>	<b>10</b>	<b>12</b>	<b>11</b>
<b>Tax</b>	Shift tax burden away from labour	9	14	14	6	9	9
<b>Total n° specific social CSRs</b>		<b>140</b>	<b>143</b>	<b>117</b>	<b>124</b>	<b>124</b>	<b>136</b>

Note: The table only provides figures from the last six Semester cycles; for the figures from the 2011-2013 cycles, see Clauwaert (2017).  
Source: ETUI calculations.

Tables 4 and 5 show which recommendations have been assigned to which countries. Again, there are some differences in the figures owing to the fact that our classification does not correspond to the classification used by the Commission in its ‘overview of policy areas covered in the CSRs of 2019’.<sup>13</sup> In addition, as mentioned above, due to the fact that the Commission continues its approach of slimming down the text of the CSRs, prioritising certain aspects, it was all the more necessary to also read the related recitals, as these frequently entail more ‘hidden recommendations’ which may somewhat distort the figures/information contained in Tables 3-5 in comparison to those of previous years and those provided by the Commission.

Table 4 Social CSRs 2019-2020 – issue-based overview

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

Source: Country-specific recommendations 2019-2020; ETUI own classifications / calculations.

<sup>13</sup>. Table 1 in European Commission (2019b), p. 17.

Table 5 Social CSRs 2019-2020 – EU-wide overview<sup>14</sup>

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

Source: Country-specific recommendations 2019-2020; ETUI own classifications / calculations.

14. Similar tables on the social CSRs for 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016, 2016-2017, 2017-2018 and 2018 -2019 can be found in annex 2.

## Conclusions

As already mentioned, the clear shift in this year's CSRs in favour of investment, social dialogue, education and training, and social protection is to be welcomed. For most of these areas there is a great need for this attention, which should be continued in future years, as argued by the ETUC (ETUC 2019 b).

Nevertheless, there are still some gaps in this year's recommendations with respect to triggering a positive wage dynamic and ensuring the adequacy of social protection (pensions in particular) and social services. While the overall call for investment is very welcome, there remain some doubts as to how the investment objectives in the 2019 CSRs will be achieved by the respective governments, given the actual resources available at national level, and how governments should and will be able to finance them.

The proof of the pudding will, as usual, be in the eating. The Commission is rather over-optimistic about the progress made in the implementation of past CSRs, particularly in the social/employment sphere, as research shows that implementation of social CSRs seems in fact to have deteriorated over recent years (Al-Kadi and Clauwaert 2019). Boosting and ensuring proper implementation at national level thus becomes an even bigger challenge for all stakeholders, be it the Commission, governments or (national) social partners, if Europe wants to continue along the path of upwards social convergence.

It is thus hoped that the Commission will continue along the same lines in the coming cycles. The implementation of the European Pillar of Social Rights via the Semester, along with much-needed legislative initiatives in the social field<sup>15</sup>, might indeed help to improve workers' and citizens' social rights in Europe. The programme of the new President of the European Commission Ursula von der Leyen, presented to the European Parliament on 16 July 2019, contains some ambitious but welcome commitments to ensuring more social fairness, including a fair minimum wage that allows a decent living, binding pay transparency measures, support for collective bargaining and social dialogue, an action plan to fully implement the European Pillar of Social Rights, and actions for gender equality and against violence against women.

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15. For an overview of the different (potential) legislative initiatives launched to implement the Pillar, see Clauwaert (2018b).

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# Annex 1

## Country-by-country overview of the 'social CSRs' 2019-2020

### Introductory note

Below, an overview of the 2019 social CSRs is provided on a country-by-country basis. In the boxes, one can find the text of the CSR followed by a quotation from the relevant (parts of the) recitals in the Council documents relating to the concerned CSR and providing more clarification on the reasons for/context behind the proposed CSR. Where relevant, other (parts of the) recitals of the Council Recommendations which relate to the social field but which do not correspond to a clear social CSR are also incorporated under the subsection 'other relevant information'.

In each of the texts and boxes below an overview is also provided of all (substantial) modifications introduced by the Council. The text marked in **grey** or ~~stricken-out~~ has been, respectively, added/changed or deleted in the Council text compared with the text of the recommendations/recitals proposed by the Commission in June 2019.

### Austria

(2 out of 3; pension reform, (early) retirement age, female workers (incl. childcare), shift tax burden, skills young persons and migrants, social dialogue)<sup>16</sup>

1. **Ensure the sustainability** of the health, long-term care, and **pension systems, including by adjusting the statutory retirement age** in view of expected gains in life expectancy. Simplify and rationalise fiscal relations and responsibilities across layers of government and align financing and spending responsibilities.

(8) Austria faces medium fiscal sustainability risks in the long term. These risks are due to the projected increase in public expenditure on healthcare, long-term care and **pensions**. (...) The **recently adopted Social Security Organisation Act may entail savings in governance and administrative costs but will generate upfront costs**. (...)

(9) **Pension spending** would peak in 2036, at a level of 1.2 percentage points of GDP above the 2016 reference point. Past reforms have successfully provided incentives to retire later (the effective exit age from the labour market increased by an estimated 1.5 years for men and by 1 year for women between

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16. This « X out of Y » indicates the number of « social CSRs out of the total number of CSRs received by the country this year » (See also table 2 on page 11). For the convenience of the reader, some keywords are added reflecting the main (social) fields the concerned CSRs are relating to.

2014 and 2017). However, **closing the gap between the statutory and the effective retirement age remains a challenge** and longer working lives should be promoted. In addition, **adjusting the minimum age for both early and statutory retirement would help** improve long-term sustainability more effectively in the context of an ageing society. Introducing an automatic link between the statutory retirement age and gains in life expectancy in the future could reduce public pension expenditure. Such a reduction is estimated to 2.4 percentage points of GDP in 2016-2070, thus offsetting the increase that would be the result of an unchanged policy.

2. **Shift taxes away from labour** to sources ~~more supportive~~ **less detrimental** for inclusive and sustainable growth. Support full-time **employment among women**, including by improving **childcare** services, and boost **labour market outcomes for the low skilled, in cooperation with the social partners**. **Raise the levels of basic skills** for disadvantaged groups, including people with a migrant background.

(2) As a Member State whose currency is the euro and in view of the close interlinkages between the economies in the economic and monetary union, Austria should ensure the full and timely implementation of the 2019 Recommendation for the euro area, as reflected in recommendations (1) to (3) below. In particular, focusing economic policy related to investment in the specified areas will help address the second euro area recommendation as regards supporting investment, while the recommendation to shift taxes away from labour addresses the third euro area recommendation regarding functioning of the labour market.

(11) Austria's **tax structure is characterised by a high burden on labour** (payroll taxes and social security contributions). The burden is set to increase over time, as long as tax brackets are not indexed to inflation. At 55.3% in 2017, the share of labour taxes in total tax revenue was one of the highest in the Union (average: 49.7%). **Recent reforms, such as reductions in social security contributions for low-income earners** and employers as well as the tax relief for working parents provided by the new Family Bonus plus, have **helped lower the labour tax wedge**. There remains scope for shifting the tax mix towards sources that support more inclusive and sustainable growth. In particular, recurrent property taxes are found to be relatively growth-friendly and progressive, as higher-income earners are likely to possess more housing wealth. However, due to a largely outdated tax base, revenue from recurrent property taxes in Austria remains low and well below the Union average. A revaluation of the tax base would help generate more revenue and address fairness issues that arise when land/real estate values are decoupled from market prices. Effective, well-designed wealth-related taxes could also make the tax system fairer, especially against the background of Austria's striking wealth inequality and in the absence of inheritance and gift taxes. Finally, environmental taxes help internalise negative externalities of resource use and polluting activities related to health and climate. In this context, the preferential tax treatment such activities currently enjoy should be reconsidered.

(12) **The labour market is improving; however, the untapped potential of human capital is hampering productivity and long-term growth with changes particularly required for women, low-skilled workers, older workers and people with a migrant background.** Despite an overall high employment rate for women (Austria 71.7% vs. Union 67.4% in 2018), the number in full-time employment remains rather low. Female part-time employment is well above the Union average (Austria 47.6% vs. Union 30.8% in 2018) and is mainly related to insufficient childcare facilities and a high share of women performing unpaid care tasks. The current design of childcare services provision and family-related leave do not sufficiently contribute to equal opportunities for men and women on the labour market. **Further investment in affordable full-time childcare services and all-day schools would help** more women work full-time, better use the labour market potential of women, and improve productivity and long-term inclusive growth. Female part-time employment also explains an important share of the **unadjusted gender pay gap**, which remains visibly above the Union average (Austria 19.9% vs. Union 16.0% in 2017). Other important drivers of this gap are the over-representation of women in low-paid sectors, segregation related to the choice of education, under-representation of women in management and supervisory positions, and career breaks. Overall, the substantial gender gap in pension income (Austria 40.5% vs Union 35.2%, in 2017), is largely the result of these gender-specific income inequalities generated during working life. Moreover, marginally employed people, a majority of whom are women, are not covered by unemployment benefit. High unemployment rates among the low skilled point to underused labour market potential. More than 44% of all unemployed have completed only basic schooling (up to lower secondary school, 'Pflichtschule'). Active labour market policies encouraging more people to work or look for a job, including lifelong learning opportunities, remain crucial for realising the labour potential of workers with a migrant background and low-skilled adults. **The involvement of social partners in the decision-making process for these policies, despite being traditionally strong, has been challenged.**

(13) **Shortages of skilled labour point to the need to invest more in general education and training.** Learning outcomes for disadvantaged students have not improved. A wide performance gap remains between students with and without a migrant background. National testing in 2016 showed that the level of basic skills poses a challenge, as around one-quarter of 8th grade pupils do not or only partially meet educational standards in German. Results for those with a weak socio-economic and/or migrant background have hardly improved in national testing. Recent international testing also confirmed a widening gap in reading for those from a lower socio-economic or migrant background. In the Programme for International Student Assessment, Austrian-born pupils outperform first generation migrants by a level equivalent to almost three years of schooling. Recent education reforms partly undermine previous reform efforts and are not in line with Union and OECD best practice. In this context, the expansion of all-day schooling has slowed, and tracking and streaming in general school is being intensified.

Investment is required to address unequal education outcomes due to socio-economic or migrant background. While Austria performs above average in the Union with regard to the digital skills of its citizens, it is falling behind the top performing countries. There is a growing lack of skilled IT workers in the economy, as increasing demand is not met by a sufficient supply of computing graduates.

## Other relevant information

(18) Structural challenges remain for starting and scaling-up businesses in Austria, and in particular highly innovative companies. **Austria lags behind comparable EU countries as regards employment in fast-growing innovative firms.** This points to a need to improve the conditions for scaling up innovative businesses, which remains hindered by factors such as a venture capital landscape that is less developed and diverse than in ‘Innovation Leader’ countries. (...)

## Belgium

(2 out of 4; ALMPs (low-skilled, older workers, migrants), vocational training, pension reform (incl. early retirement age (public sector)), shift tax burden (low income earners/ second earners))

1. (...) Continue reforms to ensure the fiscal sustainability of the long-term care and **pension systems, including by limiting early exit possibilities from the labour market.** (...)

(8) In its 2019 Stability Programme, Belgium confirms the request of its 2019 Draft Budgetary Plan to avail itself of the flexibility under the preventive arm pursuant to the “Commonly agreed position on Flexibility within the Stability and Growth Pact” endorsed by the Council on 12 February 2016. Belgium requested a temporary deviation of 0.5% of GDP from the adjustment path towards the medium-term budgetary objective in view of the **implementation of major structural reforms** with a positive impact on the long-term sustainability of public finances. The structural reforms refer to **a pension reform, a “tax shift”, a reform of corporate income taxation, a labour market reform as well as a reform of the public administration.** The Commission 2019 spring forecast confirms that Belgium respects the minimum benchmark in 2019, providing a safety margin towards the 3%-of-GDP deficit threshold. **All the measures have now been fully legislated, with the exception of the reform of the public administration.** Given their nature, and particular the tax shift and its corporate income tax reform, there are still uncertainties surrounding their short-term impact, particularly given its non-budgetary neutral nature, which has worsened the budgetary position. Nevertheless, the measures have enhanced the economy’s growth potential, lowered the unemployment rate and reduced the risks of macroeconomic imbalances, thereby having a positive impact on debt sustainability in the medium to long term. On this basis, Belgium can currently be assessed as qualifying for the requested temporary



deviation of 0.5% of GDP in 2019, provided that it adequately implements the agreed reforms, which will be monitored under the European Semester.

(10) (...) The medium- and long-term sustainability of Belgium's public finances continues to be at risk due to the combination of a high debt-to-GDP ratio and the projected rise in ageing costs, in particular those linked to pensions and long-term care. **A set of pension reforms was legislated in 2015, leading to an increase of the statutory retirement age from 65 to 66 years as from 2025 and to 67 as from 2030. Moreover, age and seniority requirements to benefit from early retirement were also made stricter.** Nevertheless public expenditure on pensions would still increase by 2.9 percentage points of GDP by 2070, mostly during the next two decades. Furthermore, **early retirement conditions for several large groups of civil servants remain more favourable than the standard conditions.** (...)

2. Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low skilled, older workers and people with a migrant background. Improve the performance and inclusiveness of the education and training systems and address skills mismatches.

(13) Recent economic growth has resulted in jobs growth and employment is at the highest level in the past ten years. Nevertheless, **transitions from inactivity or unemployment to employment remain low** and Belgium is not on track to achieving its Europe 2020 employment target of 73.2%. **Strong regional disparities in the labour market persist. Despite a steady decline over the last five years, youth unemployment is well above the Union's average in Brussels. Labour market participation is low for the low-skilled, people with a migrant background, older workers and people with disabilities,** suggesting that both structural and group-specific factors hinder their integration in the labour market, while existing activation measures are not equally effective for all population groups. **The employment rate of older workers (55-64 years) remains below the Union average** and the gap with the Union average continues to increase for those over 60 years. People with a migrant background, in particular women, continue to experience higher unemployment, lower activity rates, higher in-work poverty and over-qualification. While some measures have been taken to support the integration of newly arrivals and to tackle discrimination, a coordinated approach to address the challenges faced by people with migrant background is still lacking. To address low labour market participation, measures have been taken as part of the 'Jobs Deal' reform, but their impact remains to be assessed.

(14) Important financial disincentives to take up employment remain. **Although the tax shift reduced the labour tax wedge, it remains on average high at all wage earners, except for the very low wage earners (50% of the average wage).** Belgium remains the **only Member State in which unemployment benefits are not limited in time,** though they gradually fall. There are financial disincentives for beneficiaries of sickness and disability schemes and second earners to take up full-time

employment. **In particular, single parents (and to a lesser extent couples with children) face limited financial incentives to take up (full-time) employment due to a combination of costs and withdrawal of benefits.** Moreover, coordination problems may arise due to the split of responsibilities for the social protection between the federal, regional and local levels. **The social security system does not formally cover the self-employed for unemployment benefits, accidents at work and occupational diseases all people in employment and some lack social protection coverage.**

(15) The decline in educational performance and the existence of significant disparities in the **education system remain a concern.** The percentage of young people not mastering basic skills can be improved in particular in the French Community where the share is above the OECD average. The gap in educational outcomes due to socio-economic and migration background is high. Teachers need more support to deal with diversity and there remains a need to adapt teachers' continuous professional development. Reforms to improve educational outcomes and to tackle disparities need to be stepped up to boost knowledge-intensive, sustainable and inclusive growth and social inclusiveness. The implementation of the 'Pact for Excellence', the French Community's flagship school reform to improve basic skills, efficiency, governance and tackle inequalities, is progressing. Decrees on the organization of work of teachers, on the common core school curriculum, on the status of school directors and the reinforcement of the knowledge of French for newcomer pupils have been adopted and will be applicable as from September 2020. The Flemish Community is implementing some reforms in secondary education as of 2019/2020, but early tracking of pupils remains a concern. The impact of these reforms and measures will also depend on their effective implementation and monitoring. The federal Parliament has also lowered the age of compulsory education from six to five years. Given the already high spending levels on education, **reforms will need to be implemented with a stronger focus on increasing the efficiency and effectiveness of the system, and its capacity to deliver future-oriented and labour market relevant competences.**

(16) **Skills mismatches and low job mobility hamper job and productivity growth.** Despite several regional and federal measures taken to address skills shortages and increase activation, including as part of the 'Jobs Deal Reform', labour shortages are observed in several sectors, in particular in information and communication technologies, construction and health. The growth of the construction sector is held back by lack of skills and labour shortages. **There are important needs in terms of re-skilling and upskilling the labour force in some sectors.** Adult participation in education and training and job mobility are also low. Poor linguistic skills are an important issue, in particular in Brussels, where around 50% of job offers require the knowledge of both French and Dutch, according to the 2019 National Reform Programme. Tertiary education attainment is high, but there are too few graduates in science, technology, engineering and mathematics (STEM). In 2016, Belgium ranked 26th in the Union for tertiary graduates in



STEM education with a low rate of new entrants to related tertiary education fields, in particular for women. The overall implementation of the “STEM Action Plan 2012-2020” in Flanders shows progress, but the number of STEM secondary graduates in technical and vocational paths has stagnated since 2010. The French Community has no STEM policy strategy and still needs to implement its recently adopted “Strategy for Digital Education” plan for schools. Shortages of professionals with an entrepreneurship knowledge in science, technology, engineering and mathematics holds back the development of start-ups. The overall level of digital skills is good, but not improving. The 2019 National Reform Programme highlights the agreement between Flanders and the Brussels-Capital Region ~~Wallonia~~ to improve inter-regional labour mobility.

### Other relevant information

(20) In spite of government efforts, the regulatory and administrative burden on firms remains heavy and weighs on entrepreneurship. Taxation has been alleviated for start-ups and small companies, but remains complex for financial investments. **Belgium has reformed its company law code**, reducing the number of legal forms for companies, facilitating legal electronic communication, reducing minimum capital requirements and, according to the 2019 National Reform Programme, reforming the insolvency law to include in particular liberal professions. (...) **Impact assessment could be better integrated in the policy-making process.** (...)

(21) (...) The 2019 National Reform Programme highlights that the **reform of economic law to improve compliance of competition law** and the functioning of the Belgian Competition Authority by making procedures more efficient and reduce the risk of further disputes before the ‘Cour des Marchés/Marktenhof’ **has been adopted. The Belgian Competition Authority has limited resources compared to the resources of competition authorities of other Member States.**

### Bulgaria

(2 out of 4; undeclared work, ALMPs (amongst others young persons, incl. trainees/apprenticeships), (adequacy of) social protection/assistance, minimum wage setting, early school leaving, public sector reform, social dialogue)

1. Improve tax collection through targeted measures in areas such as fuel and labour taxes. Upgrade the State-owned enterprise corporate governance by adopting and putting into effect the forthcoming legislation.

(6) Tax revenues and tax compliance are improving and a number of initiatives are in place. However, **tax collection does not seem to be improving everywhere at the same pace. This is particularly the case for labour-related taxes and social security contributions** and in some categories

of excise taxes. There is also evidence that **undeclared work** and illicit trade in fuels **remain a challenge**. Maintaining the efforts to improve tax collection and taking additional targeted measures to face the challenges in specific areas of the tax system is of paramount importance for reducing further the still large shadow economy.

(8) **State-owned enterprises suffer from weak corporate governance**, which is also to a large extent reflected in their economic performance. **A reform of the legal framework** for the corporate governance of State-owned enterprises **is under way in cooperation with the Organisation for Economic Co-operation and Development (OECD) and with the support of the Commission's Structural Reform Support Service**. The reform aims to address the current weaknesses by aligning the national legislation with the OECD's corporate governance guidelines for state-owned enterprises. The adoption and effective implementation of the framework will ensure the continuity and will be critical for the success of the reform.

4. Strengthen employability by reinforcing skills, including digital skills. Improve the quality, labour market relevance, and inclusiveness of education and training, in particular for Roma and other disadvantaged groups. Address social inclusion through improved access to integrated employment and social services and more effective minimum income support. (...)

(17) The **labour market has improved but challenges remain**. The employment rate has reached the highest level since Bulgaria joined the Union and the unemployment rate is below the Union average. Despite these positive developments, some groups such as the low-skilled, **young people**, Roma and people with disabilities still face difficulties to find work. Specific measures are being implemented to support the long-term unemployed, who represent 3 % of the active population in 2018. A combination of effective and sustained outreach measures, active labour market policies and **integrated employment and social services could improve disadvantaged groups' employability and chances of finding work**.

(18) Bulgaria's **increasing skills shortages warrant significant investments**. **Young people** might be **more employable if the quality and effectiveness of traineeships and apprenticeships were improved**. Moreover, the participation in **upskilling and reskilling measures among the adult population is very low**. Despite measures launched to encourage the development of digital skills, Bulgaria's level of basic digital skills (29% of individuals possess basic digital skills against an Union average of 57%) remains among the lowest in the Union.

