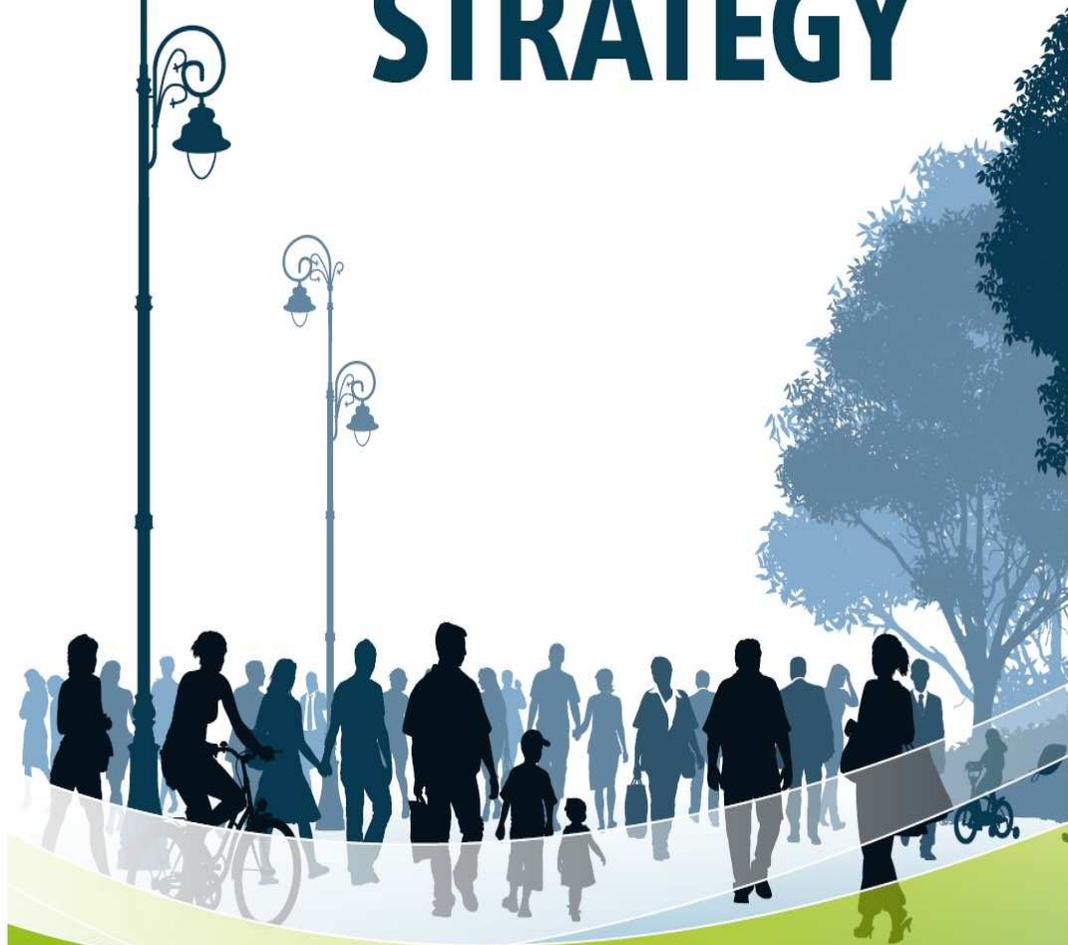


EUROPE 2020 STRATEGY



THE FIRST EUROPEAN SEMESTER
FROM A CIVIL SOCIETY PERSPECTIVE
Integrated Report



European Economic and Social Committee

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INTRODUCTION

The present *Integrated report*¹, issued in view of the Spring 2012 European Council, brings together the **EESC opinion** on the Commission's communication on 'Concluding the first European semester of economic policy coordination' that was adopted in December 2011 and a series of contributions on the country-specific recommendations and on the national reform programmes (NRPs). These **contributions** have been **drafted by the Member States' national Economic and Social Councils (ESCs) or by similar organisations** in those countries which do not have a national ESC.

The EESC opinion focuses on several issues in relation to the Europe 2020 Strategy: the reinforcement of governance, the improvement of communication and its concrete implementation by the Member States. Issued in a particularly difficult context, when the Union is experiencing the worst economic, social and political crisis in its history, the opinion stresses the need to **move from emergency measures to long-term growth reforms**. It considers that the overarching **Europe 2020 Strategy is more important than ever** since it offers a comprehensive agenda for reforms aiming to secure sustainable growth and make the Union more resilient in future.

In their contributions, the national ESCs / similar organisations express their **positions regarding the country-specific recommendations** and give concrete **proposals for improving the formulation and implementation of NRPs** - offering in this way essential on-the-ground assessments from the Member States.

The EESC considers that **the participation of organised civil society and the social partners in the carrying-out of reforms is crucial** to their success and can encourage national administrations and the EU in delivering concrete results.

This idea is also shared by the **Commission**: its president, Mr José Manuel Barroso has recently reiterated that civil society organisations 'should be included as key partners in the process' and expressed the Commission's desire to 'continue and deepen the (our) excellent cooperation on Europe 2020'².

The role of all partners in the EU 2020 Strategy was also formally recognised by Member States in the last Spring European Council Conclusions³. In order to ensure full ownership of the strategy and the need for reforms, the EESC urges the **2012 Spring European Council** to renew and enrich its mandate to work on the Strategy in cooperation with national ESCs, social partners and other components of organised civil society.

¹ This is the 5th report that involves national ESCs / similar organisations - its predecessors dating from 2006, 2008, 2010 and 2011.

² Letter from EC president J.M. Barroso to the EESC president S. Nilsson (2011) 244450, October 2011

³ European Council Conclusions 24-25 March 2011, point I.6: 'In implementing these policies, and in order to ensure wide ownership, close cooperation will be maintained with the European Parliament and other EU institutions and advisory bodies (ESC, CoR), with the full involvement of national parliaments, social partners, regions and other stakeholders'

The President

Brussels, 14 July 2011

Dear Mr (to be completed),

The first European Semester has now come to an end, marking the opening of the national semester during which reform programmes will be drafted at national level. I would like to thank you once again for your contributions in 2010 to the report we prepared ahead of the European Council in March 2011. This report marks a particular success for organised civil society as it triggered the development of a new mandate for our joint work from the Heads of State and Government⁴.

Given the reinforced role of country-specific recommendations in the European Semester and their endorsement by the European Council on 24 June 2011⁵, the upcoming consultations on the reform programmes prepared in the Member States will be of particular importance. In response to the new EU Council mandate, it was therefore proposed at our June meeting of the Steering Committee that a new joint Integrated Report be submitted to the European institutions, with each national ESC preparing its contribution regarding the country-specific recommendations and the National Reform Programme (NRP).

As regards timing, the key objective will be to match the Commission's timetable and to present our contribution, as requested by the Commission, in a timely manner ahead of the next European Semester 2012. This means that our joint report must be ready by the end of the year, and national contributions by November 2011. Both documents should be ready to be sent to the Commission in December 2011. Together they constitute the "Integrated Report".

I would be grateful if you could prepare a maximum eight-page response and send it to the Steering Committee by the end of October 2011 in order to leave sufficient time for translation. In this respect, your representatives will be invited to participate in the 6th meeting of the Steering Committee, to be held on 24 November 2011, during which the contributions will be presented and discussed.

The response should address the following questions:

- Positions regarding the country-specific recommendations and planned actions by main social and economic stakeholders, and;
- Concrete proposals by national non-governmental stakeholders to improve NRPs and recommendations concerning their implementation;
- Effects produced by the action of the non-governmental stakeholders and further initiatives to be taken.

⁴ Conclusions of the European Council 24/25 March 2011, point I.6.

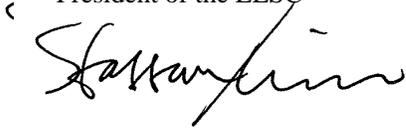
⁵ Conclusions of the European Council, 23/24 June 2011, point I.3.

Please allow me to thank you once again for your strong commitment to this process.

We look forward to meeting you again at the next Steering Committee meeting on 24 November 2011. For further information on the on-going process please do not hesitate to contact the Steering Committee Secretariat, Mr Juri Soosaar, e-mail juri.soosaar@eesc.europa.eu, tel. +32 2546 9628.

Yours sincerely,

Staffan NILSSON
President of the EESC

Handwritten signature of Staffan Nilsson in black ink.

Joost van IERSEL
President of the Europe 2020 Steering
Committee

Handwritten signature of Joost van Iersel in black ink.



European Economic and Social Committee

EUR/002
Concluding the first
European semester

Brussels, 8 December 2011

OPINION

of the

European Economic and Social Committee

on

Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic And Social Committee and the Committee of the Regions - Concluding the first European semester of economic policy coordination:

Guidance for national polices in 2011-2012

COM(2011) 400 final

Rapporteur-General: **Mr Michael Smyth**

On 7 June 2011 the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic And Social Committee and the Committee of the Regions -

Concluding the first European semester of economic policy coordination:

Guidance for national policies in 2011-2012

COM(2011) 400 final.

On 14 June 2011 the Committee Bureau instructed the Europe 2020 Steering Committee to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr Smyth as rapporteur-general at its 476th plenary session, held on 7 and 8 December 2011 (meeting of 8 December 2011), and adopted the following opinion by 136 votes in favour, no vote against and 6 abstentions.

*

* *

1. **Conclusions**

- 1.1 The Union and its population is experiencing the worst economic, social and political crisis in its history, severely affecting the Member States and their population and threatening core achievements such as the single currency, the Stability Pact, the Internal market. In the previous financial crisis it was the swift and decisive joint action among Europe's leaders that averted a long recession. Europe now faces another equally serious challenge and again a very strong cooperative political stance is required. No single Member State can deal with the crisis on its own - the political choice has become stark: either European integration is strengthened to overcome the crisis or the crisis will severely weaken European integration and put it at risk.
- 1.2 Immediate measures are needed in order to reduce debt, to consolidate public finances and to raise the level of confidence of people and businesses. However, policymakers should look beyond the crises of the day. The focus should not be only on short and medium term actions. There is a clear need for long term reforms. The action or lack of action in this respect will have a short-term, even immediate impact on Member States' borrowing costs.
- 1.3 Against this background, the Committee considers that the Europe 2020 Strategy is more important than ever since it offers a comprehensive agenda for reforms aiming to secure sustainable growth and making the Union more resilient in future.
- 1.4 A good balance between all the aspects of the Strategy – notably its economy aspect, the social aspect and the environment aspect is needed: the 3 priority areas - smart, sustainable

and inclusive growth are interlinked and mutually reinforcing. Equal attention has to be given to economic growth, entrepreneurship, SMEs, competitiveness, innovation, sustainability and environment, social rights, job creation and support to education.

- 1.5 In a context of difficult economic situation and strained public finances in the Member States, the challenge is now more than ever the adequate implementation of the Strategy.
- 1.6 The Committee is very concerned that commitments set out by Member States in their national reform programmes are insufficient - as shown by the Annual Growth Survey⁶ - to meet most of the targets set by the Strategy (targets on education, employment, research and development, poverty reduction, emission reduction – energy efficiency – renewable energy).
- 1.7 Member States must increase their efforts and engage in more ambitious national adjustments, in order to have a chance of attaining the targets by 2020, setting the priority on growth-enhancing items (education, innovation, energy, transport interconnections, etc.). An adequate implementation of their commitments is key.
- 1.8 The Committee considers that organised civil society and social partner's participation in the carrying out reforms and a growth strategy will be determinant for their success and will encourage national administrations and the EU to deliver concrete results. Therefore, it will continue the joint work with its network of national Economic and Social Councils (ESCs) and similar organisations in the framework of the Europe 2020 strategy. On the one side, it will bring awareness in the Member States and on the other side, it will ensure that the economic and social circumstances on the ground are known by policy makers at the EU level.

2. **Background**

- 2.1 The first European semester, new governance method aimed at improving the economic policy coordination between the EU and Member States, was launched in January 2011 when the Commission presented the Annual Growth Survey (AGS)⁷ which was endorsed and completed by the Spring European Council⁸.
- 2.2 Against this background, Member States presented at the end of April 2011 Stability or Convergence Programmes (SCPs) on their public finances and National Reform Programmes (NRPs), presenting key policy measures to reach the goals of the Europe 2020 strategy. In addition, most members of the Euro Plus Pact presented specific commitments made under the Pact⁹.

⁶ Annual growth Survey 2012, COM(2011) 815 of 23.11.2011.

⁷ "Annual Growth Survey 2011: advancing the EU's comprehensive response to the crisis" - COM(2011) 11, 12.1.2011, including the draft Joint Employment Report.

⁸ European Council 24/25 March 2011 Conclusions, EUCO 10/1/11 rev. 1.

⁹ Annex I. to the European Council 24/25 March 2011 Conclusions, EUCO 10/1/11 rev. 1.

2.3 After having assessed these programmes and commitments, the Commission issued country-specific recommendations as well as recommendations for the Euro area¹⁰. They focused on areas where further action was needed from member States in order to step up structural reforms. The June European Council¹¹ endorsed them, concluding the first European semester and marking the opening of the "national semester".

2.4 The present document takes as a starting point the Commission's communication on "Concluding the first European semester of economic policy coordination: Guidance for national policies in 2011 – 2012"¹² issued in June 2011. It aims at focusing on several important issues such as:

- the reinforcement of governance in relation with the Strategy,
- the improvement of communication on the Strategy, and
- the improvement of its concrete implementation by the Member States.

2.5 It will be part of a new "Integrated Report"¹³ that will be presented by the interactive network developed by the EESC with national ESCs and other similar partner organisations.

2.6 The specific policies covered by the EU 2020 strategy were dealt with more in depth in the previous opinion on the "Annual Growth Survey: advancing the EU's comprehensive response to the crisis"¹⁴. Indeed, following the consultation on the Annual Growth Survey 2011, the Committee issued an opinion that fully supported the EU 2020 Strategy, the European Semester and encouraged the Commission to stand up for European integration. The Committee regretted however that the first Annual Growth Survey had missed the opportunity to provide policy proposals in view of achieving smart, sustainable and inclusive growth. Given the serious deterioration in economic and social conditions, these proposals must now be acted upon.

2.7 The opinion also tabled several concrete proposals on the ten points advanced by the Commission: implementing a rigorous fiscal consolidation, correcting macro economic imbalances, ensuring stability of the financial sector, making work more attractive, reforming pensions systems, getting the unemployed back to work, balancing security and flexibility, tapping the potential of the Single Market, attracting private capital to finance growth and creating cost-effective access to energy.

10 For some Member States that are under financial assistance provided by the euro-area Member States and the IMF, the Commission only recommended to implement their Memorandum of Understanding and its subsequent supplements that lay down the economic policy conditions on the basis of which the financial assistance is disbursed. This financial aid should be in line with the achievement of the Europe 2020 Strategy.

11 European Council 23/24 June 2011 Conclusions, EUCO 23/11.

12 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of Regions "Concluding the first European semester of economic policy coordination: Guidance for national policies in 2011 – 2012", COM (2011)400 final.

13 A first "Integrated Report on the post - 2010 Lisbon Strategy" was presented by the Committee in view of the drawing up of the new European strategy for the period after 2010. This opinion was prepared by the EESC's Lisbon Strategy Observatory and contained contributions from national Economic and Social Councils (ESCs) and partner organisations as well as the EESC Opinion on the post-2010 Lisbon Strategy (Rapporteur: Mr Greif).

14 EESC opinion on the "Annual growth survey", OJ C 132, 3.5.2011 p. 26-38.

2.8 Following the publication by the Commission of the Annual Growth Survey 2012¹⁵, the Committee intends to present an opinion, focusing on the progress report on the Europe 2020 Strategy, in view of the March 2012 European Council.

3. **Governance**

3.1 The Europe 2020 process should be a process for all and by all and not the preserve of policy makers, legislators and expert groups:

- Input from all circles in society is desirable to benefit from the expertise on the ground, to define the best possible approaches to current challenges and to explore creative solutions. Such an example could be the idea of social entrepreneurship that has both economic and social positive effects.
- Adequate implementation of the strategy in Member States depends largely on the commitment and responsibility of all the stakeholders concerned. Therefore, co-ownership of the strategy is crucial and requires full partnership in order to forge dynamism around the reforms.

3.2 The Committee believes that there should be improvements in the consultation, participation and mobilisation of organised civil society at both national and European levels.

3.3 Organised civil society in Member States should be involved in the monitoring and implementation of the EU 2020 strategy as active partners.

3.4 European social partners and organised civil society must be consulted on the country specific recommendations for each Member State. In this context, timing is crucial so as to permit involvement of organised civil society at an early stage in the formulation of future prospects for the cycle after 2011. A fortiori the ILO fundamental conventions, ratified by Member States, must be respected, especially convention 98 guaranteeing free collective bargaining.

3.5 The Committee calls for a strengthening of the special role and profile of national ESCs and similar organisations. This will in no way cut across existing consultation mechanisms with social partners in Member States.

3.6 Steps should be taken to energise the debate on the implementation of EU 2020 strategy in Member States and governments should develop more effective feedback processes about the results of greater civil and social dialogue on the strategy.

3.7 The EESC advocates regular conferences on the monitoring of EU 2020 in Member States which would involve all stakeholders and civil society organisations.

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Annual Growth Survey 2012, COM(2011) 815.

3.8 The Committee recommends the creation of permanent dialogues in Member States between national ESCs or equivalent and other social partners and stakeholders such as SMEs, social economy actors, think tanks, universities and those working to promote social cohesion and equal opportunities. Due account should be taken of agreements and practices on civil dialogue that exist in some Member States.

3.9 Structural barriers to a genuine dialogue with social partners and civil society organisations must be removed. This includes, for instance, avoiding the tight deadlines, which has actually become the norm, for drawing up the National Reform Programmes.

3.10 Governance at the European level – the added value of a stronger European dimension

3.10.1 It is becoming clear that national policies, on their own, are not sufficient and that European level policy cooperation should be strengthened. Asymmetric or isolated macroeconomic, industrial or social policies in Member States can undermine EMU and the Single Market and can have adverse spill over effects on other Member States.

3.10.2 The Committee advocates dialogue between national ESCs and civil society organisations and Commission representatives about specific national circumstances. Similarly national ESCs should be more closely involved in the Commission's annual consultations. The EESC advocates this approach, which is in line with the one adopted by the European Parliament leading to greater cooperation with national parliaments and also by the Committee of the Regions with European regional and local authorities.

3.10.3 The operation of the European Semester has been criticised at the level of the European Parliament, due to the lack of legitimacy, the minor role assigned to the European Parliament, the marginal involvement of National Parliaments and the lack of transparency of the process. The enhancement of the effectiveness of the European Semester by means of a regular economic dialogue on the out workings of the Semester was proposed. The Committee supports the idea of the creation by the Parliament of a sub-committee dealing with issues linked with the European Semester and expresses its wish to be closely associated to its works.

3.10.4 The Committee also desires to continue its collaborative efforts with the Committee of the Regions in promoting citizens' appropriation of the EU 2020 strategy and its effective implementation.

3.10.5 The EESC believes that organised civil society should be invited to participate in territorial pacts¹⁶ for EU 2020.

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A *Territorial Pact for Europe 2020* is an agreement between a country's tiers of government (local, regional, national). Parties signing up to a Territorial Pact commit to coordinate and synchronise their policy agendas in order to focus their actions and financial resources on the Europe 2020 Strategy goals and targets – See <http://portal.cor.europa.eu/europe2020/news/Pages/TPUsefuldocuments.aspx>.

3.11 Instruments available for improving governance

3.11.1 The Committee believes that the full range of available instruments of the Union¹⁷ should be deployed to ensure the success of the Europe 2020 strategy.

3.11.2 The EESC cautions against the European semester becoming a substitute for the broad guidelines of economic policies and employment policies of the Member States.

3.11.3 The Multiannual Financial Framework for the years 2014-2020 should support the achievement of the Europe 2020 targets.

3.11.4 Structural Funds in the 2014 – 2020 period should be totally aligned with EU 2020 priorities¹⁸.

3.11.5 Better coordination of EU and national-level spending would improve efficiency.

3.11.6 Public investments - at EU and Member States level - in smart, sustainable, inclusive growth could also encourage additional private investment, having in this way a leverage effect.

4. Communication on the Europe 2020 Strategy

4.1 The political visibility of the EU 2020 strategy should be increased and its awareness among citizens should be enhanced, particularly with respect to the serious challenges that our societies now have to face.

4.2 Communication at all levels (EU, national and especially local) should be stepped up because in many Member States EU 2020 is the only new thinking and policy additionality on offer that gives people some hope of a better future. The key messages of the Europe 2020 strategy about growth, jobs and social inclusion need to be explained over and over again.

4.3 National Reform Programmes should be presented and debated in national parliaments.

5. Implementation of the Europe 2020 strategy

5.1 The Committee encourages the Commission and Member States to work to identify bottlenecks that constrain growth at national and international level. These bottlenecks manifest themselves in many forms such as:

- the fragmentation of the Single market,
- the insufficient access for SMEs to Single market,
- the need for developing entrepreneurship,
- the weaknesses in the business environment (including the regulatory environment),

¹⁷ Instruments such as regulations, directives, recommendations, opinions and standards to guidelines, common objectives, common programmes, structural funds, coordination of policies and instruments of the external action of the EU.

¹⁸ See notably EESC opinion 'The future of the European social fund after 2013', OJ C 132/8, 3.5.2011.

- the obstacles to employment and labour reallocation (labour market segmentation),
 - the lack of competitiveness of European industry, due to a lack of reciprocity in world trade and in international public procurement,
 - the need for increasing labour market participation,
 - the insufficient quality and efficiency of the education and training systems,
 - the need for a well functioning, regulated and stable financial sector which serves the needs of the real economy.
- 5.2 Such potential bottlenecks could be identified thanks to the above mentioned permanent dialogues. New incentives for the areas which are lagging behind could be proposed.
- 5.3 The Committee supports the use of modern public administration tools in order to ensure the good implementation of the EU 2020 strategy and the full involvement of organised civil society and social partners. These tools can be:
- 5.3.1 ***The definition of baselines, targets and deadlines:*** the Committee is aware that currently, in many cases concrete and measurable objectives are lacking, and timetables are too tight. It is in favour of defining clear, concrete targets, accompanied by realistic deadlines for achieving them. Accurate baselines are essential in order to facilitate the measurement of the impact of EU 2020 and to this end the Committee commends greater utilisation of ESPON.
- 5.3.1.1 The Commission should monitor progress and exert its right of alert when Member States are not delivering on agreed commitments.
- 5.3.2 Using ***benchmarking and indicators:*** the Committee recalls the importance of using indicators of progress and success - output-oriented, quantitative but also qualitative indicators are needed.
- 5.3.2.1 Such a benchmarking, based on the National Reform Programmes objectives and set up by stakeholders in cooperation with government representatives, would provide concrete information for measuring the progress made in each Member State in the implementation of the EU 2020 Strategy. Each national ESC or similar organisation would need to analyse and establish its own priority criteria. Some national ESCs have already started benchmarking at regular intervals, using statistics which are freely accessible on the Eurostat website. Other national ESCs could engage in the same process.
- 5.3.2.2 The Committee expresses its readiness to host on its website (the CESLink website)¹⁹ a digital platform for the exchange of information and data.
- 5.3.2.3 The EESC also expresses its readiness to organise an annual conference during which results of benchmarking could be analysed.