(19) **Despite the ratification of the International Labour Organization's Convention concerning Minimum Wage Fixing** and of several rounds of negotiations during 2018, employers and trade unions still have diverging views on the criteria to be applied when setting the minimum wage. There is scope for greater consensus about an objective and transparent wage-setting mechanism. Meanwhile, **although the involvement of the social partners in the design and implementation of policies**

**and reforms seems to have increased, continuous support for a reinforced social dialogue remains necessary.**

(20) **Educational outcomes are still low** and continue to be strongly influenced by parents' socio-economic status. This reflects challenges relating to the quality and inclusiveness of the education and training system. Bulgaria invests insufficiently in education, particularly in pre-primary and primary education, two areas that are instrumental to creating equal opportunities from an early age. Participation in quality early childhood education and care is low, in particular for Roma and children from other disadvantaged groups. The rate of **early school leaving is still high**, with negative consequences for future employability and labour market outcomes. The **labour market relevance of vocational education and training and the availability of dual vocational education and training remain insufficient**. While some measures are underway, further efforts are needed to ensure that the skill set of higher education graduates can address short- and mid-term skills shortages in a consistent way. Some measures to retrain teachers and make the profession more attractive have been put in place. However, initial and continuous education programmes for teachers require further strengthening and **efforts are still needed to improve the working conditions of education staff**.

(21) Bulgaria is **still facing high income inequality and risk of poverty or social exclusion**. Though decreasing, the rate of poverty or social exclusion in 2018 was 32.8 %, still well above the Union average. **The social security system does not cover all people in employment and the social protection system is insufficient to tackle the significant social issues**. This reflects the low level of social spending, the uneven availability of social services across the territory and the limited redistributive effects of the taxation system. In 2018, the income of the richest 20 % of population was 7.7 times higher than that of the poorest 20 %, still one of the highest in the Union. Despite some measures, the **adequacy and coverage of the minimum income remain limited** and an objective mechanism for regularly updating it is still missing. **Social services are hampered by low quality and lack of an integrated approach towards active inclusion**. Disparities in access to social services, healthcare and long-term care persist. This undermines their ability to provide comprehensive support for the most vulnerable, such as the Roma, children, the elderly, persons with disabilities and people living in rural areas. Part of the population has difficulty getting access to affordable housing. More efforts are therefore needed to foster active inclusion, promote the socio-economic integration of vulnerable groups including the Roma, enhance access to quality services and address material deprivation.

#### Other relevant information

(16) **Public administration** and e-government **reforms continue to be slow** and are yielding insufficient improvements while the business

environment remains weak. A number of reform measures have been adopted, but their practical implementation is lagging behind. Institutional shortcomings, **regulatory uncertainty**, corruption, and an **insufficient labour supply remain among the main obstacles** to investment. Governance in the public sector could benefit from more transparency, clearer rules and a long-term perspective. (...)

## Croatia

(1 out of 4; (early) retirement/pension reform, female workers participation (incl. childcare), social protection/assistance benefits, vocational training (incl. work-based learning), HR management in public administration (incl. wages), social dialogue)

2. Deliver on the education reform and **improve both access to education and training at all levels and their quality and labour market relevance**. Consolidate social benefits and improve their capacity to reduce poverty. Strengthen labour market measures and institutions and their coordination with **social services**. In consultation with the social partners, **introduce harmonised wage-setting frameworks across the public administration and public services**.

(9) The **wage-setting framework lacks consistency across the public administration and public services**, which affects equality of treatment and hinders central control over the public wage bill. New legislation on wage setting for civil servants has been postponed several times. The aim of the law is to achieve greater harmonisation across the public administration through the introduction of common wage grids and job complexity coefficients, based on more consistent job descriptions and competence frameworks. Croatia has a social dialogue framework, but the **social partners express concerns that the working methods and procedures hinder real dialogue**. The fragmentation of the trade unions also weakens the effectiveness of social dialogue.

(10) In 2018, the unemployment rate continued its rapid decline. **Youth unemployment** also decreased considerably, but **remains high**. However, activity and employment rates in Croatia remain low, with **early retirement and care responsibilities playing an important role in inactivity**. Access to employment needs to improve, for example by anticipating and providing appropriate skills. Many drivers of inactivity are still present and the current measures to help people enter the labour market appear to be insufficient. The capacity of labour market institutions remains limited and **cooperation between employment services, social services and other relevant stakeholders is weak**. An important package of pension system reforms entered into force in 2019. The main objectives of the reform are threefold: i) to address design inconsistencies, which have resulted in unfair treatment of certain cohorts of pensioners; ii) to improve the adequacy of the pension system by extending working lives; and iii) to strengthen the institutional setup and performance of the second pension pillar.

(11) Socio-economic differences are an important determinant of educational attainment in Croatia. The country **performs below the Union average when it comes to** education, in particular early childhood education and care, basic skills, tertiary educational attainment, **adult participation in learning, and the labour market relevance of vocational education and training**. Croatia is implementing the curricular reform as a pilot project, but the reform will achieve its full potential only if it is implemented in full and accompanied by training of teachers.

(12) Despite still relatively high unemployment, labour shortages are affecting some sectors of the economy, mainly because of **skills gaps**. Improving digital skills could raise productivity and close some skills gaps. The **limited labour market relevance of vocational education and training** contributes to low employment rate among graduates. Student participation in programmes that include **work-based learning** is low. The establishment of the Regional Centres of Competences and the experimental programme in dual education should improve the quality of vocational education and training and facilitate the identification of skills needs. **Participation in adult education programmes**, offered as part of measures to help people find work or training, **is low**. This is especially true of those most in need of education, such as low-qualified and unemployed persons.

(13) The **proportion of the population at risk of poverty or social exclusion is declining, but remains above the Union average**. This risk mainly concerns the **elderly and people with disabilities**. The **capacity of social benefits** to reduce poverty **remains weak compared to the Union average**. The authorities have taken steps to improve the recording of social benefits provided at the local level by harmonising their classification. This should result in a better overview of the benefits provided across the territory, which could then be used to **improve the effectiveness of the social protection system** in reaching those most in need.

## Other relevant information

(18) Measures to improve corporate governance in State-owned enterprises have slowly progressed. A new Code of Corporate Governance was adopted and mid-term planning and performance reporting were mandated. Still, the combination of State-owned enterprises' heavy presence in many sectors and their low profitability and weak productivity continue to weigh on the economy. In 2018, the list of companies of special interest was further reduced and more companies are now formally eligible for sale, but there is no clear privatisation strategy in place. The authorities' efforts appear to focus on disposing of the large remaining stock of minority shares and activating non-productive assets. (...)

## Cyprus

(4 out of 5; public sector (wages), ALMPs (young persons (NEETS)), public employment services, vocational training, childcare)

1. Adopt key legislative reforms to **improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of State-owned entities and local governments.** (...)

(7) On 5 June 2019, the Commission issued a report prepared in accordance with Article 126(3) of the Treaty, as, based on notified data, the headline deficit was in breach of the 3%-of-GDP Treaty reference value in 2018. The report concluded that further steps leading to a decision on the existence of an excessive deficit should not be taken. **Inefficiencies in the public administration and local governments remain a challenge** despite some progress with e-government services. This has an impact on the business environment. Key legislative proposals to address the issue remain pending. These include **draft laws on the reform of the public administration and of local governments.** Shortcomings in the governance framework for State-owned entities might facilitate the build-up of public contingent liabilities and hinder investment capacity in key utilities, such as telecoms and energy. The **containment of the public-sector wage bill, which has been a significant factor in fiscal consolidation in Cyprus, warrants continuation.**

2. (...) **Strengthen the supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension-funds supervisors.**

(9) (...) **The governance and administrative capacity of insurance and pension fund supervisors remains weak.** The integration of these supervisors should be swiftly finalised. More generally, the supervisory framework for the capital markets has to be strengthened, given the relatively sizeable cross-border activities of the non-bank financial services companies and the exponential growth of licensed firms in recent years.

3. Complete reforms aimed at **increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people.** Deliver on the reform of the education and training system, including teacher evaluation, and **increase employers' engagement and learners' participation in vocational education and training, and affordable childhood education and care.** (...)

(2) As a Member State whose currency is the euro and in view of the close interlinkages between the economies in the economic and monetary union, Cyprus should ensure the full and timely implementation of the 2019 Recommendation for the euro area, as reflected in recommendations (1) to (5) below. In particular, (...) **measures to improve skills will help address the third euro-area recommendation as regards** fight against aggressive tax planning and **functioning of the labour market,** (...).

(10) Employment is rising, unemployment is falling and the public employment services short-term capacity to facilitate active support to employment



has been improved. However, **the long-term sustainability of public employment services' capacity is still an issue**, as the additional staff was recruited for only two years. In 2018 the **proportion of young people not in education, employment or training was among the highest in the Union**. The low efficiency of the public employment services and their limited rollout and participation in activation for helping people find work remain a challenge. Therefore, there is **scope for reinforcing the outreach and activation support for access to employment, in particular for young people and the long-term unemployed. This includes promoting self-employment** and the social economy as well as modernising labour market institutions and services to help people gain skills that better match labour market needs.

(11) **Skills shortages and mismatches are among the main obstacles to business investment**, highlighting the need to invest more in training of unused and under-used labour potential, better aligning education curricula to labour market needs, and investing in matching vocational education infrastructure. **Progress on crucial education and training reforms**, such as improving the appointments and evaluation of teachers, **is uneven**. Educational achievements remain low as does participation in early childhood education and care which has become less affordable for households as their income during the crisis fell at a faster rate than **childcare** costs. Continuing efforts to modernise the education and training system at all levels will help to improve educational outcomes and increase the potential for sustainable growth in Cyprus. Revising the vocational and training curricula is a promising step in reducing the skills mismatches in the labour market. However, prevalent skills mismatches for tertiary graduates and low participation in adult learning, especially of the low qualified, indicate the need for enhanced upskilling and reskilling measures.

4. **Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within Cyprus. (...)**

(15) Investing in the digital economy and in **improving workers' digital skills is essential for bolstering productivity**. Cyprus ranks in the low end in the European Commission's 2019 Digital Economy and Society Index (DESI). Only 50% of Cypriots between 16 and 74 years have basic digital skills and ICT specialists still represent a lower proportion of the workforce compared to the Union (2.3% vs 3.7%), hampering the potential of the digital economy. There is a low level of online interaction between public authorities and citizens, with only 50% of Cypriots interacting online. E-commerce is improving but it is still below the Union average.

## Other relevant information

(19) Persisting inefficiencies in the justice system continue to affect contract enforcement and prevent the swift resolution of civil and commercial cases and the investigation of serious crimes. (...) A series of reforms have started to address the most critical problems in the justice system, in particular the outdated civil procedures rules, the low specialisation and digitalisation of courts, the clearance of the large backlog of cases and **the lack of lifelong training for judges**, but progress remains slow. (...)

## Czech Republic

(2 out of 3, ALMPs (in particular improve public employment services and activation of women (incl. via more childcare facilities, reduce parental leave), pension reform (retirement age))

### 1. Improve long-term fiscal sustainability of the pension and health-care systems. (...)

(6) Czechia faces medium risks for fiscal sustainability of public finances in the long term, mainly due to the costs of ageing. Pension expenditure is the main factor negatively affecting long-term sustainability, as it is expected to grow by around 2 percentage points of GDP by 2070. **Long-term risks stem from unfavourable demographics combined with the capping of the statutory retirement age at 65 years.** As a result, the old-age dependency ratio, comparing elderly people with the active population almost doubles, reaching approximately 50% in 2070. Recent measures improve the adequacy of pensions. **Alongside a more generous indexation of pension benefits, the government increased the basic pension amount and topped up pensions for older pensioners. However, these steps are not accompanied by policies that would improve sustainability.** For example, the **alignment between gains in life expectancy and the statutory retirement age is not automatic.** Currently, any change to the retirement age (statutory and early retirement) needs to be proposed by the government and approved by the Parliament. Such measures can also be combined with labour market policies that support longer working careers and the participation of underrepresented groups. (...)

### 2. Foster the employment of women with young children, including by improving access to affordable childcare, and of disadvantaged groups. Increase the quality and inclusiveness of the education and training systems, including by fostering technical and digital skills and promoting the teaching profession.

(9) Czechia is enjoying **strong labour market performance.** Employment has risen steadily over the past seven years and unemployment has fallen considerably. Nonetheless, **the labour market potential of women with young children, the low-skilled and people with disabilities remains underutilised.** Against the background of labour shortages, there is clear scope for increasing their labour market participation. **The employment gap and the gender pay gap remain high despite** recent measures that have made parental leave more flexible and increased the number of



childcare facilities. The employment rate among women remains well below that of men. **Low availability of affordable childcare, long parental leave entitlements, low use of flexible working arrangements** and the lack of long-term care facilities still have a major impact on labour market participation. In 2017, only 6.5% of children below the age of three were in formal childcare (compared to the Union average of 34.2%). Although the low-skilled make up a small proportion of the population, their employment rate is well below that of the medium- and high-skilled. Similarly, the employment rate of people with disabilities remains low. Due to limited capacity, **public employment services currently fall short of providing jobseekers with personalised, continuous support**. Increasing the outreach and activation capacities of public employment services, together with effective and well-targeted active labour market policies would help boost the participation of disadvantaged groups.

(10) Labour and demographic constraints in a manufacturing-intensive economy **warrant more investment in education and training, including for employed adults**, to ensure the country meets the challenges brought about by structural changes in the economy, such as future technological changes. **Qualitative skills mismatches, including those due to future automation and robotisation, could arise**, notably in the digital sector. The new jobs will require new competences and significant investment, particularly in higher vocational technical skills and digital skills, expected to be needed following the automation of current mechanical jobs. Although various initiatives to introduce a comprehensive skills strategy have taken place over recent years, these have not yet grown into a genuine comprehensive system.

(11) Education outcomes continue to be strongly affected by the socioeconomic background of students. A reform to make education more inclusive was introduced in 2016 with the support of the European Social Fund. Its success will depend on the availability of sufficient and sustainable national funding, further teacher and teaching-assistant training, and an increase in public awareness of the benefits of inclusive education. While positive overall, the impact of the inclusive education reform on the participation of Roma children in mainstream education remains limited. Low investment, the limited attractiveness of the teaching profession and socio-economic inequalities are holding back the level of education attained. **There is a shortage of teachers due to low job prestige, low salaries compared to other professions despite recent increases, and limited career development opportunities**. The teaching profession remains relatively unattractive for talented young people. Given this, the shortages of qualified teachers combined with expected unfavourable demographic developments indicate that it could become more challenging to recruit and retain teaching staff in the future.

## Other relevant information

(5) Czechia is currently in the preventive arm of the Stability and Growth Pact. (...) **Risks to the achievement of budgetary targets seem broadly balanced, with expected further growth in public wages and social transfers contrasting with a small reduction in total revenues as a share of GDP.** (...)

(8) Despite slight improvements, corruption remains a concern for businesses and may hinder economic activity. (...) However, the **proposals on protection of whistleblowers** and on lobbying **have not yet been adopted.**

(14) **Administrative and regulatory burden may be hampering investment.** Many Czech firms see the administrative and regulatory burden as a major obstacle to investment. Fast-changing legislation and complex administrative procedures remain major obstacles to doing business. The cost of enforcing contracts, **frequent changes to the tax and labour regulations** and difficulty in obtaining construction permits are potentially discouraging investment in the country. The degree of administrative burden also varies substantially among the regions. Recent proposals aim to reduce the complexity of planning procedures, particularly for large infrastructure projects. Furthermore, the **government is preparing to draft a new construction law by 2021, with the involvement of social partners.** (...)

## Denmark

(1 out of 2; ALMPs (incl. young workers))

1. **Focus investment-related economic policy on education and skills**, research and innovation to broaden the innovation base to include more companies, and on sustainable transport to tackle road congestion.

(7) **Ensuring the supply of labour in times of demographic and technological changes and addressing labour shortages, in particular of skilled workers and ICT specialists, is key** to fostering sustainable and inclusive growth in Denmark. Reforms and investments improving the attractiveness and thereby increasing the participation rates in vocational education and training is likely to have a positive impact on the supply of skilled workers. **Continuous investments in adult and life-long learning and digital skills could also help** in addressing this challenge. Furthermore, it would be beneficial to focus on a better integration of marginalised and disadvantaged groups on the labour market. This relates **in particular to young people with low educational attainment**, people with a migrant background, people with reduced work capacity and disabilities. In addition, the educational performance of children with a migrant background remains a challenge.

## Other relevant information

(5) Denmark is currently in the preventive arm of the Stability and Growth Pact. (...) Based on the Commission 2019 spring forecast, the structural balance is forecast to register a surplus of 0.9% of GDP in 2019 and 1.0% of GDP in 2020, above the medium-term budgetary objective. **Risks relate to revenue shortfalls from volatile components, particularly the pension yield tax.** (...)

## Estonia

(1 out of 3; access to and quality of social services, adequacy of social benefits, gender pay gap, parental leave, social dialogue)

2. Address skills shortages and foster innovation by improving the capacity and labour market relevance of the education and training system. Improve the adequacy of the social safety net and access to affordable and integrated social services. Take measures to reduce the gender pay gap, including by improving wage transparency.

(10) **Skills shortages and mismatches are among the main obstacles to business investment** and limit greater productivity gains. In recent years, Estonia has implemented comprehensive reforms but labour market trends and the decrease in the working-age population present long-term challenges to the education and training system. These challenges include a **still high rate of early school leaving**, incomplete reorganisation of the school network; the **insufficient labour market relevance of higher education and vocational education and training**; and the challenges linked to the **ageing of teachers and the low attractiveness of the profession**. Although participation in adult learning is improving, **the upskilling and reskilling of the workforce is not occurring fast enough** to keep up with labour market trends. The insufficient capacity to innovate is at the centre of the identified skills needs. In spite of the high percentage of information and communication technology specialists, **there is limited digital skills** training provided by enterprises. Improving the labour market relevance of the education and training system, including by investing in career guidance, **tackling early school leaving** and better anticipating skills needs, would help ensure that people are equipped with the rights skills. In addition, **enhancing the working conditions of teachers**, the quality of teaching and the education policies in response to demographic and economic trends would strengthen the capacity of the education and training system.

(11) Despite improvements, poverty, **social exclusion and income inequality remain high, particularly among older people**. Around 42% of those aged 65 and above were at risk of poverty and social exclusion in 2017 compared to the Union average of 15%. **Social benefits are still not effective in reducing poverty and the social safety net is weak**. The **provision of good quality and affordable social services is hampered** by the weak coordination between the health and social care

services and by the wide variation in municipalities' ability to identify the needs for social services and deliver them. Individuals also have to cover a large part of the costs of the services provided by the authorities. Estonia's public spending on long-term care was less than half of the Union average (0.6% of GDP compared with 1.6% of GDP in 2016). There are no preventive measures or a support system to alleviate the burden on informal carers. The proportion of people with unmet medical needs remains one of the highest in the Union (11.7%) indicating problems with the accessibility and effectiveness of the health care system. **These challenges point to the need to deliver affordable and good quality social and health care services** in an integrated way and to develop a comprehensive long-term care framework. Investments supporting social inclusion, including in social infrastructure, would foster inclusive growth.

(12) The **gender pay gap at 25.6% in 2017 remains among the highest in the Union** and is slightly wider than the previous year. Moreover, the impact of parenthood on women's employment is well above the Union average (25.2 and 9.0% respectively). **Long parental leaves often lead to slower career progression for women.** Women tend to work in lower-paid economic sectors and occupations even though their education level is higher than men's. Recent measures added flexibility to the parental leave and benefit system with a view to facilitating parents' return to the labour market. The use of childcare has been improving. However, factors such as economic activity, occupation, age, job experience or working time explain only part of the gender pay gap, leaving an unexplained gap of 20% against the Union average of 11.5%. Pay transparency could help to better understand the reasons behind this high gender wage gap. **Continued investment in childcare and active labour market measures would help women's employment.** Furthermore, **engaging with the social partners and strengthening their capacity remain important in a broader context.**

## Finland

(2 out of 4; social services, social benefits, employment services, wage setting, ALMP (in particular women (leave systems))

### 1. (...) Improve the cost-effectiveness of and equal access to social and healthcare services.

(6) Finland is currently in the preventive arm of the Stability and Growth Pact. (...) According to the 2019 Stability Programme, the debt ratio will continue to decrease and reach 57.4% of GDP in 2021. It is projected to increase again in 2022 to 57.7% of GDP. The macroeconomic scenario underpinning those budgetary projections appears to be broadly plausible. **The main risks to the budgetary projections relate to the possible larger-than-expected cost of ageing and higher inflation.**

(9) Due to the ageing population and declining workforce, **spending on pensions, health and – especially – social care (long-term care) is**

**projected to increase** in the coming decades. According to the 2018 Fiscal Sustainability Report, the projected increase in ageing costs would require a fiscal consolidation amounting to 2% of GDP to stabilise the debt-to-GDP ratio in the long term. **The preparations for a reform of regional government, health and social services, designed to address these challenges and to ensure equal access and reduce waiting times, was rejected by the Finnish Parliament on 7 March 2019** were discontinued due to the resignation of the Government **on 8 March 2019**. The ratio of self-declared unmet medical needs in Finland remains above the Union average. In particular, people outside the workforce are having difficulties getting the necessary medical care due to long waiting lists.