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See <http://www.eesc.europa.eu/ceslink/>.

5.3.3 **Regular evaluation of policy implementation and impact:** thanks to benchmarking, the stakeholders could continuously monitor the implementation of the reforms. This would also provide adequate information for the revision of National Reform Programmes and would facilitate the identification of best practices across the Member States.

6. Dissemination of best practices

6.1 The Committee considers that exchange of good practices at the EU level should be highly promoted. It is therefore conducting fact-finding missions to Member States in order to discuss and encourage the exchange of best practices and the implementation of reforms including the civil society stakeholders.

6.2 The EESC is of the opinion that stakeholders should develop new methods for sharing best-practices: multi-level networking would involve the exchange of information with the various levels of government and closer cooperation between border areas in two or more Member States would allow the setting up of cross-border objectives. In addition, analysis of the good practices is needed, in order to be able to use them in other Member States national context.

6.3 The Committee encourages the Commission and Member States to make a renewed effort to promote the cross-border exchange of best practice through the use of electronic communication methods (e.g. databases containing examples of best practices, scoreboards, etc.). The above method depends however on the Member States adopting an appropriate European framework that would allow it. If necessary, the creation of innovative instruments should be considered.

6.4 The Committee reiterates its readiness to be active both as a platform²⁰ for the exchange of information and for cooperation between national ESCs, social partners, civil society actors and the European institutions and as a platform for the exchange of views and experiences between national stakeholders. The Committee takes this opportunity to recall that it highly appreciates the contributions to the discussions made by national ESCs and similar organisations.

Brussels, 8 December 2011

The President
of the
European Economic and Social Committee

Staffan Nilsson

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See <http://www.eesc.europa.eu/ceslink/>.

**NATIONAL CONTRIBUTIONS
ON THE COUNTRY-SPECIFIC
RECOMMENDATIONS AND ON THE
NATIONAL REFORM PROGRAMMES (NRPs)**

BELGIUM

Mr Staffan Nilsson
EESC President
99, Rue Belliard
1040 BRUSSELS

Subject: Steering committee - Integrated Report of the European Economic and Social Committee on the 2020 Strategy

Dear President,

In response to your letter dated 14 July 2011, we have pleasure in enclosing the joint contribution of the National Labour Council and the Central Economic Council to the Integrated Report of the European Economic and Social Committee in the context of the European semester.

We hope that this contribution will be useful for the work of the Europe 2020 strategy steering committee. It provides a factual summary of all the work undertaken by the National Labour Council and the Central Economic Council in relation to the Europe 2020 strategy and Belgium's 2011 NRP. The work carried out by social partners at other levels, in particular the Communities and the Regions, are not dealt with in this document.

This contribution answers your question concerning "*concrete proposals by national non-governmental stakeholders to improve NRPs and recommendations concerning their implementation*", as it has not so far been possible to reach a common position between the Councils concerning the recommendations addressed to Belgium in June 2011.

Yours sincerely,

R. Tollet
President of the
Central Economic Council

P. Windey,
President of the
National Labour Council

Work of the Central Economic Council (CEC) and the National Labour Council (NLC) in connection with the Europe 2020 strategy

Financial stability: financial crisis - sovereign debt – macro-economic governance

For some years now, with the help of the National Bank of Belgium and academic experts, the Central Economic Council has been closely monitoring developments and initiatives by the public authorities in the field of banking and financial regulation. In addition to setting up arrangements for national and international crisis management, it has also been a question of getting a clear picture of the macro-economic effects of macro-prudential policies. Special attention has been paid to the Annual Report of the Belgian National Bank on financial stability and the Basle agreements, which are supposed to enable banks to keep a closer check on their level of risk.

The Belgian National Bank has also accepted the request of the Central Economic Council to lend its expertise to the macro-economic analysis of sovereign debt.

Growth and jobs

In line with the objectives intended by the 2020 Strategy and macro-economic monitoring, the Law of 26 July 1996 on job promotion and the preventive safeguarding of competitiveness aims to provide a macro-economic framework for pay developments and for monitoring factors that affect competitiveness. This law is the legal framework and the anchoring point for the negotiations conducted by the social partners on pay policy and working conditions.

The Law of 1996 has two pillars serving a single goal: more jobs. The first pillar aims to ensure macro-economic control of labour costs in three countries: France, Germany and the Netherlands. The second pillar of this law concerns the structural aspects of competitiveness (innovation, training,...) and employment. These various factors are part of an overall strategy designed to improve employment and the well-being of all. Social dialogue is the key to this scheme and the precondition for any concrete steps in the field of socio-economic policy.

In addition, the work of the Central Economic Council secretariat when drafting the Technical Report and associated documents, focuses on analysing the competitiveness of Belgium. This analysis takes into account factors that determine the standard of living of the population, namely growth, jobs and income distribution. The analysis of structural competitiveness is also of key importance. Here, the determinants are considered as soon as they relate to the attractiveness, ability to attract business and innovative activities in Belgium.

Jobs

Jobs lie at the heart of Belgian and European political concerns. The last two Technical Reports for 2009 and 2010 point out that providing more and better quality jobs has been identified as the best strategy for ensuring strong social cohesion, whether by reducing the risk of poverty or by enabling government resources to be increased, thereby ensuring the sustainability of the social model against the background of an ageing population.

As regards targeted employment policies, the National Labour Council has on several occasions made proposals on setting up systems to reduce social security contributions and activating measures to help groups at risk. These measures are directly affected by the institutional debate in Belgium.

Work is also underway within the National Labour Council on optimising efforts to help certain groups at risk through a better allocation of the contribution of 0.1% of payroll paid directly by the sectors and businesses and a simpler and more effective system for monitoring the results obtained.

Starting from the fact that qualifications play a very important role in the situation of young people in the labour market, but the proportion of young people leaving school without a diploma remains high, the Central Economic Council and the National Labour Council adopted a joint opinion (Opinion No 1702 of 7 October 2009) establishing an inventory of measures aimed at improving the position of young people on the labour market, especially those with few skills. Based on the findings in this opinion, the Councils, in their Opinion No 1770 of 25 May 2011, drew up a national check list containing minimum conditions of labour law and social security for the various types of sandwich courses. The aim of this check list is to make the whole system more attractive and improve the success rate by creating clarity and legal certainty for both apprentices and their parents and employers.

As regards jobs for older people, Recommendation No 20 of the National Labour Council, implementing point 49 of the Solidarity Pact Between the Generations, calls on sectors and businesses to help maintain the employment of older workers by developing a policy of proactive staff management that takes account of age. The National Labour Council also plays a role in guiding the activities of the Work Experience Fund through the opinions which it issues each year on its report. The specific aim of the Fund is to increase the employment rate among older people, notably through information campaigns and the financing of projects of direct benefit to older workers.

Still in connection with the employment rate for older people, the National Labour Council issued on 2 March 2011 an own-initiative Opinion on the state of implementation of the Law on the Solidarity Pact Between the Generations as regards the information to be provided to future pensioners. The social partners attach great importance to this project. If workers are better informed about their future pension rights, they can make more informed career choices. In addition, correct information on the amount of their future pension may encourage workers to continue to work longer.

In connection with the quality of employment, the balance between work and private life as well as the issue of flexicurity, the National Labour Council adopted in 2009 Report No 76 on the leave schemes existing in Belgium. This report contains a number of recommendations for any reform of the leave system. In line with this report, the overall assessment of existing leave schemes is currently on the agenda of the National Labour Council, as well as the implementation of the new European directive on parental leave.

The reform of legislation on temporary agency work is also on the agenda of the National Labour Council. The aim of discussions is to improve the rights of temporary workers while opening up new job possibilities through temporary work, and thus meet the new realities of the labour market. The impact of the new European directive is also being examined.

Questions that are more specific to certain sectors are also being discussed. The National Labour Council has thus expressed its views on certain specific measures for casual work as well as on the fight against social security fraud and support for regular employment in some sectors of horticulture and agriculture. It also examined in 2011 the national report (2009-2010) on the practical implementation of Directive 2002/15/EC on the organisation of working time in the road transport sector.

As regards the management of the crisis, the social partners have played a major role on the ground in the application of crisis measures that can enable working hours and the number of jobs to be temporarily adjusted in firms in difficulty because of the crisis. The temporary measures on cutting working hours or suspending execution of the employment contract have actually been activated through the collective labour agreements entered into at sector or, failing that, at enterprise level. The National Labour Council has been closely involved with the extension of these measures: three opinions have been issued by the Council on this matter (Opinions No 1719 of 15 December 2009, No 1739 of 15 September 2010 and No 1769 of 23 March 2011).

In the current economic environment marked by a significant number of firms in difficulty, the National Labour Council also adopted Collective Labour Agreement No 102 of 5 October 2011, which is an important tool for preserving the rights of workers in the event of their business being transferred by the law. This CLA was adopted pursuant to the Law of 31 January on the continuity of businesses which has replaced the old law on legal settlement.

Cutting red tape

Since 1996 the National Labour Council has been involved with major reforms that have led to a situation today where employers can now carry out electronically a whole series of formalities in their relations with the social security administration. This work continues with regular monitoring by the NSSO and the social secretariats of the state of progress and any difficulties encountered in implementing the various aspects of the reform. Since the work began the National Labour Council, in its opinions, has seen to it that this red tape-cutting operation unfolds in accordance with three main principles, namely the principles of simplicity, neutrality and feasibility.

Boosting growth potential

The Law of 1996 provides for an evaluation - possibly followed by recommendations - of the functioning of the labour market, innovation processes, structures for financing the economy, factors determining productivity, training and education structures, and changes in the organisation and development of enterprises. The results of this work can be found in the Technical Report on the maximum margins available for the evolution of labour costs.

In Belgium, the momentum of social dialogue has enabled the introduction of new areas of negotiation, in addition to wage formation and employment policies. Thus the theme of lifelong learning appears in the inter-professional agreements for 1999-2000 and that of innovation and the 3% target for R&D in those for 2005-2006. These themes and analyses have become recurrent in the work of both Councils.

At the request of the social partners, a survey of the structural competitiveness of Belgium was carried out on the basis of existing studies in the Central Economic Council, the Federal Planning Bureau (FPB) and the Belgian National Bank (NBB). In concrete terms, the CEC secretariat has teamed up with the NBB and the BFP to produce in a joint note a diagnosis of the competitiveness of the Belgian economy while identifying the key challenges. This joint note was presented at the conference on "The Challenges of Competitiveness in Belgium" which the three institutions organised jointly in September 2011 (2).

The social partners have recently developed new types of innovatory benefits for workers:

- Under the inter-professional agreement for 2007-2008, the social partners considered that the need for our economy to be more resistant in global business conditions that are constantly changing and the need for sufficient support from society to support labour and entrepreneurs make it necessary to carry out an assessment of the existing legal framework establishing worker participation and involvement in profits (Law of 22 May 2001 on arrangements for employee participation in capital and corporate profits). The inter-professional agreement led to the adoption of Collective Labour Agreement No 90 of 22 December 2007, which introduced a new system of results-related, non-recurring benefits. The aim in Collective Agreement No 90 is to create a system as simple as possible that can be implemented by all employers, taking into account the specific features of SMEs, so as to increase the motivation of their workers by involving them in the achievement of collective goals. This system, which is assessed in the technical report of the Central Economic Council, was the subject of some adjustments in Collective Labour Agreement No 90a of 21 December 2010 to improve efficiency.
- The inter-professional agreement for 2009-2010 provided for the development of a system of granting "green checks" for the purchase of ecological products and services that were exempted from tax and social security contributions by employers and employees. This point in the agreement was implemented by Collective Labour Agreement No 98 of 20 February 2009, amended on 21 December 2010 by Collective Labour Agreement No 98a to improve practicability on the ground. The social partners monitor how the system of eco-checks is applied in practice.

Innovation

Taking its cue from the European guidelines for innovation and the CEC's Opinion of 2006 on the Belgian system of innovation, the inter-professional agreement for 2007-2008 between the social partners said that if Belgium wished to carry out the necessary transition to a creative and high-performance economy successfully, it must try harder in the field of innovation. This required a culture of innovation in businesses, in the public authorities and in society as a whole. This agreement gives the CEC a mandate to analyse the subject in greater depth. To help business councils build up and organise a dialogue on innovation, the Central Economic Council prepared in 2008 a set of guidelines which highlighted the relevant information for conducting this discussion in the current Royal Decree of 27 November 1973. In addition, the Central Economic Council participated fully in the development of a model for a sector report on R&D and innovation in the form of an instrument panel. The sector instrument panels, completed by the CEC secretariat, were sent to the chairmen of the joint committees.

Many studies have been conducted, or are underway, in collaboration with the Federal Service for Science Policy, the Federal Planning Bureau and a number of academics as part of a network linking various federal and regional actors. This network of institutions and personalities is part of a series of working groups set up in order to study in detail the problems identified in the diagnosis opinion on R & D and innovation. The working group on patents completed its work at the end of 2007, which led to the Opinion on "Working towards a Community patent and a stronger patent culture in Belgium." The working group which focused on the transfer of knowledge between science and industry completed its work in 2009, which led to the "Opinion on boosting exchanges of knowledge between the research world and businesses". The Opinion on entrepreneurs in Belgium was adopted in September 2011. The working group on tax incentives for R & D and the policy mix is still at work. To help assess tax incentives and regional subsidies in this field, it has been decided to set up a database involving federal (Federal Planning Bureau, SPF Finance, SPP Science Policy, SPF Economy and the NSSO) and regional (IWT, Walloon Region, IWOIB) bodies. The aim is to evaluate the different policies implemented in Belgium.

Continuous vocational training

Since the formal inter-professional agreement of 1998, the social partners have paid particular attention to continuous vocational training, setting themselves a target of 1.9% of the payroll for financing training. At the same time, as part of the work carried out jointly by the NLC and the CEC, the social partners have developed a tool for measuring training efforts. As a continuation of the Solidarity Pact Between the Generations, a new methodology for monitoring training efforts has been set up, whereby the National Labour Council and the Central Economic Council verify each year if the overall training target (set at 1.9% of the payroll) has been met overall by businesses. This evaluation is based on the Technical Report of the Central Economic Council (which includes not only the estimated financial efforts based on the simplified balance sheets of businesses but also the participation rate of staff in formal and informal training courses).

If the target of 1.9% is not reached, the Pact has set down the outlines of a scheme to encourage sectors to make extra training efforts under sectoral agreements including the commitment to either increase the training effort by 0.1% per year or increase the rate of participation in training courses by 5% each year. Any sectors that do not enter into such agreements will have to pay an extra 0.05% for the funding of paid educational leave. The final lists for the years 2008 and 2009 of the sectors which are not doing enough as regards training were established by Ministerial Order on 13 April 2011. The National Labour Council and the Central Economic Council had previously issued Opinion No 1765 of 26 January 2011 on the assessment of the extra efforts made by sectors in the field of training. The assessment of the extra training efforts made in 2010 is currently underway within the Councils.

More generally, many secretariat briefing notes have fuelled discussions between the social partners. They concern for example: new skills for new jobs (2011); the efforts of the branches and sectors (2009); the evaluation of continuing vocational training efforts for groups at risk and private sector workers (2007); the benefits, organisation and issues of vocational training in Belgium (2007).

In 2009 the two Councils issued an opinion on continuous training as part of an overall strategy and in January 2011 another opinion on the evaluation of sectoral training efforts.

In addition, in a joint opinion in May 2011 the CEC and the NLC set out a proposal to harmonise the social status of young people starting work (sandwich courses).

Inactivity traps

As part of the Technical Report and the two-yearly joint opinion of the Central Economic Council and the National Labour Council on the amount and distribution of the funds set aside for higher welfare benefits in the light of the trend in prosperity, a number of the studies carried out seek to clarify some of the questions raised in the Belgian social dialogue. They include the financial incentives to return to work for the unemployed and beneficiaries of the integration income in Belgium (November 2009, March 2011), the effects of tax and tax-related changes on the trend in net wages (2007, 2010), and the geographical mobility of labour (2009).

In accordance with the Law of 24 December 1999 for the promotion of employment, the two Councils have to draw up an annual joint overall assessment of the application of the chapter entitled "First job agreement." This assessment must cover, among other things, how the hiring quota laid down by the Law is respected and the distribution rates of men and women among new workers. The two Councils adopted the joint opinion in September 2011.

The ageing issue

The Solidarity Pact Between the Generations dates from the end of 2005. This is a plan of the federal government aimed at finding joint solutions to the problem of ageing and the low rates of activity in certain population groups. The National Labour Council has been widely involved in the practical implementation of the Pact through various opinions and agreements, in particular concerning special schemes for early retirement (heavy work, workers with disabilities or serious physical problems, long careers) or protection against discrimination.

Effects of tax and tax-related changes on wage trends

Two briefing notes by the CEC secretariat assess the effects of tax and tax-related changes on the trend in net wages (2007, 2010).

Regional inequality in the field of jobs – labour mobility

The briefing note by the CEC secretariat on this subject ("The geographical mobility of labour" 2009) shows that a large number of factors influence this mobility, and so their role in this problem should not be overlooked.

Effectiveness of resources

The work of the Central Economic Council on energy in recent years has focused mainly on issues relating to international and European climate objectives, the security of energy supplies, energy efficiency, etc. In this context, the Council has issued an opinion on European burden-sharing, the

European Commission's Green Paper, and an opinion on the energy challenges facing Belgium between now and 2030.

The CEC has also discussed studies and reports on the impact of the Climate and Energy Package of the European Commission on the energy system and economy of Belgium, the ideal Belgian energy mix and the electricity supply outlook for 2008-2017. At present, the CEC is keeping a special eye on the new initiatives of the European Commission concerning Climate and Energy Policy (the "Roadmap for moving to a competitive low-carbon economy by 2050" and the "Energy Efficiency Plan 2011" of the European Commission) and is also interested in additional studies that have been conducted on related topics (in particular the "OECD Strategy Green Growth Strategy Synthesis Report"). In this connection, the CEC organised a half-day seminar on 24 November that highlighted the international, European and Belgian (at federal and regional level) dimensions of these issues.

Concerns other than those guided by EU policies have also caught the attention of the social partners of the CEC, such as the more social concerns that were covered in an opinion on the social policies adopted with respect to energy in Belgium.

In addition, each year the Technical Report of the CEC secretariat, in its chapter on the macro-economic context of the Belgian economy, analyses developments in electricity and gas prices in Belgium and neighbouring countries. Moreover, in 2010 the CEC secretariat conducted a "study on the structure of production costs in the economy," which covered, among other things, the weight of energy in the production costs of the economy and of manufacturing industry.

Environmental considerations have been incorporated into the inter-professional agreement for 2009-2010 (see above the introduction of eco-checks). The issue of how to move towards a green economy is regularly looked at by the Councils. In July 2009, the CEC and the NLC first issued a unanimous opinion on the topic of green jobs that outlines the state of play of green jobs at global, European and Belgian level and, apart from concerns which are essentially environmental, describes it in social (quantity and quality of jobs) and economic terms (economic weight and importance of activities related to the move towards a low-carbon economy). In March 2010, the Councils issued a second unanimous opinion on the matter, which sets out the factors that, for them, are important in facilitating a successful transition to a low-carbon economy and the emergence of quality green jobs.

In March 2011, the Central Economic Council, through its special Advisory Committee for Construction, adopted an opinion entitled "Decent housing for all: an ambitious and multi-functional crisis programme combining ecology, economy and prosperity."

Social inclusion

The Solidarity Pact Between the Generations provides for a two-yearly joint opinion from the Central Economic Council and the National Labour Council on the amount and distribution of the funds set aside for higher welfare benefits in the light of the trend in prosperity. The prosperity adjustment may take the form of an amendment of the calculation ceiling, an allowance and/or a minimum allowance. In February 2009, the Councils voted on the prosperity adjustments in 2009 and 2010. Here the Councils took account of the trend in the employment rate and the need for a sustainable balance in social security, and so they focused on economic growth, the cost of ageing, the ratio between the

number of people receiving allowances and the number of people in work, as well as the potential pitfalls of work.

At the end of 2010, the Central Economic Council and the National Labour Council adopted a joint opinion on the two-yearly report of the Service for combating poverty, precariousness and social exclusion covering the period 2008-2009.

The National Labour Council is a platform whereby the social partners at different levels of power can monitor the European framework agreement on the inclusive labour market. This European agreement, which must be implemented in accordance with the specific procedures and practices of the social partners in the Member States by 2013, was transposed into Belgian law by National Labour Council Recommendation No 22 of 25 May 2011. The joint committees and regional consultation bodies are called upon to promote the principles of inclusion on the labour markets developed in the European framework agreement and to take their cue from these measures in their current and future actions.

On the basis of the implementation of this agreement and Recommendation No 22, the National Labour Council has undertaken to produce an interim report in June 2012 and a final report in June 2013; these reports will form part of the work to be done within the European social dialogue committee on the implementation of the framework agreement.

An initial contribution concerns the check list for sandwich courses mentioned above.

The National Labour Council is finally involved in the work of the ILO carried out during the 101st session of the International Labour Conference (June 2012) relating to social protection check lists for social justice and a fair globalisation.

BULGARIA

Question 1

Positions regarding the country-specific recommendations and planned actions by main social and economic stakeholders

The bulk of the European Commission's findings and recommendations concerning reforms in the pension system, health care, the labour market, education, the efficiency of public finances and the business environment have been addressed by the ESC in recent opinions and resolutions, in which it formulated a series of concrete recommendations and suggestions. In essence the ESC proposed a set of measures and approaches for addressing the specific challenges connected with the recommendations.

The ESC presented its position on the European Commission's country-specific recommendations on Bulgaria's National Reform Programme (NRP) for 2011–2015 and the Convergence Programme for 2011–2014 at a discussion organised jointly with the European Commission Representation in Bulgaria on "The European semester in the context of the new EU economic governance".

In the first instance, the ESC expressed its views on the European Commission's approach to the implementation of the Europe 2020 strategy. The ESC's expectation was that the Commission would ask each Member State to draw up and present a National Reform Programme for the period up to 2020, integrating all the fundamental strategies and reforms for achieving the goals of the Europe 2020 strategy, and that once this had taken place, concrete plans and measures on the fundamental priorities and goals would be adopted. In this connection, the ESC welcomes the fact that the Bulgarian government plans to prepare the "Bulgaria 2020" National Development Programme by the end of 2011.

With regard to the recommendation that Bulgaria should proceed more rapidly with fiscal consolidation and limiting growth of expenditure to potential GDP growth, thus increasing spending on supporting growth, the ESC considers that short-term efforts should focus on the adoption of measures that do not require massive public investment and have the greatest impact on the revitalisation of the labour market and economic growth. Such measures, in accordance with policies in the flagship initiatives, should have clear economic benefits in the short/medium term and lend themselves to relatively fast adoption.

In this connection, in its resolution on Bulgaria's NRP, the ESC proposes that separate emphasis and serious weight be given in the programme to increasing labour productivity and establishing a unified national strategic objective of guaranteeing a certain level of labour productivity by 2020 and the competitiveness of the Bulgarian economy.

The ESC welcomes the fact that the Bulgarian government has linked the reforms and measures planned for 2011–2020 to achieve the national goals of the Europe 2020 strategy with the objective

proposed by the ESC of "raising living standards in the country to 60% of the European Union average by 2020".

In addition, in the ESC's view, the fiscal burden is set to rise as a result of demographic change in Bulgaria and will already be much greater in the medium term. Accordingly, the ESC has noted that so far in Bulgaria there is no clear estimate of the expected rise in public spending resulting from demographic developments and that this problem is not reflected in the NRP, which may create serious problems in the future when it comes to achieving the stated objectives.

The ESC stresses that the current crisis has substantially changed the structure of labour markets in Europe and that revitalising them will require policies and measures to stimulate demand as well as supply in the labour market. The ESC accepts the European Commission's recommendation that various pension reform measures will need to be accelerated, but considers that raising the retirement age will not be sufficient in itself to resolve the problems relating to the financial stability of pension funds. In the ESC's view, given the demographic risks, far greater emphasis should be placed on policies and measures aimed at stimulating economic activity and employment, particularly for young people and people with primary and lower levels of education, and at boosting labour productivity.

The ESC accepts the European Commission's recommendation regarding the need for action to combat poverty and social exclusion, particularly in vulnerable population groups. However, it also takes the view that there is a need to adopt stronger policies and measures for young people, early school leavers and those with low qualifications, who are most at risk of poverty. The ESC considers improving education and qualification levels to be one of the most powerful and realistic policies for reducing poverty and social exclusion.

The ESC agrees with the Commission Bulgaria's employment services need modernising, whilst emphasising that, in the current crisis, these services also need to be better resourced, so as to increase their efficiency and capacity. The ESC has stated repeatedly that it is vital to focus efforts on helping young people to improve their qualifications, in accordance with labour market demands.

In this regard, the ESC believes that the European Commission's recommendation that Bulgaria continue with education reform by adopting the two laws planned by the government will not be sufficient to resolve the complex problems that exist in relation to education in Bulgaria. The ESC has reiterated in a number of its opinions that particular attention has to be paid to vocational training and early careers guidance for young people. The problem of early school leaving should also be given further attention in the NRP, since it will have an impact on the achievement of our national goal in relation to the implementation of the Europe 2020 strategy. Accordingly, the ESC has recommended that Bulgaria set a more ambitious target in relation to this indicator.

Question 2

Concrete proposals by national non-governmental stakeholders to improve NRPs and recommendations concerning their implementation

- The ESC's concrete proposals to improve the NRP are set out in its 2011 Resolutions on **The Draft National Reform Programme of the Republic of Bulgaria** and **Demographic Challenges to Bulgaria within the Europe 2020 Strategy** and its Opinion on **Strategic Priorities for the Bulgarian Economy within the Europe 2020 Strategy**, adopted in October 2010.

The ESC recommends that the macroeconomic part of the NRP be expanded within a long-term perspective (if possible, for the whole period up to 2020) so as to create much clearer reference points for the planned strategy for growth within the programming period.

The ESC believes that more attention should be paid to bottlenecks (barriers to growth) in the first part of the document, together with other particularly serious challenges facing the Bulgarian economy.

The ESC believes that the NRP should concentrate primarily on future measures and actions and reduce to a minimum retrospective analysis of measures which have already been implemented or measures that are currently underway. This is particularly relevant for measures and actions included in the section of the NRP on thematic coordination.

The ESC proposes that the need to include additional priorities and measures in the document, for instance in relation to the development of transport infrastructure, be discussed in order to ensure the necessary connectivity between the Bulgarian economy and that of the EU.

The ESC recommends that the planned reforms be presented in more detail and that, in addition, the macroeconomic part include specific deadlines for implementing the milestone stages, in order to create the necessary basis for assessing their impact on the recovery and stabilisation of growth at set intervals.

The ESC considers that more specific estimates for providing financing for the reforms and mechanisms for effective and efficient spending of particular resources is another element whose inclusion in the NRP will provide the necessary conditions for assessing the effects of envisaged measures for restoring growth and employment.

The ESC considers that a certain prioritisation of the planned reforms and policies would be appropriate to ensure timely implementation of those that will have the most powerful and timely effect at particular stages in the implementation of the Europe 2020 strategy. The ESC believes that reforms and policies can be prioritised by systematic categorisation of those which can be carried out immediately and which will have a direct and immediate impact on the recovery of growth and employment, and those whose implementation requires a more gradual approach.

The ESC considers that making a clearer connection between the objectives and reforms for restoring and stimulating growth and the five national goals and their flanking policies and measures is the only possible way of achieving the necessary synergy and the optimal use of existing potential and resources.

The ESC recommends that the NRP should also set out in detail the stages for the implementation of individual policies and measures as well as the expected effects of the reforms and policies included in the document throughout the programming period up to 2020, in order to provide the necessary support for gradual attainment of the stated objectives.

The ESC reiterates its position that, in order to ensure gradual implementation of the NRP, an Action Plan, together with a corresponding time schedule, has to be drafted and adopted which clearly specifies the institutional arrangements and responsibilities.

The ESC stresses that it is essential to adopt appropriate procedures for monitoring and control as well as for overall coordination of the implementation of NRP and the Action Plan under the supervision of the deputy prime minister invested with the necessary responsibilities and management powers to oversee the whole process of implementing the Europe 2020 strategy.

The ESC notes that the NRP should be as consistent as possible with the guidelines for economic and employment policies in order to establish the necessary coordination for the implementation of the Europe 2020 strategy at a European level.

The ESC shares the position of the European Commission regarding the need for an integrated approach to recovery, which requires key reforms and policies in the context of Europe 2020 to focus on three main areas: strict fiscal consolidation in order to increase macroeconomic stability, reforms in the labour market to increase employment, and measures to boost growth. In this regard, the ESC recommends that these three areas of policies and reforms be integrated appropriately in the NRP with the ten priority actions proposed by the Commission in its Communication on the Annual Growth Survey.

In the publicly discussed and adopted Opinion on Strategic Priorities of the Bulgarian Economy within the Europe 2020 Strategy, the ESC proposed the adoption of a unified national strategic objective which could serve as the basis for greater and more effective coordination and integration of individual policies and reforms. In this connection, the ESC proposed that discussions be held on making the achievement by 2020 of a GDP PPP per capita equal to 60% of the EU average a strategic objective. In this regard, the ESC considers that Bulgaria's National Development Programme should be implemented in two stages: first, by the end of 2013, sustainable and balanced growth should be achieved by overcoming imbalances and restructuring the economy; second, by 2020, a GDP PPP per capita equal to 60% of the EU should be reached through innovative growth.

The ESC proposes that issues related to increasing the productivity of labour should form a separate key aspect of the NRP. The ESC considers that the idea of including another national strategic objective concerning the achievement of a certain level of labour productivity by 2020 could be discussed, particularly since a considerable increase in labour productivity is the most effective

potential measure for offsetting the consequences of demographic developments in the country and the expected increase in fiscal pressures.

In this connection, the ESC draws attention to the fact that the country currently has no clear estimate of the increase in public expenditure likely to result from demographic change and that this issue is not reflected in the NRP, which might create serious problems in the future when it comes to achieving the stated objectives. Consequently, the ESC once again reiterates its call for the development of adequate public consensus and the adoption by the National Assembly of a long-term strategy on demographic change and human capital.

The Bulgarian ESC has proposed that the problem of low labour market participation be given priority consideration in a special document, along with three key priorities relating to shared commitments to employment.

The ESC recommends that steps be taken to ensure adequate coordination and synergy between the NRP and the Stability and Convergence Programme – the two key strategy documents which ensure that reforms are implemented in accordance with the Europe 2020 strategy.

Question 3

• Effects produced by the action of the non-governmental stakeholders and further initiatives to be taken

The ESC's action in relation to the preparation and implementation of the National Reform Programme (NRP) of the Republic of Bulgaria focuses on:

- the definition of strategic objectives and tools for achieving them;
- consultation on the NRP;
- drawing up recommendations for improving the implementation of the NRP;
- discussion of the European Commission and Council recommendations on Bulgaria's National Reform Programme for 2011–2015 and the possibilities for putting them into effect.

In connection with the preparation of Bulgaria's National Reform Programme for Implementing the Europe 2020 Strategy, the ESC took the following specific action:

1. On the basis of the ESC's Resolution on the Draft National Reform Programme of the Republic of Bulgaria, the government officials responsible for drawing up the programme and members of the Economic and Social Council held consultations on the ESC's proposals and how they were reflected in the Reform Programme.
2. The key ESC proposals set out in the following core opinions it adopted on the country's strategic issues and priorities – "Challenges facing the Bulgarian economy", "The labour market" and "Social security and social protection" – were included in the package of anti-crisis

measures and proposals for socio-economic development in the framework of the Europe 2020 strategy, agreed between the government and the social partners.

3. The concrete recommendations and proposals set out in the documents adopted by the ESC – the Opinion on Strategic Priorities for the Bulgarian Economy within the Europe 2020 Strategy and the Resolution on the Draft National Reform Programme of the Republic of Bulgaria – were taken into account in the drafting of the final version of the National Reform Programme of the Republic of Bulgaria for 2011–2015, which was adopted by the Council of Ministers on 13 April and submitted to the European Commission.

The ESC was sent a special letter by the Ministry of Finance informing it of the recommendations and suggestions taken up in the Bulgarian NRP for 2011 – 2015 with regard to:

- improvements to the structure of the NRP and the balance between its various different parts – it was noted that, in the final version, equal attention would be given to measures for overcoming the challenges to sustainable economic growth and measures for achieving national objectives within the Europe 2020 strategy;
 - prioritisation of the reforms to be undertaken by Bulgaria in connection with the implementation of the objectives of the Europe 2020 strategy;
 - inclusion in the NRP of the ESC's proposal for a unified national strategic objective of reaching GDP at purchasing power parity per capita of 60 percent of the European Union average by 2020 ;
 - identification of the basic measures to be implemented in the short-term plan (2011 – 2012) and the mid-range measures, to be implemented by 2015, for most growth factors and the defined national goals;
 - the inclusion of infrastructure as a fundamental priority for economic policy and a key factor in sustainable growth;
 - the achievement of a balance between ambitious national goals and a realistic approach to the measures and reforms proposed;
 - evidence that the commitments are realistic will be provided by making reference to the measures in the Action Plan appended to the NRP, including specific deadlines, budgets, remits, indicators and performance expectations;
 - discussion and coordination of the NRP with the social partners, NGOs and academia.
4. As a result of the resolution adopted by the ESC on Demographic Challenges to Bulgaria within the Europe 2020 Strategy, the government has stipulated in the NRP Action Plan (2011–2015) that the National Demographic Strategy of the Republic of Bulgaria up to 2020 be updated by the end of 2011.
 5. The recommendation that the social partners and civil society should be actively involved in the preparation and discussion of the NRP was followed up, with the inclusion of their representatives in the Working Group on the development of the NRP. The social partners were also involved in discussions on the NRP in the Public Consultancy Council at the National Assembly.

6. To broaden public debate on key aspects of the European Commission's recommendations regarding Bulgaria's National Reform Programme for 2011 and updated Convergence Programme for 2011–2014, the European Commission's Representation in Bulgaria and the Economic and Social Council organised a public debate on "The European semester in the context of new EU economic governance". ESC representatives also took part in public discussions on the recommendations on the NRP organised by other NGOs.
7. In its resolution on the draft NRP, the ESC expressed its view on the need to develop a 2020 National Development Programme, integrating the vision, priorities and objectives for the period up to 2020, before going on to define the country's objectives in relation to the Europe 2020 strategy. In this regard, the ESC is satisfied that the Bulgarian government plans to draw up a National Development Programme, "Bulgaria 2020", by the end of 2011, in accordance with the concept for programming the development of the Republic of Bulgaria. The ESC is involved in the consultation process and has been identified by the government as the main consultative body.
8. As part of the consultation process on the preparation of the National Development Programme: Bulgaria 2020, the Council of Ministers organised a consultation meeting on the theme Bulgaria 2020: vision, goals and priorities at which the ESC and the social partners presented their recommendations and proposals. ESC representatives also took part in the public discussions on the Bulgaria 2020 National Development Programme organised by NGOs.
9. The ESC has prepared an analysis on "Challenges for labour markets in the context of the Europe 2020 Strategy" assessing the new situation and new opportunities for labour-market breakthroughs or risks of more negative trends, particularly with regard to jobs.
10. On 17 October 2011, the ESC and the EESC organised a joint conference in Sofia on Demographic challenges and the labour market within the Europe 2020 strategy, at which civil society held a broad discussion with a view to identifying the challenges facing labour markets in Europe and summarising the measures and policies needed to achieve the goals of the Europe 2020 strategy. The discussion and the key messages from this conference are to be published in a brochure which will be disseminated to interested parties.

- **Future ESC initiatives in relation to the Europe 2020 strategy**

The ESC is the official consultative body for the preparation of the "Bulgaria 2020" National Development Programme, in accordance with the concept for programming the development of the Republic of Bulgaria, and will play an active role up to the end of 2011 in the preparation of this document, which is of crucial national importance.

The Economic and Social Council has started work on an Opinion on "Policies to reduce early school leaving", another issue that is important to Bulgaria in connection with the Europe 2020 strategy. This is a key issue for Bulgaria, with a decisive influence on the state of the labour market and young people's self-development.

The ESC is preparing for a number of regional meetings and consultations, in partnership with the Bulgarian government and the European Commission's Representation in Bulgaria, on education and children dropping out of school.

The ESC has started work on the role of Bulgarian cooperatives in the development of the social economy, in connection with the Europe 2020 strategy. Cooperatives have a very long history in Bulgaria and the ESC therefore believes that they are the cornerstone of the social economy and can provide real opportunities for maintaining and fostering employment.

With respect to its future work on the Europe 2020 strategy, the ESC is planning and preparing an Opinion on "Fostering employment for people with disabilities".

Its activities in 2012 will focus on the following priorities:

- active involvement in the monitoring and advisory cycle for the Bulgarian NRP, as well as work on specific recommendations from the European Commission and the Council;
- special attention to working with young people. One of the issues the ESC is currently working on is getting Bulgaria's students involved in the consultation process on matters relating to their studies and work experience;
- in connection with the European Year for Active Ageing, issues involving the elderly are another area where the ESC is planning concrete initiatives.

CYPRUS

NATIONAL REFORM PROGRAMME

The meeting that took place with the finance minister on the stability programme was clearly superficial and gave the social partners and political parties taking part no opportunity to make proposals, with no time available for further deliberations since the meeting took place one day before submission of the final document in Brussels. We hope that the social partners will be able to play a direct and substantive role in the implementation process.

Two basic parameters that are directly related to poverty are unemployment and health. There can be no expectation of adequately achieving the goal of reducing poverty without reducing unemployment and implementing the General System of Health Insurance (GSHI). Social policy should be based on five priorities: employment/unemployment; pensions; poverty; health; and energy.

It is important to create jobs by means of growth, innovation and targeted education systems. In addition, efforts must be made to stamp out illegal employment and undeclared work and to promote high-quality, decent work.

Pensions and social security require a special approach as they are fundamental to the success or failure of the application of a comprehensive social policy. The rise in increasingly long-term unemployment will aggravate the pension problem to an even greater degree and this is why the issue must be examined in detail within the context of social dialogue.

The delay in the implementation of the GSHI is making it harder to plan ahead and implement a comprehensive social policy. Following the cross-border healthcare directive, the absence of a GSHI in Cyprus is resulting in a two-speed health system which does nothing to help efforts to combat poverty; on the contrary, it reinforces inequalities and social exclusion. A definitive timetable for the implementation of the GSHI must be drawn up.

The objective of ending Cyprus's dependence on oil and promoting alternative and renewable sources of energy still has to be addressed in practice. In addition, it is important and necessary to frame policies to implement budget reform and improve productivity, primarily in the public sector, in the framework of the 2007-2013 programme.

There is a need to restructure and decentralise social care services and responsibilities, with greater local authority involvement.

The key demands made by the social partners for improving the NRP, include:

- their involvement in all stages of implementation, monitoring and evaluation of the NRP;
- the incorporation of all the policies listed within the NRP, so that we can move from theory to practice;

- the fleshing out of policies promoting social policy, the fight against poverty and the introduction of the GSHI;
- the strengthening of policies aimed at eliminating inequalities, combating poverty and unemployment and promoting a formal structure for social dialogue that can address the themes of the Europe 2020 strategy;
- a description of how each objective is to be implemented in order to give a clear indication of the overall process.
- The measures to promote development are inadequate.
- There is a lack of clarity regarding social policy spending cuts.
- The assessment of the impact of the international financial crisis on the Cypriot economy was ill-founded and incorrect.
- There is no reference whatsoever to the role, participation and involvement of the social partners in the process of implementing, monitoring and evaluating measures.

As mentioned above, the social partners have passed on their views to the ministers, expert committees and parliamentary committees concerned. The latter have justified their position in various communications and articles.

The main points made were the following:

- The working group will submit a report to the Programming Office regarding the creation of a mechanism for monitoring and evaluating action taken.
- The work will be completed in 2014-2015 and the dialogue on drawing up a framework for action for 2020 will subsequently begin.
- The minister for employment will involve the Labour Advisory Board in the process of implementing measures, with the aim of creating an employment observatory.

ESTONIA

Contribution to the Integrated Report

Dear Mr Nilsson,

On behalf of Estonian Economic and Social Committee I would like to express my gratitude to the initiative of EESN to present its contribution on this very important issue to the Commission.

Estonia's position regarding the country specific recommendations is supportive. Estonia went through excessive reform of individual labour relations regulation after adoption of Employment Contracts Act in late 2008 and enforcement of the amendments in July 2009. The role of social partners and other stakeholders in the process has been crucial.

In mid-2009 the reform of public employment services was performed. Since May 2009 the Unemployment Insurance Fund is acting in Estonia as the public employment service. Since then the role of social partners in decision-making process of employment policy is enhanced through their participation in the board of the Fund.

We do share the concern on skills and demands mismatch on the labour market. In order to deal with the mismatch, Estonia has committed itself to put even more emphasis on active labour market measures. Since the beginning of 2011 the focus has been set on labour market training to facilitate the needs of jobseekers as well as employers looking for labour.

Reduction of taxes, in particular labour costs, is one of strategic aims in Estonia. Nevertheless, due to the global financial and economic crisis some of the initiatives have been postponed.

Yours sincerely,



Egle Kbarats

Deputy Secretary General on Labour Policy

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IRELAND

The European Economic and Social Committee has requested information on the progress of each member-state's National Reform Programme (NRP) and developments arising from the country-specific recommendations issued by the Council of Ministers. Information has been requested on the following issues:

- Positions regarding the country-specific recommendations and planned actions by main social and economic stakeholders;
- Concrete proposals by national non-governmental stakeholders to improve NRPs and recommendations concerning their implementation;
- Effects produced by the action of the non-governmental stakeholders and further initiatives to be taken.

Ireland's participation in the Europe 2020 is coloured by the fact that it is in receipt of financial support from the EU and the IMF. The assistance Ireland receives is tied to the fulfilment of ambitious programmes focused on fiscal consolidation and structural economic reforms. Both the Commission, in its assessment of the National Reform Programme, and the Council of Ministers, with their country-specific recommendations, have acknowledged the fact of Ireland's participation in EU/IMF programme of support. Consequently, the Council has issued a single recommendation in respect of Ireland, namely that it implement the EU/IMF programme as agreed.

In pursuit of this single aim, the Council made some ancillary observations. It noted that the 'implementation of the EU-IMF financial assistance programme is on track'. But the Council also observed that the 'risks with regards to long-term sustainability of public finances appear to be high'. Therefore, achieving sufficient primary surpluses over the medium-term and further reforming the Irish social security system are necessary to 'improve the sustainability of public finances'. Undoubtedly, this means pursuing a path of fiscal consolidation which will be of concern to many participants within Irish society.

The Commission, in its staff working paper, noted that while the Irish Government acknowledged the need for 'further consultations and involvement in the implementation and further development of the National Reform Programme', but went on to add that it was not yet clear how 'this will be done and in which institutional set-up such a dialogue will take place' (European Commission Staff Working Paper 2011: 3).

The fact that there are not any specific recommendations arising from the National Reform Programme, other than to implement the terms of the EU/IMF programme of support, coupled with the lack of clarity about future engagement with actors from civil society makes it difficult to answer the questions set by the EESC. However, the following developments are pertinent to the issues raised by the EESC.

A broad coalition, designated as EAPN [European Anti-Poverty Network] Ireland Europe 2020 Working Group has been established to monitor the government's progress on delivery of its targets under the Europe 2020 strategy and ensure that the Irish government make a genuine effort to reduce poverty and inequality. The alliance encompasses groups representing lone parents, people with disabilities, older people, Travellers and migrants, women in low paid employment and people requiring literacy supports. It has made submissions in relation to the Irish government's jobs initiative calling for consistency with the National Reform Programme and in relation to the forthcoming budget which will be unveiled in December 2011.

Most of the concerns raised by societal actors have been focussed on the poverty target. Ireland's headline target is to reduce the number experiencing consistent poverty to between 2-4% by 2012, with the aim of eliminating consistent poverty by 2016, which will lift at least 186,000 people out of the risk of poverty and exclusion. The Irish Government is undertaking a review of the national poverty target to enable it to 'adopt appropriate and achievable national poverty targets to meet Ireland's contribution to the *Europe 2020 Strategy* and the commitments in the programme for government' (Dept. of Social Protection 2011). The review has been prompted by two developments. First, the challenging economic and fiscal context which has led to a surge in unemployment and reduced payments to certain categories of welfare recipient. Ongoing economic difficulties will have an effect on one of Ireland's principal means of poverty-reduction, namely social transfers. Second, the fact that each member-state has agreed to set a national poverty target which will contribute to the overall EU target raises the question of how the Irish approach to measuring poverty can be reconciled with that used by the EU.²¹ It is worth noting that Ireland has been cited as a 'rare positive example' of a member-state where an-anti poverty network has been invited to discuss target-setting (EAPN Europe 2011: 10). The review is expected to be completed by November 2011.

Issues to be examined in the review include whether the national poverty target should reflect the economic downturn; whether the two national indicators of at-risk-of-poverty and material deprivation adequately capture poverty; how the monitoring of national poverty targets could be improved; whether the national poverty targets should be better aligned with the EU target (and vice-versa); and asking whether the national poverty target captures the policy priority to protect the most vulnerable from economic and fiscal adjustments (Consultation Paper on Review of National Poverty Target, Dept. of Social Protection 2011).

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For the purposes of the National Poverty Target, the Irish government measures the overlap between those classified under at-risk-of-poverty figure and those affected by material deprivation, which yields the notion of consistent poverty. The EU adopts an additive approach, combining the total number grouped under the first two indicators together with a third measure, low-work intensity.