**2. Improve incentives to accept work and enhance skills and active inclusion, notably through well-integrated services for the unemployed and the inactive.**

(10) Amid a shrinking working-age population and rising levels of vacancies, the **Finnish labour market is tightening**. At the same time, activity and employment rates in Finland are lower than in the other Nordic countries and structural unemployment remains at 7% in 2018. This partly reflects inactivity and unemployment traps hindering a better use of the labour force. **The main barriers to getting people back to work include the complex benefits system and the combination of different types of allowances**. Benefits are phased out rapidly as income increases, which creates the risk that taking up work might not be sufficiently financially rewarding. Uncertainty surrounding the level of benefits and the time to reinstate them reduces the attractiveness of short-term or part-time work. The basic income experiment, the preliminary results of which were published in February 2019, provides some information for revising the social security system to combine benefits more effectively with earnings.

(11) **Investments in active inclusion, especially of groups furthest from the labour market, are necessary to increase the participation rate** now that activity and employment rates are close to pre-crisis levels. Comprehensive reforms aiming at fostering labour market participation could bring about better opportunities in the labour market for some groups. This concerns people with a migrant background, women at childbearing age, low-skilled men, people partially able to work and persons with disabilities. **Some services for the unemployed and inactive are dispersed among separate authorities and providers**. Helping these groups to join and remain in the labour market requires tailor-made and integrated activation and rehabilitation services and policies. **Long caretaking responsibilities for women contribute to the gender employment gap and the gender pay gap. The government initiated a process to reform family leave, but did not carry it through.**

(12) Ensuring the supply of labour in times of demographic and technological change is key to fostering sustainable and inclusive growth in Finland. **Investing in skills, especially those relevant to the labour market, would help meet the challenges** created by structural change in the

economy. Technological change calls for continuous training and reskilling of the workforce through flexible ways of learning, including by focusing on adult learning, education and training. This should increase occupational mobility, reducing skills mismatches and helping to meet future labour market needs.

(15) With a dispersed population, **transport bottlenecks may prevent people from moving to find jobs**. Strategic investment in the transport infrastructure may improve labour mobility and thereby strengthen the functioning of labour markets. (...)

## France

(2 out of 4; pension reform, unemployment/social benefits, ALMP (incl. young workers, NEETS), vocational training), EPL)

1. **Reform the pension system** to progressively unify the rules of the different pension regimes, with the view to enhance their fairness and sustainability.

(15) The **planned pension reform could help to decrease the general government debt** over the medium-term and therefore reduce debt sustainability risks. The budgetary equilibrium of the pension system is highly dependent on macroeconomic assumptions. According to the latest annual report by France's Pensions Advisory Council (Conseil d'orientation des retraites), pension expenditures were at 13.8% of GDP in 2017 and are projected to reach 13.5% in 2022, before remaining in a range between 11.6% and 14.4% by 2070 depending on the growth rate assumed for the evolution of GDP and employment over time. **More than 40 different pension schemes co-exist in France**. These schemes apply to different groups of workers and functions according to different sets of rules. A draft law is expected by the end of the year to progressively unify the rules of these schemes, with a view to simplifying the functioning of the pension system notably to improve its transparency, fairness and efficiency.

2. **Foster labour market integration for all job seekers**, ensure equal opportunities with a particular focus on vulnerable groups including people with a migrant background and **address skills shortages and mismatches**.

(2) (...) Finally, measures to improve employability will help addressing the third euro-area recommendation as regards the functioning of the labour market.

(16) The employment rate continued to increase and reached 71.3% in 2018. The unemployment rate further declined, reaching 9.1% in 2018, but remains well above the Union average (6.8%) and the euro area average (8.2%). **In addition, the French labour market remains highly segmented. Almost 85% of new hires are on temporary contracts and the transition rate to permanent contracts is among the lowest in the Union**. Involuntary part-time work is also very high, at 42.3% of total part-time work in 2018. The planned reform of the unemployment benefit system



(Unédic) is aimed to tackle labour market segmentation by reducing incentives for hiring on very short-term contracts and recalls, and to reduce the debt of the system. Negotiations between social partners on the **unemployment benefits system** took place at the beginning of 2019. The aim was to i) reduce the debt of the system, ii) ~~amend the rules in order to reduce job insecurity and make the rules more conducive for the unemployed~~ review the incentives for the unemployed to take up work, and iii) find an incentive mechanism to reduce incentives to hiring on very short-term contracts. However, social partners did not find an agreement on a new set of rules. The reform is now in the hands of the government, which is committed to ~~finding an agreement~~ announcing which measures will be retained by the summer 2019.

(17) **Labour market conditions for vulnerable groups remain comparatively more difficult than for other groups.** The employment rate for non-Union born people, at 57.5% in 2018 (against 73.1 % of those born in France), is one of the lowest in the Union. Evidence shows that **people with a migrant background** tend to be disadvantaged during the recruitment process. Their geographical concentration in poor neighbourhoods is also a matter of concern. Inhabitants of the most deprived areas (such as *Quartiers prioritaires de la politique de la ville*), including people with a migrant background, continue to face difficulties on the labour market, with an unemployment rate of 24.7% in 2017. Despite some policy action, the impact of socioeconomic and migrant background on educational performance remains high and hampers labour market integration.

(18) **Low-skilled and young people also remain at a disadvantage in the labour market.** The unemployment rate of the low-skilled declined in 2017 for the first time since 2008, but at 16.2% in 2018, it remains well above pre-crisis levels. Youth unemployment (ages 15-24) decreased by 1.6 percentage points in 2018 to 20.7%, but is still well above the Union average of 15.2%. The unemployment rate of low-skilled young people is still very high, at 35.6% in 2018. Effective active support to find employment, including intensive job counselling and recruitment support, access to up-skilling actions, innovative measures to reach out to the most vulnerable **young people not in education, employment or training** and firmer action on discriminatory practices, are all key to fostering equal opportunities on the labour market. The outermost regions are confronted with additional challenges and deserve particular attention.

(19) As labour market conditions improve, several indicators point to **skills mismatches**. While unemployment and under-employment remain high, shortages of skilled workers are increasing, especially in specific sectors. Skill shortages and lack of competencies are key factors explaining unfilled job vacancies. According to data from France's *Pôle Emploi*, in 2017, out of 3.2 million registered job vacancies, 150 000 were cancelled due to the lack of **suitable** candidates. Evidence suggests that, during the crisis and the subsequent recovery, an increase in skill mismatches contributed to unemployment declining at a slower rate and to higher long-term

unemployment. Labour market outcomes of initial vocational education and training are improving. The Government introduced a comprehensive set of actions in 2018 to increase access to initial and continuous training and revise the governance and financing of the vocational education and training system. Complementing these reforms, the skills investment plan (*Plan d'investissement dans les compétences*) aims to train and provide intensive guidance to 1 million young people not in employment, education or training and to 1 million low-qualified jobseekers over the period 2018-2022.

(20) **Overall, the French social protection system is effective** in reducing inequality and poverty. The proportion of people at risk of poverty and social exclusion has further decreased to an historical low of 17.1% in 2017, compared to an average of 22.4% in the Union. **However, income inequality remains well above the pre-crisis level.** Moreover, upwards transition across income quantiles has gone down, especially for the lowest quintile. Some groups, among which **single-parent families** and people born outside the Union face an increased risk of poverty and social exclusion. Counselling for minimum income beneficiaries is not always sufficient, with wide territorial discrepancies. **Further and better coordinated investments in social inclusion**, as envisaged by the national strategy against poverty presented in September 2018, **could help to tackle these challenges.** (...)

### Other relevant information

(28) Other taxes on production continue to weigh on businesses. Taxes on production stood at 3.1% of GDP in 2016, higher than Italy (1.4%), Spain (1.0%) and Germany (0.4%). **Such taxes have different tax bases** (turnover, added value, **salaries**, land and buildings) and can increase the overall cost of production. This could have a negative impact on competitiveness in particular for the manufacturing sector. The 2019 budget law cuts only one tax on production (*forfait social*) levied at national level and worth EUR 660 million per year (once fully implemented in 2020).

### Germany

(2 out of 2, second earners/low income earners, wage setting, shift tax burden, female workers, older workers, pension reform)

1. (...) **Shift taxes away from labour** to sources more supportive for less detrimental to inclusive and sustainable growth. (...)

(2) As a Member State whose currency is the euro and in view of the close interlinkages between the economies in the economic and monetary union, Germany should ensure the full and timely implementation of the 2019 Recommendation for the euro area, as reflected in recommendations (1) and (2) below. **In particular, investment measures and supporting**



**wage growth will help address the first euro-area recommendation** as regards euro-area rebalancing, **and shifting taxes away from labour will help address the third euro-area recommendation for what concerns the functioning of the labour market.**

(15) After some improvements in previous years, there has been **little progress over the past year to reform Germany's tax system** to foster domestic private investment and growth. **The tax system remains complex, distorts decision-making, e.g. on labour market participation**, investment and financing, and could provide more effective incentives for investment and consumption. Most progress was recorded with labour taxation, but this is not yet visible in the data. **There is still potential to reduce distortive taxation on labour through a tax shift away from labour** to sources of revenue more supportive to inclusive and sustainable growth. The taxation of earnings from labour in 2018 (the tax wedge) remained among the highest in the Union, both for average and low-wage earners. Social security contributions of employees are particularly high compared to other countries in an international comparison, and social security contributions overall account for about two thirds of the tax wedge, while income tax accounts for one third. In turn, revenues from environmental taxes as a share of GDP are among the lowest in the Union. The cost of capital and the effective average corporate tax rate, which differ across regions, are among the highest in the Union. The effective average tax rate amounted to 28.8% (national aggregate) as compared with an Union average of 20%. Due to the interplay of the corporate income tax, the local trade tax and the solidarity surcharge, the corporate tax system is complex, involves high tax administration costs and distorts the level and location of investments. In addition, the corporate income tax distorts financing decisions, with a bias towards debt financing, estimated to be the third highest in the Union, according to 2017 data. Lowering the capital costs on equity could increase private investment and strengthen the relatively under-developed venture capital market.

2. Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners. Take measures to safeguard the long-term sustainability of the pension system, while preserving adequacy. **Strengthen the conditions that support higher wage growth, while respecting the role of the social partners. Improve educational outcomes and skills levels of disadvantaged groups.**

(2) As a Member State whose currency is the euro and in view of the close interlinkages between the economies in the economic and monetary union, Germany should ensure the full and timely implementation of the 2019 Recommendation for the euro area, as reflected in recommendations (1) and (2) below. **In particular, investment measures and supporting wage growth will help address the first euro-area recommendation** as regards euro-area rebalancing, **and shifting taxes away from labour will help address the third euro-area recommendation for what concerns the functioning of the labour market.**

(3) (...) Wage growth increased somewhat with the tightening labour market, yet **real wage growth remains modest**.

(16) The **labour market remains strong**, while the labour market potential of certain groups is underused. The employment rate for ages 20-64 reached 79.9% in the fourth quarter in 2018, one of the highest in the Union. Unemployment sank to a record low of 3.2% by the beginning of 2019. High job vacancy rate and labour shortages are becoming increasingly apparent and are restraining production significantly in some regions and sectors. Still, the labour market potential of certain groups, like **women and people with a migrant background, is underused**. At 46.7%, Germany's percentage of female part-time work is very high. Taxes on labour in Germany remain relatively high, including for **lower wage earners**. The particular rules governing joint income taxation for married couples (*Ehegattensplitting*) mute the incentives for second earners to work notably longer hours. People with a migrant background have a considerably lower employment rate than people with a native background, with a particularly high gap for women. Measures have been taken to support the integration of refugees in the labour market, but challenges remain, including their lack of proficiency in the German language, missing or non-transferable qualifications, caring responsibilities towards children and relatives, and lack of experience with informal rules on the German labour market.

(17) The retirement of the baby boomer generation is affecting Germany more than other Member States. In the long-run, this **demographic change** will strain German public finances, **could challenge the adequacy of pensions**, and could degrade the currently limited share of the older population (aged 65 and above) at risk poverty or social inclusion. By 2040, the country is expected to be facing one of the largest increases in spending in relation to GDP on public pensions in the Union (up by 1.9 percentage points of GDP), while the public pension benefit ratio is expected to fall by 4.4 percentage points, to 37.6%, according to the 2018 Ageing Report (European Commission, 2018d). **Recent pension reforms increased benefit levels for certain groups, yet it is not clear that the achieved social benefits are commensurate to their considerable fiscal cost**. The government also set two 'stop lines' (*doppelte Haltelinie*): a maximum pension contribution rate of 20% and minimum income replacement rates of 48% up to 2025. Retaining these limits is expected to require significant fiscal transfers, increasing further the burden on younger generations. In addition, the adequacy of the retirement income of low-income workers remains an issue.

(18) Despite increasing labour shortages, **real wage growth remains modest**, while nominal earnings rose by 3.1% in 2018. In addition, a concentration of employment growth in better paid full-time jobs and a reduction of the share of marginal part-time work in total employment contributed to overall wage growth in 2018, also slightly ahead of productivity growth. **Collective bargaining coverage continued to decline** (by 2 percentage points from 2016 to 2017), to 49% in the west and 34% in the east. There are significant differences in terms of coverage across sectors, with better

coverage in the public sector and industry, while services have a much lower coverage. Low-paid workers have generally benefited from the minimum wage that has been introduced since 2015. Hourly wages at the very bottom of the wage distribution, notably the two lowest wage deciles, increased substantially. **However, the share of low-paid workers, at 22.5% in 2017, remains considerably above the Union average.** The number of people employed only in mini-jobs fell by 6.8% over 2010-2018 and employment subject to social insurance rose by around 18.1% in the same period. **Strengthening the conditions to promote wage growth would support domestic demand and contribute to euro-area rebalancing.**

(19) Upward social mobility in education is low in Germany. National sources confirm little progress in reducing the influence of socio-economic background on educational outcomes. Germany has a good track record of integrating recently arrived migrants and refugees into education and training. However, people with a migrant background typically face bigger challenges than students with a native background (e.g. early school leaving rates and difficulty in finding apprenticeship places). Increasingly heterogeneous classrooms calls for strong efforts to reinforce the teaching profession, at a time of already considerable teacher shortage. **The participation of employees in adult learning is a concern for future labour market performance of workers**, in particular for the 7.5 million people who lack basic reading and writing skills.

(20) Though the number of people at risk of poverty or social exclusion has fallen since its peak in 2014, challenges in equality of opportunities remain. **In particular, the risk of poverty or social exclusion was, in 2017, 67 percentage points greater for the children of low-skilled parents than for the children of highly skilled parents.** This gap is substantially higher than the average gap (53.9 percentage points) in the Union.

## Other relevant information

(13) **Housing in Germany has become less affordable.** (...) The government reacted with certain measures, including a 'price brake' restricting rent increases (*Mietpreisbremse*), a support scheme to buy new property (*Baukindergeld*), as well as a change of basic law to enable the federal level to financially support the construction of social housing. Nevertheless, the completion of new dwellings remains considerably below demand and well below the government target of 375 000 per year. **Further measures may be necessary, such as accelerating the construction of social housing**, improving transport options, as well as reforming land-use and building regulation.

## Greece

(1 out of 2; ALMPs (young and women), social assistance and services, social dialogue)

2. **Focus investment-related economic policy on** sustainable transport and logistics, environmental protection, energy efficiency, renewable energy and interconnection projects, digital technologies, R&D, **education, skills, employability**, health, and the renewal of urban areas, taking into account regional disparities and the need to ensure social inclusion.

(8) (9) (...) Greece made a commitment in the Eurogroup of 22 June 2018 to continue all key reforms adopted under the programme until they are fully completed. **Greece also committed to implementing specific actions related to** fiscal and fiscal-structural policies, **social welfare**, financial stability, **labour** and product **markets**, privatisation **and public administration**. (...)

(11) (12) **Higher investment in education and training is crucial** to improve Greece's productivity and long-term inclusive growth and address barriers to growth in innovative sectors. The Greek education system faces several challenges with inadequate resources, low autonomy, **underachievement in basic (including digital) skills and persisting skills mismatches**. At all levels, accountability and monitoring, which are necessary for quality improvement of the education system, are largely missing. Promoting quality and inclusive education and training, **establishing closer links between education and labour market needs, improving the attractiveness of vocational education and training, and increasing participation in life-long learning are important for underpinning sustainable growth**.

(12) (13) Despite recent improvement, the share of long-term unemployed, which represented 70% of the unemployed in Greece in 2018, is very high, while **high youth unemployment and low labour market participation of women are also a matter of concern**. Interventions should focus on improving employment prospects, promoting labour market participation, and fostering conditions for job creation. **Effective social dialogue and responsible social partnership in Greece can support the environment for the implementation and ownership of sustained reforms**, resulting in a better functioning of the labour market.

(13) (14) Whilst reforms have been initiated, Greece is characterised by **high income inequality** and has the lowest impact of social transfers on reducing the risk of poverty in the Union (15.83% in 2017 versus a Union average of 33.98%). Investments should focus on **enhancing access to inclusive, affordable and high quality social services**, as well as on developing day-care centres. Supporting the most deprived and promoting the social integration of children at risk of poverty, of persons with disabilities, of migrants and refugees, while paying attention to geographic disparities would improve social inclusion in Greece.

## Hungary

(2 out of 4; shift tax burden, low income earners; ALMPs (women, incl. childcare), social assistance and unemployment benefits, early school leaving, social dialogue)

2. Continue the labour market integration of the most vulnerable groups in particular by upskilling, and improve the adequacy of social assistance and unemployment benefits. Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma in quality mainstream education. (...)

(9) **The overall employment rate has improved significantly** amid strong economic expansion **but has not benefited all groups equally**. The **gaps in employment and wages between skills groups and men and women remain wide** in comparison with the Union average. The gender employment gap is wide partly due to the **limited supply of good quality childcare**. Labour market outcomes for various vulnerable groups, including Roma and people with disabilities, are weak. Despite its reduction, the Public Works Scheme, which is not effective in leading participants to the jobs in the primary labour market, remains sizeable. **Other policies to help unemployed or inactive people find work or training are insufficiently targeted. Developing digital skills could help improve employability**. Recent measures are designed to get more retired workers back into jobs and to increase their number over time. Hungary's overall poverty situation has been improving since 2013. The **duration of unemployment benefits is the shortest in the Union**, at a maximum of three months, which is well below the average time needed to find a job.

(10) The share of people at risk of poverty and social exclusion is falling. **There has been a clear shift from social benefits towards work-related family support and in-kind benefits, which are however not sufficiently targeted to the poor**. While home-ownership subsidies have expanded, there has been **no improvement in the supply of social housing**.

(11) Education outcomes are below the Union average and show wide territorial disparities. **Early school leaving is higher** and the tertiary education attainment rate lower **than the Union average**. The education system hinders social mobility. Pupils are streamed early into different types of schools, with wide gaps in education outcomes and employment paths. The proportion of schools with majority Roma participation increased from 10% in 2008 to 15% in 2017. The impact of recent measures targeting the even distribution of disadvantaged pupils across schools is limited by the exemption of non-state schools from the requirement to take disadvantaged pupils. Disadvantaged children tend to be concentrated in vocational secondary schools where poorer levels of basic skills, higher dropout rates and lower pay and career prospects are more prevalent. The low participation of disadvantaged groups, in particular Roma, in quality education is a missed opportunity to build up human capital. The **shortage of teachers also remains a challenge. Teachers' salaries have risen in recent years but are still relatively low**, compared to other tertiary education

graduates. The low number of students participating in higher education is not in line with the strong demand for highly skilled workers and the wage premium of tertiary graduates, which is the highest in the Union. Hungarian higher education institutions have the lowest financial autonomy in the Union. In addition, the April 2017 amendment of the Higher Education Act, which set additional requirements for international universities to operate in Hungary, raised further concerns over academic freedom. In 2018, the internationally highest ranked Hungarian university signalled its intention to leave the country because of the regulatory uncertainty created by this amendment.

4. (...) **Improve the quality and transparency of the decision-making process through effective social dialogue** and engagement with other stakeholders and through regular, appropriate impact assessments. Continue simplifying the tax system, while strengthening it against a risk of aggressive tax planning. (...)

(19) Hungary's **social dialogue structures and processes remain underdeveloped and do not allow for meaningful involvement of the social partners in policy design and implementation**. The deficiencies in stakeholder engagement and limited transparency undermine the evidence base for, and the quality of policymaking. This results in frequent and unpredictable changes in regulations and discourages high-value-added investments.

(20) Measures have been taken to further improve the tax system but some challenges remain. The **tax burden on labour has decreased but remains high for low-income earners**. Sector-specific taxes and a large number of small taxes complicate the tax system and raise compliance costs, in particular for smaller firms.

## Ireland

(2 out of 3; shift tax burden, pension reform, ALMPs (work-based learning), childcare)

1. Achieve the medium-term budgetary objective in 2020. Use windfall gains to accelerate the reduction of the general government debt ratio. Limit the scope and number of tax expenditures, and **broaden the tax base**. Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments. Address the expected increase in age-related expenditure by making the healthcare system more cost-effective and by **fully implementing pension reform plans**.

(9) Public finances have further improved on the back of robust output growth, but the risks of revenue volatility remain, and there is scope for making revenue more resilient to economic fluctuations and adverse shocks. Limiting the scope and number of tax expenditures and **broadening the tax base would improve revenue stability** in the face of economic volatility. (...)



(12) **Despite past government efforts to contain spending on public pensions, the overall deficit of the pension system is expected to grow significantly** in the long term as a result of pension expenditure rising from 5% of GDP in 2016 to 6.6% in 2070, with a peak of 7.5% in 2053. A full and timely implementation of the presented roadmap for pension reform is key to making the Irish pension system more fiscally sustainable.

## 2. (...) Increase access to affordable and quality childcare.

(13) **Increased investment in skills, education and training as well as in social inclusion are essential** for improving Ireland's productivity and long-term inclusive growth. The tightening labour market and the emerging skills shortages and mismatches in certain sectors call for efforts to reach out to inactive groups of potential workers and to invest in under-tapped human capital. There is **scope for promoting upskilling and better aligning education curricula and vocational training to labour market needs**. The low percentage of the workforce with basic digital skills calls for **further investment in workplace based training** and upskilling of the adult workforce. **Investing in access to quality and affordable childcare** and rolling out the National Childcare Scheme will help increase women's rather low employment rate. The participation rate of people with disabilities in the labour market is among the lowest in Europe. The **number of people living in households with low work intensity remains one of the highest in the Union**, highlighting the scope for more integrated and targeted activation strategies to support this particular group.

## Other relevant information

(14) Years of low investment after the economic bust are taking their toll on the **availability of affordable and social housing** and of appropriate infrastructure in the areas of clean transport and energy, water and ultrafast broadband, which in turn pose barriers to business investment. (...)

(16) (...) **A large number of social homes are under-occupied**, notably in the Dublin area, in part due to outdated succession practices. The inadequate mix in the types of social houses provided together with the very limited amount of affordable and cost-rental accommodation are factors further aggravating the situation. This ~~has resulted in~~ is a major reason for a steady rise in the number of people and families living in emergency accommodation with homelessness figures reaching new highs in February 2019.

## Italy

(3 out of 5; shift tax burden on labour, undeclared work, pension reform (incl. early retirement), public administration reform, ALMPs (young workers (incl. apprenticeships), female workers participation (incl. childcare and second-earners, employment services, social services and benefits, vocational training, early school leaving)

1. Ensure a nominal reduction of net primary government expenditure of 0.1% in 2020, corresponding to an annual structural adjustment of 0.6% of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. **Shift taxation away from labour**, including by reducing tax expenditure and reforming the outdated cadastral values. Fight tax evasion, especially in the form of omitted invoicing, including by strengthening the compulsory use of e-payments including through lower legal thresholds for cash payments. **Implement fully past pension reforms** to reduce the share of pensions in public spending and create space for other social and growth-enhancing spending.

(2) As a Member State whose currency is the euro and in view of the close interlinkages between the economies in the economic and monetary union, Italy should ensure the full and timely implementation of the 2019 Recommendation for the euro area, as reflected in recommendations (1) to (5) below. (...) **measures to improve employability and shift the tax burden away from productive factors will help address the third euro-area recommendation as regards the functioning of the labour market, (...).**

(11) Italy's tax system continues to weigh heavily on the factors of production, to the detriment of economic growth. The **high tax burden on labour** and capital discourages employment and investment. **The 2019 budget has slightly lowered taxation on self-employed workers.** However, it has also temporarily raised the tax burden on firms ~~on balance~~ at aggregate level in particular on financial institutions. Tax bases less detrimental to growth, such as property and consumption, are underused, leaving room to shift the tax burden away from labour and capital in a budgetary neutral way. (...)

(12) **Italy's expenditure on pensions, at around 15% of GDP in 2017, is among the highest in the Union**, and is expected to increase in the medium term due to the worsening old-age dependency ratio. **The 2019 budget and the decree law implementing the new early retirement scheme in January 2019 backtrack on elements of past pension reforms, worsening the sustainability of public finances in the medium term.** These new provisions will further increase pension expenditure in the medium term. Between 2019 and 2021, **the new early retirement scheme ('quota 100') will allow people to retire at age 62 if they have paid 38 years of contributions.** In addition, the scope of the existing provisions for early retirement has been extended, including by suspending until 2026 the indexation to life expectancy of the required minimum contribution, which past pension reforms had introduced. For those provisions, the 2019 budget earmarked funds worth 0.2% of GDP in 2019 and 0.5% of GDP in 2020 and 2021, but additional costs are also expected in the following years. The high public spending for pensions restrains other social



and growth-enhancing spending items like education and investment, and limits margins to reduce the overall high tax burden and the high public debt. Furthermore, **broadening the possibility for early retirement might negatively affect labour supply**, in a context where Italy is already lagging behind the Union average for the participation of its older workers (55-64) in employment, thereby hampering potential growth and worsening the sustainability of public debt. To limit the increase in spending on pensions, previously legislated pension reforms to curb implicit liabilities arising from population ageing should be fully implemented. Furthermore, savings could be achieved by intervening on the high pension entitlements not matched by contributions, while respecting the principles of fairness and proportionality.

2. Step up efforts to tackle **undeclared work**. Ensure that **active labour market and social policies are effectively integrated and reach out notably to young people** and vulnerable groups. **Support women's participation in the labour market** through a comprehensive strategy, including through **access to quality childcare** and long-term care. Improve educational outcomes, also through adequate and targeted investment, and **foster upskilling**, including by strengthening digital skills.

(2) As a Member State whose currency is the euro and in view of the close interlinkages between the economies in the economic and monetary union, Italy should ensure the full and timely implementation of the 2019 Recommendation for the euro area, as reflected in recommendations (1) to (5) below. (...) **measures to improve employability and shift the tax burden away from productive factors will help address the third euro-area recommendation as regards the functioning of the labour market**, (...).

(13) Despite the economic slowdown, employment continued to increase in 2018, albeit at a slightly slower pace than in the previous year. The number of persons in employment reached 23.2 million at the end of the year, exceeding pre-crisis levels. The employment rate (20-64 years) rose to 63% last year, but is still far below the Union average (73.2%). Moreover, regional gaps are substantial and the **labour market remains segmented, with the share of temporary contracts having further increased in 2018**. The unemployment rate declined to 10.6%. Long-term and youth unemployment remain high, weighing on potential growth and social cohesion. **Inactivity is prevalent among women, the low-skilled and young people**. Moreover, the share of young people (15-24) neither in employment nor in education or training, at 19.2% in 2018, is the highest in the Union. Involuntary part-time is also widespread, pointing to persisting slack in the labour market.

(14) **Income inequality and risk of poverty are high**, with wide regional and territorial disparities. In 2017, 28.9% of the population was at risk of poverty or social exclusion, above both the pre-crisis levels and well above the 2017 Union average (22.4%). Children, especially those with a migrant background, are particularly affected. In-work poverty is high and rising, in particular among temporary workers and people with a migrant background. The **self-employed**, who represent 20.8% of the workforce (against the Union average of 13.7%), **are generally less protected** against social risks than employees. Access

to affordable and adequate housing is also a challenge and the **provision of social services remains underdeveloped and fragmented**. The **impact of social transfers on reducing poverty and inequality reduction is one of the lowest in the Union**. The anti-poverty scheme introduced in 2018 has been replaced by a new major scheme (citizenship income), which keeps an active inclusion approach, subject to certain conditions. ~~However, the reform may prove difficult to implement, putting a considerable burden on the public administration, namely on employment and social services.~~ **The considerable administrative burden on employment and social services represents a challenge for the implementation of the reform.** Its actual impact will depend on how effective policies are in getting people into work or training, the extent to which personalised social services are provided and on controls. In particular, the actual capacity to reach out those most in need will influence the impact on the reduction of poverty and social exclusion. (...)

(15) **Undeclared work is widespread** in Italy, especially in the southern regions. According to the estimates of the National Institute of Statistics, the unobserved economy was worth about EUR 210 billion (12.4% of GDP) in 2016. Around 37.2% of it is attributable to undeclared work. This affects in particular vulnerable groups, such as migrants, women and minors. The new Labour Inspectorate Agency, operational since 2017, devoted particular attention to the phenomenon of “*caporalato*” in the agriculture sector, characterised by a high incidence of irregularity and by a risk of labour exploitation, especially for irregular migrants. A close monitoring of the measures recently adopted as well as **additional steps are needed to tackle and prevent undeclared work and labour exploitation and to ensure fair and safe working conditions**. Finally, it is important to ensure that the operationalisation of the citizenship income maximises the incentives to regular work and the transformation of undeclared work into regular employment, both through close monitoring and positive incentives.

(16) **Improving public employment services, by providing more resources and better quality services, is crucial** for implementing the reform on the new citizenship income scheme. In this context of the new citizenship income scheme for low-income earners and unemployed persons, effective active labour market policies are an important tool for reducing labour market frictions and incentivising people to look for a job. In this respect, **it is critical that employment services be equipped with sufficient and qualified staff**. Effective job search assistance aiming to enhance training and upskilling is crucial to improve labour mobility and provide workers with the right skills for future labour market challenges and an increasingly challenging and competitive working environment. Some steps to make active labour market policies more effective have been recently taken, such as the definition of monitoring indicators and minimum standards, the adoption of a strategy for the long-term unemployed and the development of a qualitative profiling tool. Nonetheless, the **overall efficiency of public employment services and their capacity to find jobs for people remain weak**, performance varies widely between regions and integration with social and educational policies is limited. Cooperation with employers is also weak.

(17) The **gender employment gap in Italy remains one of the highest in the Union** and the employment rate of women, albeit slightly increasing, is substantially lower than the Union average (53.1% against 67.4% in 2018). **Investment in care services and women's participation in the job market remains insufficient**, as well as measures to promote equal opportunities and adequate work-life balance policies. However, a comprehensive strategy to promote women's participation in the labour market is still missing. While the compulsory paternity leave was marginally extended from 4 to 5 days, the **parental leave system remains inadequate**. This, together with **underdeveloped childcare** and long-term care services, tends to prevent women with children or other family members in need of care from working. In 2017, only 28.6% of children under three years of age were in formal early childhood education, well below the Union average. Investment in childcare, health and long-term care should take into account the wide geographical disparities in the availability of services. Furthermore, a **high tax wedge for second earners** reduces the financial incentive for women to take up work. Higher labour-force participation of women, as much as higher participation rates in general, could foster economic growth by lifting labour supply, alleviate poverty and mitigate the social and financial risks rising from population aging.

(18) The initially envisaged **reform of the collective bargaining framework** aimed to bring wages and salaries more in line with economic conditions at the regional and firm level. In March 2018 Confindustria signed a framework agreement with the three major Italian trade unions (Cgil, Cisl and Uil) in order to expand second-level bargaining. Moreover, the agreement increases legal certainty by setting clearer rules for the representation of social partners at negotiations and establishes an improved algorithm for setting wage minima. The first implementation agreement on representativeness, health and work safety was signed at end of 2018 by the employers' association and the three major trade unions.

(19) **Investment in education and skills is crucial** to promote smart, inclusive and sustainable growth. Italy's sluggish productivity trend is affected by the weaknesses of the education and training system and the weak demand for high skills. Improving the quality of the education and training system is a major challenge. **The school drop-out rate (early school leaving) remains well above the Union average** (14.5% vs 10.6% in 2018) and there are wide regional and territorial disparities in educational outcomes. While the share of funding allocated to primary and secondary education is broadly in line with the Union average, further efforts to attract, effectively recruit and motivate teachers could contribute to improve learning outcomes. The recruitment system is too knowledge-based rather than skills-based, while the training component is limited. Moreover, **Italian teachers' salaries remain low compared to international standards and relative to workers with tertiary education**. Salary increases are slower than among international peers and career prospects are more limited, based on a single career pathway. Furthermore, promotions are based exclusively on seniority rather than merit. This results in a very low attractiveness of the teaching

profession for highly qualified persons and discouragement of the teaching staff, which in turn has a negative impact on the learning outcomes of students. **The apprenticeship system was gaining momentum in recent years, but adopted measures have scaled it down.** Italian students and adults are amongst the worst performers in the Union in key competences and basic skills. **Adult participation in learning is very limited and decreasing,** in a context where the employment gap between the high- and low-skilled is among the highest in the Union. Upskilling is particularly needed for digital skills. There has been limited progress in digital skills and infrastructure. Investment in human capital is a pre-requisite for boosting public and private investment and current measures to boost digital skills and adult learning lack a comprehensive approach. Basic and advanced digital skill levels are below the Union average – only 44% of individuals between 16 and 74 years have basic digital skills (57% in the Union).

(20) **Weak investment in skills is slowing down Italy's transition to a knowledge-based economy,** holding back productivity growth and limiting the potential to improve non-price competitiveness and GDP growth. Education gaps also help to explain the lower productivity of Italy's micro and small firms compared to peer countries. Tertiary education is underfinanced and understaffed, and the scope of vocational-oriented higher education is limited despite high employability rates. The proportion of university graduates remains low (27.9% of the population aged 30 to 34 in 2018) and is coupled with a relatively low availability of tertiary graduates, especially in scientific and technical fields, targeted investments in skills are a pre-requisite to boost both public and private investment, particularly in intangibles. There is a need to boost studies in fields relevant to knowledge-intensive sectors and to strengthen specific skills, such as digital and financial ones.

3. (...) **Improve the effectiveness of public administration, including by investing in the skills of public employees,** by accelerating digitalisation, and by increasing the efficiency and quality of local public services. (...)

(23) **The weak capacity of the public sector,** especially at the local level, to administer funding represents an investment barrier across sectors, due to complex procedures, the overlapping of responsibilities and poor management of public employment. **Inadequate skills in the public sector constrain the capacity to assess, select and manage investment projects.** This also undermines the implementation of Union funds, where Italy lags behind compared to the Union average. The lower quality of governance in southern Italy seriously limits its spending and policy-making capacity. Improving the administrative capacity is a pre-condition for the effective delivery of public investment and the use of Union funds, with positive spillovers on private investment and GDP growth. Such improvements could give more impact to investments in broadband, transport, water management and the circular economy, especially in southern Italy. The latter lags behind mainly in terms of intangible investment. The improvement of administrative capacity of central and local bodies would have positive impact on the planning, evaluation and

monitoring of investment projects, as well as on identifying and addressing possible bottlenecks.

**(24) Increasing the efficiency of Italy's public administration and its responsiveness to business would have a positive impact on the business environment**, investment and the ability of firms to exploit innovation opportunities. In 2015, a comprehensive enabling law reforming the public administration was adopted. The reform tackled most sources of inefficiency such as the length and complexity of procedures, the lack of transparency, the **ineffective management of public employment**, the inefficient management of public-owned enterprises, and low digitalisation. By the end of 2017, most of the reform was implemented and enforcement is ongoing, supported by the new "*Concretezza*" law. However, inconsistent planning, scarce financial resources and insufficient coordination are delaying the implementation of digital public services in key areas like online payment systems, which would help reducing complexity and increasing transparency. **The high average age and low average digital skills of public employees are further slowing down the process.** Nevertheless, when clear goals and effective enforcement are combined, results are evident as was the case for the rapid development of the electronic market for public administrations and e-invoicing. The 2015 public administration reform also envisaged a new framework reforming the management of local public services. However, in November 2016 Italy's Constitutional Court declared the procedure followed to adopt a number of legislative decrees, including the one on local public services, unconstitutional. A new legislative initiative is thus needed to promote the efficiency and quality of local public services, including by prioritising competitive bids over in-house solutions or direct grants.

#### Other relevant information

(26) (...) Improvements to the business environment would facilitate entrepreneurship, and better framework conditions for competition would favour a more efficient allocation of resources and productivity gains. **The 2015 annual competition law, adopted in August 2017, needs to be properly implemented.** Moreover, significant barriers to competition persist in certain sectors, such as business services and retail. **Improving the quality of the regulatory framework would ensure a level playing field for both innovative platforms and traditional operators, unleashing the full potential of the collaborative economy and fairer competition in all sectors.** (...)

## Latvia

(3 out of 4; pension reform, low-income earners, reduce tax burden on labour, social services and assistance benefits, ALMPs (young and older workers (incl. vocational education/training), childcare, public administration, undeclared work, social dialogue)

1. (...) **Reduce taxation for low-income earners by shifting it to other sources, particularly capital and property, and by improving tax compliance.** (...)

(9) **The tax revenue as a share of the gross domestic product of Latvia is low compared with the Union average** and limits to some extent the delivery of public services, in particular healthcare, and social inclusion. Capital and property are relatively undertaxed and the freezing of the values used to calculate land and property taxes will reduce their revenue further. At the same time, **the tax burden on labour remains high for low-wage earners relative to the average of the Union, despite having been reduced.** The **share of the shadow economy** appears to have declined over the past years by different estimates. Nevertheless, the share of under-reported economic activity **is higher in Latvia than in other Baltic States.** In particular, underreporting of salaries ('envelope wages'), particularly in the construction sector, accounts for a large share of the shadow economy.

2. **Address social exclusion notably by improving the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities. Increase the quality and efficiency of education and training in particular of low-skilled workers and jobseekers, including by strengthening the participation in vocational education and training and adult learning.** (...)

(11) **Latvia faces challenges on delivering on several of social protection and inclusion principles of the European Pillar of Social Rights. Income inequality in Latvia is high,** as the redistribution through the tax-benefit system is low. The **adequacy of social benefits remains low** and the impact of social transfers on poverty and inequality reduction is limited. The poverty risk among the elderly and the people with disabilities is relatively high and increasing due to benefits not keeping pace with wage growth. The at-risk-of-poverty or social exclusion rate for the elderly was 49.0% in 2018 (Union average: 18.2% in 2017) and for the disabled people with disabilities 40.7% in 2017, (Union average: 29.3% in 2017). The State social security benefit for people with disabilities and minimum old-age pensions, have not been revised since 2006. The **minimum income level reform, announced in 2014, has not been implemented,** which negatively affects the poorest households. Access to long-term care also remains weak. Investments are thus required to address social exclusion, including food and material aid for the most deprived. **Moreover, investments, including infrastructure, are needed to improve access to childcare,** long-term care, **employment and other social services,** and to enable integration of health and social services, including the transition from institutional to community-based care. The share of people facing severe housing deprivation is among the highest in Europe (15.2% vs 4.0% in average in 2017 in the



Union) and **social housing is scarce**. Investment is needed to improve the provision of affordable housing.

(12) While overall employment rates are high and increasing, headcount employment is negatively affected by the adverse demographic developments and emigration. In addition, employment varies between regions and skill levels. **Older people with outdated skills encounter more difficulties**. The low level of digital skills among the labour force limits the use of digital technologies by businesses and the potential for innovation. **Adult participation in learning** and the involvement of the unemployed in active labour market measures **is lower than the average of the Union**.

(13) The education system faces a challenge to consolidate resources while improving quality and efficiency. While Latvia's education system performs well in terms of learning achievement, access to quality education remains dependent on the place of residence and type of school. Curriculum reform in **vocational education and training** aimed at aligning it with new skills requirements has progressed and the vocational school environment is significantly improved. However, attractiveness remains low with enrolment rates and the employment rate of recent graduates below the average of the Union.

(14) Ensuring skills' supply is one of the main areas where demand for investment remains significant. Matching investment, including through infrastructure, is required to **improve the quality, effectiveness and labour market relevance of education and training, and to promote lifelong learning**, notably flexible upskilling and reskilling opportunities. Investment are also needed to improve access to employment, including to improve outreach and coverage of active labour market policies, enhance the workability of workforce, as well as sectoral and regional labour mobility. In a broader context, **strengthening social partners' capacity is important** in promoting the fair working conditions and delivering on the European Pillar of Social Rights.

4. Strengthen the **accountability and efficiency of the public sector**, in particular with regard to local authorities and State-owned and municipal enterprises and the conflict of interest regime.

(19) Public services have not been adjusted to the declining and ageing population. The declining population and urbanisation leave infrastructure and public services underused in the rural areas. **Public administration, education, healthcare services require strategies to preserve access to quality services** in scarcely populated and dwindling areas, while ensuring greater efficiency. A general administrative territorial reform to be implemented by December 2021 has been recently announced. A timely implementation of this reform could contribute to enhancing the accountability and efficiency of the public sector, all the more in light of the operational programme for Union funds, which is to be approved by the year 2020.

## Other relevant information

(18) The recent adoption of the **whistleblower law** marks a positive step and the country's anti-corruption body has also gathered momentum recently thanks to it uncovering a number of high-profile corruption cases. (...)