In its response to this review, EAPN Ireland have called for separate national targets for all three indicators which have been adopted at EU level (at risk of poverty, material deprivation and low work intensity) as well as subtargets for key excluded groups and groups across the lifecycle (children, people of working age and older people). Targets should also be agreed for access to key services such as education, health, accommodation and care. In addition, EAPN Ireland called for the EU to put in place a strong social inclusion process building on that developed between 2000 and 2010 i.e. a renewed Social Open Method of Coordination which should ensure ‘access to rights, resources and services and rooted in the strong participation of people experiencing poverty and social exclusion and their organisations. Other recommendations included ‘adequate funding for community organizations which enable people experiencing poverty to have a say in decisions that impact on their lives’. And EAPN Ireland called on the Irish government to look at the introduction of a more ‘sustainable and equitable tax system which protects those on low incomes’ (EAPN Ireland 2011).

SPAIN

I. POSITION ON COUNTRY RECOMMENDATIONS AND MEASURES PLANNED **BY THE MAIN SOCIAL AND ECONOMIC STAKEHOLDERS**

Recommendation 1

Apply the budget strategy in 2011 and 2012, ensuring that deficit targets are met at all administrative levels, in particular by strictly applying the existing deficit and debt control mechanisms for regional governments; adopt new measures in case budgetary and economic results are not in line with forecasts; make use of any available opportunity, such as better economic conditions, to accelerate deficit reduction; establish concrete measures to fully support the 2013 and 2014 objectives. Ensure that growth in public spending remains below the GDP growth rate in the medium term, by introducing, as planned, an expenditure rule for all administrative levels in the Budget Stability Act.

The European framework

In its general assessment of European economic policy, the ESC's 2010 report on the socio-economic and labour situation in Spain concludes that the widespread economic policies based on fiscal adjustment would most probably have a curbing effect on aggregate demand, in addition to one caused by the reduction in credit, thus delaying economic recovery and hampering job creation in many European countries, including Spain.

The ESC believes that measures for long-term growth put too much emphasis on improving the price competitiveness of exports by reducing unit labour costs. Greater emphasis should be placed on the structural competitiveness of the economy and the key factors of productivity and economic efficiency, promoting investment in physical, human, social, organisational and technological capital, which will make it possible to increase incomes from wages and business profits.

There is a lack of consistency between the new proposals for economic governance, which are based on fiscal and wage adjustments, and the macro-structural Europe 2020 Strategy, whose aim is to promote a model of smart, sustainable and inclusive growth. In order to achieve this, an economically strong and effective public sector is required which is capable of making the necessary investments and implementing vital fiscal policies while safeguarding social rights. It is therefore necessary to strike a healthy balance between the objectives of fiscal consolidation and those of economic recovery and employment on the basis of forms of production that are sustainable in the medium term.

The heads of state and government of the euro area are taking decisions in areas which in most countries are subject to negotiation and dialogue between the social partners, such as wage negotiations, working conditions and the organisation of collective bargaining. The decisions being taken at European level on these matters should fully respect the independence of social partner dialogue.

Deficit and public spending in Spain

The ESC believes that there are various factors behind the weakness of the Spanish economy. These include the impact on internal demand of the change in direction of economic policy towards fiscal consolidation and the effects of the sovereign debt crisis on the risk premium of Spanish debt and thus on the availability of external financing, all of which should be viewed against the backdrop of the imbalances built up in the most recent period of growth.

The ESC report states that the government altered the course of its economic policy in mid-2010, by adopting a series of fiscal consolidation measures to meet its commitment to reduce the public deficit to 3% of GDP by 2013; however, these are measures which have stifled internal demand and job creation. At the same time, the government has stepped up the pace of structural reforms in areas such as the financial sector, the labour market and the public pension system.

Since the start of the crisis, the deterioration in domestic demand has been cushioned by public spending, which had risen thanks to the expansive fiscal policy in 2009. However, the government's change of economic policy has resulted in public spending beginning to fall year-on-year, as of the first quarter of 2010, with a 0.7% reduction over the whole of the year.

In 2010, for the third year running, the whole of the public administration closed its accounts with a deficit of 9.2% of GDP, reflecting a reduction of EUR 19 100 million compared with 2009 (1.8% of GDP), thus meeting the government's budgetary adjustment objective included in the stability programme.

The deficit adjustment was achieved in its entirety by the central administration, which reduced it from 9.4% to 5% of GDP, a lower figure than planned. However, local authorities maintained a deficit of 0.6% of GDP, social security for the first time since 1998 recorded a deficit of 0.2% of GDP, and the financial requirements of the autonomous communities rose to 3.4% of GDP, one percentage point above the target.

The stagnation of the main tax bases (consumption and wages), together with the increases in some items of expenditure which act as automatic stabilisers (pensions and debt interest), have to some extent offset the fiscal adjustment measures adopted.

As regards non-financial income, the positive trend in 2010 was due to the buoyant nature of indirect taxation, with revenues increasing by 17.8%, which contrasts with the 1.6% fall in revenue from direct taxation and the slight drop in social security contributions, in this case owing to the reduction in membership.

Revenue from VAT increased by a significant 46%, only 13% of which corresponded to the increase in rates since June 2010 and against the backdrop of a very moderate rise in consumption. However, over 70% of the increase can be explained by the fall in refunds compared with 2009; the change of policy for managing refunds and deferments is designed to delay the first and prevent the second.

Revenue from personal income tax increased by 4.9%, despite the drop in income in general, and wages in particular, as a result of the partial elimination of the EUR 400 deduction from this tax. However, the slump in corporation tax revenues, which started in 2008, continued in 2010, with a drop of 20%.

The 2011 budgets adopted by all levels of government reflect the change in direction of budget policy to ensure that the overall public deficit is reduced to 3% of GDP by 2013. The increase in revenue from personal income tax is forecast to be a notable 7.2%, thanks to the introduction of two tax reforms: the removal of the deduction of EUR 2 500 for births and adoptions and the elimination of the deduction for investment in a main residence, applicable to taxpayers with incomes of more than EUR 24 100. However, wage restraint over and above what was envisaged, together with a climate of economic stagnation and high unemployment, could mitigate this increase, given that labour income accounts for 80% of the revenue generated from this taxation.

In terms of spending, the general state budget will cut staff expenditure once again in 2011 by ensuring that only 10% of vacant posts are filled and by reducing public employees' pay by 5%.

The general state budget provides for an overall reduction in spending, except in two areas. First, it increases spending on pensions, although this increase is mitigated considerably by the absence of measures to reassess the majority of pensions. Second, debt interest payments rise significantly, in light of the increase in public debt and the risk premium.

The ESC is concerned at the falling investment in infrastructure and civil R&D&i, as these are the items linked most closely to the productivity factors and thus to the model of growth based on increased added value. There are also cuts to items linked to industry and energy policy, investment in military R&D&i and, to a lesser extent, support for trade, tourism and SMEs and the farming, fisheries and food sectors.

Regional governments, which account for more than half of public employment, are responsible for over one-third of public spending and a quarter of public revenue; percentages which will increase as a result of the financing reform adopted in 2009.

An adjustment of all items of spending is foreseen, with the exception of financial expenditure which, although less than last year, increases by 20%, reflecting the increased aggregate debt of the regions and the higher risk premiums. Under operating expenditure, the ESC draws attention to the adjustment of staff expenditure (-5.4%).

The ESC stresses the need to increase the transparency of economic and budgetary activity by regional governments, by improving the system of information on the public accounts of local and regional authorities. In particular, there must be a functional classification of the budget of regional governments, given the considerable volume of expenditure they manage.

Recommendation 2

Adopt the proposed reform to the pensions system, as planned, which seeks to delay the retirement age and increase the number of years worked for the calculation of pensions; revise periodically, as planned, the pensions framework in light of life expectancy trends, and adopt new measures to increase the effective retirement age, such as continuing education for older workers.

Pensions system

In late 2010, the special sub-committee of the Spanish House of Representatives adopted the report on the evaluation and reform of the Toledo agreement on pensions, highlighting the recommendations most closely linked to the economic sustainability of the system.

To improve pension finance, the House of Representatives recommends that top-up payments to ensure a minimum pension should be financed by the state budget, and not by social contributions, and that deductions from social security contributions within the framework of active policies and that any measures linked to early retirement or in support of production sectors should be based exclusively on general taxation. It also recommends that any deviations which cause an increase in pensions greater than the real CPI should be subject to special consideration to decide whether or not they should be absorbed permanently by the system and, more generally, that consideration be given to studying other revaluation indices.

The House of Representatives committee is clearly in favour of the contributory principle, promoting a better match between pensions and workers' contributions.

As regards retirement, the House of Representatives believes it is essential to continue the changes to the period of calculation which have already been carried out in Spain. The committee is in favour of delaying the retirement age by means of a broad package of measures: promoting a voluntary extension of working life and better coordination between labour law and social security law in connection with the objective of employment for older people. However, the committee was unable to reach agreement on the legal retirement age, but an agreement was reached within the framework of tripartite social dialogue.

Thus, in early 2011, the government and the social partners signed the social and economic agreement, which includes the agreement on the reform and consolidation of the public pension system.

Under this agreement, the legal retirement age is between the ages of 63 and 67. If the worker has had a full career with their social security contributions covering a period of 38 years and six months, then they may retire at 65. However, for those who have not had such a career, they may not retire until the age of 67.

The calculation period of the regulatory basis of the pension will rise from 15 to 25 years. Between 2013 and 2027, the scale will increase from 50% of the regulatory basis for 15 years to 100% of the regulatory basis for 37 years, with a regular and proportional structure. For each additional year worked after the age at which the worker may retire, increase coefficients will be applied to the regulatory basis.

The ESC welcomes the draft bill to update, adapt and modernise the social security system, insofar as it transposes a large number of the measures covered by the agreement into employment legislation on an appropriate basis. The consensus reached in this agreement on the reforms needed to strengthen the pensions system, especially as regards social protection in old age represents for the ESC a valuable way of ensuring medium and long-term stability, respecting and consolidating the principles of contribution, equality and intergenerational solidarity inherent in the Spanish model. The ESC believes that the draft bill reflects these principles and introduces the various measures with enough flexibility and at a sufficiently gradual pace, while respecting the rights acquired by current pensioners. The agreement with stakeholders reached within the framework of social dialogue strengthens the legitimacy of the measures adopted and will help facilitate their application.

At the same time, the ESC feels it is necessary for the draft bill to take account of the difficulties of applying it to workers who, on account of their working conditions, in the agriculture and livestock farming sectors, for example, suffer greater physical exhaustion in their working lives.

The ESC opinion highlights the importance of meeting the commitment included in the agreement to establish a procedure for approving coefficients to reduce the retirement age, running in parallel with the parliamentary proceedings on the draft bill.

Finally, the ESC analyses the incorporation into the law of what is known as the sustainability factor, according to which the fundamental parameters of the system will be examined every five years, beginning in 2027, on the basis of life expectancy trends at the age of 67. In this connection, the ESC believes that linking the sustainability factor to life expectancy trends at the age of 67 is more about the sustainability of the pension system than that of the social security system as a whole. Although life expectancy is a key variable in the development of pension expenditure, the ESC believes that in future the sustainability factor should also take account of other key variables linked to the sustainability of the pension system, such as economic activity, employment trends or labour participation.

Recommendation 3

Consolidate the restructuring currently taking place in savings banks by dealing with the ongoing weaknesses in their governance structure.

Savings Banks

The ESC's 2010 report highlights how an increase in the provision of credit occurred during the expansion phase, with rates of annual growth higher than 20% in some years, which was predictably unsustainable in the medium and long term.

With the onset of the crisis, this business model had undesirable effects, such as the strong deterioration in the balance sheets of the savings banks, and their increased exposure to arrears. In addition, the imbalances in the sector were also reflected in organisational aspects with, for example, the increase in installed capacity.

The ESC report assesses the role played by the recapitalisation of the savings banks within the reform of the Spanish financial system. This process has led to a change in the characteristics of Spanish credit institutions. For example, the savings banks have undergone a process of consolidation, going from 45 institutions or groups to just 17, as the result of seven mergers and acquisitions and five institutional protection arrangements. As a result, the average size (total average assets per institution) has grown from EUR 29 billion to EUR 76 billion, while the reduction in installed capacity will result in a sharp contraction in the network of branches, of between 10 and 25%.

For the ESC, the adaptation to a new model of economic growth against a backdrop of increased oversight is a key objective. It remains to be seen what scope savings banks actually have to adapt in light of the business prospects that will emerge after the crisis. It is hoped that corporate finance will take on a bigger role at the expense of mortgage credit, which was dominant before the recession. To this end, banks should make use of their competitive advantage borne of their greater regional presence and knowledge of the local and regional situation.

However, the ESC report considers that the current situation is not the best starting position, given that, as a result of the crisis, the savings banks have lost business to banks as far as raising deposits is concerned. At the same time, the in-depth reflection on the social role of savings banks and the reorganisation of their governance structure are outstanding issues which must be tackled immediately or, at the very least, as soon as the urgent need for restructuring has passed.

Recommendation 4

Study the scope for reducing the level of social security contributions with a view to reducing non-wage labour costs in a way that is budget-neutral, for example by changing the structure and rates of VAT and taxes on energy. Adopt and apply, following consultation with the social partners in accordance with national practice, reform of collective bargaining for wages and the wage indexation system in order to guarantee that wage rises better reflect productivity trends and conditions at local level and within business.

Social contributions

As regards social contributions, the ESC report highlights that the two main sources of finance for social expenditure in the European Union continue to be employer contributions and state contributions, singling out Spain for being geared more towards the former. This peculiarity has become less marked over the last decade, not as a result of a fall in contributions (in the case of employer contributions these continued to increase in total volume in 2008), but because of the importance gained within overall expenditure of non-contributory social protection, financed by state contributions, such as health assistance or care for dependents. The growing significance of the social security aspect of unemployment protection might accentuate this trend.

The ESC believes that the fall in tax revenue as a result of the crisis creates a need to manage limited resources more effectively. However, regardless of the reforms, the main condition for preserving intergenerational fairness and continuing to offer adequate social protection lies in the capacity of economies and labour markets to boost production, return to job creation and increase labour productivity.

The ESC stresses how the agreement to reform and consolidate the public pensions system contains commitments which are most likely to be implemented over the medium term: for example, the commitment to undertake, when the economic situation and employment permits, an analysis of the relationship between the maximum contribution bases and average salaries, with a view to maintaining the contributory nature of the system, a study of the appropriateness of establishing possibilities of complementary finance for the social security system or, within the context of occupational accidents insurance and occupational diseases, future changes to the contributions relating to these eventualities. To these criteria should be added the observations linked to the second recommendation, concerning the financing of pensions and its distribution between social contributions and general taxation.

Collective bargaining

As regards collective bargaining, the ESC report stresses the importance of the agreement for employment and collective bargaining for 2010, 2011 and 2012, signed by the most representative trade union and business organisations. The ESC evaluates this agreement in light of the special circumstances created by the crisis.

The agreement seeks to establish criteria for collective bargaining for the 2010-2012 period in the field of employment and evolution of salaries. These criteria refer to themes such as recruitment, training, outsourcing of production, internal flexibility and the role of sectoral observatories. As regards wages, benchmarks for moderate growth are established for each of the three years the agreement is in force; it includes wage revision clauses and clauses on the non-application of the wage arrangements; although in connection with the latter, the ESC stresses the changes in their regulation based on the 2010 labour reform, geared towards a broader application of this type of clause. In this connection, following the drafting of the ESC report, new employer proposals have emerged which are designed to achieve a new wage moderation agreement for the 2012-2015 period and which include removing the indexation of wages to the CPI in collective bargaining.

At the time this report was completed (28 October 2011), a new social partner agreement had been reached geared towards facilitating the conclusion of the pending collective bargaining for this year.

Recommendation 5

Evaluate by the end of 2011 the impact of the labour market reforms of September 2010 and the reform of active labour market policies of February 2011 and present, where appropriate, proposals for new reforms to reduce the segmentation of the labour market and improve job prospects for young people and ensure that the effectiveness of measures set out in the national reform programme is closely monitored, with a view to reducing the school dropout rate, especially through preventative measures, and facilitate the transition to education and professional training.

Labour reform

The ESC report stresses how the social partners, in the last negotiation phase, continued to disagree on how to put a stop to the situation in the labour market and its segmentation, as well as other aspects such as internal flexibility and mass redundancies. Various assessments have been carried out of the labour reforms introduced by Royal Decree 10/2010. The CCOO (trade union confederation of workers' committees) and the UGT (general workers' union) came out against the reform, which resulted in them going on general strike on 29 September 2010; they view the reform as a serious attack on workers' rights. For employer organisations, the labour reforms regulated by Law No 35/2010 are do not go far enough, since Spanish labour law has yet to provide the necessary response to the needs of businesses and the markets, with a simplification of labour legislation and the number of contracts.

Labour market trends continue to be negative following the conclusion of the annual ESC report, with unemployment increasing and having a strong impact on youth unemployment, which is twice the general rate of unemployment.

School dropouts

The ESC has dedicated a considerable part of its work to education in general and the subject of school dropouts in particular. In a special report on the education system and human capital, the ESC identifies early school-leaving and the low level of key skills as having a very negative impact on the training of human capital and the matching of professional skills to the needs of the labour market. In this report, the ESC also examines in depth the factors which have a bearing on school failure, including those of an economic nature, such as the nature of the production system (the high provision of low-skilled work) and family-related factors (level of education) as well as individual factors (motivation and effort).

In its 2010 report, the ESC points out that one of the most serious and significant problems in terms of the quality of the education system is the high proportion of pupils with major gaps in their education. First of all, there is extreme exclusion or "severe educational vulnerability", that is to say young people who do not graduate from secondary school. Over the last decade, severe educational vulnerability has remained at quite high levels, and stood at 27.9% in 2008-2009.

Secondly, there are those pupils who have dropped out of the education system and who could be classified as a group with moderate educational vulnerability, since they have less capacity to learn. In 2009, school dropout rates in Spain continued to be comparatively high (31.2%), twice the European average. Furthermore, while this trend is decreasing in Europe, the problem in Spain has increased by 2.1% since the year 2000.

Third, there are those young people who attain low levels of achievement in basic skills (maths, science and reading). Currently, 24% of 15 year-olds have major gaps in their knowledge of mathematics, 20% in reading and 19% in science. This situation has deteriorated over the past decade. However, it should be pointed out that these proportions are similar to the OECD average and that Spain's proportion of underachieving pupils is similar to that of countries whose average performance is higher, such as Germany or France.

For the ESC, the measures adopted by Spain to deal with failure at school and early school-leaving have so far failed to have the necessary impact. The latest proposals to deal with these phenomena are included in the Ministry of Education's 2010-2011 action plan and in the Sustainable Economy Act.

According to some experts, when these measures are applied, it seems reasonable to expect that the school dropout rate in Spain would fall, and could benefit some 15% of the pupils included under this indicator. However, it should be pointed out that despite the increase in the number of pupils covered by Initial Professional Qualification Programmes (PCPI), their coverage of failing pupils is not particularly broad (14.8%). Therefore, before applying these reforms, the ESC believes it is vital to develop measures to attract more failing pupils to these programmes, and to evaluate their effectiveness.

Recommendation 6

Further liberalise professional services and enact planned legislation to redefine the regulatory framework and remove current barriers to competition, efficiency and innovation; apply, at all administrative levels, the Sustainable Economy Act and, in particular, measures designed to improve the business environment and promote competition in the goods and services markets; improve

coordination between central and regional administrations to reduce the administrative burden on businesses.

Sustainable Economy Act

In its opinion on the Sustainable Economy Act, the ESC welcomes the willingness to establish short-, medium- and long-term measures. It highlights the variety of measures included in the act, some of which are structural while others are more of an economic nature. The ESC also notes that some aspects are regulated in very general terms and require greater precision, and have been combined with regulations that are more specific to regulatory development. More needs to be done to ensure uniformity and internal consistency. The ESC believes it would be a good idea for the law to contain target deadlines for carrying out the planned measures.

In addition, the ESC opinion states that the regulation includes legislative provisions that make it fragmented and unfocussed. As regards the mechanisms for applying, following up and evaluating the regulation, the ESC notes that there is no reference to the principle of participation, which guarantees that the social partners will be able to exercise their constitutional roles. Beyond the necessary coordination between administrations, there should be a mechanism for follow-up and supervision which involves the public authorities and social and economic stakeholders and which provides all necessary resources.

In the opinion of the ESC, sustainable development must be a genuine government policy and enjoy the support of a large majority of political groups. Sustainable development policies are of a medium- and long-term nature and require broad integration.

Finally, the ESC opinion states that there must be guidelines and measures in areas which are crucial for its implementation: the social protection system, improving the education system, consolidating the health system, coordinating demographic policies, creating decent employment and promoting rural and territorial development and agriculture as a strategic sector.

Cooperation between authorities

Generally speaking, the subject of cooperation and coordination between administrations is a constant concern of the ESC, reflected in its reports and also in opinions on specific regulations, such as the one on the Sustainable Economy Act. In addition, the ESC has started work on the general subject of the relationship between competitiveness, social cohesion and the actions of various regional administrations, with reports on specific subjects such as the health system and waste management. All these reports highlight the need to improve cooperation and coordination between the various administrations.

II. SPECIFIC PROPOSALS OF NATIONAL NON-GOVERNMENTAL ACTORS FOR IMPROVING NRPs AND RECOMMENDATIONS FOR THEIR APPLICATION

Views of social stakeholders on the NRP

- The ESC report records that the draft NRP was submitted by the government to the most representative social interest groups for their comments. Although this was still a draft requiring fleshing out in detail, it should be pointed out that, as far as employment policies were concerned, both the trade unions (Comisiones Obreras and UGT) and the employers' organisations (CEOE and CEPYME) expressed disagreement, albeit for different reasons, although they both described the programme's economic and employment forecasts as optimistic. The ESC report summarises these views as follows,

The trade unions argued that the Spanish economy's unemployment problems required kick-starting of the economy and employment policies different from those pursued to date. They felt that the focus should be on training, both for the unemployed and those in employment, improved labour mediation by the public employment services and improved unemployment protection, as well as reform of the financial system (in order to make more liquidity available to companies, the self-employed and families). With regard to young people, they emphasised reducing the school drop-out rate and increasing participation in vocational training.

For their part, the employers' organisations considered that the employment problems required improved operation of the labour market via more decisive reforms than those adopted to date. Specifically, they felt it necessary to promote indefinite-duration contracts, to facilitate flexibility in companies and reduce costs for businesses. With regard to the drafting of the NRP, they called for greater participation from all social stakeholders, involving them in the drafting, implementation and evaluation phases, as proposed in the Europe 2020 strategy.

- The specific proposals of the social stakeholders, as expressed in the documents submitted during consultation with the government, can be summarised as follows:

The trade unions considered it necessary to steer economic policy in a new direction, renewing the focus on sustained, balanced and long-term economic growth as a basis for economic recovery. Reduction of the public-sector deficit had to be compatible with economic, social and employment priorities. Also, maintenance and improvement of the welfare state was one of the pillars of the social model. The reforms demanded by international organisations, under pressure from the markets, could not be the basis for government economic policy, imposed unilaterally.