## Lithuania

(2 out of 3; pension reform, shifting tax burden away from labour, ALMPs (vocational training, older workers), social dialogue, social assistance and unemployment benefits, social services, childcare)

1. Improve tax compliance and **broaden the tax base** to sources less detrimental to growth. **Address income inequality**, poverty and social exclusion, **including by improving the design of the tax and benefit system.**

(7) In June 2018, the government adopted **a set of legislative acts to implement a comprehensive package of six structural reforms covering the key areas of education, health, taxation, informal economy, pensions and innovation.**

(8) Lithuania has continued to take measures to combat the shadow economy and improve tax compliance. While these measures have shown encouraging results, **overall tax compliance remains low.** Lithuania still has one of the largest VAT gaps in the Union. Further increasing tax compliance would raise revenues and make the tax system more fair. **No measures were taken to broaden the tax base to sources less detrimental to growth.** Environmental and property taxes remain below the European Union average and there are no changes envisaged to car taxation or the road-use tax for private passengers.

(9) Since 2018, **public pensions are automatically indexed to the wage bill growth.** This is expected to reduce public pension expenditure from 6.9% of GDP in 2016 to 5.2% in 2070. However, due to the projected fall in employment, **pension adequacy is set to decrease because pension benefits would not keep pace with wage growth.** The pension benefit ratio – which expresses the average pension in terms of the average wage – is expected to steadily decline from what is already one of the lowest levels in the Union. Current legislation states that when the benefit ratio declines, the government needs to propose corrective measures. Due to uncertainty over the precise nature and timing of such future measures, they are not accounted for in the Ageing Report projections. They do, however, represent a risk to the sustainability of public finances. If the total benefit ratio were kept unchanged until 2070, pension expenditure would increase to 7% of GDP instead of decreasing to 5.2% as projected. **There is, therefore, uncertainty about how pension legislation will be applied in practice and what its consequences would be for fiscal sustainability and pension adequacy over time.**



(10) **The high proportion of people at risk of poverty or social exclusion, together with high income inequality, remain major challenges** for Lithuania that hinder its prospects for inclusive economic growth. Despite continued economic growth, many members of Lithuanian society (e.g. the elderly, people with disabilities, children, single-parent households and the unemployed) face a particularly high risk of poverty and social exclusion. While the social safety net has been improved in recent years, **the overall corrective power of the Lithuanian tax and benefit system and social protection expenditure as a share of GDP remain among the lowest in the Union.** Some first steps were taken to address the high level of poverty and income inequality, such as the introduction of the ‘amount of minimum consumption needs’, the increase in the universal child benefit and the indexation of old-age pensions. However, the persistently high levels of poverty and inequality show that the country still has a long way to go to converge towards the Union average levels of social security and that investment to address social exclusion is needed. **Active inclusion strategies for vulnerable groups are more effective when they combine better adequacy of minimum income and pension schemes, labour market activation and enhanced provision of social services, including childcare and social housing.**

## 2. Improve quality and efficiency at all education and training levels, including adult learning. (...)

(11) The **labour market has become tight** as a result of employment growth, but also due to adverse demographic developments, including emigration. To mitigate the effect of the shrinking working-age population, investment in human capital and enhance access to the labour market for all are needed. In the face of the persistent skills’ shortages and mismatches, it is important that Lithuania speeds up the reforms to improve the quality and efficiency at all education levels and ensures equitable access to quality and inclusive education and training. Demographic decline has put the school network under pressure. The demographic shift calls for strategies to preserve access to high-quality education for all while ensuring the efficiency of the school network and supporting teachers affected by school consolidation. Significant steps are still required to consolidate the higher education network, comprising more than 40 State-owned and private universities and colleges. **Vocational education and training providers need to modernise the curricula as well as improve their responsiveness to the needs of local and regional labour markets.** Effective and easily accessible adult learning, re-skilling and upskilling measures, together with the provision of social services, could bring more people into the labour market. Participation in adult learning remains low, at 6.6% in 2018, well below the Union average of 11.1%. The Lithuanian economy has **potential to benefit from investment in skills upgrading, including digital skills**, innovation and better integration of the disadvantaged into the labour market (for example persons with disabilities, and **older**, unemployed or inactive adults). **In a broader context, strengthening the capacity of the social partners is important to foster their engagement.**

## Other relevant information

(13) Some measures have been taken in the fight against corruption, but an integrated registry of interest declarations is still missing. Implementing legislation to the **whistleblowers' protection law** was adopted in 2018, and a new law regulating lobbying is under discussion. (...)

## Luxembourg

(1 out of 4; pension reform, (early) retirement, older workers, ALMPs)

1. Increase the employment rate of older workers by enhancing their employment opportunities and employability. Improve the long-term sustainability of the pension system, including by further limiting early retirement..

(7) In spite of recent reforms, **Luxembourg's age-related spending (pension-related, healthcare and long-term care costs) is expected to increase markedly** in the long term. Assuming no policy changes are made to the current system, this could put at risk the sustainability of public finances in the long term. This is despite the current low level of public debt and the accumulated reserves of the social security system, which are expected to ensure the system's viability until 2041. Recommendations on this challenge have been addressed to Luxembourg since 2011 but limited progress has been made to date. In its 2018 report, the government's pensions working group discussed various ways to improve the long-term sustainability of the pensions system, including gradually increasing the contribution rate, **raising the pensionable age to take account of longer life expectancy and encouraging phased retirement**. The report suggests a multi-pronged strategy of calibrated reforms to guarantee the long-term sustainability of the system while minimising the impacts on both the economy and pensioners. Projected increases in age-related expenditure also threaten the long-term sustainability of the healthcare and long-term care systems. More than three quarters of long-term care expenditure comes from public sources. The 2018 reform is expected to ensure financial viability until 2030, by allowing to gradually increase workers' contributions to the healthcare system from 1.4% of the wage base to 1.7%, in order to keep costs in line with the proportion of dependent people. However, the impacts in terms of long-term fiscal sustainability are not yet clear. To sustain social cohesion and public finances in the long term, demographic policies would need to concur with education and training policies, taking a holistic approach to considering both the challenges and opportunities of changes in demography as well as in the digital economy, given the expected impact of population ageing on labour supply in the near future. Labour shortages have recently emerged in certain sectors, which could hinder productivity growth and reduce the long-term growth potential.

(8) **Despite an overall good labour market performance**, the employment rate is stagnating and specific groups still face particular difficulties on the labour market. **In particular, the employment rate of older people remains particularly low**, and further measures

are needed to improve their participation to the labour market. **Early retirement schemes encouraging workers to leave employment remain widespread**, with 57.5% of newly attributed pensions being early old-age pensions in 2017. In 2018, the government abrogated one of the pre-retirement schemes allowing people to retire from the age of 57, but the effect of this reform was weakened by relieving restrictions on other pre-retirement schemes. Low old-age activity rates also largely result from financial disincentives to work stemming from the tax-benefit system which are comparatively high for this age group. Encouraging the employment of older workers requires a comprehensive strategy including measures to help them remain in active employment for longer. The 'Age Pact', a draft law submitted to Parliament in April 2014, which aims to encourage firms with more than 150 employees to hire and retain older workers through age management measures, is still pending in Parliament.

## Other relevant information

(11) **Increased investment in skills, in particular information and communications technology skills, employability, education and training, including a better alignment of education curricula to labour market needs and fostering technological and digital transformations, is important** for improving Luxembourg's productivity, employment and longterm growth potential, and for fostering equal opportunities.

(12) Air pollution and traffic congestion at peak times still constitute major problems for Luxembourg, from both a competitiveness and environmental point of view. In addition, the CO<sub>2</sub> emissions from road transport contribute to climate change. According to the 2017 national projections submitted to the Commission, it is expected that in the absence of additional measures, Luxembourg will miss its 2020 greenhouse gas emission reduction target by 3 percentage points and its 2030 target by 20 percentage points. **The number of cross-border workers, who currently represent about 45% of Luxembourg's labour force, the low taxation of transport fuel and high house prices stimulate increased car use and are an obstacle to improving air quality and traffic conditions.** Meanwhile, the use of alternative fuels in new passenger cars sold in Luxembourg has increased over the past few years.

(13) Insufficient housing supply may negatively affect Luxembourg's attractiveness. Its strong housing demand remains driven by population growth, favourable financing conditions and a large cross-border workforce. Housing supply and investment appear insufficient, constrained by insufficient land availability and low housing density, largely due to a lack of incentives for landowners to build new housing or to sell. **The supply of social housing also appears insufficient and points to a need for significant investment to alleviate rising tensions in the housing market.** In that regard, policy measure set out in the governmental programme for 2018-2023 aim at

increasing housing supply. These include changes to urban planning laws to increase building areas and develop affordable and social housing.

## Malta

(2 out of 3; pension reform (incl. (early) retirement age), ALMP (in particular female workers), early school leaving)

1. Ensure the fiscal sustainability of the healthcare and the pension systems, including by restricting early retirement and adjusting the statutory retirement age in view of expected gains in life expectancy.

(7) The increase in age-related spending represents a risk to the long-term sustainability of public finances. **Age-related public spending in the pension and healthcare systems is expected to increase significantly** compared to other Member States, indicating a risk of rising debt in the long term. Several measures aim to increase the adequacy of pensions also through strengthening incentives for private pension savings and voluntary occupational retirement pensions. Ongoing efforts have helped to increase the supply of labour and prolong working lives, with a positive impact on employment rates for women and older workers. In 2018, the government made adjustments to include contributions made after pensionable age and allowed self-employed and part-time working pensioners under 65 years to pay contributions proportionate to their earnings, thereby promoting longer working lives. **However, the statutory retirement age, gradually increasing from its current level at 62 63 years, is set to remain unchanged after 2027 at 65 years** despite a projected further growth in life expectancy. The Pension Strategy Group established in 2018 is expected to publish a report by December 2020, outlining recommendations for improving the adequacy and sustainability of the pension system. (...) Despite their potential, the impact of the measures in the area of pensions and healthcare on fiscal sustainability has yet to materialise.

3. Focus investment-related economic policy on research and innovation, natural resources management, resource and energy efficiency, sustainable transport, reducing traffic congestion and **inclusive education and training**.

(14) Malta invests relatively high amounts in education and training; and, while overall participation and attainment have increased, ~~but~~ this is not yet reflected in better outcomes for all. The investment strategy would benefit from further focus on correcting social disadvantage, to be in line with the European Pillar of Social Rights principle on quality and inclusive education. Despite measures to tackle **early school leaving**, the rate is still one of the highest in the Union. Recent measures also seek to improve the inclusiveness of tertiary education, but attainment at this level remains below the Union average and results in skills challenges. **Participation in adult learning is increasing but is still low** for the low-skilled and the inactive.

## Other relevant information

(13) The employment rate in Malta, now above Union average, is still increasing. A special emphasis in this regard could benefit people with disabilities. The **gender employment gap remains the largest in the Union and women's participation in the labour market declines strongly from their mid-thirties after 40 years of age**, largely due to caring responsibilities. More labour market support for unemployed informal carers could address this gap. The increasing reliance on foreign labour to address the labour and skills shortages creates social and sustainability challenges. Policy initiatives in the areas of labour market, skills and social inclusion could benefit from better monitoring and evaluation.

## The Netherlands

(2 out of 3; EPL, pension reform, wage setting)

1. Ensure that the **second pillar of the pension system is more transparent**, inter-generationally fairer and more resilient to shocks. Implement policies to **increase household disposable income, including by strengthening the conditions that support wage growth, while respecting the role of social partners**. Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments, notably by implementing the announced measures.

(2) As a Member State whose currency is the euro and in view of the close interlinkages between the economies in the economic and monetary union, the Netherlands should ensure the full and timely implementation of the 2019 Recommendation for the euro area, as reflected in recommendations (1) and (3) below. In particular, **investment measures and measures supporting wage growth will help address the first euro-area recommendation as regards euro area rebalancing, (...)**.

(9) **Dutch households combine large illiquid assets in housing and pensions with high household debt**. Long balance sheets make households vulnerable to financial and economic shocks. High household debt is explained by generous tax relief on mortgage interest payments, but also by a lack of a well-functioning middle segment on the rental market and **high compulsory pension savings. (...)**

(10) While the **pension system** performs well on pension adequacy and fiscal sustainability, it **has drawbacks in terms of intergenerational fairness, transparency of pension rights and flexibility**. Moreover, occupational pension contributions are high and fluctuate depending on how pension funds perform. As such it may affect household spending in a pro-cyclical way. **A reform of the pension system could, over the life cycle, lead to lower compulsory pension contributions and more stable consumption** (or 'consumption smoothing'). The government has the intention to substantially reform the second pension pillar in order to improve coverage and create a more transparent, more flexible and actuarially fairer system. A simultaneous reform of housing market institutions and the

pension system has the potential to shorten household balance sheets, and make the household sector less vulnerable to financial and economic shocks with beneficial effects for macro-economic resilience and economic growth.

(11) Despite low unemployment, high job vacancy rates and growing shortage of workers, **nominal wage growth has remained moderate so far** (1.1% in 2017 and 2.4% in 2018). Wages in collective agreements increased on average by 2.1% in 2018, while public wages increased at a faster rate (by 3% in the second half of 2018). Furthermore, wage agreements were reached leading to a nominal increase of 7% in 2 years for all civil servants in central government. Additional funding has been provided to increase the salaries of primary school teachers. In addition, **the government adopted several fiscal measures which reduce the tax burden on labour** and aim to increase the net disposable household income of those who work. Further boosting disposable household income by strengthening the conditions that support wage growth and reforming the second pillar of the pension system to make it more transparent, inter-generationally fairer and more resilient to shocks would support domestic demand and help to rebalance the euro area.

2. Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Strengthen comprehensive life-long learning and upgrade skills notably of those at the margins of the labour market and the inactive.

(13) **Growth in employment in recent years has mainly been due to temporary employment and self-employment**, although job growth for employees with permanent contracts has recently outpaced job growth for temporary employment. **Nevertheless, the share of flexible employment remains high** and represents a substantial share of the labour market. The high percentage of temporary contracts and the rapid increase in self-employment without employees is observed in great differences in applicable labour regulations, labour protection, and in the differences in tax and social security legislation. A package of measures has been adopted by the government (draft bill Law on labour market in balance, 'Wet Arbeidsmarkt in Balans') to make it easier to hire permanent employees and make flexible contracts less flexible. ~~Once adopted by Parliament,~~ The implementation of these measures (which should enter into force in 2020) should be closely monitored. Moreover, measures have been announced to ease the obligation of employers to continue to pay salaries for two years in case of illness. However, no other concrete measures have been adopted so far. Therefore, some of these institutional factors still create financial incentives for employees to start working as self-employed or favour the use of the status of self-employed without employees. **The self-employed are more often under-insured against disability, unemployment and old age**, which could affect the sustainability of the social security system in the long run. In addition, the enforcement of measures to tackle bogus self-employment has been suspended until 2020.



(14) Despite a labour market that is performing well overall, **fostering equal opportunities regarding employment and active inclusion remains an important challenge, in particular for people with a migrant background, for those operating at the margins of the labour market and for those who are economically inactive.** In addition, there is still untapped labour potential, in particular among the high number of part-time working women.

(15) **Technical and digital skills and qualified professionals are crucial for the Dutch economy's capacity to innovate and for productivity growth.** This points to the need to invest more in training, including training in digital skills, and to promote flexible upskilling and reskilling opportunities. Improving society's capacity to innovate also requires investments to support education in science, technology, engineering and mathematics. Moreover, increased investment in skills, education and training is crucial to improving access to the labour market and the employability of those at the margins of the labour market, while fostering equal opportunities and active inclusion.

## Poland

(2 out of 3; female worker participation (incl. childcare), ALMP (older workers), EPL, pension reform (incl. retirement age), social dialogue)

2. Ensure the adequacy of future pension benefits and the sustainability of the pension system by taking measures to increase the effective retirement age and by reforming the preferential pension schemes. Take steps to increase labour market participation, including by improving access to childcare and long-term care, and remove remaining obstacles to more permanent types of employment. Foster quality education and skills relevant to the labour market, especially through adult learning.

(9) Poland achieved significant progress in increasing tax compliance. At the same time, the country enjoyed strong economic growth, the labour market was buoyant and the share of labour contracts being subject to social security contributions has been gradually increasing. All those factors contributed to an increase in public revenue. A part of the increased revenue is of cyclical nature and may fade when the macroeconomic environment worsens. At the same time, over recent years, public spending increased as a share of GDP. **Several new categories of expenditure are of a permanent nature and may not be easy to change in the near future. Moreover, going forward Poland's public finances will face pressures for higher spending, in particular due to population ageing.** These factors amplify the need for new tools to strengthen expenditure management, including a regular assessment of the effectiveness and efficiency of spending. While in 2018 Poland continued to work to improve the budgetary process, the overall reform is complex and will be applied in stages over several years. Whereas overall the fiscal framework is strong and independent institutions cover some of the functions typically fulfilled by fiscal councils, Poland remains the



only Member State without an independent fiscal council. While Poland made no progress in limiting the extensive use of reduced Value Added Tax rates, the government launched a reform which has the potential to make the rates less complex and less error-prone.

(10) **Until 2017, the average age of retirement was increasing**, reflecting past reforms such as the withdrawal of early retirement options and a gradual increase of the statutory retirement age. In 2018, the average retirement age decreased both for men and for women, reflecting lowering of the statutory retirement age in late 2017. A continued increase in the effective retirement age is crucial for labour market participation and thus economic growth, given the decline in the working age population. It is also crucial to ensure the adequacy of future pensions, prevent poverty at old age and hence also to improve the fiscal sustainability of the pension system. **The lowering of the statutory retirement age to 60 for women and to 65 for men in autumn 2017 will have a significant negative impact on future pension benefit levels and introduces a significant gap between men and women in this regard.** Existing preferential pension schemes imply fiscal costs and reduce the mobility of workers between sectors. The special social insurance system for farmers, subsidised at a cost of around 0.8% of GDP, is hampering labour mobility and contributing to hidden unemployment in agriculture.

(11) The favourable macroeconomic environment has helped the **strong performance of the Polish labour market in recent years**. Employment rates have continued to increase, while the unemployment rates, after several years of decline, stabilised at a historical low of below 4% in 2018. **However, the participation of some groups in the labour force, especially the low-skilled, persons with disabilities and their carers and older people, has remained low** in comparison to other Member States. The Polish **social benefit system provides insufficient incentives** to take up work. The child benefit has reduced poverty and inequality, but it has had a negative effect on the participation of parents, mostly women, in the labour market due to its size and design. The enrolment rate for children under the age of three in formal **childcare** remains among the lowest in the Union. In addition, long-term care is mostly provided by family members without almost any institutional support, which prevents carers from working. **The lowered statutory retirement age has encouraged some older workers to exit the labour force.** Migration from non-Union countries has been helping to meet the increase in demand for labour, but there are signs that a continued inflow of migrant workers may be difficult to achieve.

(12) Between 2015 and 2017, Poland took measures to **tackle labour market segmentation by limiting the possibility to abuse temporary employment**, increasing social security contributions on some non-standard labour contracts and introducing a minimum hourly wage for some of these contracts. While the share of temporary contracts has been declining since 2015, thanks to the measures taken and due to the shortages of workers, and this process accelerated during 2018, it still remains among the highest in

the Union. **Further legislative changes addressing this issue were not pursued as the reform of the labour code was finally not implemented.** The adequacy of future pensions of workers who are self-employed and those who have certain non-standard contracts emerges as a potential issue.

(13) A quality education and training system that takes the life-long perspective, supported by sufficient investment, could be one crucial factor supporting future growth prospects in Poland. **Equipping people with skills and competences that are needed to find employment in a rapidly changing labour market is of crucial importance** to encourage both participation in the labour force and the innovative capacity of the economy. **The rate of the participation of adults in education and training is much lower than the Union average and vocational training in enterprises is underutilised.** This, combined with certain weaknesses in digital skills, as well as in literacy and numeracy skills, particularly among adults with no higher education, is hampering their employability. The insufficient quality of teacher training and gaps in their skills are likely to have a negative impact on the quality of education. There are also weaknesses in the quality assurance system of the higher education. Despite recent reforms in vocational education and in higher education, the **effective coordination of adult learning is still lacking** and the impact of different policy measures on the quality of the education and training provided and the skill levels is not clear.

3. (...) Improve the regulatory environment, in particular by strengthening the role of consultations of social partners and public consultations in the legislative process.

(18) The quality of new and revised legislation, and a stable and predictable business environment are of high importance for sustaining favourable economic conditions and supporting the increase in private investment. The unstable regulatory framework and other barriers to the expansion of firms are negatively affecting investment activity and productivity. **Establishing an effective dialogue with all stakeholders would help improve the quality of legislation** and – by limiting the number of revisions needed – would contribute positively to the stability of the business environment. **Therefore, strengthening the role of consultations of social partners and public consultations** – by ensuring a sufficient length of time for consultations, improving the uptake of the stakeholders' opinions gathered in the process, and minimising the number of laws exempted from consultations – would substantially help to minimise the administrative burden resulting from frequent changes in the law, increase investment and promote sustainable economic growth in the long term. **The Commission considers that the risk of a serious breach of rule of law in Poland persists and that the situation is deteriorating as many of the contested measures are being implemented and consolidated.** It is recalled that in December 2017, the Commission presented to the Council a reasoned proposal to determine that there is a clear risk of a serious breach by Poland of the rule of law. These concerns are the subject of a judgement and on-going procedures which are

pending before the Court of Justice of the European Union and in the context of Article 7 TEU. Legal certainty and trust in the quality and predictability of regulatory, tax and other policies and institutions are important factors for the investment environment.

## Portugal

(2 out of 4, public administration, pension reform (incl. early retirement), minimum income and social benefits, ALMPs, EPL)

1. Achieve the medium-term budgetary objective in 2020, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Use windfall gains to accelerate the reduction of the general government debt ratio. Improve the quality of public finances by prioritising growth-enhancing spending while strengthening overall expenditure control, cost efficiency and adequate budgeting, with a focus in particular on a durable reduction of arrears in hospitals. Improve the financial sustainability of State-owned enterprises, while ensuring more timely, transparent and comprehensive monitoring.

(10) Strengthening Portugal's fiscal sustainability hinges on continued growth-friendly fiscal consolidation, there is, however, scope to improve the quality of public finances and to make expenditure more growth-friendly by supporting investment (see below). Despite having increased in 2018, public investment has remained very low compared with Union standards and consistently below the government's own targets. Enforcing the commitment control law, implementing the budget framework law in a strict and timely manner and continuing rationalisation efforts remain crucial to improving expenditure control and making spending more efficient. Recent stand-alone bottom-up expenditure reviews in specific sectors have led to overall limited efficiency savings. To achieve higher efficiency gains, expenditure reviews should instead become a regular feature of Portugal's budget framework. Moreover, deeper reforms to increase efficiency and a clear top-down focus on containing overall expenditure, are still needed. This should largely build on a **strategy for public administration reform aimed at better aligning public employment levels with the need to deliver effective services, which includes supporting staff reallocation and retraining, and promoting individual performance and the attractiveness of the public service for highly skilled staff.**

(11) Portugal's **public finances are under continuous pressure from adverse demographic trends, notably the ageing population, with negative consequences, especially for the sustainability of the pension and health systems.** While the past reforms improved the long-term sustainability of the pension system, **ongoing special pension increases and early retirement reforms** have entailed further discretionary increases in pension spending on top of the underlying upward trend driven by ageing. **The overall sustainability of the pension system may be at risk if there are no adequate compensatory measures.** (...)

2. Adopt measures to **address labour market segmentation**. Improve the skills level of the population, in particular their digital literacy, including by **making adult learning more relevant** to the needs of the labour market. Increase the number of higher education graduates, particularly in science and information technology. Improve the **effectiveness and adequacy of the social safety net**.

(2) (...) **Measures to reduce labour market segmentation**, improve skills and effectiveness of social safety net will help address the third euro-area recommendation as regards functioning of the labour market and social protection systems. (...)

(13) Despite the ongoing implementation of some measures to decrease labour market segmentation, such as the reinforcement of the labour inspectorate and the launch of an integration programme for precarious workers in the public service, the **proportion of temporary workers in Portugal still exceeds the Union average**. More specific measures agreed between the government, employers and employees' representatives aimed at further reducing labour market segmentation and precariousness and promoting collective bargaining are still to be approved by Parliament and materialise into concrete legislation.

(14) Improved labour market conditions have resulted in **fewer people at risk of poverty or social exclusion**. Despite this improvement, **income inequality remains high and the impact of social transfers on poverty reduction is limited**. While income inequality in Portugal is decreasing, it still remains significantly higher than the Union average. The **adequacy of the minimum income scheme is among the lowest in the Union** providing incomes of only 40% of the national poverty threshold. Unless reviewed, the low effectiveness of social transfers could be severely tested in case of a future economic slowdown with the vulnerable people particularly affected.

(15) The **low qualification level of workers is an obstacle to investment and productivity growth**. About 50% of the population aged 25-64 has low educational attainment levels, well above the Union average of 22% in 2018. The low availability of skilled staff is an important obstacle to investment that companies report. **For adult learning in particular, there is scope to further engage the low qualified** (whose participation in learning is below the Union average) and to extend targeted public incentives to small and medium-sized enterprises to train their staff. **Digital skills are a particular challenge**, with 50% of the Portuguese population lacking basic digital skills compared to a Union average of 43%. Investment in education and training, including infrastructure, is key to improving employability and social mobility.

## Romania

(3 out of 5; pension reform (incl. retirement age), undeclared work, ALMPs (incl. young workers and women), (minimum) wage setting, early school leaving, social services, public administration, social dialogue)

2. (...) Ensure the sustainability of the public **pension system** and the long-term viability of the second pillar pension funds.

**(11) The new pension law, adopted by Parliament in December 2018, is likely to pose risks to the sustainability of public finances.** The pension point, i.e. the main parameter used for pension indexation, is set to increase by 15% in September 2019 and by 40% in September 2020. The pension law would change several parameters used to calculate pension benefits. In particular, the pension point value is set to rise, as the indexation factor for existing pensions would no longer converge towards prices but would instead remain permanently composed of wages and prices. Moreover, the contributory period used to calculate a person's pension will be shortened, leading to higher pension expenditure for new pensions. On the other hand, the abolishment of the correction index for new pensions (which used to partly link the first pension to wages) will mitigate the overall pension expenditure increase caused by the other parameters. Some structural challenges that affect pension adequacy remain unaddressed. **The effective average retirement age is close to the Union average, but is not equal between women and men.** Coupled with shorter contributory periods for women, this results in a considerable pension gender gap.

**(12) The reform of the pension system introduced in 2008 has been gradually rolled back.** After repeated postponements of the scheduled increases in contributions to the second pillar pension funds, which should have reached 6% of gross wages by 2016, contributions were reduced to 3.75% of gross wages as of 2018. **Second pillar pension funds were further weakened** by a set of measures adopted by the government via an emergency ordinance at the end of 2018. Contributions to these funds were made optional after a minimum contributory period of five years. The minimum capital requirements for second pension-pillar fund-management companies were increased significantly, triggering a risk of exits by fund management companies from the Romanian market. The administrative fees levied on gross contributions were also significantly cut, thus potentially affecting the financial results of fund management companies and increasing the likelihood of market exits. This could have negative implications for the development of the local capital market and the pool of institutional investors, as well as depriving the economy of a much-needed source of long-term investment. Furthermore, the weakening or undoing of the second pillar will result in less diversified retirement income and expose pensions to higher political and demographic risks. In March 2019, via an emergency ordinance, the government maintained the new minimum capital requirements for fund management companies, but postponed the deadline for paying the entire additional capital to December 2019 ~~the deadline to pay the entire additional capital~~. In May 2019 the government significantly decreased the minimum capital requirements for pension-fund management companies, which

partly offset the increase decided in December 2018. Other provisions in the December 2018 emergency ordinance that endanger the viability of second-pension pillar funds remain unchanged.

3. Improve the **quality and inclusiveness of education**, in particular for Roma and other disadvantaged groups. **Improve skills, including digital**, in particular by increasing the labour market relevance of **vocational education and training** and higher education. **Increase the coverage and quality of social services** and complete the minimum inclusion income reform. **Improve the functioning of social dialogue**. **Ensure that the minimum wage setting based on is set on the basis of objective criteria**, consistent with job creation and competitiveness. (...)

(13) Challenges linked to the quality and inclusiveness of the education and training system have a negative impact on Romania's inclusive growth potential. Although the budget increased in 2019, **spending on education remains one of the lowest in the Union**, particularly at levels of education that are key to preventing **early school leaving (which remains high)**, ensuring equal opportunities and tackling inequalities later in life. Participation in quality early education and care remains below the Union average, including partly due to lack of facilities. This has **implications for labour-market participation of women** as well as the early acquisition of skills. Modernisation of the school network and optimisation to address demographic trends is lagging behind, with 10 % of schools being overcrowded, while 58 % have excess capacities. The acquisition of basic and digital skills faces significant challenges. Teachers' abilities to apply a learner-centred approach are not sufficiently developed. Rural-urban disparities persist and vulnerable groups, including the Roma, continue to have limited access to high-quality, inclusive education.

(14) The **labour market has been under increasing pressure**, as the unemployment rate (4.2% in 2018) is very low, while the labour force is declining and skills shortages persist. **Women's activity rate**, particularly for the young and middle-aged, **is low**. This is mainly due to personal and family responsibilities and the **low participation of children aged 0-3 in formal childcare**. Active labour market policies provide a limited response to labour market needs, with measures focused mainly on financial incentives rather than on tailor-made and comprehensive approaches. The delay of the planned reform for the public employment service remains an important barrier for modernised service-delivery to employers and the unemployed. Upskilling and integrated services delivery is also weak. Skills are not evolving in line with the needs of expanding economic sectors, with 81% of employers having difficulties filling job vacancies. The ICT sector is growing, while the number of Romanians aged 20-29 holding a degree in science, technology, engineering or maths fell between 2014 and 2016. At present there is not a global or sector-level assessment of skills needs and the forecasting of skills remains unused, hampering the adaptation of the education and training system to labour market needs. The roll-out of dual vocational education and training to address skills shortages has started. However, **vocational education and training is still considered a second-rate option** by students and parents and the relatively low employment rate for recent vocational education



and training graduates indicates that labour market relevance is a challenge. Higher education is not sufficiently aligned with the labour market. Although tertiary educational attainment has doubled over the decade, it remains low.

(15) Despite recent improvements, **poverty and income inequality remain high**, and regional disparities are deepening. One in three Romanians is still at risk of poverty and social exclusion, with particular groups such as children, the Roma, people with disabilities and the elderly being more affected. **Social services have insufficient quality and coverage**, and uneven geographical distribution, not correlated with communities' specific needs. Only around 20% of administrative territorial units have licensed social services. Services are usually concentrated around richer or urban areas, while needs are more pressing in poorer, rural areas and regions. The limited integration of employment, education, health and social services does not allow for the sustainable inclusion of various disadvantaged groups. People with disabilities are given only limited support for independent living and accessing employment. The situation of the Roma community shows very little progress. Housing deprivation is the highest in the Union and is detrimental to social inclusion. Housing policies are being decentralised without a strategic framework, and poor communities often lack financial resources. The **social reference index used as a basis for most social benefits has not been updated since 2008** and has also depreciated considerably in relation to the minimum wage. As a result, poverty rates for people with low and very low work intensity have increased by half since 2010. Furthermore, **social security for atypical workers is inadequate**. One in three atypical workers is at risk of severe material deprivation. Daily and seasonal workers do not have formal access to social security rights covering unemployment, maternity leave, accidents and occupational injuries. The implementation of the minimum inclusion income reform initiated in 2016, which would increase the coverage and adequacy of social assistance, was further postponed to 2021.

(16) **Social dialogue is characterised by low collective agreement coverage**, in particular at sectoral level, also due to the current definition of sectors. The authorities have initiated plans to revise the definitions of economic sectors but no agreement has yet been reached. Beyond the collective bargaining framework, **the timely and meaningful involvement of social partners on policy issues and reforms is limited**. Most social dialogue takes place formally, within the Economic and Social Council and the Social Dialogue Committees. However, despite the established framework of dialogue and consultations, the stability and the role of these institutions has weakened over the last year.

(17) After years of moderate wage growth, **Romania is experiencing one of the fastest rates of wage growth in the Union**. This is driven by government policies increasing public and minimum wages, record low unemployment rate and structural labour supply shortages. The minimum wage continues to be set in a non-systematic manner, without an objective mechanism. Consecutive increases over the years resulted in one in three employees earning the minimum wage in 2017, a rate almost four times higher than in 2011.



5. Ensure that legislative initiatives do not undermine legal certainty by **improving the quality and predictability of decision-making, including by appropriate stakeholder consultations**, effective impact assessments and streamlined administrative procedures. **Strengthen the corporate governance of State-owned enterprises.**

(16) **Social dialogue is characterised by low collective agreement coverage**, in particular at sectoral level, also due to the current definition of sectors. The authorities have initiated plans to revise the definitions of economic sectors but no agreement has yet been reached. Beyond the collective bargaining framework, **the timely and meaningful involvement of social partners on policy issues and reforms is limited**. Most social dialogue takes place formally, within the Economic and Social Council and the Social Dialogue Committees. However, despite the established framework of dialogue and consultations, the stability and the role of these institutions has weakened over the last year.

(23) **The conduct of public policy making has become increasingly unpredictable**, weighing on the business environment. **A recent example is the adoption through government emergency ordinance of a set of far-reaching measures affecting the functioning of the banking sector, the second pension pillar fund managers, energy and telecommunication companies, without stakeholder consultation or impact assessment.** Regulatory impact assessments remain a formality, while their quality and actual use vary substantially across sectors. There is only limited quality control of regulatory impact assessments and policy design. There is no sustainable policy monitoring mechanism with a transparent reporting system and ex-post evaluations. Important legislative initiatives are often announced just before adoption. **The involvement of stakeholders in designing and implementing reforms is weak, and genuine dialogue rarely exists**, although the institutional structures for it are available. Cumbersome administrative procedures particularly affect small and medium-sized businesses. For example, burdensome administrative procedures for setting up businesses as well as regulatory requirements imposed on services providers, including regulated professions, impede further market development. **The adoption of relevant legislation on human resource management in public administration is still delayed.** High fragmentation of responsibilities and resources affects the consistency and availability of public services provided, especially at local level. National and regional strategies for different public services are not well translated into integrated measures at regional and local level. Funding of public services is uneven across the country and often does not correspond to local needs. Factors like a unified strategic approach per type of service, existing gaps and needs to develop new services are overlooked. Local authorities' revenues lack stability and predictability. Limited action has been taken to improve the balance between responsibilities to be decentralised and the allocation of financial resources to allow local authorities to deliver quality services. Additional actions are needed to increase administrative capacity at local level.

## Other relevant information

(9) Tax compliance remains low. As regards Value Added Tax, the difference between theoretically expected and actually collected revenues remains very high. The large informal economy represents an additional challenge for tax compliance, while the **high levels of undeclared work** deprive the State budget of significant resources. (...)

## Slovakia

(2 out of 4, pension reform, ALMPs (young workers and women (incl. childcare), social benefits, early school leaving, social dialogue)

1. Achieve the medium-term budgetary objective in 2020. Safeguard the long-term sustainability of public finances, notably that of the healthcare and **pension systems**.

(9) Slovakia's public finances face medium fiscal sustainability risks in the long term. According to the Commission's 2018 Fiscal Sustainability Report, a cumulated improvement of 2.5 percentage points of GDP in the structural primary balance would be required to stabilise the debt-to-GDP ratio over the long term, relative to the no-policy-change scenario. This is due to the **projected increase in pension** and healthcare expenditure that is driving up ageing costs (joint contribution of 1.8 percentage points of GDP). As birth rates are low while life expectancy in Slovakia is expected to increase further, the old-age dependency ratio (comparing elderly people with the active population – the share of the population in work of training) is projected to almost triple by 2060. And, while in 2016 there were only about three inactive people above 65 for every ten employed persons, this is projected to rise to more than seven for every ten employed by 2060 (economic old-age dependency ratio). **Introducing automatic adjustments of the retirement age to life expectancy had gradually improved the long-term sustainability of the pension system.** This was seen as an important tool to ensure intergenerational fairness and long-term sustainability. Concerns over the long-term fiscal sustainability of the pension systems have heightened following the adoption by Parliament on 28 March 2019 of a constitutional amendment instituting retirement age caps (64 for men and women without children, with half a year reductions for women for each of the first three children) ~~and scrapping~~ which implies that the automatic adjustments linked to life expectancy will not be applied any more once the cap is reached. According to Slovakia's Fiscal Council, the cap will bring an additional expenditure increase of 1.6% of GDP, from 8.6% in 2016 to 11.4% in 2070 compared to the increase to 9.8% projected in the 2018 Ageing Report. This will significantly increase sustainability risks. No counterbalancing measures have been put forward at this moment and the impact on old age income and poverty has not been calculated.

4. Improve the quality and inclusiveness of education at all levels and **foster skills in line with labour market needs**. Enhance access to **affordable and quality childcare and long-term care**. Promote integration of disadvantaged groups, in particular Roma.

(2) As a Member State whose currency is the euro and in view of the close interlinkages between the economies in the economic and monetary union, Slovakia should ensure the full and timely implementation of the 2019 Recommendation for the euro area, as reflected in recommendations (2) to (4) below. In particular, (...) **measures to improve skills will help address the third euro-area recommendation as regards functioning of the labour market.**

(11) **Positive developments in the labour market continue**, marked by increasing employment and historically low levels of unemployment. There has been good progress in implementing the Action plan for the long-term unemployed, which has helped reduce the number of long-term unemployed by one third over two years. Nevertheless, the **long-term unemployment rate remains above the Union average, affecting in particular low-skilled people, young people and Roma**. In contrast to falling unemployment rates, reports of skilled labour shortages have become a major issue. Severe regional disparities in the labour market continue to be observed, with higher unemployment concentrated in three regions of eastern Slovakia and labour shortages concentrated in the western part of the country. **Continued capacity building for employers and trade unions is needed to promote their more active involvement.**

(12) The range and effectiveness of policies to improve employability is limited. **Training and requalification programmes have been strengthened, but are still insufficient and do not target fully the long-term unemployed and disadvantaged groups.** The education system does not sufficiently contribute to socio-economic development and is under-funded at all levels. The low quality of educational results, the participation of Roma in inclusive mainstream education as of early childhood and the effective integration of pupils from socio-economically disadvantaged backgrounds in education and training (given the **increasing early school leaving rate**) are pressing challenges. Educational results and the level of basic skills remain weak by international standards, strongly affected by the pupils' socioeconomic background. Ensuring the Slovak population is equipped with better sets of skills for a changing economy and society is a challenge. **Despite progressive salary increases until 2020, the teaching profession remains unattractive** and faces increasing shortages. In addition, the quality and relevance of initial training and opportunities for professional development of teachers are limited. Current measures to foster equity and inclusive education have so far fallen short of expectations, and no real progress on desegregation of Roma students was observed. The government has adopted the "National reform plan for education and upbringing" (2018–27) and the first Action Plan (2018-19) (together with an estimated budget), as well as new legislation on quality assurance in higher education. It will be

crucial that these measures are effectively implemented and monitored to see if they bring the expected results.

(13) The **low employment rate for women** reflects the fact that long parental leave is rarely taken up by men and is further accentuated by limited access to and **low availability of affordable childcare and long-term care facilities**. For children under the age of three in particular, the overall enrolment rates in childcare are extremely low. The government adopted a new decision on mandatory participation in early childhood education and care as of 5 years old, with the effect as of 2020. However, further investment and encouraging attendance in childcare and pre-school facilities is needed.

(14) Even though the **share of people at risk of poverty or social exclusion** is below the EU average, levels **are considerably higher in a number of districts in Southern and Eastern Slovakia**. A considerable bottleneck exists in access to high-quality and inclusive education, where the regional disparities translate into **particularly pronounced early school leaving rates**. Other bottlenecks concern access for disadvantaged groups, in particular for Roma, as well as people with disabilities and people that suffer from homelessness and housing exclusion, to healthcare, long-term care, social housing and other essential services. An integrated approach is essential in order to foster social inclusion for these groups.

## Other relevant information

(18) A heavy administrative and regulatory burden may negatively affect investment and innovation, especially for small and medium-sized enterprises. Despite government efforts, administrative burden is not being reduced enough and the Slovak business environment is losing ground in international comparisons. Quality of legislation and lack of predictability are a concern for businesses. These challenges should be addressed by the full deployment of **Slovakia's Better Regulation Strategy (RIA2020)** and the strengthening of its Better Regulation Centre and analytical capacities within the State administration. (...)

(21) Corruption continues to pose a challenge and there has been only limited determination to prosecute high-level corruption cases. Efforts to combat corruption are hindered by organisational and procedural weaknesses at the police and prosecutor's level, and **weak protection for whistle-blowers**. (...)

## Slovenia

(1 out of 3, pensions (incl. (early) retirement age), ALMPs (in particular young and older workers))

1. (...) Ensure the long-term sustainability and adequacy of the **pension system**, including by adjusting the **statutory retirement age and restricting early retirement**. Increase the **employability of low-skilled and older workers** by improving labour market relevance of education and training, lifelong learning and activation measures, including through better digital literacy.

(10) **Challenges regarding the long-term sustainability and adequacy of the pension system are becoming increasingly pressing** as the Slovenian population is ageing faster than the population of most other Member States. In the document “Starting points for the modernisation of the Pension and Disability Insurance System in the Republic of Slovenia”, adopted in 2017 by the Economic and Social Council, **it was foreseen by the social partners and the previous government to adopt a reform by 2020** and the National Reform Programme 2019-2020 mentions the possibility of an overhaul of the pension system to support the medium to long-term sustainability of the system and appropriate levels of pensions. It also sets the objective of extending working lives and providing better opportunities for exploiting the human resources of older workers, but it does not specify how and when to achieve this objective. **Adjusting the statutory pension age in line with increased life expectancy and promoting later retirement would make the system more sustainable**. Ensuring adequate pensions remains a challenge, as some pension recipients are still at or below the poverty line. Almost 70% of all self-employed people in Slovenia choose to pay social security contributions at the minimum level entitling them to the minimum old-age pension only. **The adequacy of pensions could be further improved by boosting the coverage of the supplementary pension schemes**, appropriately addressing changing career paths and by reducing old-age poverty risks.