The macroeconomic scenario was poorly defined. The reduction of public-sector debts was presented as if it would not impact on the recovery in activity, an outrageous suggestion, with even the IMF stating in its report on economic prospects of the previous autumn that every percentage point reduction in the deficit would entail a matching one-point reduction in GDP.

The problem of the Spanish economy's indebtedness was being reduced to the public debt, as if the problem of private debt had disappeared. Employment contracts, together with enormous unemployment levels, long-term unemployment and unemployed without any kind of protection,

would only convert weak demand into structural weakness and ultimately an extremely long employment crisis and period of economic stagnation.

Short-term economic prospects did not give any grounds for optimism: the adjustment plans being carried out in all European economies, especially in Spain, would nip the nascent economic recovery in the bud, condemning the economy to a future of low growth (with signs of it slipping back into recession), and with higher unemployment levels. However, this was not the only way of meeting deficit reduction commitments. The necessary change in the production model, through policies geared to economic growth and job creation, needed to be given precedence over debt reduction.

There were other alternatives, as pointed out in the proposal of the European Trade Union Confederation, which, faced with adjustment plans and cuts in social spending, proposed strengthening incomes, calling for tax reform and greater flexibility over the Stability and Growth Pact's public deficit reduction objective. A tax reform which in Spain could lead to greater progressivity, and thus social equity, restoring tax revenue lost in the previous phase of the crisis (wealth tax or inheritance tax, for example).

The trade unions call for a profound and comprehensive tax reform, in one fell swoop closing the gap between Spain's tax burden and the EU average, currently around nine GDP points. With a tax system closer to the European average, the Spanish deficit would be insignificant.

The proposals of the Commission and the European Council on economic and foreign policies tended towards greater deregulation of workers' rights, forcing them to bear the costs of the economic crisis. Reductions in the stability of income from employment and extreme flexibility endangered employment stability, while reduced unemployment benefits strengthened workers' sense of insecurity.

Moreover, the kind of policy errors which had contributed to the crisis were being repeated, while giving more income to people with greater resources and/or a higher level of savings meant that the economy would be faced with a demand shortfall, ensuring that growth would once again depend on asset bubbles and an increase in private debt or large export surpluses.

Introducing the debt criterion would merely worsen the Stability Pact's procyclical tendency. The debt could be reduced more easily when the economy was growing, but this was impossible during a recession. By following a supply-side policy when the problem was lack of demand, unemployment would increase downward pressure on wages still further.

The employers' organisations felt that the recovery scenario presented in the government's macroeconomic framework for 2011 could be described as optimistic, as, whilst exports would contribute to growth, domestic demand would weaken.

Under this scenario, the labour market would have difficulties creating employment. The CEOE and the CEPYME felt that it was of the highest importance to reduce the public-sector deficit to the target 6% level in order to restore the credibility of the Spanish economy with the international financial markets. Failing to meet this objective would increase the cost of financing government debt and this would in turn increase the cost of debt for the private sector, businesses and families, thus restricting economic growth potential in future years.

The problems of the Spanish economy were not limited to the excessive size of the construction sector, although the imbalances in the economy were in part due to this sector's excessive weight.

However, the problems were also explained by the loss of competitiveness during the boom period and dependence on international financing. High levels of debt had been incurred not only by households but also by companies, which had used these resources to finance investment and international expansion.

On the other hand, the rise in unemployment and in the public-sector deficit was not only the result of the adjustment process which the Spanish economy was undergoing but also of failure to reform the labour market and public spending during the boom.

The employers' organisations considered it necessary:

To assess the cost to businesses of social security contributions in order to determine their future amount, and to reduce this in order to improve competitiveness and not endanger their viability.

To establish mechanisms for adjusting social security contributions over the cycle, to reconcile the needs of long-term systemic stability with the need for cyclical reductions in contributions in times of recession and high unemployment, as a counter-cyclical mechanism to boost employment.

Reforms were needed to adjust the structure and amount of spending by government. There was a lack of action to tackle the structural deficit of the public sector, thus adversely affecting measures designed to increase the growth potential of the economy. In general terms, the employers' organisations considered that most of the adjustment needed to be achieved by reducing inefficient current spending.

Labour reform was clearly insufficient, with Spanish labour law still not responding to the needs of companies and markets.

Contrary to the assertions of the NRP, the reform was too timid to improve the productivity of the Spanish economy and bring about a recovery in employment and in the confidence of international organisations and markets. The reform ought to have favoured contracts of indeterminate length, promoted flexibility in firms, reduced costs and allowed Spain to embark successfully on the road to recovery.

In addition to the reforms being carried out by the government, it was essential to introduce the following measures:

- Improving access to finance. In order to restore companies' credit and liquidity, it was necessary to complete the restructuring of the financial system
- The nominal rate of corporation tax needed to be reduced
- Reduction of social security contributions
- Reform of the education system
- Promoting a diversified and balanced energy mix in accordance with long-term energy needs and developing renewable energies efficiently
- Reducing bureaucratic burdens on firms
- A broader and more horizontal approach throughout the educational system: relations between schools and businesses, improved image of entrepreneurs throughout the educational system, promotion of entrepreneurship and the associated skills.

Views of social stakeholders on specific aspects of the development of the NRP

The differing views expressed by the social stakeholders on the 2010 labour reform have been commented on above. Different criteria have also been observed in the assessment of one of the reforms introduced under the NRP, the reform of collective bargaining. Thus, the trade unions considered that the government's proposed reform went too far in broadening companies' scope for action on matters such as working time and functional mobility, without making progress on the participation of worker representatives in decisions on internal flexibility. The trade unions considered that favouring company-level agreements over sectoral agreements on fundamental issues such as wages could lead to deteriorating working conditions in companies. The trade unions also criticised the imposition of binding arbitration to resolve differences when negotiating agreements, when specific deadlines were exceeded, considering that this would endanger free collective bargaining.

For their part, the employers' organisations felt that the reform did not provide the flexibility which Spanish companies needed in order to compete on an equal footing with their European counterparts. In this connection, the employers' organisations considered it necessary to promote company-level collective bargaining and also to implement the clauses allowing decoupling from sectoral agreements.

III. IMPACT OF ACTION BY NON-GOVERNMENTAL ACTORS AND ADDITIONAL INITIATIVES TO BE UNDERTAKEN

As is clear from the above, action by social stakeholders on the NRP can occur in various areas. The first of these is the shape of the NRPs themselves, and the areas of agreement and disagreement between the social stakeholders on the content of the NRP have been commented on above.

Secondly, social stakeholders can act at the time the content of the various actions which make up the NRP is being decided. The above paragraphs also refer to the views of the social stakeholders on some of these measures, and specifically the ESC's views on them, from which it can be concluded, for example, that there is a striking degree of consensus on issues such as reform of pensions systems, the priority to be given to action to tackle early school-leaving and coordination between government departments. On the other hand, the various criticisms levelled by social stakeholders at the labour reform or the reform of collective bargaining show that, in general terms, trade unions consider that flexicurity proposals err on the side of flexibility, whilst employers tend to stress the limitations in this area.

Thirdly, there are actions carried out specifically in the field of labour relations and consultation of the social stakeholders, among themselves, and with the government. The above text has made reference to the agreements on pensions and guidelines for collective bargaining for the 2010-2012 period, as well as the very recent compromise agreement on collective bargaining. To these agreements between the social stakeholders on specific questions should be added the assessment of the general development of labour relations, which has occurred at a time when labour conflicts are at a low level and tending to decrease.

FRANCE

CONTRIBUTION OF THE ECONOMIC, SOCIAL AND ENVIRONMENTAL COUNCIL OF FRANCE TO THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE'S CONSULTATION ON THE EUROPEAN SEMESTER

I. INTRODUCTION BY THE SECTION FOR EUROPEAN AND INTERNATIONAL AFFAIRS

The European Economic and Social Committee has asked national ESCs to express their positions on the European Council's country-specific recommendations and the French Economic, Social and Environmental Council, in particular, to comment on the Council's recommendations concerning the *National Reform Programme 2011 of France and delivering a Council opinion on the updated Stability Programme of France, 2011-2014*, approved on 23-24 June 2011.

In accordance with the decision taken by the Bureau on 13 September 2011, the Section for European and International Affairs has ensured that this response from the Economic, Social and Environmental Council (ESEC) has been drafted in cooperation with all the Council's sections and delegations.

The French ESEC wholeheartedly endorses the process of voluntary consultations with national ESCs launched by the European Economic and Social Committee on the basis of the mandate it has been given (Conclusions of the European Council of 24-25 March 2011, point 6).

This initiative should allow the analyses and positions of the economic, social and environmental organisations represented within the French ESEC concerning one of the strands of the new economic governance to be given real resonance.

Nevertheless, the French ESEC would like provision to be made for national ESCs and similar institutions to be more closely involved in the "European Semester" procedure adopted by the Council in September 2010.

For our part, the ESEC had already responded to the request of the French government (The Secretariat General for European Affairs/SGEA) to submit a contribution on the National Reform Programme and learned, from the SGEA, that its contribution had been sent to the European Commission together with the French NRP.

With regard to the "effects produced by the action of the non-governmental stakeholders and further initiatives to be taken", the ESEC has wondered, on several occasions, about the consultation procedures themselves. In particular, it has drawn attention to their impact, the way they are taken into account and followed up and the relationship between the multiplicity of processes, which involve the same players in different capacities. In this connection, the ESEC has drawn attention to the risk that,

given the lack of clarity surrounding the ultimate objectives and substance of the consultations on the NRP, these may be seen as a purely formal exercise.

This risk is heightened by the fact that the recommendations approved by the Council contain a number of recitals, guidelines or policy decisions which have either already given rise to, or might give rise to, controversy. For example, the issue of changing the Constitution "to introduce binding multiannual budget planning" is one which has not been resolved either at national or Community level.

In future consultations, it would also be desirable to consider how and at what moment the opinion of the economic and social representatives could be taken into account and what arrangements could be introduced for ensuring that they are followed up.

The French ESEC will pay particularly close attention to the follow-up accorded by the European Commission once it has heard the views of representatives of national ESCs and taken account of their contributions at the meeting of the EESC's Europe 2020 Steering Committee on 24 November 2011.

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The contribution which follows sets out an analysis of the Council's recommendations.

These recommendations focus on the annual budget guidelines and the structural reforms which the French authorities intend to undertake for our country.

Naturally, with the European Union as a whole facing a deep, long-lasting economic, financial, budgetary and social crisis, this exercise cannot be considered in isolation from this wider context.

Our contribution is based on the analyses already conducted by the relevant ESEC departments.

A list of the work which the ESEC has already conducted on the EU 2020 Flagship Initiatives and the work it plans to conduct in 2012 is appended to the contribution.

II. CONTRIBUTIONS FROM THE SECTIONS

A. SECTION FOR SOCIAL AFFAIRS AND HEALTH

The European Council's recommendations highlight the role of economic stabilisers in supporting household incomes and notes that they have meant that France has been relatively less affected than other Member States by the economic and financial crisis.

In its Opinion on social protection, *Protecting the future of health insurance* of July 2011, the French Economic, Social and Environmental Council stresses the role of social protection in safeguarding social cohesion.

The Opinion focuses on the health aspects of France's social protection system, a vital collective investment, which is currently being weakened by the increasing burden on services and recurring deficits.

The ESEC recommends that, in order to preserve a system which is the embodiment of the solidarity pact between our citizens, various measures should be taken to make the healthcare system more efficient and broaden its funding base in order to find new revenues, which do not have a negative impact on jobs.

With regard to pension reform, which was mentioned by the Council, the objective of the most recent reform was to achieve a balance by 2018.

The French ESEC considers (cf. the Opinion referred to above) that, in this perspective, dialogue and consultation should continue with a view to finding enduring solutions.

Lastly, one of the areas the ESEC will be working on in the coming months is combating poverty and social exclusion. The Section for Social Affairs and Health will be addressing this issue from the perspective of young people's access to social rights and health, with a focus on the most vulnerable young people.

B. SECTION FOR WORK AND JOBS

The ESEC's Section for Work and Jobs examined the Council's recommendations in the light of the comments it made as part of the SGEA's (Secretariat General for European Affairs) consultation on the draft NRP last March, which were still relevant.

As far as the labour market is concerned, the section endorses the emphasis placed on the need "*to strengthen human capital and help people to develop their skills*". Likewise, it shares the concern "*to encourage life-long learning*" and improve the procedures of the public employment service "*to strengthen services and individualised support provided to those at risk of long-term unemployment*". Moreover, the ESEC gave this last point considerable emphasis in the Opinion it adopted in June 2011 on *The "Pôle Emploi" (the new one-stop job centres recently set up in France) and the Reform of the Public Employment Service*". In addition, at the request of the Prime Minister, the Section is currently drafting an Opinion on *Continuing vocational training*, looking into ways of making the system more equitable, efficient and user-friendly, so as to meet the needs of the labour market, employers, employees and job-seekers. The Opinion is due to be submitted in mid December.

Nevertheless, the section questions the European Council's recommendations to combat labour market segmentation by reviewing selected aspects of employment protection legislation and to boost our competitiveness by moving away from labour towards environmental and consumption taxes. The ESEC has always been attentive to these issues, which need to be addressed in close cooperation with

the stakeholders concerned. In particular, the Council stresses that, although the controversial question of the cost of labour is often raised in discussions on business competitiveness, the latter is also determined by other equally important factors such as research and innovation and also training, qualifications and staff motivation through appropriate wage policies. As far as a possible change to the tax base is concerned, the ESEC considers that this reform can only be envisaged as part of a more comprehensive reform of overall taxation.

Lastly, the section regrets the lack of provisions on improving the quality of jobs and working conditions so as to set a framework, in terms of careers and occupational health, that will enable people to work better at all stages of their lives. Similarly, the way work is organised within businesses, management methods and attention to psycho-social risks are all an integral part of occupational health.

C. SECTION FOR SUSTAINABLE LOCAL AND REGIONAL DEVELOPMENT¹

France has undertaken to reduce its greenhouse gas emissions by 75% between now and 2050 and, with regard to energy efficiency, has confirmed its sectoral goals for buildings and transport². It has also made a commitment to take part in the shared efforts to improve energy efficiency in the EU by 20% between now and 2020.

On the specific issue of transport, France's 2011-2014 National Reform Programme (NRP) mentions³ the National Transport Infrastructure Plan (*Schéma National des Infrastructures de Transports - SNIT*), which is part of *Grenelle de l'Environnement*, the government-organised initiative to involve stakeholders in discussions on the environment. The SNIT project includes ambitious measures to reduce greenhouse gases. A first draft, published in 2010, included 59 measures and a large number of projects aimed at orienting transport infrastructure management policies towards optimising, modernising and maintaining transport networks, with a total investment of EUR 170 billion planned over the next 20 to 30 years. The Environment Authority⁴ was consulted on this first draft. In its Opinion, it judged that the projects planned under the SNIT would allow for a shift from the expected 1.7% increase in oil product consumption over 22 years, without the SNIT, to a 3.4% decrease over 22 years, with the SNIT. Therefore, according to the Environment Authority, the measures and infrastructures provided for under the first draft of the SNIT would not have led to a substantial decrease in the greenhouse gas emissions produced by the transport sector by 2025⁵.

A public consultation was launched in January 2011 by the Ministry of Ecology, Sustainable Development, Transport and Housing on a second draft version of the SNIT, the "preliminary draft consolidated SNIT". This document altered several aspects of the initial plan and increased the number of transport infrastructure projects envisaged and the expenditure connected with them.

1 Contribution presented by Paul de Viguerie.

2 cf. Commission Staff Working Paper, SEC(2011) 719 final, p. 17.

3 PNR de la France 2011-2014, p. 16.

4 The "Autorité environnementale du Conseil général de l'environnement et du développement durable – CGEDD" (Environment Authority of the French General Council for the Environment and Sustainable Development)

5 Opinion of the Environmental Authority of 22 September 2010, p. 13.

However, a reading of the section on finances in this second version of the text suggests that it may not be possible for the projects to be implemented within the given time-frame. It is stated that, *"It must be acknowledged that the total expenditure that would result from integral implementation of the scheme over 25 years would largely exceed the funding currently earmarked for it, given the budgetary situation of the national government and local and regional authorities and the current momentum for growth"*. It concludes that, *"on the basis of previous observations, it is justifiable to estimate that the equivalent of 70 or 80% of the measures or projects mentioned in the Scheme will actually be implemented during the time period concerned, if the necessary funding is available"*. In any case, it is impossible to state with any certainty that the infrastructure funding can be guaranteed over this period. In principle, the SNIT plan, on which the ESEC has not been consulted, is due to be adopted by the government this Autumn, following a debate in Parliament and a final arbitration by the Council of Ministers.

For its part, the ESEC draws attention to the priorities it highlighted for the transport sector in its contribution to the draft NRP:

- firstly, dealing with France's ageing transport infrastructure – the country is currently not putting sufficient efforts into renovation and upkeep;
- secondly, ensuring that the under-equipped metropolitan and overseas territories have a sufficient level of infrastructure development to make them attractive and ensure mobility for people and goods;
- lastly, planning and building new priority infrastructures which comply with high environmental standards. For example, the priority in developing new rail infrastructures should be to bypass busy transport intersections.

The ESEC calls for priority to be given to non-polluting forms of transport. For freight, the completion of the Trans-European Transport Network (TEN-T) is particularly important.

D. SECTION FOR THE ECONOMY AND FINANCE

The ECOFIN section has focused on the three themes addressed in the Council's recommendations of 12 July 2011 which come under its remit.

The ESEC welcomes the establishment of more coordinated and extensive European economic governance, which is something it has been calling for for some time.

- Reduction of France's government debt

The Council stresses that, *"implementation of fiscal consolidation remains a major challenge"*, particularly since it considers the macroeconomic scenario underpinning the budgetary projections to be *"too favourable"*.

The ESEC agrees that, in view of the current crisis, the scenario is indeed too favourable. Great care therefore needs to be taken to ensure the successful implementation of the fiscal consolidation process. The ESEC judges this process to be necessary. However, it also stresses that debt reduction

must not be considered solely from the perspective of spending cuts and that measures to reduce public spending must be selected extremely rigorously to ensure that we continue to invest in innovation and that solidarity and social cohesion are not sacrificed. Lastly, the ESEC calls upon the European Union to introduce policies for supporting growth and jobs within the Union as part of the Europe 2020 Strategy.

- Re-balancing the tax system

The Council advocates "*switching taxation from labour towards consumption and the environment*", which would have benefits for competitiveness, jobs and the environment.

The ESEC has, on several occasions, recommended a thorough overhaul of the tax system, which is necessary for a number of economic and social reasons. Reform should be based on a broad analysis of all forms of taxation. It should lead to reductions in taxation on labour, compensated for by higher taxes on the consumption of natural resources, unproductive capital and finance, taking account of the need to incorporate redistributive loss relief and cross-border adjustment mechanisms.

- Reduction of tax expenditure

In the Council's view, the reduction of tax expenditure would bolster fiscal and environmental objectives and improve the business environment.

The ESEC endorses the objective of reducing tax expenditure (in particular *niches fiscales et sociales*). In its Opinion of September 2010 (on *Public (central, regional and local government) budgets: taxpayers and citizens*), the ESEC called for major tax reform. It was also stated in the Opinion that tax expenditure was not necessarily a bad thing, but that the arrangements for designing, implementing, evaluating and monitoring it did need to be reviewed, as a priority.

The radically different approach to tax legislation called for in this Opinion was seen as essential in order to ensure "*full support for the payment of taxes,... the financial foundation for our Republic's social contract*".

The ESEC plans to address the issue of taxation in a future referral.

E. SECTION FOR ECONOMIC ACTIVITIES

The Council's text is structured around eighteen recital points and five recommendations.

The Section for Economic Activities recently adopted a draft opinion on competitiveness which addresses several of these points and recommendations.

For example:

- Access to vocational training (point 10 and recommendation 2); the specific issues of initial vocational training, higher education and R&D) point 16 and recommendations 2 and 3;

In this connection, the section notes that vocational training must be seen as something which is valuable in itself rather than as a default choice; that it must be open to everyone, whatever their initial educational level; and that it represents a genuine investment in the future.

The section, naturally, expressed the view that R&D was a national priority and called for better links between basic and applied and public and private-sector research.

- Tax contributions (points 12, 13 and 17 and recommendation 2)

On this issue, the section set out various ways of financing the different parts of our social protection system and drew particular attention to the role of social protection in the current crisis.

Apart from the "CSG", the "social TVA", and the value-added contribution, the section looked into the issue of shifting part of the tax burden to the consumption of natural resources and pollution, finance and cross-border adjustment mechanisms, as part of a comprehensive reform of the tax system and European harmonisation.

Nevertheless, in the section's view, "it is urgent – if we wish to maintain a high level of social protection in our country, based on universality and redistribution – to find an alternative source of revenue, since placing the burden on labour has a negative effect on employees' purchasing power, businesses' competitiveness and the employment rate and therefore also on the very financing of the social protection system itself and on social cohesion".

The Council of the European Union also evokes the framework for competition through its references to "opening up" the regulated professions and two points on trade.

The section for economic activities has not conducted any work on these two points.

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III. OPINIONS CONNECTED WITH THE EU2020 STRATEGY'S FLAGSHIP INITIATIVES ALREADY ADOPTED OR SCHEDULED FOR ADOPTION BY THE FRENCH ESEC

- 15 June 2011 : *Pôle emploi et la réforme du service public de l'emploi: quelle efficacité pour les travailleurs et les employeurs* (The "pôle emploi" and the reform of the public employment service: assessing its effectiveness for workers and employers)
- 13 July : *La protection sociale* (Social protection) (government referral)
- 13 September : *Les inégalités à l'école* (Inequalities in schools)
- 12 October : *La compétitivité* (Competitiveness) (government referral)
- 8 November : *Les négociations climatiques internationales à l'aune de la Conférence de Durban* (International climate negotiations in the run-up to the Durban Conference)
- 9 November : *La mobilité des jeunes* (Youth mobility) (government referral)
- 13 or 14 December : *La formation professionnelle* (Vocational training) (government referral)
- 13 or 14 December : *Rapport annuel sur l'état de la France* (Annual Report on the State of France)
- 24 or 25 January 2012 : *Bilan du Grenelle de l'environnement* (Status Report on the *Grenelle de l'environnement*) (government referral)
- 24 or 25 January 2012 : *L'ouverture à la concurrence des services ferroviaires régionaux de voyageurs* (Opening regional rail services to competition) (government referral)
- 28 or 29 February : *PME et commerce extérieur* (SMEs and external trade) (follow-up Opinion avis de suite)
- 1st semester : *L'investissement public: malgré les difficultés, une priorité*
- 1st semester : *La dette : un pont entre passé et avenir*

All the opinions adopted by the ESEC are available on the website: <http://www.lecese.fr/>

ITALY

CNEL contribution to the EESC-national ESCs joint report on the National Reform Programmes

The CNEL joined the process of formulating political acts (the Stability and Convergence Programme – SCP, and the National Reform Programme – NRP) that the Italian government was to submit to the European Commission in April 2011, by means of an initial Comments and Proposals Document on 10 March 2011. In its subsequent Comments and Proposals Documents, the CNEL singled out the new governance, and more specifically the introduction of the European semester (which closely links the PSC and the NRP) as the most effective means and an ideal opportunity to tackle the specific problems of the Italian economy, which has long been stifled by an enormous stock of public debt, and suffering from low growth, far below the European average.

Italy presented its NRP on 5 November 2010, in response to which the CNEL – both anticipating and echoing many of the recommendations made to Italy by the European Commission – emphasised the need, given the high level of public debt, for the country to pursue structural measures and reforms designed to boost economic growth, and called for such measures and reforms to be clearly laid out in the NRP. In the absence of active reforms, the potential growth of Italian GDP is set to remain at relatively low levels in the next few years, making an adjustment and restoration of public accounts extremely difficult.

Two facts pointed out in the memo updating the Economic and Financial Document, relating to the most recent dynamics, clearly reveal just how delicate matters are at present: firstly, the expected rise in interest expenditure, and secondly the downgrading of real GDP growth forecasts. In the CNEL's view, the fact that all the forecasts of public financial data adjustments rely on action on the numerator alone (the balance of revenue and expenditure) with little effect on the denominator (the scale of real growth) makes the official deficit and debt targets arbitrary.

An analysis of historical trends in public finances (national and regional/local) and of Italian economic policy shows that:

- Economic policy has been marked by a virtually exclusive focus on the financial and tax aspects, with little attention to the question of reforms and sustainable growth
- Current primary expenditure between 1996 and 2008 generally rose more in the north and centre of the country than in the south – the exact opposite of the declared aims of official government programmes, and the way it was distributed certainly did nothing to help training, development or the environment
- The transfer of powers to regional and local government has not always been accompanied by a balanced reduction and improvement of central mechanisms alongside a slow-down in the growth of overall spending

- Fiscal pressure has increased, and the tax burden has shifted onto employment and businesses, penalising competitiveness and the economy's growth potential.

The CNEL believes that macroeconomic balance and policies to restore growth require a tax reform that radically redistributes the revenue burden ("from people to things"), not only in order to correct the increasing concentration on income (particularly from work, pensions and entrepreneurship) but also to restore competitiveness and reinvigorate domestic demand (consumption and investment).

In order to secure the necessary resources, after deducting any one-off source of income that could be generated by a sell-off of assets and possible extraordinary income (to be channelled mainly to debt reduction), radical and innovative steps need to address the "costs of politics" and overlaps between institutional levels. Measures should target the structure of elected bodies, the organisation of regional and local bodies, para-state bodies and public enterprises. Again with a view to securing the resources needed to achieve the Europe 2020 objectives, a renewed effort and innovative instruments should be brought to bear on tackling evasion via an approach that takes as much time as required and is based on restoring a proper relationship between the authorities and tax payers.

The government has acted on public accounting policies and introduced reforms to bring down the deficit and debt and boost development and growth through a raft of legislative measures (either under the new European governance arrangements or in response to emergencies).

The CNEL has issued specific documents of observations and proposals on the provisions that have been adopted (Economic and Financial Document of 13 April, Enabling Statute No 70 of 13 May 2011, Enabling Statute No 98 of 12 July 2011, Enabling Statute No 138 of 13 August and the 2012 Draft Stability Law), whose main points are set out below.

1. **Budget and tax reform**

In its document adopted on 26 October 2011, the CNEL called for a tax reform that:

- a) ensures a radical redistribution of the tax burden ("from people to things"), not only in order to correct the increasing concentration on income (particularly from work, pensions and entrepreneurship) but also to restore competitiveness and reinvigorate domestic demand (which remains one of the prospective weak points). This is the backdrop to the proposal for a wealth tax: 1) on immovable assets with the exception of first homes that are not high-value properties and with immediate adjustment of valuations on the basis of reports by the Territorial Agency as previously defined for local authority purposes or currently being defined for zoning purposes in some municipalities; 2) on movable assets (with an exemption threshold). The proceeds of the tax must be earmarked for reducing taxes on incomes and the cost of labour. For this purpose, the definition of the tax and social security enabling statute must be brought forward in order to prevent the automatic provisions under the Finance Plan eroding the tax deductions for employment and households. The CNEL plans to draw up a specific document on the tax and social security enabling statute.

- b) A further contribution to the possibility of a real reduction in the tax burden and the debt could be provided by stepping up anti-evasion and avoidance measures:
1. A further initiative to trace transactions for the purchase of goods and/or services, which should also be encouraged by specific forms of deduction regarding payments made with electronic money (the threshold for which should be raised to EUR 500). It is also stressed that tax relief should be reintroduced for building renovation and works that reduce energy consumption (relief of 36 % and 55 %). These tax relief measures have, from the outset, demonstrated their powerful capacity to stimulate the economy and reveal company income. The effects in terms of VAT yield and company revenues have largely proven that consolidating these incentives would have a positive impact on public finances.
 2. Focusing checks on sensitive tax payers, not least by bringing in new methods for defining income with options for tax payers offered by the tax authorities including on-going supervision or analytical verification.
 3. Priority, where analytical verification is concerned, for tax payers who have requested social benefits relating to income levels or for businesses whose accounts regularly show losses.

A proportion of the resulting revenues, determined in advance as part of a multiannual programme, could be channelled to local authorities, according to their contribution to revealing hidden income, reducing debt, and scaling back the tax burden on incomes.

There is in practice a considerable risk that further reductions in the resources for regions and local authorities will make it impossible for them to ensure co-financing in connection with the Structural Funds.

2. Labour market

The CNEL considers that the NRP should include a fully-fledged strategy for youth employment with special attention focusing on young women, rationalising and more effectively using existing resources: these are currently deployed in a fragmented and inefficient manner. In order to ensure cohesion between all the necessary provisions, a round table should be set up bringing together the government, regional and local institutions and the social partners to address all the questions contained in the 2020 project together with the draft legislation under consideration.

Similarly determined action is needed to support jobs by means of active employment policies. **Direct instruments such as tax credits, carefully calibrated to foster the employment of women and young people, income declaration and the entry into employment of the unemployed and underemployed should be implemented and financed with regular resources and the Structural Funds. A tax credit arrangement is therefore proposed for new employment.** It would also be helpful to introduce a specific project on youth employability, boosting vocational education/training in keeping with the guidelines laid down by the **agreement on training of 17 February 2010 between the government-regions and the economic and social partners.**

The CNEL believes a universal and flexible system of social safety nets is required, as the main tool of active employment policies, and linked with training and retraining strategies on a territorial basis as well as with an effective network of employment services. The system would thus respond to the various priorities set on a territorial basis (non-working women, young people not working, studying or in training, older workers, workers on the move, etc.).

3. **Growth, research and innovation**

The documents presented by the government contain a wide range of useful data and outline the direction of future action, partly building on existing action and partly opening up new areas for work and research. A gap has opened up between the SCP's approach to problems and the indication of promising areas for investigation and initiative, and the general thrust of the NRP which lurches between excessive optimism regarding the impact of the measures already taken – which have not apparently achieved the expected results – and the lack of precision concerning the actual content of further initiatives, which seem to reproduce the features of economic and financial programming documents of the past, without the strict and effective character of the new European procedures. The expected limited impact of the planned measures (+ 0.4%, not enough to ensure an upturn in employment or the essential, gradual reduction of the debt) may stem from this.

Regarding tax credits for scientific research, the rule under which a linear reduction applies in the event of deviations from estimates has the effect of deterring any new or additional research activity in businesses, as it renders an accurate estimate of costs impossible.

The framework for private sector investment in research and innovation needs to be strengthened, broadening the current tax incentives, improving the climate for venture capital and supporting innovative tendering systems.

4. **Infrastructure and public works**

A major commitment is required to an infrastructure programme, to be distributed appropriately between large-scale national projects and the reorganisation of specific territorial areas, with particular attention on the Italian south. Such expenditure should not be channelled exclusively to supporting demand, but should be coordinated with specific choices of development model that respond effectively to major problems, such as the energy issue – where meaningful action should be taken on energy saving, or boosting rail transport – reversing the downward trend in the sector over recent years – especially in the Italian south, or sufficient and swift co-financing from the European development funds, to take just a few examples.

A substantial can be played here by the ICT, whose contribution to national industrial growth is now unquestionable. Italy is lagging behind severely against nearly all the European Digital Agenda objectives.

Turning to the procedures for carrying out public works under Article 4 of Enabling Statute 70/2011, which takes on board a number of proposals set out in recent CNEL documents on procedures for

locating public works, these procedures should be further fine-tuned, with a view to reaching consensus on location at the various institutional levels.

The implementation of the **legality protocols** signed by the social partners and the institutions should also be facilitated. They concern the particular conditions of specific areas where legality is at greater risk, avoiding the introduction of rules that would stand in the way of these best practices which are often very valuable and necessary.

The anti-mafia rules and certification procedures should however be implemented in the part which raises the value of individual projects which may be awarded by invitation.

Lastly, the recent destructive floods in Italy bring to mind the proposals the CNEL had put forward for the 2011 NRP on hydrogeological safety throughout the country, making up for the serious legislative delays and lack of clarity regarding official powers, and ensuring that the necessary resources would be made available.

5. **Italian south (Mezzogiorno)**

The CNEL points out that many of these issues have a major impact on policies for the Mezzogiorno. It is encouraging to see that the Mezzogiorno constitutes the second priority in the government's Economic and Financial Document, and that the Mezzogiorno is seen as a national issue, and more than the sum of regional approaches and interests, considered separately. National oversight is therefore needed not to replace, but to coordinate and encourage the autonomous choices made by regional and local authorities, in part through policies of incentives.

Experience over recent years shows that the option of using tax credits as an instrument to encourage the permanent employment of "disadvantaged" or "particularly disadvantaged" categories, particularly in the Mezzogiorno, is appropriate and merits support.

The same applies to the criteria indicated for checking on the real "additionality" of the employment generated.

There are some reservations, however, regarding the small scale of the resources allocated and, above all, criticism must be levelled at the fact that these resources are taken from the ESF and ERDF, with no guarantee of a national joint contribution.

Turning to support for research and innovation, a key ingredient for recovery in the Mezzogiorno, measures are needed to speed up spending co-financed by the cohesion policy funds in order to narrow the persistent inter-regional disparities, build administrative capacity and enhance policy governance.

Lastly, the commitments entered into under the national strategic reference framework regarding the amounts of resources and type of spending must be respected.

6. **Costs of politics and public administration**

Reducing the cost of politics and of the public administration is crucial to bringing down public spending, but is also a matter of justice: Italian citizens cannot be asked to make sacrifices without at the same time making credible and effective reductions in these costs.

All necessary steps must be taken to ensure that real reductions are made to the numbers of members of elected assemblies and state bodies, to abolish the provinces, and to merge small municipalities.

It is also necessary to directly reduce the expenses paid to members of elected bodies, and to subject their present "life benefits" to the same rules that apply to pensions for all citizens, without referring the question to various "commissions".

Efficiency and cost-cutting in the public administration are central objectives that cannot be delayed, and the example must be set from the top. Quite apart from those measures that can only be implemented following amendments to the constitution (regarding which, agreement should be reached on texts aimed at specific goals, beginning with a reduction in the number of members of parliament, with specific deadlines) steps of great symbolic force and with a significant financial impact can be taken immediately.

The proposals regarding the labour market, tax reform, research and innovation, infrastructure and the Mezzogiorno that the CNEL and the social partners have upheld since the beginning of the European semester, have been relaunched in conjunction with the recommendations of the European Commission and the Council addressed to Italy.

ROLE AND PROPOSALS OF THE SOCIAL PARTNERS

The social partners have played a highly responsible and proactive role, successfully formulating a set of agreed proposals to reduce public debt and introduce reforms in favour of growth and development.

The proposals concern the labour market, the Mezzogiorno, Research and Innovation, Social Emergencies, Simplification, Tax, Overhauling Expenditure, Federalism and the Costs of Politics.

The CNEL has based itself on these common proposals by the social partners since the publication of its Comments and Proposals Document of 10 March 2011.

As part of the **social partners'** direct responsibilities, a major **interconfederal agreement** was concluded between Confindustria (employers' confederation) and all the trade union confederations, renovating the industrial relations system by strengthening second-level negotiations in keeping with company and territorial "productivity growth" and introducing new rules for gauging representativeness. It is likely that this important agreement, subject to appropriate adjustments, could be extended to all other economic sectors, as has already occurred in the banking sector.

Faced with the storm buffeting the financial markets, and the speculation that began targeting Italy in particular in early August, the social partners (employers and trade unions) have drawn up a **Joint Document** putting forward proposals to the government to tackle the emergency and a programme to

reactivate credit, identifying priorities for immediate action. The social partners argue that the seriousness of the situation allows for no hesitation, and that the government must take decisions urgently and submit them to parliament without delay.

The social partners state their willingness to face the challenge, and call upon the government to enter discussions with the opposition, emphasising that at decisive moments such as the present, important choices must be supported by widely shared responsibility and broad agreement from political and social groups.

SUMMARY OF THE OBJECTIVES AND PRIORITIES INDICATED BY THE SOCIAL PARTNERS

Objectives:

a) reduction of the cost of politics; b) liberalisation and privatisation; c) unlocking investment (particularly for previously financed works); d) administrative simplification and modernisation; e) a balanced budget in 2014; f) labour market.

Priorities:

- implementing an emergency plan to combat tax and contributions evasion, using the proceeds to reduce the tax burden on businesses and employment;
- structurally detaxing performance-related bonuses;
- encouraging growth in size and capitalisation (aid for economic growth);
- implementing a plan for the gradual reduction of late payments to businesses in order to apply the Community directive;
- implementing effective policies to promote and protect quality Italian products to boost the country's competitiveness so as to upgrade Italian employment, capital and territory, tapping the potential of the penetration of foreign markets by Italian companies;
- establishing a green economy energy plan with a view to 2020, principally by setting standards;
- supporting research and innovation in companies, starting by immediately activating the tax credit under the Enabling Act.

On 30 September 2011 all the Italian employers' organisations (ABI – ANIA – Alleanza Cooperativa – Confindustria – Rete Imprese Italia) presented a "Business Project for Italy".

The purpose of the proposal is to present everyone – government, parliament, majority and opposition political groups, the social partners, Italians in general – with a small number of points on which bold and immediate choices should be made to save Italy and restore growth. Five priority issues to be tackled are listed:

Public expenditure and pension reform; Tax reform; Sale of public assets; Liberalisation and simplification; Infrastructure and energy.

The employers' associations have bombarded the government with calls to act urgently and to address these matters, officially stating that "time is up".

The trade unions have launched a wide range of initiatives (including strikes) – at both national and regional level – in support of the proposals put forward and to insist that sacrifices must be fairly shared, that "those who have most must give", and that unreasonable political costs must be reduced.

CONCLUDING COMMENTS

It is the opinion of the CNEL that **growth and expansion of employment should again be** – for Italy and its governing institutions, but also for the European Union and its institutions – a **priority** of equal importance with public accounts.

It should also be emphasised, as done at the outset, that the steps taken by the government to tackle the crisis and the heavy speculative attacks on the financial markets, are primarily aimed at restoring public accounts, and do not adequately address the issue of growth: in other words, how to increase Italy's GDP which, as pointed out earlier, has grown much less than in the other European countries. Budgetary discipline and growth remain separate chapters. The objectives of boosting Italy's capacity for future growth, previously set out in the NRP but not backed by any indication of the right measures to achieve them, must now be put back at the centre of the government's action, alongside the plan for restoring public accounts, so that these objectives can serve as a stimulus to speed up the necessary structural reforms. Without growth, our public debt will be hard to sustain. The CNEL is convinced that without opting firmly to commit greater resources to growth, economic development and employment, research, education and training, and active employment policies, it will become increasingly difficult and socially unsustainable to pursue the declared objective of cancelling out the deficit by 2013 as requested by the EU.

Turning to the near exclusion of the social partners, in its document of 26 October, the CNEL pointed out that this method risked jeopardising its quality. Starting with the document of 12 January 2011, all the Member States were asked to formulate their plans with broad official and social agreement. This recommendation should have met with careful attention on the part of Italy on account of the traditionally complex structure of its economic and social fabric, and the considerable experience with the implementation of the new Title V of the second part of the constitution. In fact this did not happen, either when preparing the documents or in the process of turning them into the binding legislative acts that were promulgated or, above all, when amended in parliament by means of opaque and unconvincing procedures. One of the main reasons for the recent downgrading of the sovereign debt was the climate of discord and confrontation that characterised the action.

The CNEL stresses that a new social pact for growth is needed. The democratic way in which the social partners participate entails involvement in defining anti-crisis strategies, covering not only macroeconomic compatibilities, but also the content of the reforms for the overhaul the welfare system, for the new industrial relations structure, and for reducing the gap between the south and the rest of the country.

The CNEL trusts that the provisions currently being promulgated by the government in order to tackle the crisis will reflect the positions expressed by the full range of social partners and will be properly implemented.

At the time of drafting of the present document, matters stood as follows:

- tax reform got under way with the presentation of a draft enabling act. The provision should be adopted by 31 January 2012 and the implementing acts by the end of 2012. The only measures to have been adopted immediately are the rise in VAT from 20 to 21%, and the financial gains tax of 20%;
- the cost of politics is still under discussion in parliament, in particular by means of legislative provisions aimed at reducing the number of members of parliament and abolishing the provinces;
- regarding the Mezzogiorno, measures are being prepared to unlock investment in the Mezzogiorno and the use of European funds (with the agreement of the EU to reduce the rate of co-financing); the rules on incentives for apprenticeships, access to employment for women, and tax credits for employing disadvantaged and young workers should also be implemented;
- concerning infrastructure, research and innovation, liberalisation and disposal of public assets: measures are expected, but neither their form (amendments to the stability law or decree law) nor their specific content are yet known.

N.B.: The CNEL's Comments and Proposals Documents may be consulted at its website: www.cnel.it or via CES-link

LATVIA

Following your request of July 14, 2011, when you have asked to prepare the information on the involvement of non-governmental sector in the NRPs process, we have prepared answers to your offered topics.

1. Positions regarding the country-specific recommendations and planned actions by main social and economic stakeholders

On June 7, 2011, the European Commission published the assessment of the NRPs and Stability or Convergence programmes of the EU Member States providing also country-specific recommendations to the EU Member States.

It should be noted that those EU Member States that receive the international assistance from the European Commission and the IMF are recommended to continue implementing measures envisaged in these assistance programmes.

Taking into account the abovementioned and the fact that Latvia receives international financial assistance, the European Commission recommends Latvia to implement the measures as laid down in the Council Decision 2009/290/EC, as amended by Council Decision 2009/592/EC, and further specified in the Memorandum of Understanding of January 20, 2009 and its subsequent supplements, in particular the last supplement of June 2011.

As regards the assessment of the European Commission concerning the NRP of Latvia and the Convergence Programme of Latvia for 2011–2014, the European Commission recognizes the medium-term macroeconomic scenario of Latvia as plausible. The European Commission emphasizes that the planned fiscal effort for 2011–2012 is in line with the required adjustment. Reduction of budget deficit over the medium term, as foreseen by the programme, would help reduce the risks to the sustainability of public finances.

So, the only recommendation Latvia received is to continue implementing international financial assistance programme and stick to its commitments, which we as non-governmental stakeholders agree to.

The key measures the main social and economic stakeholders plan to implement in this regard in 2011 (the international financial assistance programme for Latvia completes in the end of 2011) are as follows:

- continue implementing key measures of the adopted strategy for fighting the grey economy, notably the new declaration scheme, measures to speed up payment of tax arrears, publish and make operational the "white list" of companies, etc.
- submit to international lenders proposals for the reform of scope and financing of a comprehensive and targeted social safety net program for 2012 and beyond, taking account of cost efficiency and fiscal implications, including setting-up a centralized social assistance register;
- continue reconstruction process of SJSC "Mortgage and Land Bank of Latvia", as well as implement the sales and work-out strategies for Citadele Bank and Parex Bank;
- take significant steps to improve the quality of evaluations to assess how the EU funds support is contributing to the achievement of expected results and to use the evaluation results for optimizing the planning of the 2014-2020 period;
- by end-2011, further progress should be made through full transposition of the energy-related EU legislation, with a focus on the applicable elements of the Third Package, and, in particular, increasing the independence of the national regulator and the competition council, including the financial independence, and promoting more competition in the energy sector;
- improve active labour market policy measures by gradually moving from crisis-related to traditional active labour market measures (introduction of „training vouchers" system in the training of unemployed, develop new active labour market policy measures for the youth, etc.);
- by end-November 2011, adopt a strategy setting good corporate governance principles for state owned companies, as well as submit to international lenders an assessment of options as regards possible restructurings, (partial) privatizations, and management structure of government and municipality-owned companies;
- by end-2011, ensure a wider application of e-governance services and promoting use of e-signature both by the public and private sector.

2. Concrete proposals by national non-governmental stakeholders to improve NRPs and recommendations concerning their implementation

During the meetings with the representatives of the Ministry of Economics of the Republic of Latvia the non-governmental organisations and social partners have regularly emphasized the necessity:

11. to establish stricter monitoring and control mechanism for the implementation of Latvia's NRP;
12. to increase political ownership and responsibility for measures and their implementation;
13. to improve involvement of social partners and NGOs in discussion of reforms and NRP's implementation;
14. to improve coordination of policy planning documents and increase their mutual compatibility.

3. Effects produced by the action of the non-governmental stakeholders and further initiatives to be taken

The action of the non-governmental stakeholders fostered the establishment of the Inter-Institutional Coordination Centre, which will be responsible for the development, monitoring and coordination of policy planning documents, for example, Long-term development strategy of Latvia – Latvia 2030, National development plan of Latvia for 2014-2020, as well as monitoring of the implementation of Latvia's NRP.

Reform's Governance Group had been established under the initiative of non-governmental stakeholders, which is supervised by the Prime Minister of the Republic of Latvia. This group involves also representatives of the social partners (Employers' Confederation of Latvia, Free Trade Union of Latvia) and non-governmental stakeholders (Latvian Chamber of Commerce and Industry, Latvian Association of Local and Regional Governments). The meetings of the Reform's Governance Group are held regularly, where different socio-economic policy and structural reform's issues are being discussed.

The non-governmental stakeholders and social partners plan to participate actively also in the future in different meetings with the representatives of the public administration institutions, for example, National Economy Council, Reform's Governance Group, Working Group on the Development and Coordination of Latvia's NRP and other meetings.

LUXEMBOURG

Contribution submitted by the Grand Duchy of Luxembourg ESC

1 INTRODUCTION

Since 2004, the organic law of the ESC has permitted the Council to provide its opinions on the different stages of the development, by the Council of the European Union, of the broad economic policy guidelines (BEPG). The re-focusing of the BEPG on the Lisbon strategy objectives and their integration, together with all the employment guidelines (EG), into the Integrated Guidelines for Growth and Jobs (IGGJ), required that the ESC back the new Integrated Guidelines at the national level by opinions, which it did for the first time by providing its opinion on the IGGJ of 15 May 2005. Having reached its end in 2010, the renewed Lisbon Strategy was then replaced by the Europe 2020 Strategy.