(11) Employment continued to rise and unemployment fell further in 2019. At the same time, **long-term unemployment remains above pre-crisis levels** and still represents almost half of all unemployment. Challenges persist **in particular for low-skilled and older workers** as their activity and employment rates remain among the lowest in the Union. Their **participation in adult learning is very low**. Evaluation of policies to encourage people into work or training shows that most existing programmes are performing well. However, spending in this field, and the participation rate of low-skilled and older unemployed people in the programmes remain limited. Therefore, **investments in efficient measures to increase the employability of low-skilled and older workers, including in digital skills, is of particular importance**. Increasing the employment rate of older workers will also help ease pressures on the pension system. While the 2013 labour market reform clearly helped certain vulnerable groups enter employment, **temporary employment remains an issue**. The **rate of people at risk of poverty or social exclusion** decreased but **remains above the Union average for the elderly**.

**(12) Signs of labour shortages are emerging in more and more sectors of the economy. A mismatch between the skills young people acquire during their education and the skills sought by employers appears to contribute to such shortages.** Together with deficiencies in the functioning of the ecosystems for innovation, these shortages hinder industrial transformation in the priority areas of the smart specialisation strategy as defined in consultation with stakeholders. Developing digital skills in the future workforce is crucial to meet the needs of the economy.

## Spain

(2 out of 4; pension reform, ALMPs (young workers and women), employment/social services, EPL, minimum income/social benefits (incl. child support), early school leaving, social dialogue)

### 1. (...) Preserve the sustainability of the **pension system**. (...)

(15) During the crisis, the Spanish pension system played an important role in maintaining the living standards of the elderly, who face a lower risk of poverty. Projections in the 2018 Ageing Report and Pension Adequacy Report indicate that the 2011 and 2013 reforms helped to ensure the sustainability and relative adequacy of pensions in the long term. However, a continuation of the relinking of pension increases to inflation (as decided in 2018 and 2019) and the postponement of the sustainability factor would require compensatory measures to ensure the sustainability of the pension system in the medium to long-term. Moreover, action would be needed to address both the main challenge of the adequacy of future retirees' incomes and the length and completeness of their working careers in a context of high unemployment and widespread use of temporary contracts and part-time employment.

2. Ensure that **employment and social services** have the capacity to provide effective support. **Foster transitions towards open-ended contracts**, including by simplifying the system of hiring incentives. Improve support for families and address coverage gaps in national **unemployment assistance and regional minimum income schemes**. Reduce **early school leaving** and improve educational outcomes, taking into account regional disparities. Increase cooperation between education and businesses with a view to improving the provision of labour market relevant skills and qualifications, in particular for information and communication technologies.

(2) As a Member State whose currency is the euro and in view of the close interlinkages between the economies in the economic and monetary union, Spain should ensure the full and timely implementation of the 2019 Recommendation for the euro area, as reflected in recommendations (1) to (4) below. In particular, (...) **measures to improve skills and employability will help address the third euro-area recommendation as regards the functioning of the labour market.**

(3) (...) The unemployment rate has continued its rapid decline, but remains very high and the **high degree of labour market segmentation between temporary and open-ended contracts** impedes faster labour productivity growth. After a strong reform momentum between 2012 and 2015, an



evolving political context over the past year has contributed to another year of limited progress in implementing Country specific recommendations of previous years. The present favourable economic situation provides a window of opportunity to address pending reform needs with a view to making the Spanish economy more resilient and raising its productivity growth.

(9) In 2020, in view of Spain's general government debt-to-GDP ratio, which is above the 60%-of-GDP Treaty reference value of 60% of GDP, and projected positive output gap of 2.0% of GDP, nominal net primary government expenditure should not grow in 2020, in line with the structural adjustment of 1.0% of GDP stemming from the commonly agreed adjustment matrix of requirements under the Stability and Growth Pact. At the same time, **there are signs that idle capacity in the economy is underestimated, with inflation projected to stay below 2% in 2019 and remaining slack in the labour market (high unemployment rate and a very high share of involuntary part-time work, temporary employees as well as in-work poverty)**. In addition, the plausibility tool also indicates that there is a high degree of uncertainty surrounding the output gap estimates based on the common methodology. On that basis, an annual structural adjustment of 0.65% of GDP, corresponding to a maximum growth rate of net primary government expenditure of 0.9%, appears appropriate. According to the Commission 2019 spring forecast, under unchanged policies, there is a risk of a significant deviation from the required fiscal adjustment in 2020. In addition, Spain is not projected to comply with the requirements of the transitional debt rule in 2019 and 2020. Overall, the Council is of the opinion that the necessary measures should be taken as of 2019 to comply with the provisions of the Stability and Growth Pact. The use of any windfall gains to further reduce the general government debt ratio would be important.

(10) Employment growth remains robust in Spain. **Unemployment continues to fall but it remains well above the Union average, especially for young people and for the low-skilled people. Gender gaps in employment and length of working careers remain wide.** These represent untapped potential not least given the rapidly ageing population.

(11) While progressively reduced, the **still widespread use of temporary contracts**, including in sectors less prone to seasonal or cyclical activity, ranks amongst the highest in Europe and may hinder Spain's growth potential and social cohesion. **Young people, the low-skilled and third-country nationals are those most affected**, often suffering from lower entitlements to social benefits and higher poverty risks. Temporary contracts are often very short and provide weak incentives for both workers and employers to invest in training, which in turn hinders productivity growth. Moving from a temporary contract to a permanent one remains difficult and, barriers to mobility of labour reduce opportunities for jobseekers and hamper its efficient allocation across the country.

(12) Spain has strengthened the support to the long-term unemployed, who still represented 6.4% of the active population in 2018. Recent initiatives seek



to make young people employable through counselling and career guidance, but **public employment services still handle a low share of job vacancies** and further efforts are needed to improve their use in job search and placement. In particular, in some regions, engagement with employers is weak and profiling tools to better match jobseekers with employers' needs are still in an initial phase. **Partnerships between public employment services and social services are progressing, but cooperation is still limited in some regions.** Increased investment in modern public employment services together with support to labour mobility could contribute to improve the employability and adaptability of workers and smoothens labour market transitions, thus improving Spain's productivity and long-term inclusive growth.

(13) Efforts to reinforce labour inspectorates in order to fight the abuse of temporary contracts are bearing some fruit and the share of open-ended contracts in net employment growth is increasing. However, **employers continue to make an extensive use of short-term contracts.** Past evidence shows that the numerous incentives to support job creation are having limited effects in promoting quality employment. Spain launched a new evaluation with the view of simplifying the system, but results are not available yet. Recruitment competitions to reduce the share of fixed-term employment in the public sector at all levels of government need to be sped up to reach the target of 8% by the end of 2019 the 2020 recruitment competitions. **While the setting-up of tripartite round tables is a good step towards greater involvement by the social partners in policy design, there is room for deeper and more timely consultations.**

(14) Though decreasing, the **proportion of people at risk of poverty and social exclusion as well as income inequality remains above the Union average.** In-work poverty rates are high amongst temporary or low-skilled workers, or non-Union-born. The child poverty rate, although declining, remains very high. The **capacity of social transfers** other than pensions to reduce poverty **remains among the lowest in the Union, especially for children.** Social spending as a share of GDP in Spain for households with children in Spain is one of the lowest in the Union and is poorly targeted, despite a recent small increase in the means-tested child allowance. Despite a positive trend, there are still significant gaps in the coverage of people with severe and moderate dependency. **National unemployment assistance remains fragmented**, with multiple schemes that target different groups of jobseekers. Recent measures improving the coverage and protection of income assistance for older long-term unemployed (aged 52 or above) may, at the same time, weaken incentives to work within this particular group. Meanwhile, **regional minimum income schemes present wide disparities in access conditions, coverage and adequacy across regions** and their limited portability between regions reduces incentives for labour mobility. **As a result, a number of people in need do not receive support.** The launch of the Universal Social Card system will make the social benefits system more transparent and thus allow for a better targeting. While the economic recovery continues to curb poverty, **the situation calls for investment**

**in social inclusion policies and social infrastructure (e.g. social housing)** in order to attain inclusive growth. In addition, Spain faces specific territorial cohesion challenges, such as acute depopulation and ageing in certain rural areas. Actions promoting entrepreneurship, digitalisation and the social economy can help respond to those challenges, as part of integrated territorial development strategies.

(16) Spain's innovation performance and productivity growth are hampered by subdued levels of investment in research and development and by skills mismatches. Research and development expenditure in the business sector in Spain is only half the level of the Union average, particularly for large firms, with significant regional disparities. That divergence is reinforced by the low and falling execution rate of the public budget for research and development. **Skills shortages and mismatches are another important barrier to the development and use of advanced technologies**, in particular by small and medium-sized firms. **Employment in high technology sectors and knowledge intensive services is well below the Union average in many Spanish regions.** While regional innovation strategies for smart specialisation are being developed and the governance of national research and innovation policy is being streamlined, national-regional coordination in the design, implementation and evaluation of policy remains weak. Improving Spain's innovation performance requires significant investments to foster entrepreneurship and start-ups and help them grow and to promote the competitiveness of all firms and their adaptation – including through digitalisation- to higher added-value activities with the aim of expanding their presence in international markets. It also requires a stronger focus on public-private partnerships, cooperation between academia and business and technology transfer, particularly in favour of small and medium-sized companies, a strengthened governance of research and innovation policy across government levels, and a closer alignment of research and development infrastructure and projects to regional and national innovation strategies.

(17) Although improving, the **early school leaving rate remains very high** in Spain, with significant regional disparities. There is scope to improve educational outcomes which vary greatly across regions. Both factors negatively affect the long-term potential for productivity growth. Efforts to reform the education system have stalled. Firms report difficulty in finding the skills needed to embrace innovation, notably as regards specialists in information and communication technologies. Spain approved measures to upgrade the dual vocational education and training system, which could play a key role in providing the skills and qualifications required to absorb innovation, but enrolment in those systems remains moderate. Spain's rate of tertiary education attainment is above the Union average but tertiary graduates face difficulties in finding adequate jobs. Developing human capital through all levels of education and training, including higher education and vocational training, and greater cooperation between education and business with a view to mitigating existing skills mismatches, could boost labour market access of young graduates. It could also provide firms with the skills and qualifications required to enhance their innovation capacity and to take full advantage of the

growth potential offered by digitalisation. **Retraining workers in digital skills would also allow Spanish companies to remain competitive** in an increasingly digitised economy. All those actions would contribute to the reduction of regional disparities.

## Sweden

(1 out of 2, integration of (female) migrant workers in labour market)

### 2. Focus investment related economic policy on education and skills, (...)

(8) Labour shortages are emerging in some sectors, such as in construction, education and information and communication technologies. Ensuring a supply of specialist human capital is vital to support research and development investment as well as digitalisation. Investing in education and skills, including digital skills, will help to address those challenges. So far, the educational outcomes have improved somewhat, but there is a **large and increasing educational performance gap between different social groups**. Demographic developments will lead to an increase in the number of pupils, exacerbating the present shortage of teachers. The situation of non-EU migrants and their descendants and the effects of recently adopted programmes deserve closer monitoring, as the school integration of foreign-born pupils, and the sustainable **inclusion of the low-skilled and non-Union migrants (in particular women)** into the labour market remain a challenge.

## United Kingdom

(1 out of 2, work-based training)

### 2. Focus investment-related economic policy on research and innovation, housing, **training and improving skills**, sustainable transport and low carbon and energy transition, taking into account regional diversity.

(12) Although unemployment is low, **real wages remain below their pre-crisis peak**. The high proportion of low-skilled employees has limited career progression prospects, weighing on productivity and contributing to high levels of in-work poverty. There is **scope to improve the effectiveness of the education and training systems** in basic and technical skills. The government is making reforms to both classroom and **work-based training**, but overall registrations for the new twin-track system are far fewer than expected.

## Annex 2: The social CSRs 2011-2018 EU-wide by year

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

Table A7 Country-specific recommendations 2017-2018 (social field only)

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

Source: Country-specific recommendations 2017-2018; EL did not receive specific recommendations but was in general recommended to implement their respective Memorandums of Understanding (including any subsequent supplements).

Table A8 Country-specific recommendations 2018-2019 (social field only)<sup>26</sup>

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

Source: Country-specific recommendations 2018-2019; EL did not receive specific recommendations but was in general recommended to implement their respective Memorandums of Understanding (incl. any subsequent supplements); ETUI own classifications / calculations.

### Annex 3: Country-specific recommendations (CSRs) in the social field under the European Semester Cycles 2017, 2018 and 2019<sup>1</sup>

AT	Austria	CSRs 2017	CSRs 2018	CSRs 2019
		<p>1. (...) Ensure the sustainability of the healthcare system and of the <b>pension system</b>. (...)</p>	<p>1. (...) <b>Ensure the sustainability of the health and long-term care and the pension systems</b>, including by <b>increasing the statutory retirement age and by restricting early retirement</b>. Make <b>public services</b> more efficient, including through aligning financing and spending responsibilities.</p>	<p>1. <b>Ensure the sustainability of the health, long-term care, and pension systems, including by adjusting the statutory retirement age</b> in view of expected gains in life expectancy. Simplify and rationalise fiscal relations and responsibilities across layers of government and align financing and spending responsibilities.</p>
	<p>2. <b>Improve the labour market outcomes for women</b>, also through, inter alia, the provision of full-time care services. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background. (...)</p>	<p>2. <b>Reduce the tax wedge</b>, especially for <b>low-income earners</b>, by shifting the tax burden to sources of revenue less detrimental to growth. <b>Improve labour market outcomes of women. Improve basic skills for disadvantaged young people and people with a migrant background.</b> (...)</p>	<p>2. <b>Shift taxes away from labour</b> to sources less detrimental for inclusive and sustainable growth. Support full-time <b>employment among women</b>, including by improving <b>childcare services</b>, and boost labour market outcomes for the low skilled, in cooperation with the social partners. <b>Raise the levels of basic skills</b> for disadvantaged groups, including people with a migrant background.</p>	

<sup>1</sup> For practical and 'readability' reasons this table has been limited to the CSRs of 2017 to 2019. Readers who would like to consult the texts of comparable earlier recommendations from 2011 to 2016 are advised to consult Annex 3 of Clauwaert (2015), (2016), (2017) and (2018).

BE			
Belgium	CSRs 2017	CSRs 2018	CSRs 2019

1. (...) **Pursue the envisaged pension reforms** and contain the projected increase in long-term care expenditure. (...)

1. (...) Continue reforms to ensure the fiscal sustainability of the long-term care and **pension systems, including by limiting early exit possibilities from the labour market.** (...)

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

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

2. Remove disincentives to work and **strengthen the effectiveness of active labour market policies, notably for the low-skilled, people with a migrant background and older workers.** Pursue the **education and training reforms,** including by fostering equity and increasing the proportion of graduates in science, technology, engineering and mathematics.

2. **Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low skilled, older workers and people with a migrant background. Improve the performance and inclusiveness of the education and training systems and address skills mismatches.**

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

1. Improve tax collection and the efficiency of public spending, including by stepping up enforcement of measures to reduce the extent of the **informal economy**. Upgrade the State-owned enterprise corporate governance framework in line with international good practices.

1. **Improve tax collection through targeted measures in areas such as fuel and labour taxes**. Upgrade the **State-owned enterprise corporate governance** by adopting and putting into effect the forthcoming legislation.

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

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

3. **Increase the employability of disadvantaged groups** by upskilling and strengthening activation measures. **Improve the provision of quality inclusive mainstream education**, particularly for Roma and other disadvantaged groups. (...) Introduce a regular and transparent revision scheme for the **minimum income and improve its coverage and adequacy**.

4. **Strengthen employability by reinforcing skills**, including digital skills. **Improve the quality, labour market relevance, and inclusiveness of education and training**, in particular for Roma and other disadvantaged groups. Address social inclusion through **improved access to integrated employment and social services and more effective minimum income support**. (...)



- |   |  |   |
|---|--|---|
| <p>1. (...) <b>By end-2017, adopt key legislative reforms aiming to improve efficiency in the public sector</b>, in particular on the functioning of public administration, governance of State-owned entities and local governments.</p>   | <p>1. Adopt key legislative reforms to <b>improve efficiency in the public sector</b>, in particular as regards the functioning of the public administration and the governance of state-owned entities and local governments.</p>   | <p>1. Adopt key legislative reforms to <b>improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of State-owned entities and local governments.</b> (...)</p>  |
| <p>5. Speed up reforms aimed at <b>increasing the capacity of public employment services and improving the quality of active labour market policies</b> delivery. Complete the reform of the education system to improve its labour market relevance and performance, including teachers' evaluation. (...)</p> | <p>5. Complete reforms aimed at <b>increasing the capacity and effectiveness of the public employment services</b> and reinforce outreach and <b>activation support for young people who are not in employment education or training.</b> Complete the reform of the education and training system, including teacher evaluation and actions to <b>increase the capacity of vocational education and training.</b> (...)</p> | <p>3. Complete reforms aimed at <b>increasing the effectiveness of the public employment services</b> and <b>reinforce outreach and activation support for young people.</b> Deliver on the reform of the education and training system, including teacher evaluation, and <b>increase employers' engagement and learners' participation in vocational education and training, and affordable childhood education and care.</b> (...)</p> <p>4. <b>Focus investment-related economic policy</b> on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, <b>digitalisation, including digital skills</b>, and research and innovation, taking into account territorial disparities within Cyprus. (...)</p> |
| <p>3. (...) <b>Integrate and strengthen the supervision of</b> insurance companies and <b>pension funds.</b></p>  | <p>2. (...) <b>Strengthen the supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension-funds supervisors.</b></p>   | <p>2. (...) <b>Strengthen the supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension-funds supervisors.</b></p>  |

CZ Czech Republic	CSRs 2017	CSRs 2018	CSRs 2019

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

1. (...) **Strengthen the capacity of the education system** to deliver quality inclusive education, including by promoting the teaching profession. Foster the **employment of women**, the low-skilled and disabled people, including by improving the **effectiveness of active labour market policies**.

2. Foster the **employment of women** with young children, including by improving access to **affordable childcare**, and of disadvantaged groups. **Increase the quality and inclusiveness of the education and training systems**, including by fostering technical and digital skills and promoting the teaching profession.

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

3. Improve the long-term fiscal sustainability, in particular of the **pension system**. (...)

1. **Improve long-term fiscal sustainability of the pension and health-care systems**. (...)

DE	Germany	CSRs 2017	CSRs 2018	CSRs 2019
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2. **Reduce disincentives to work for second earners** and facilitate transitions to standard employment. **Reduce the high tax wedge for low-wage earners.** Create conditions to promote higher real wage growth, respecting the role of the social partners.

1. (...) Improve the **efficiency and investment friendliness of the tax system.** (...)

2. **Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners.** Take measures to **promote longer working lives.** Create conditions to **promote higher wage growth,** while respecting the role of the social partners. **Improve educational outcomes and skills levels of disadvantaged groups.**

1. (...) **Shift taxes away from labour** to sources less detrimental to inclusive and sustainable growth. (...)

2. **Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners.** Take measures to **safeguard the long-term sustainability of the pension system,** while preserving adequacy. **Strengthen the conditions that support higher wage growth, while respecting the role of the social partners.** **Improve educational outcomes and skills levels of disadvantaged groups.**

DK	CSRs 2017	CSRs 2018	CSRs 2019
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No social CSR adopted.

No social CSR adopted.

**1. Focus investment-related economic policy on education and skills**, research and innovation to broaden the innovation base to include more companies, and on sustainable transport to tackle road congestion.

EE	Estonia	CSRs 2017	CSRs 2018	CSRs 2019
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1. (...) Improve the **adequacy of the social safety net**. Take measures to reduce the **gender pay gap**, in particular by improving wage transparency and **reviewing the parental leave system**.

1. (...) Improve the **adequacy of the social safety net**, in particular for older people and people with disabilities. Take measures to **reduce the gender pay gap, including by improving wage transparency in the private sector**.

2. **Address skills shortages** and foster innovation by **improving the capacity and labour market relevance of the education and training system. Improve the adequacy of the social safety net and access to affordable and integrated social services**. Take measures to reduce the **gender pay gap**, including by improving wage transparency.

ES Spain	CSRs 2017	CSRs 2018	CSRs 2019
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2. Reinforce the **coordination between regional employment services, social services and employers**, to better respond to jobseekers' and employers' needs. Take **measures to promote hiring on open-ended contracts**. Address regional disparities and fragmentation in **income guarantee schemes** and improve family support, including **access to quality childcare**. Increase the **labour market relevance of tertiary education**. Address regional disparities in educational outcomes, in particular by strengthening teacher training and support for individual students.

2. Ensure that **employment and social services** have the capacity to provide effective support for jobseekers, including through better cooperation with employers. **Foster transitions towards open-ended contracts**. Improve family support and **address coverage gaps in income guarantee schemes**, by simplifying the system of national schemes and reducing disparities in access conditions to regional ones. **Reduce early school leaving** and regional disparities in educational outcomes, in particular by better supporting students and teachers.