Within the Government, the *Ministre de l'Economie et du Commerce extérieur* (Minister for the Economy and External Trade) is responsible for the national coordination of the Luxembourg 2020 Strategy. The coordination of the work between the different Ministries and relevant authorities and the drafting of the Luxembourg 2020 national reform programme (NRP) is carried out by the *Observatoire de la Compétitivité (ODC)* (Competitiveness Observatory), which comes under the responsibility of the *Ministre de l'Economie et du Commerce extérieur*.

To optimise government coordination, ensure the correct consultation procedures and guarantee national adaptation, an interministerial network consisting of those responsible for the coordination of the Luxembourg 2020 Strategy within the Ministerial Departments and the authorities in question was created to respond as efficiently as possible to the new economic governance introduced by the Europe 2020 Strategy, as described below.

2 THE EUROPEAN SEMESTER

The European Semester targets one main objective, the strengthening of the coordination of national structural economic and budgetary policies at the European level, through the parallel implementation of three processes:

- The process of coordination of structural policies in the context of the Europe 2020 Strategy (national reform programmes);
- The process of coordination and budgetary supervision in the context of the Growth and Stability pact (stability/convergence programmes);
- The monitoring of macroeconomic imbalances.

2.1. National implementation of the Stability and Growth Programme (SGP)

In general, the national implementation of the SGP did not require any formal modifications in the annual budgetary procedure. The draft budget, which takes account of the opinion of the European Council on the national stability and growth programme, is developed in August/September on the basis of macroeconomic forecasts and the medium-term public finance forecasts by the *Comité de Prévision informel* (Informal Forecast Committee)²⁷, which was implemented in the context of the annual budgetary procedure.

2.2. The development of the Luxembourg 2020 NRP and the involvement of civil society

In November 2010 the Luxembourg Government presented a provisional and transitional draft of its “Luxembourg 2020” NRP with a view to implementing the Europe 2020 community strategy. This draft was the subject of extensive consultation in Luxembourg between November 2010 and April 2011. Similarly, there were two orientation debates in the Chamber of Deputies (June 2010 and March 2011).

The social partners were consulted on several occasions between the submission of the transitional report in November 2010 and the final submission in April 2011, whether on the subject of new economic governance, the tools available to exit the crisis, or on the national objectives and the reforms that Luxembourg had presented in November 2010 in the context of the Luxembourg 2020 strategy. Several statements of position were also notified to the Government.

On the basis of the draft NRP of November 2010 and the observations received during the consultation procedure, Luxembourg sent its finalised NRP to the Commission in April 2011. In addition to a macroeconomic scenario and a section dedicated to macroeconomic supervision, this NRP determined the national objectives for 2020²⁸, while also indicating the methodological limits for certain indicators and objectives for Luxembourg, and proposed measures that would enable these national objectives to be achieved.

2.3. Assessment, supervision and monitoring

With regard to the monitoring, reporting and assessment of the Luxembourg 2020 strategy, several instruments were established in parallel with the Europe 2020 interministerial network, which is responsible for coordination, under the responsibility of the *Observatoire de la Compétitivité* (ODC) (Competitiveness Observatory).

On the one hand, micro- and macroeconomic methods for assessing economic policies were developed to take account of the specific characteristics of Luxembourg, and, on the other, the national “*Tableau de Bord Compétitivité*” (Competitiveness Scoreboard), established in 2004 by the ODC, enabled the broadening of the statistical monitoring, given that various structural indicators used in the context of the Europe 2020 strategy were not sufficient to reflect the national specific

²⁷ Consisting of members of the Ministry of Finance, the Finance Inspectorate General, the Social Security Inspectorate General, the State and the tax authorities.

²⁸ Please refer to the appendix.

characteristics of Luxembourg (for example, the rate of employment, which excludes frontier workers).

2.4. The involvement of the ESC

Although, as a result of its organic law, the ESC has closely accompanied the different stages of the strategies implemented since the launch of the Lisbon strategy in 2000, the views of the social partners have differed substantially since the emergence of the economic crisis, particularly on the subject of the assessment of its size and the tools needed to prevent the deterioration of the economic situation and thus permit the country to put public finances and the economy back on their feet, guarantee purchasing power and ensure social cohesion.

It therefore follows that the ESC did not issue an opinion on the new Europe 2020 strategy and its national element, the Luxembourg 2020 NRP, either in 2010 or in 2011. The divergence in views, moreover, meant that the Government preferred to conduct bipartisan consultations with the respective parties on the subject of the NRP rather than tripartite consultations as had been the custom. This clear blockage, which manifested itself in respect of some sensitive topics did not, however, lead to a total blockage at the level of the social dialogue within the ESC.

Thus, during the Europe 2020 visit to Luxembourg by the European Commission in October 2010, the social partners were consulted via the ESC and were able to explain their respective views on the emphases and procedures relating to the new Europe 2020 strategy and, more particularly, on the related questions of economic governance.

It should also be noted that at the request of Mr Michel Barnier, the European Commissioner responsible for the Internal Market and Services, an interview took place with the members of the ESC in February 2011, for an exchange of views on the priorities to be incorporated at the level of the new Single Market Act. This working visit enabled the members of the ESC to explain their points of view on the re-launching of the single market and, in particular, on the priorities to be selected from among the 50 measures proposed by the Commission to give a new boost to the European Union, as well as to find a way out of the crisis and prepare for the future.

The Luxembourg ESC also welcomed Mr Marc Lemaître, chief of staff for Mr. Janusz Lewandowski, the European Commissioner responsible for the Budget and Financial Programming, in July 2011, to present the 2014-2020 multi-annual financial framework, containing the main points of the EU budget and its innovations in comparison to previous budgets, to the members of the ESC. Subsequently, and with a view to the launch of the new 2010-2020 programming period, the ESC also organised an exchange of views on “the future of European cohesion policy in Luxembourg” in October 2011. This exchange brought together the members of the ESC, the Luxembourg representatives of the European Economic and Social Committee, the *Comité économique et social de la Grande Région*, (Economic and Social committee of the Greater Region), the Luxembourg representatives of the European Parliament, the Luxembourg delegation to the Committee of the Regions, and the members of the European Affairs Commission of the Chamber of Deputies and the *Conseil Parlementaire Interrégional* (Inter-regional Parliamentary Committee).

With regard to the Europe 2020 Strategy and with the aim of enabling the social partners to familiarise themselves with the new economic governance, the ESC organised a seminar to provide information and prompt an exchange of views between the social partners on the European Semester in June 2011. The new procedure for the development of the NRP, the coordination of topics, the budgeting for objectives and their link with the structural funds, together with the assessment, supervision and monitoring of actions, were all highlighted here. In the same way, the procedure for the establishment of the SGP, the macroeconomic and fiscal supervision and the synchronisation of budgetary and structural policies were presented, as was the Euro Plus Pact and its repercussions from a national perspective.

2.5. The statements of position by the social partners

While the divergence in views on certain topics did not result in a common opinion by the social partners within the ESC, these partners did, nevertheless, express their respective points of view on the subject of the new Europe 2020 Strategy, particularly in reference to the recommendation of the Council of the European Union of 12 July 2011 on the Luxembourg NRP for 2011, including the opinion of the Council on Luxembourg's updated stability programme for the period 2011-2014, through distinct statements of position.

The Council recommended, in particular, that during the period 2011-2012, Luxembourg focus on strengthening the budgetary effort to further reduce its nominal deficit and achieve its medium term objective in 2012, to implement a vast reform of the retirement system to guarantee its long-term viability, to take measures to reform the system of negotiation and indexation of salaries and to take measures to reduce unemployment among young people.

In view of these recommendations, the *Chambre des salariés* (CSL) (Chamber of salaried employees) presented certain elements for reflection, expressed in different opinions²⁹, on the subject of the long-term viability of the pension system in Luxembourg where it considered that the current situation of the person system is healthy, even excellent, despite an actuarial imbalance which sees everybody benefiting from insurance which is higher than their contributions. Given that the much faster growth of the number of insured persons than in the number of pensions resulted in the establishment of a substantial financial reserve and that the macro-economic scenarios to analyse the future situation of the pension system could not in any way be considered a certainty, the *Chambre des salariés* considered that there is no need, therefore, to take untimely measures in the context of the pension system.

On the other hand, the salary side criticised the austerity policy, which could constitute a brake on growth, pleaded for greater selectivity in the matter of social transfers and insisted that pricing autonomy and the system for the automatic indexation of salaries, in general, not be challenged.

From the employers' perspective, the *Union des entreprises Luxembourgeoises* (UEL) (Union of Luxembourg companies), in its contribution to the NRP³⁰, questioned the approach taken, which

29 <http://www.csl.lu/publications-csl>

30 <http://www.uel.lu/index.php/fr/prise-de-position>

consisted of defining the guidelines and the common and uniform objectives applicable to the Member States in the context of the establishment of National Reform Plans (NRP), while the levels of progress in relation to these objectives and the specific characteristics of different Member States often differ substantially.

The UEL also expressed the wish that, in addition to the objectives fixed by the EU, Luxembourg define its own objectives on the basis of a more in-depth reflection concerning the economic and social future of the country, the main objective of which should be a high quality of life, instead of grafting the national objectives onto those fixed by the EU.

It should also be noted that the UEL considers that automatic indexation of salaries systematically triggers an effect of self-ignition of inflation and proposed to extend the system of modulation of the indexation of salaries by instituting a moratorium of two years in the matter of the index-related adaptation, to additionally limit the adaptation of salaries to that tranche of salary not exceeding 1.5 times the minimum social salary and to review the composition and weighting of the basket of goods and services with the aim of neutralising a certain number of costs already burdening companies, such as energy costs.

The UEL further considered that the reform of the general system of pensions should certainly be an integral part of the structural reforms to be implemented. It is also important, in parallel, to define in this case the calculated objectives in relation to the perpetuation of the system and to then apply concrete measures which should eventually appropriately reduce the system's liabilities.

APPENDIX

THE OBJECTIVES OF THE LUXEMBOURG 2020 NRP:

- A national objective of an employment rate of 73% to be achieved in 2020 for persons aged from 20 to 64 years. The objective targeted for 2015 is a rate of 71.5%;
- An overall objective of R&D intensity in a range of 2.3% to 2.6% of GDP for 2020. As sub-objectives for 2020, the government has set a range of 1.5% to 1.9% for the private sector and 0.7% to 0.8% for the public sector. The intermediary objective targeted for 2015 is 2 %. In the November 2010 provisional NRP, a provisional overall objective of 2.6% was also set in a provisional manner for 2020, but a consultation procedure with the stakeholder parties in the sector, and simulations carried out on the basis of past statistical data, demonstrated the difficulty the private sector would experience in achieving the R&D private objectives initially used. These private R&D objectives were consequently re-formulated;
- In its initial *Plan d'action en matière d'efficacité énergétique* (PAEE) (Energy Efficiency Action Plan (EEAP)) – (Directive 2006/32/EC), Luxembourg has set an indicative national objective for energy efficiency in final energy usage of 10.38% with a horizon of 2016. In parallel, Luxembourg has noted that it is able to analyse the feasibility of an extension of up to 2020 of the forecast indicative national objective (Directive 2006/32/CE), which amounts to 4 additional percentage points for the period 2016 to 2020, bringing the overall objective to 13% with a horizon of 2020. It remains to be noted that the national objective will continue to be largely influenced by the choice of the reference period and the energy accounting considered (primary energy vs. final energy);
- A national objective to sustainably maintain early school leaving below 10% with a horizon of 2020, taking into account that if the rate of early school leaving stabilises below 10% by 2015, this objective will be adapted (measurement instrument: national study on early school leaving), and a national objective to raise the proportion of persons aged from 30 to 34 years having obtained a higher education degree or achieved an equivalent level of education to 40% (this indicator should be applied by reference to the resident population);
- The national objective on poverty and inclusion initially included in the Luxembourg NRP of November 2010 was withdrawn from this finalised version of the NRP. As a consequence, Luxembourg has not set a national quantitative objective in the matter of poverty and inclusion on the basis of the Europe 2020 key indicators.

THE NETHERLANDS

The contribution of the SER and the Labour Foundation regarding the country-specific recommendations and the Dutch National Reform Programme

In their letter of July 14, 2011 Staffan Nilsson, President of the EESC, and Joost van Iersel, president of the Europe 2020 Steering Committee, requested each national ESC to report on its contribution to the country-specific recommendations and the National Reform Programme. For the Netherlands this applies to the contributions of the Social and Economic Council and the Labour Foundation. The requested response should address three questions. These questions are dealt with in the following chapters.

1. Positions regarding the country-specific recommendations and planned actions by main social and economic stakeholders

The Dutch social partners have not discussed the country specific recommendations as such for the Netherlands so far. This discussion will take place during the SER's preparation for the EU Spring Summit of 2012.

The minister responsible for the Dutch Europe 2020 strategy will visit the SER early in 2012 in order to consult social partners on the Dutch position for the Spring Summit of 2012. The SER will prepare for this consultation through meetings of two SER-committee's. During these committee meetings, the Dutch social partners will reflect in depth on the country specific recommendations for the Netherlands.

2. Concrete proposals by national non-governmental stakeholders to improve NRPs and recommendations concerning their implementation

The Dutch social partners have been consulted during the drafting of the Dutch NRP in 2011. However, the Dutch NRP is the sole responsibility of the Dutch government. In order to highlight their own contribution to the Dutch Europe 2020 strategy, the Dutch social partners have produced an annex to the Dutch NRP. This annex is already obtained by the EESC.

The March 2012 consultation between the minister responsible for the Dutch Europe 2020 strategy and the SER will offer social partners the possibility to make concrete proposals for the next NRP and to make recommendations concerning the implementation of the current NRP.

3. Effects produced by the action of the non-governmental stakeholders and further initiatives to be taken

3.1. SER-letter to the Dutch government

In its letter of October 5, 2011 the SER has called on the Dutch government to take a clear pro-European stance (annex 1). Sustainable growth and employment can only be safeguarded through European cooperation. That means improving the competitiveness and innovativeness of all of Europe's Member States. The chairpersons of the national employers' associations and trade union federations and the chairman of the Social and Economic Council of the Netherlands therefore support a policy of helping the weak European Member States overcome their present difficulties, albeit subject to strict conditions.

The chairpersons are very worried about the lack of unity and vigilant action in European politics, especially at a time when circumstances are calling for Europe's leaders to pull together. Time is not on our side. Vigorous European decision-making can no longer be delayed. Decisions must be taken later this month to resolve the crisis and put everyone's mind at ease. The chairpersons wish to support the Dutch Government in attaining this aim.

Europe must be strong in both the economic and the social sense: only then will it be able to cope with the rapidly changing world economy and protect its inhabitants against the whims of the international capital markets. Europe's social dimension can and must be improved simultaneously with its economic dimension. It is vital that as Europe becomes more competitive, it also continues to protect a well-balanced system of fundamental and workers' rights.

According to the Minister of Economic Affairs, Agriculture and Innovation, Maxime Verhagen, the Social and Economic Council's letter concerning the European Union has strengthened the resolve of the Dutch Government. Mr Verhagen said this on behalf of the Government in a letter to the Council. It is enormously important for Europe's political leaders to take decisive action and introduce measures to head off the euro crisis. It is equally if not more important to take steps to promote economic growth in the European Union Member States. Such steps are vital to guaranteeing the "European model" of an economically strong but socially inclusive Europe. The Government will continue to work towards intensifying European cooperation in this area.

3.2. Follow-up report on the Europe 2020-strategy

On February 28, 2011 the Dutch government has asked the SER to advise on the process and instruments of the Europe 2020-strategy. This would follow up the 2009 advisory report *Europe 2020: The New Lisbon Strategy* and would especially reflect on the EU dimension of the strategy. The SER was requested to finalise its advice before the summer of 2011.

In view of the current crisis surrounding Greece a timely follow up advice would be most welcome indeed. At the same time fast moving developments relating to the current financial crisis make it nearly impossible to produce a convincing advisory report that also has wide support. The SER has

therefore proposed to postpone the advisory report from 2011 to 2012. This would allow the SER to take into account the experience gained with the European Semester.

The Dutch government has indicated its willingness to receive the requested report in 2012.

3.3. Pension agreement of June 2011

In the Pension Accord of June 4, 2010, the social partners set out the adjustments they agreed were necessary for occupational pensions in the second pillar (the new pension contract) and made related proposals for the future sustainability of the AOW (the state-funded old-age pension) in the first pillar. The social partners also agreed to develop a policy agenda to substantially improve the labour-market participation and mobility of older employees.

On June 9, 2011 the Labour Foundation concluded the *Memorandum Detailing the Pension Accord of 4 June 2010* (annex 2). The specifics of the new pension contract are, in accordance with the Pension Accord, based on the following premises:

- a realistic and income-based target pension based on a stable contribution and realistic, prudent parameters regarding the expected returns and income and price development, such that, from the outset, the target pension is consistent with the financing for that pension;
- a transparent link between the risk profile of the collective participants, the desired 'certainty' (in the sense of statistical ranges of the pension result to be expected, not in the sense of guarantees of certain financial results) and the investment policy and/or composition of the investment portfolio, such that there is also consistency between the composition of the investment portfolio and the pre-assessed balance between the chance of indexation and the risk of adjustments;
- a balanced allocation of risks such that the results of those risks materialising is fairly spread over all of the participants: the current and future participants as well as the deferred participants;
- a pension contract that is as complete as possible, such that the relevant parties can ascertain in advance who will be bearing the risks and how the risks of, in any case, (increased) life expectancy and volatile financial markets will be allocated according to the calculation and allocation rules contained in the contract;
- a pension contract that is transparent and that lends itself to being communicated, such that all relevant parties have sufficient opportunity to assess the consequences the pension scheme will have for their individual situations;
- a contract that offers pension scheme participants sufficient choices with regard to their individual retirement dates and the opportunities for additional saving (with due observance of the regulations regarding the demarcation of pension fund activities), which will enable participants to affect their individual pension result;
- designing the new pension contract such that no unnecessary obstacles arise with regard to integrating it with the pension entitlements that have already been accrued (minimising transition problems);
- implementation of the pension contract by a collective pension fund or by an insurer, based on solidarity, average contribution or actuarial contribution and uniform accrual;

- structuring the new pension as similarly as possible across the various industries and enterprises; this will promote the ability to implement the pension contract as well as reduce its complexity and mitigate the mobility consequences. This will not affect the fact that the intended structure may also make allowances for industry- and fund-specific features.

On June 10, 2011 the Labour Foundation reached an agreement with the Dutch government on the implementation of this memorandum. The agreement between the Labour Foundation and the Dutch government amounts to the following points:

- The retirement age for the AOW (the state-funded old-age pension) will increase to 66 in 2020 and presumably to 67 in 2025;
- The AOW-pension will be increased from 2013 onwards;
- Through flexibility in the AOW-pension people can choose their individual retirement date;
- Pensions contracts must be made more resistant to shocks;
- Older employees must have more options to remain employed until they reach the age at which they are eligible to receive their AOW.

3.4 Policy agenda 2020 of June 2011

Part of the Pension Accord is the agreement to increase the labour-market participation of older employees through incentives that make it attractive for both employers and employees to continue their working relationship. This is the subject of the *Policy agenda 2020: investing in participation and employability*, that was concluded by the Labour Foundation on June 9, 2011 (annex 3).

Goals of the Policy agenda

The labour-market participation by older employees has been on the increase over the last 15 years. Their level of participation in comparison with that of younger employees, however, is still insufficient. The increase is primarily attributable to the older employees who have continued to work. The rate of success of older employees finding new jobs after losing old ones is very low.

The Labour Foundation's Policy Agenda 2020 is designed to improve the labour-market position of older employees. The goal that the Labour Foundation is striving to achieve is to have labour-market participation by older employees be a normal state of affairs within ten years. That is to say, that there will be no fundamental difference in the average labour-market participation between under 55s and over 55s. The Policy Agenda 2020 is therefore intended not just for older employees and job seekers receiving a benefit, but also for job seekers who do not receive a benefit, the so-called ineligible.

The Foundation also refers to labour-market participation by older self-employed persons with no employees (ZZP'ers; 'ZZPs'), as it is also important that – keeping their participation in mind – they continue working on their employability, to which training, vitality and occupational safety are essential.

The social partners are aware that the implementation of the Pension Accord will not be an easy matter. This Policy Agenda must enable decentralised parties to collective labour agreements ('CLAs') to reach agreements in order to enable older employees to retain their vitality so that they

can, and will want to, continue working (either in the same company or institution or elsewhere) and so that older job seekers will be offered real opportunities to resume working.

The Labour Foundation urges both employers and employees to invest in good employment relationships so that they can work together on approaching and implementing these recommendations. The success of this Policy Agenda is virtually entirely dependent on the level of trust between the parties.

The Labour Foundation hopes that this Policy Agenda will act as a catalyst in the creation of a new mindset for both employers and employees with regard to the labour-market participation of older employees.

The recommendations are not only aimed at decentralised CLA Parties, but also at individual organisations and their works councils. The implementation of the recommendations must of course be structured and given substance by the companies and institutions themselves, and they must result in a sustainable employability policy (perhaps through a staff policy that takes the phases of life into account) that can give support to both employees and employers.

In this respect, the Labour Foundation emphasises that the implementation of the aforesaid age-linked staff and labour-market policy may differ from sector to sector and company to company, taking into account the possibilities, wishes and status of those sectors and companies. Learning from one another (best practices) may be of tremendous assistance in this regard.

Recommendations are also being made to the government concerning the more effective implementation of current legislative tools designed to improve the labour-market position of older employees.

Core themes

This Policy Agenda may be considered a ‘trip planner’ that can be used for the next ten years, starting today, to encourage the local and national social partners to get started on improving the labour-market position of older employees.

The Labour Foundation provides the details for this trip planner by using a series of core themes that are inextricably linked to one another and to both the promotion of employability and the labour-market participation of older employees. The core themes are:

- employability and training;
- vitality, health and occupational safety;
- labour costs and productivity; and
- mobility and reintegration.

The implementation takes into account the level at which the envisaged agreement will have to be made: either nationally or on a sector-by-sector or company-by-company basis. Progress must be monitored in order to determine whether the decentralised CLA Parties are implementing the recommendations. This monitoring may result in supplementing, amending or expediting the policy

being applied. The Labour Foundation will charge a project group that has yet to be established with handling these monitoring activities and, where necessary, proposing adjustments to the Policy Agenda.

Accompanying government policy

The Labour Foundation has established that implementing this investment agenda will also require a long-term contribution from the government. This will regard both continuing the current government policy and promulgating a new one. The Labour Foundation assumes that the government will want to contribute to improving older employees' labour-market position and job mobility, since an increase in older employees' labour-market participation is crucial to keeping society functioning smoothly in relating to the imminent shortage on the labour market that will result from the ageing and dejuvenation of the workforce. This increase will also promote societal unity and contribute to broadening the support for financing future social security needs.