2. Ensure that **employment and social services** have the capacity to provide effective support. **Foster transitions towards open-ended contracts**, including by simplifying the system of hiring incentives. Improve support for families and address coverage gaps in national **unemployment assistance and regional minimum income schemes**. **Reduce early school leaving** and improve educational outcomes, taking into account regional disparities. Increase cooperation between education and businesses with a view to improving the provision of labour market relevant skills and qualifications, in particular for information and communication technologies.

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1. (...) Preserve the sustainability of the **pension system**. (...)

FI	Finland	CSRs 2017	CSRs 2018	CSRs 2019
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1. (...) Ensure timely adoption and implementation of the administrative reform **to improve cost-effectiveness of social and healthcare services.**
1. (...) Improve the medium-term budgetary objective in 2019, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted. Ensure the adoption and implementation of the administrative reform to **improve cost-effectiveness and equal access to social and healthcare services.**
1. (...) Ensure timely adoption and implementation of the administrative reform **to improve cost-effectiveness of social and healthcare services.**
2. **Promote the further alignment of wages with productivity** developments, fully respecting the role of social partners. **Take targeted active labour market policy measures** to address employment and social challenges, provide incentives to accept work and promote entrepreneurship.
2. **Improve incentives to accept work and ensure adequate and well-integrated services for the unemployed** and the inactive.
2. **Improve incentives to accept work and enhance skills and active inclusion**, notably through well-integrated services for the unemployed and the inactive.



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

3. **Simplify the tax system**, by limiting the use of tax expenditures, removing inefficient taxes and reducing taxes on production levied on companies. (...)

1. (...) Progressively **unify the rules of the different pension regimes** to enhance their fairness and sustainability.

1. **Reform the pension system** to progressively unify the rules of the different pension regimes, with the view to enhance their fairness and sustainability.

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

2. **Pursue the reforms of the vocational education and training system**, to strengthen its labour market relevance and improve access to training, in particular for low qualified workers and jobseekers. Foster equal opportunities and access to the labour market, including for people with a migrant background and people living in deprived areas. **Ensure that minimum wage developments are consistent with job creation and competitiveness.**

2. **Foster labour market integration for all job seekers**, ensure equal opportunities with a particular focus on vulnerable groups including people with a migrant background **and address skills shortages and mismatches.**

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

GR Greece	CSRs 2017	CSRs 2018	CSRs 2019
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To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.

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

2. **Focus investment-related economic policy on sustainable transport and logistics, environmental protection, energy efficiency, renewable energy and interconnection projects, digital technologies, R&D, education, skills, employability, health, and the renewal of urban areas, taking into account regional disparities and the need to ensure social inclusion.**

2. Discourage early retirement, accelerate the transition to the higher statutory retirement age, and align pension provisions for specific categories with the rules of the general scheme. **Improve coordination and transparency of social benefits.**
3. **Improve adult education**, in particular for older workers, the low-skilled and the long-term unemployed. Accelerate the reform of the education system.

2. **Discourage early retirement**, accelerate the transition to a higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme. Deliver on the reform of the education and training system to improve its quality and labour market relevance for both young people and adults. **Consolidate social benefits** and improve their poverty reduction capacity.

2. Deliver on the education reform and **improve both access to education and training at all levels and their quality and labour market relevance**. Consolidate social benefits and improve their capacity to reduce poverty. Strengthen labour market measures and institutions and their coordination with social services. In consultation with the social partners, **introduce harmonised wage-setting frameworks across the public administration and public services.**

4. Reduce the fragmentation and improve the functional distribution of competencies in **public administration**, while enhancing the efficiency and reducing territorial disparities in the delivery of public services. In consultation with social partners, **harmonise the wage-setting frameworks across the public administration and public services.**

3. **Reduce the territorial fragmentation of the public administration**, streamline the functional distribution of competencies and enhance the capacity to design and implement public policies. **In consultation with social partners, introduce harmonised wage-setting frameworks across the public administration and public services.**

2. Deliver on the education reform and **improve both access to education and training at all levels and their quality and labour market relevance**. Consolidate social benefits and improve their capacity to reduce poverty. Strengthen labour market measures and institutions and their coordination with social services. In consultation with the social partners, **introduce harmonised wage-setting frameworks across the public administration and public services.**

4. Improve corporate governance in **state-owned enterprises** and intensify the sale of state-owned enterprises and non-productive assets. (...)

HU Hungary	CSRs 2017	CSRs 2018	CSRs 2019
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2. **Complete the reduction of the tax wedge for low-income earners** and simplify the tax structure, in particular by reducing the most distortive sector-specific taxes. (...)

2. **Continue simplifying the tax system**, in particular by reducing sector specific taxes. Improve the quality and transparency of the decision-making process through effective **social dialogue** and engagement with other stakeholders and by regular, adequate impact assessments. (...)

4. (...) **Improve the quality and transparency of the decision-making process through effective social dialogue** and engagement with other stakeholders and through regular, appropriate impact assessments. **Continue simplifying the tax system**, while strengthening it against a risk of aggressive tax planning. (...)

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

3. Unlock labour reserves through **improving the quality of active labour market policies**. Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma, in quality and inclusive mainstream education. **Improve the adequacy and coverage of social assistance and unemployment benefits**.

2. **Continue the labour market integration** of the most vulnerable groups in particular by upskilling, and **improve the adequacy of social assistance and unemployment benefits**. **Improve education outcomes and increase the participation of disadvantaged groups**, in particular Roma in quality mainstream education. (...)

IE	Ireland	CSRs 2017	CSRs 2018	CSRs 2019
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2. (...) Enhance social infrastructure, including **social housing and quality childcare**; deliver an integrated package of **activation policies** to increase employment prospects of low-skilled people and to address low work intensity of households.

2. (...) **Ensure the timely and effective implementation of the National Development Plan, including in terms of clean energy, transport, housing, water services and affordable quality childcare.** Prioritise the **upskilling of the adult working-age population**, with a focus on digital skills.

2. (...) Increase access to **affordable and quality childcare**.

1. (...) Limit the scope and the number of tax expenditures, and **broaden the tax base**. Address the expected increase in age-related expenditure by increasing the cost-effectiveness of the healthcare system and by **pursuing the envisaged pension reforms**.

1. Achieve the medium-term budgetary objective in 2020. Use windfall gains to accelerate the reduction of the general government debt ratio. Limit the scope and number of tax expenditures, and **broaden the tax base**. Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments. Address the expected increase in age-related expenditure by making the healthcare system more cost-effective and by **fully implementing pension reform plans**.

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

4. **Step up implementation of the reform of active labour market policies** to ensure equal access to effective job-search assistance and training. Encourage **labour market participation of women** through a comprehensive strategy, rationalising family support policies and increasing the coverage of **childcare** facilities. Foster research, innovation, digital skills and infrastructure through better-targeted investment and increase participation in **vocational-oriented tertiary education.**

1. (...) **Reduce the share of old-age pensions** in public spending to **create space for other social spending.**

2. Step up efforts to tackle **undeclared work.** **Ensure that active labour market and social policies are effectively integrated and reach out notably to young people and vulnerable groups.** **Support women's participation in the labour market** through a comprehensive strategy, including through **access to quality childcare** and long-term care. Improve educational outcomes, also through adequate and targeted investment, and **foster upskilling**, including by strengthening digital skills.

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

1. (...) **Shift taxation away from labour**, including by reducing tax expenditure and reforming the outdated cadastral values. Step up efforts to **tackle the shadow economy**, including by strengthening the compulsory use of e-payments through lower legal thresholds for cash payments. **Reduce the share of old-age pensions** in public spending to create space for other social spending.

1. Ensure a nominal reduction of net primary government expenditure of 0.1% in 2020, corresponding to an annual structural adjustment of 0.6% of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. **Shift taxation away from labour**, including by reducing tax expenditure and reforming the outdated cadastral values. Fight tax evasion, especially in the form of omitted invoicing, including by strengthening the compulsory use of e-payments including through lower legal thresholds for cash payments. **Implement fully past pension reforms** to reduce the share of pensions in public spending and create space for other social and growth-enhancing spending.

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

3. (...) **Improve the effectiveness of public administration, including by investing in the skills of public employees**, by accelerating digitalisation, and by increasing the efficiency and quality of local public services. (...)

LT	Lithuania	CSRs 2017	CSRs 2018	CSRs 2019
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1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic **pension reform** and of the structural reforms for which a temporary deviation is granted. Improve tax compliance and **broaden the tax base** to sources that are less detrimental to growth. Take steps to address the medium term fiscal sustainability challenge related to pensions.

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

1. Improve tax compliance and **broaden the tax base** to sources less detrimental to growth. **Address income inequality, poverty and social exclusion, including by improving the design of the tax and benefit system.**

1. Improve tax compliance and **broaden the tax base** to sources less detrimental to growth. Ensure the long-term **sustainability of the pension system** while addressing the adequacy of pensions.

2. Improve the quality, efficiency and **labour market relevance of education and training**, including adult learning. (...) Improve the design of the tax and benefit system to **reduce poverty and income inequality**.

2. **Improve quality and efficiency at all education and training levels**, including adult learning. (...)

1. Improve tax compliance and **broaden the tax base** to sources less detrimental to growth. **Address income inequality, poverty and social exclusion, including by improving the design of the tax and benefit system.**



LU Luxembourg	CSRs 2017	CSRs 2018	CSRs 2019
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2. Ensure the long-term sustainability of the pension system, limit early retirement and increase the employment rate of older people.
1. Increase the employment rate of older people by enhancing their employment opportunities and employability while further limiting early retirement, with a view to also improving the long-term sustainability of the pension system.
1. Increase the employment rate of older workers by enhancing their employment opportunities and employability. Improve the long-term sustainability of the pension system, including by further limiting early retirement.

LV	Latvia	CSRs 2017	CSRs 2018	CSRs 2019
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1. (...) Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic **pension reform** and of the structural reforms for which a temporary deviation is granted. Reduce taxation for **low-income earners** by shifting it to other sources that are less detrimental to growth and by improving tax compliance.

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

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

1. (...) **Reduce taxation for low-income earners by shifting it to other sources**, particularly capital and property, and by improving tax compliance. (...)

2. **Improve the adequacy of minimum income benefits**, minimum old-age pensions and income support for people with disabilities. **Increase the labour market relevance of vocational education and training**, and foster upskilling of low-skilled workers and jobseekers. (...)

4. Address social exclusion notably by **improving the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities. Increase the quality and efficiency of education and training in particular of low-skilled workers and jobseekers**, including by strengthening the participation in vocational education and training and adult learning. (...)

3. **Strengthen the efficiency of the public sector**, in particular with regard to local authorities and state-owned enterprises. Strengthen the accountability of public administration by **protecting whistle-blowers**, preventing conflicts of interest and following-up on the results of the ongoing assessment of past insolvency proceedings.

4. Strengthen the **accountability and efficiency of the public sector**, in particular with regard to local authorities and State-owned and municipal enterprises and the conflict of interest regime.

MT	CSRs 2017	CSRs 2018	CSRs 2019
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Malta

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

2. **Ensure the sustainability of the health care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement.**

1. **Ensure the fiscal sustainability of the healthcare and the pension systems, including by restricting early retirement and adjusting the statutory retirement age in view of expected gains in life expectancy.**

3. **Focus investment-related economic policy on research and innovation, natural resources management, resource and energy efficiency, sustainable transport, reducing traffic congestion and inclusive education and training.**

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

2. **Reduce the incentives to use temporary contracts and self-employed without employees**, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Create conditions to **promote higher wage growth**, respecting the role of the social partners. Ensure that the **second pillar of the pension system** is more transparent, inter-generationally fairer and more resilient to shocks.

2. **Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed**, and tackle bogus self-employment. Strengthen comprehensive **life-long learning** and upgrade skills notably of those at the margins of the labour market and the inactive.

1. (...) **Ensure that the second pillar of the pension system is more transparent**, inter-generationally fairer and more resilient to shocks. Implement policies to **increase household disposable income, including by strengthening the conditions that support wage growth, while respecting the role of social partners**. Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments, notably by implementing the announced measures.

2. Tackle **remaining barriers to hiring staff on permanent contracts**. Address the high increase in the self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection. (...) **Create conditions to promote higher real wage growth**, respecting the role of the social partners.

2. **Reduce the incentives to use temporary contracts and self-employed without employees**, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Create conditions to **promote higher wage growth**, respecting the role of the social partners. Ensure that the **second pillar of the pension system** is more transparent, inter-generationally fairer and more resilient to shocks.

2. **Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed**, and tackle bogus self-employment. Strengthen comprehensive **life-long learning** and upgrade skills notably of those at the margins of the labour market and the inactive.

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

4. Take steps to increase labour market participation, including by improving access to **childcare** and by fostering labour market relevant skills, especially through adult learning, and **remove remaining obstacles to more permanent types of employment**. **Ensure the sustainability and adequacy of the pension system** by taking measures to **increase the effective retirement age** and by reforming the preferential pension schemes.

1. **Ensure the adequacy of future pension benefits and the sustainability of the pension system** by taking measures to **increase the effective retirement age and by reforming the preferential pension schemes**. Take steps to increase labour market participation, including by improving access to **childcare** and long-term care, and **remove remaining obstacles to more permanent types of employment**. **Foster quality education and skills** relevant to the labour market, especially through adult learning.

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

2. Take steps to increase labour market participation, including by improving access to **childcare** and by fostering labour market relevant skills, especially through adult learning, and **remove remaining obstacles to more permanent types of employment**. **Ensure the sustainability and adequacy of the pension system** by taking measures to **increase the effective retirement age** and by reforming the preferential pension schemes.

1. **Ensure the adequacy of future pension benefits and the sustainability of the pension system** by taking measures to **increase the effective retirement age and by reforming the preferential pension schemes**. Take steps to increase labour market participation, including by improving access to **childcare** and long-term care, and **remove remaining obstacles to more permanent types of employment**. **Foster quality education and skills** relevant to the labour market, especially through adult learning.

5. Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions. **Improve the regulatory environment, in particular by ensuring effective public and social consultations in the legislative process.**

3. (...) Improve the regulatory environment, **in particular by strengthening the role of consultations of social partners** and public consultations in the legislative process.

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

1. (...) **Strengthen expenditure control, cost effectiveness and adequate budgeting**, in particular in the health sector with a focus on the reduction of arrears in hospitals. **Improve the financial sustainability of state-owned enterprises**, in particular by increasing their overall net income and by reducing debt.

1. Achieve the medium-term budgetary objective in 2020, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Use windfall gains to accelerate the reduction of the general government debt ratio. **Improve the quality of public finances by prioritising growth-enhancing spending while strengthening overall expenditure control, cost efficiency and adequate budgeting**, with a focus in particular on a durable reduction of arrears in hospitals. **Improve the financial sustainability of State-owned enterprises**, while ensuring more timely, transparent and comprehensive monitoring.

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

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

2. **Promote an environment conducive to hiring on open-ended contracts**, including by reviewing the legal framework in consultation with social partners. **Increase the skills level of the adult population**, including digital literacy, by strengthening and broadening the coverage of the training component in adult qualification programmes. Improve higher education uptake, namely in science and technology fields.

2. Adopt measures to **address labour market segmentation**. **Improve the skills** level of the population, in particular their digital literacy, including by **making adult learning more relevant** to the needs of the labour market. Increase the number of higher education graduates, particularly in science and information technology. Improve the **effectiveness and adequacy of the social safety net**.

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

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

2. **Complete the minimum inclusion income reform**. Improve the functioning of **social dialogue**. Ensure **minimum wage setting based on objective criteria**. Improve upskilling and the provision of quality mainstream education, in particular for Roma and children in rural areas. (...)

2. (...) Ensure the sustainability of the public **pension system** and the long-term viability of the second pillar pension funds.

3. Improve the **quality and inclusiveness of education**, in particular for Roma and other disadvantaged groups. **Improve skills, including digital**, in particular by increasing the labour market relevance of **vocational education and training** and higher education. **Increase the coverage and quality of social services** and complete the minimum inclusion income reform. **Improve the functioning of social dialogue**. **Ensure that the minimum wage is set on the basis of objective criteria**, consistent with job creation and competitiveness. (...)

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

3. Increase the predictability of decision-making by enforcing the systematic and effective use of regulatory impact assessment and **stakeholder consultation and involvement in the design and implementation of reforms**. Improve the transparency and efficiency of public procurement. **Strengthen the corporate governance of state owned enterprises**.

6. Ensure that legislative initiatives do not undermine legal certainty by **improving the quality and predictability of decision-making, including by appropriate stakeholder consultations**, effective impact assessments and streamlined administrative procedures. **Strengthen the corporate governance of State-owned enterprises**.

SE			
Sweden	CSRs 2017	CSRs 2018	CSRs 2019

No social CSRs adopted.

No social CSRs adopted.

**2. Focus investment related economic policy on education and skills, (...).**



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

1. (...) Ensure the long-term sustainability and adequacy of the **pension system**, including by **increasing the statutory retirement age and by restricting early retirement**. Increase the employability of low-skilled and older workers through lifelong learning and activation measures.

1. (...) Ensure the long-term sustainability and adequacy of the **pension system**, including by adjusting the **statutory retirement age and restricting early retirement**. Increase the **employability of low-skilled and older workers** by improving labour market relevance of education and training, lifelong learning and activation measures, including through better digital literacy.

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

1. (...) Ensure the long-term sustainability and adequacy of the **pension system**, including by **increasing the statutory retirement age and by restricting early retirement**. Increase the employability of low-skilled and older workers through lifelong learning and activation measures.

1. (...) Ensure the long-term sustainability and adequacy of the **pension system**, including by adjusting the **statutory retirement age and restricting early retirement**. Increase the **employability of low-skilled and older workers** by improving labour market relevance of education and training, lifelong learning and activation measures, including through better digital literacy.

SK

Slovakia

CSRs 2017

CSRs 2018

CSRs 2019

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

2. **Reinforce activation and upskilling measures**, including quality targeted training and individualised services for disadvantaged groups, in particular by delivering on the action plan for the long-term unemployed. **Foster women's employment, especially by extending affordable, quality childcare**. **Improve the quality and inclusiveness of education**, including by increasing the participation of Roma children in mainstream education from early childhood onwards.

4. Improve the quality and inclusiveness of education at all levels and **foster skills in line with labour market needs**. Enhance access to **affordable and quality childcare** and long-term care. Promote integration of disadvantaged groups, in particular Roma.

1. Achieve the medium-term budgetary objective in 2020. Safeguard the long-term sustainability of public finances, notably that of the healthcare and **pension systems**.

UK			
United Kingdom	CSRs 2017	CSRs 2018	CSRs 2019

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

3. **Address skills** and progression needs by setting outcome targets for the **quality and the effectiveness of apprenticeships** and by investing more in upskilling those already in the labour force.

2. Focus investment-related economic policy on research and innovation, housing, **training and improving skills**, sustainable transport and low carbon and energy transition, taking into account regional diversity.

Source: Country-specific recommendations 2017-2018, 2018-2019 and 2019-2020; emphasis added by the author.

## Annex 4: Country-specific recommendations (CSRs) in the social field under the European Semester 2019 – Commission versus Council versions

AT	CSRs 2019 Commission proposals	CSRs 2019 Council Recommendations
Austria	<p>2. Shift taxes away from labour to sources more supportive for inclusive and sustainable growth. Support full-time employment among women, including by improving childcare services, and boost labour market outcomes for the low skilled, in cooperation with the social partners. Raise the basic skills for disadvantaged groups, including people with a migrant background.</p>	<p>2. Shift taxes away from labour to sources <del>more supportive</del> less detrimental for inclusive and sustainable growth. Support full-time employment among women, including by improving childcare services, and boost labour market outcomes for the low skilled, in cooperation with the social partners. Raise the levels of basic skills for disadvantaged groups, including people with a migrant background.</p>
DE	CSRs 2019 Commission proposals	CSRs 2019 Council Recommendations
Germany	<p>1. (...) Shift taxes away from labour to sources more supportive for inclusive and sustainable growth. (...)</p>	<p>1. (...) Shift taxes away from labour to sources <del>more supportive</del> for less detrimental to inclusive and sustainable growth. (...)</p>

RO

Romania

CSRs 2019  
Commission proposals

CSRs 2019  
Council Recommendations

3. Improve the quality and inclusiveness of education, in particular for Roma and other disadvantaged groups. Improve skills, including digital, in particular by increasing the labour market relevance of vocational education and training and higher education. Increase the coverage and quality of social services and complete the minimum inclusion income reform. Improve the functioning of social dialogue. Ensure minimum wage setting based on objective criteria, consistent with job creation and competitiveness. (...)

SK

Slovakia

CSRs 2019  
Commission proposals

CSRs 2019  
Council Recommendations

4. Improve the quality and inclusiveness of education at all levels and foster skills. Enhance access to affordable and quality childcare and long-term care. Promote integration of disadvantaged groups, in particular Roma.

Source: Country-specific recommendations 2019–2020.