The Labour Foundation has made several proposals regarding implementing the government policy. These regard a policy of support and the financing for carrying out that policy.

AUSTRIA

Contribution of the Austrian ESC (Austrian Social Partners) regarding the country-specific recommendations and the National Reform Programme (NRP)

Due to the informal structure of the Austrian Economic and Social Council, the answers to the questions below relate to the four major, representative social partner organisations in Austria that are its members: the Federal Chamber of Labour, the Austrian Chamber of Agriculture, the Austrian Trade Union Federation, and the Austrian Federal Economic Chamber.

1. a. Positions regarding the country-specific recommendations³¹

1. "Take advantage of the ongoing economic recovery to accelerate the correction of the excessive deficit. To this end, adopt and implement the necessary measures, including at the sub-national level, in order to ensure an average annual fiscal effort of at least 0.75% of GDP in 2012 and 2013.":

The workers' side points out that the recommendation of 0.75% per annum was based on forecasts at the time. This was the figure needed to bring the deficit to below 3% of GDP. In the meantime, the forecast has again become much bleaker. In its economic forecast of September 2011, the Austrian Institute of Economic Research (WIFO) forecasts that economic growth for 2012 – at 0.8% – will be the worst in eight years. Economists stress that only in an optimistic scenario can and should the federal government's consolidation efforts be pursued as planned. Against this backdrop, the view is that Austria should distance itself from this recommendation for economic policy reasons. Thought should also be given to how to combat the substantial winter unemployment that threatens.

The employers' side endorses ambitious budget consolidation. This can be achieved through far-reaching systemic reforms in state, administration, pensions, health and education. This consolidation will enable public expenditure to focus more on forward-looking investment (research and development, infrastructure and so on) in the future.

2. "Take steps to further strengthen the national budgetary framework by aligning legislative, administrative, revenue-raising and spending responsibilities across the different levels of government, in particular in the area of health care.":

Fundamental systemic reform should start with a new distribution of powers between the federation, provinces and local authorities. In particular, there needs to be a better match between tasks and revenue-raising and spending responsibilities. To back this up, financial transfers between sub-national authorities then need to be reconfigured.

However, the fact that social security contributions are levied in the autonomous area where the social partners are located is an important achievement of the province and must remain intact.

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http://ec.europa.eu/europe2020/tools/monitoring/annual_growth_survey_2011/index_en.htm.

3. In consultation with the social partners and according to national practices, take measures to phase out the current early retirement scheme for people with long insurance periods and bring forward the increase in women's statutory retirement age to ensure the sustainability and adequacy of the pension system. Apply strictly the conditions for access to the invalidity pension scheme:

With an average retirement age of 58.2 in 2010, Austria is clearly under the OECD average. The social partners thus see a clear need for direct, tangible action on a number of issues, including: raising the real retirement age, effective and efficient reintegration measures, reducing incapacity rates, accommodating the world of work to older people, transparency and simplification. To this end, Austria's social partners presented a package of measures to raise the real retirement age at the Bad Ischl Dialogue on 10 October 2011.

If the measures proposed are adequately funded and fully implemented by the government, including measures already decided upon, the social partners believe that the real retirement age can be raised by two years in the next decade. The proposals would cut pension system costs by around EUR 1.5 billion by 2020. These proposals differ from the European Commission's recommendations, but Austria's social partners are convinced that implementation of the social partners' agreement would substantially raise the real retirement age in Austria.

For the full text of the social partners, including all the measures called for and anticipated consequences, see www.sozialpartner.at.

4. "Take measures to enhance participation in the labour market, including the following: reduce, in a budgetary neutral way, the tax and social security burden on labour, especially for low and medium-income earners; implement the National Action Plan on the equal treatment of women and men on the labour market, including improvements in the availability of care services and of all-day school places to increase the options for women to work full-time and in the high gender pay gap; take steps to improve educational outcomes and prevent school drop-out.":

The social partners welcome the recommendation for a budget-neutral cut in the tax and social security burden on labour and on this same front call emphatically for reforms in the tax system to encourage jobs and growth and equitable distribution. However, the social partners are aware of their responsibility for the welfare state and hence for the budget. Accordingly, the necessary tax system reform must be configured so as to avoid any drop in total revenue. The exact nature of tax system reform will be the outcome of negotiations at government level, in which the social partners are involved.

Reform of the tax system must be accompanied by sensible reform in public administration aimed at generating potential savings while maintaining the quality of public services.

In the view of the social partners, increasing labour market participation is one of the biggest challenges of the coming years, not least because of demographic change. They see great potential for increasing employment levels in the following areas:

- supporting the transition from school to work
- keeping older people in work longer
- creating jobs that accommodate older workers
- cutting high incapacity rates
- creating a better work/family life balance
- better integration of people from a migrant background in the labour market
- cutting unemployment
- eliminating skills deficits
- matching skills to labour market demand.

The social partners agree with the main reasons for the low involvement of women in work identified by the Commission in the accompanying document (uneven distribution of care obligations between men and women, limited availability of child care and long-term care services). Austria's social partners have initiated a series of joint activities to contribute to improvements in the medium term. The social partners make a huge contribution to the National Action Plan on the equal treatment of women and men on the labour market. They endorse the Commission's recommendation and call for a swift implementation of issues that remain unresolved. On this front, the enshrining in law of revenue transparency for the social partners, which entered into force in March 2011, is seen as a further important step towards dismantling the high gender pay gap. The social partners also think that the creation of more day care places for children and more care homes also needs to be stepped up.

The social partners endorse the Commission's recommendation that Austria improve its efforts to reform education.

5. "Take further steps to foster competition, in particular in the services sectors, by relaxing barriers to entry, removing unjustified restrictions on trades and professions, as well as enhancing the powers of the competition authorities. Accelerate the adoption of the outstanding "horizontal law" implementing the Services Directive.":

The government agreements for both the 23rd (October 2006 to October 2008) and the 24th legislative term (2008 to 2013) provide for an evaluation of the latest amendments to competition and antitrust law. In addition, some working meetings took place between the federal justice ministry, the then federal economy and labour ministry and other stakeholders. When no consensus could be reached at these talks, the social partners drew up a study³² with concrete proposals for solutions, which was presented in November 2010. A process of reform based on these proposals is under way and the results are expected next year.

From the social partners' point of view, it is essential that fair framework conditions are put in place between all market participants. The measures that the Austrian *Gewerbeordnung* (Trade, Crafts and Industry Act) provides to protect the interests of workers, consumers and those living near businesses are a necessary corrective to ensure fair conditions for competition. Traders with suitably high skill levels means quality services for consumers and quality education creates a good workforce and

³² Beirat für Wirtschafts- und Sozialfragen: Zukunft der Wettbewerbspolitik in Österreich; Nr. 84, 2010.

potentially highly skilled business operators. However, there must be a limit to deregulation at the point where such protective measures are undermined and de-skilling occurs.

b. Planned actions by main social and economic stakeholders

Joint activities of the Austrian social partners in 2011:

- Education summit on 2 February 2011 with the minister for education and science: signing of a preliminary agreement on a future education strategy; a further summit on evaluation of dual education/training is planned for the autumn
- Bad Ischl Dialogue of the social partners on 10 and 11 October 2011: "Consequences of demography on the labour market and social system", including a joint position paper of the social partners
- A joint position paper on "Investments and ability to innovate for future growth"
- Joint position paper on state and administrative reform measures 2011
- Position paper: "European economic policy for eliminating imbalances".

Joint position statements can be found at the social partners' homepage: www.sozialpartner.at.

Activities planned for 2012:

- European Year for Active Ageing 2012: joint preparation of measures and initiatives with the Federal Ministry of Social Affairs and Consumer Protection; social partner events focused on age and work
- Bad Ischl Dialogue of the social partners in October 2012
- Survey on migration/integration in preparation for a study by the social partners.

2. Concrete proposals by national non-governmental stakeholders to improve NRPs and recommendations concerning their implementation

In principle, the government involved Austria's social partners very closely in drafting the NRP³³ and some of their contributions were taken on board.

The social partners propose the following improvements to the process of drafting NRPs:

- The Commission should revise the guidelines for the drafting of NRPs to give governments more detailed guidance on involving the social partners and non-governmental stakeholders, especially regarding how their contributions are to be taken up in the NRP.
- It is also vital that the Commission maintain its visits to the Member States while NRPs are being drafted (in spring). The social partners find these visits very helpful in terms of achieving an ambitious NRP and in giving them the opportunity for face-to-face dialogue with the

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Austrian National Reform Programme 2011: http://ec.europa.eu/europe2020/pdf/nrp/nrp_austria_en.pdf.

Commission. This would cease to be the case if meetings were to be transferred to the permanent representations in Brussels.

- Inadequate medium- and long-term perspective in the NRPs: the three-year cycle of the Lisbon Strategy also required national reforms to have medium- and long-term objectives. This medium-term dimension is lacking in the annual NRPs under the EU 2020 strategy, since only reforms actually planned have to be indicated. However, the social partners think it would make sense for medium-term strategic planning to include medium- and longer-term reforms as appropriate in the NRP, since the NRPs constitute a certain voluntary commitment by the governments and medium-term reforms would therefore also have to be planned in more detail.
- **In** addition, the social partners should be involved not only in drafting the NRPs, but also at EU level in putting together the Integrated Guidelines.

3. Effects produced by the action of the non-governmental stakeholders and further initiatives to be taken

With their joint activities and position papers Austria's social partners are making a significant contribution to the implementation of national EU 2020 goals and the nature of specific reforms in Austria. In particular, the following proposals³⁴ agreed upon by the social partners have been accepted and implemented – or are being implemented – by the government:

- **The future of competition policy in Austria** - Study of the Austrian Advisory Council for Economic and Social Affairs
- **Social partner agreement on the national equality action plan**
- **2009 and 2010 labour market packages:** short-time working, part-time allowance for older people, training leave, Jugendstiftung (Youth Foundation), Arbeitsstiftung (training and outplacement centres), guaranteed education, training offensive, single-person enterprises, calculation of unemployment benefit, sickness insurance, and interim payments
- **Red-white-red card (points system for immigrant workers) and measures to tackle wage and social dumping**

Activities planned for 2012: see point 1.b.

Further social partner activities and projects for implementing EU 2020 strategy goals in Austria have been incorporated into Austria's National Reform Plan. See: http://ec.europa.eu/europe2020/pdf/nrp/nrp_austria_en.pdf.

In addition, the social partners make a huge contribution through the wage negotiations to economic and social development in Austria, to the preservation of harmony in society and to international confidence in the Austrian economy.

³⁴ See: www.sozialpartner.at.

PORTUGAL

1. Positions regarding the country-specific recommendations and planned actions by main social and economic stakeholders

Objectives of the National Reform Programme (NRP)

Broadly speaking, the objectives are considered to be appropriate, but the measures defined are seen as generic or even non-existent, limited in impact and inadequately financed.

As regards the timetable set for achieving the targets, this will, of course, depend on how the economic situation develops.

Stakeholders would welcome an interim assessment in 2014 on the basis of an external evaluation of the results, bearing in mind the intermediate targets set for the second half of the programme – 2015 to 2020 – to mark the start of a new cycle in Portugal's implementation of the Europe 2020 strategy. Nevertheless, the NRP presented in April 2011 will have to be adapted, taking into account the new "troika" to which Portugal is committed, and the strategic guidelines of the new government which took office in June 2011.

Participation of the social partners and civil society representatives

The social partners and civil society representatives believe that their involvement in the National Reform Programme should start as early as the phase of designing and implementing measures to achieve the targets set in the Europe 2020 strategy rather than just in the subsequent monitoring phase, as has been the case.

These players must be continuously involved during the definition, implementation, monitoring and assessment of the programme. They call for this involvement to be real, effective, regular and in pre-defined periods to analyse and monitor proposals.

As regards the form of involvement, they suggest institutional consultations and that a platform or monitoring committee be set up, possibly within the ESC, equipped with effective means to be able to carry out a rigorous assessment of the results obtained, their impact and real effectiveness, and, if necessary, to review the objectives.

Main obstacles to implementing the National Reform Programme

The obstacles mentioned in relation to implementing the National Reform Programme vary according to the political and ideological orientation of the social partners and civil society representatives.

However, there is some agreement regarding the various factors which might affect the achievement of the NRP objectives, namely the commitment of the government and the main stakeholders involved to achieving the measures set out and the uncertainty of both the European and the national economic climate.

The current economic climate, the labour market and the state of the national economy will not make it easy to achieve goals such as reducing the public deficit to 2% of GDP by 2013 or bringing the employment rate to 75% of the population aged between 20 and 64 by 2020.

More specifically, major difficulties mentioned are the austerity policies currently in place to reduce the deficit and public debt, under-investment, both public and private, the excessive tax burden, the erosion of the welfare state, population ageing and unemployment.

However, these goals will have to be adjusted in line with the troika programme and the new government's strategic guidelines, since the current economic and financial climate will make the goals proposed in the April 2011 NRP difficult to achieve.

The role of EU funds in the National Reform Programme

As regards the use of EU funds in pursuing some of the NRP objectives, the major difficulties mentioned are the red tape and complex procedures involved in submitting applications and the length of time before being informed whether the application has been accepted.

The need is mentioned for more user-friendly programmes to be developed, the administrative burden to be cut and decisions to be taken more swiftly, and for appropriations to be made available more quickly.

In addition, it is mentioned that the lack of availability of national funds (both public and private) for providing national counterparts to the various projects to be financed is also a major factor, with it being suggested that adding flexibility to the ways of providing joint national participation could be extremely important given Portugal's current situation.

Lastly, it is stressed that these funds should be used productively, in a way that does not encourage people to drop out or become dependent.

2. Concrete proposals by national non-governmental stakeholders to improve NRPs and recommendations concerning their implementation

Broadly speaking, stakeholders highlight as very useful participation that is consultative, integrated and effective in harnessing efforts and available resources, funds, instruments and working tools that enable them to genuinely work towards achieving the objectives set.

Mention is made of the usefulness of promoting a public debate on the 2020 strategy and the NRP, with a view to being actively involved in implementing and, in particular, monitoring and assessing them.

Bonuses or benefits should be promoted that help to respond positively to the austerity measures imposed by the Financial Adjustment Programme (for example, cutting the costs of introducing renewable energies).

It is considered crucial to establish systems for monitoring implementation of the measures, and priority should be given to in-depth analyses of the measures with a view to obtaining measurable, accurate information to evaluate the success of the initiatives that have been proposed.

The Europe 2020 strategy's national coordination network should monitor measures and produce quarterly information on the implementation of the measures within the different strands, quantifying their results. This information should be made available to the social partners and civil society representatives.

It has been observed that the existence of smaller, regional or local platforms – which are more representative and familiar with grassroots concerns – involving all stakeholders, can make it easier to verify the results of the implementation of measures established under the NRP and the real needs to reshape these or adapt them to the real situations faced by the people affected.

It should be mentioned that some of the players said that they had not been consulted when the NRP was drawn up and they therefore propose using a similar methodology for consulting the stakeholders, fighting for the equal treatment of civil society organisations and the social partners (trade union and employers' organisations).

3. Effects produced by the action of the non-governmental stakeholders and further initiatives to be taken

As regards promoting entrepreneurship, the measure adopted by the ANDC (National Association for the Right to Credit) should be singled out, which endeavours, through the use of micro-credit, to promote the social integration and independence of people in financial difficulty or who are socially excluded. The ANDC assesses the business that the micro-entrepreneur wishes to start up, helps with preparing applications for bank loans and takes responsibility for monitoring the micro-businesses' start-up phase.

The future initiatives to be developed which are mentioned include promoting measures to raise awareness of volunteering among businesses and corporate social responsibility, and financial education campaigns in schools and for the recipients of social inclusion support.

As regards the objectives of achieving a 75% employment rate by 2020 and reducing poverty, various possible initiatives are mentioned, specifically involving civil society organisations:

- creating a "targeted credit" service as an initiative to be assessed. Unlike traditional credit, where the target public goes to the financial institution, in this case it is the institution, in the form of credit agents, that goes to the people to finance small-scale production and commercial activities. The government's role would be merely that of a catalyst, providing technical and financial resources to ensure the decentralised operation of programmes and projects by civil society organisations. This project would allow for partnerships between the 1st, 2nd and 3rd sectors, reflecting national strands and priorities, which could also be applied to other projects;
- creating and maintaining local legal guidance services (mobile services, in particular);
- developing local child and adolescent support plans;
- training measures carried out by civil society organisations, specifically in the areas of regularising possession or ownership and personal documentation, health and hygiene, nutrition, citizenship, community life, food safety and rural development;

- training measures to prepare people for work and get them back into work in a manner that reflects a municipality's population through mobile vocational training offices.

With regard to the labour market, EU funds could be used for developing, investing in and raising qualifications for businesses and employees, making the national labour market more attractive and more competitive. The need is also expressed to strengthen bodies that promote the application of these funds, providing better physical resources and improving staff qualifications.

31 October 2011

José Silva Peneda

President of the Economic and Social Council of Portugal

SWEDEN

SWEDEN (Group I)

On behalf of Group I, the Confederation of Swedish Enterprise will answer the questions regarding the EU2020 strategy and the National Reform Programme put forward by Staffan Nilsson and Joost Van Iersel.

The country-specific recommendations for Sweden 2011-2012 were:

- (1) Keep fiscal policy on a path that ensures that the medium-term objective continues to be met and avoid a pro-cyclical fiscal policy stance in the current economic upturn.
- (2) Take preventive action to deal with the macro-economic risks associated with rising house prices and household indebtedness, including reforms to the mortgage system, rent regulation, property taxation and construction permits.
- (3) Monitor and improve the labour market participation of young people and other vulnerable groups.

The Confederation of Swedish Enterprise's position regarding the recommendations

The recommendations are considered to be largely uncontroversial. However, the economic upturn on which the recommendations were to a certain extent based has stalled, which means, among other things, that there is no longer any need for concern that additional stimulus may be provided, for instance through tax cuts. It is, of course, important to take account of and monitor rising property prices – especially for houses – and household debt. The business community would, however, welcome a reform (i.e. reduction) of the tax on capital, and consequent limitations on the right to deduct, as being more effective measures to increase household savings and curb the rise in house prices than reforms to the mortgage system. We agree that it is important to monitor and improve labour market participation, particularly among young people. To this end, the business community has presented specific proposals to reform labour law.

Proposed improvements to the action plan (NRP)

The Swedish government could be criticised for the very limited extent to which the social partners have been involved in the process of shaping the national reform programme. Owing to the tightness of the deadlines, the social partners were never properly consulted: those meetings that did take place seemed mainly to be presenting a *fait accompli*. A procedure therefore needs to be established so that in future we have the opportunity to make submissions that have a real possibility of being incorporated into the reform programme, in terms of both structure and content.

Please note that this section does not go into detail regarding proposed policy actions to improve the reform programme, but instead focuses on the procedural aspects that were found wanting.

SWEDEN (Group II)

On behalf of Group II, below are the answers to the questions regarding the EU2020 strategy and the National Reform Programmes put forward by Staffan Nilsson and Joost Van Iersel.

Regarding the recommendations on the national reform programme, Sweden only had three of them. The trade union comment regarding number 2 about the household debt and the prices of housing is that the situation is better if people have secure employment and decent wages, so that they can pay their mortgages.

Recommendation number 3 is about the labour market for young and other vulnerable groups; we share the concerns regarding these issues, and are willing to take part in consultations on the matters concerned.

Regarding the process of consultation with the social partners on EU2020 in general, there was one high level meeting with the presidents of the social partners' organisations and the EU minister, Birgitta Ohlsson, in January 2011. Then the structure for future consultations was presented.

The EU minister will arrange a high-level consultation meeting with the social partners at the beginning of each year around the time when the Commission presents the annual growth survey. The meeting will aim at giving the possibility to discuss and present general points of view on the challenges that the EU2020 strategy is to meet and how it will be carried out.

In addition to this yearly high level meeting there will be three more meetings with representatives of lower formal level than the presidents of the organisations and civil servants from the relevant ministries:

- February for the convergence programme
- June for the country-specific recommendations from the commission and the council
- October/November for the proposed national budget

In 2011 we have had one meeting in June. This meeting was a bit vague, and no real discussion took place. The above-mentioned proposed meeting for the autumn 2011 has not yet been decided or convened.

SWEDEN (Group III)

On behalf of Group III, below are the answers to the questions regarding the EU2020 strategy and the National Reform Programmes put forward by Staffan Nilsson and Joost Van Iersel.

Introduction

In addition to the three main recommendations, the Council's recommendations³⁵ to Sweden also noted that "closer involvement of all relevant stakeholders would help ensure a well-coordinated implementation of the Swedish NRP" and that "for some groups ... labour market inclusion is not always a realistic or effective method of reducing the risk of poverty". We agree with these comments, but would also point out that the government's approach disregards other aspects: for example, the government makes no mention of the anti-poverty platform or of certain priority groups in the NRP.

A policy for civil society

In proposal 2009/10:55 on a policy for civil society, adopted by the Swedish Parliament, the government makes several references in the section on "entrepreneurship in civil society" to the importance of entrepreneurship within or connected to civil society. As far as we can tell, this perspective is nowhere to be found in the NRP, in which the government sees a very marginal role, if any, for civil society. It is not clear how this striking difference in perspective is to be interpreted.

Social innovation

In addition to the fact that the government makes no reference to civil society in this connection, in our opinion the approach to innovation very clearly focuses solely on technical and industrial aspects, whereas the European Commission clearly advocates social innovation, a field in which civil society is central. We will call, in the forthcoming consultations on the next reform programme, for the term "social innovation" to be analysed more closely and for this perspective to be incorporated in the text.

The Single Market Act and social entrepreneurship

One of the EU's key development documents, particularly with regard to economic development, is the Single Market Act, in which the EU repeatedly and emphatically states that it wants to develop a "social market economy" focusing on 12 proposals, including clarifying what social entrepreneurship is and how it can be supported. This point should be included in the next NRP.

Link to the Structural Funds

In the context of Europe 2020 and cohesion policy, the national reform programmes will govern the use of the Structural Funds. As we have attempted to highlight in brief in this document, there are a number of aspects where civil society organisations can play an important role – as emphasised in documents produced by the European Commission but not in those from the Swedish government. The approach taken in the Swedish reform programme has implications for the implementation of the Structural Funds and the distribution of funding, and this matter should therefore be given priority.

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European Commission's recommendations to the Swedish government.

Other comments

It is important to highlight, in the new NRP, that attention still needs to be paid to the situation of people with disabilities. Action is needed to promote disabled people's right to work, and social security and unemployment insurance must provide adequate support; their rights to good health, good living conditions and full citizenship should also be respected. Specific reference should also be made to children and parents with disabilities.

We would also stress that consumer issues are a cornerstone for a sustainable, competitive and market-oriented society. High consumer expectations result in products and services that meet high ethical, environmental and human-rights standards. Giving consumers the ability to make meaningful choices gives them access to – and better value in – important goods and services such as energy and food. The next NRP should reflect the fact that consumer protection is regarded as a competitive advantage and a tool to promote growth and an effective market economy that meets high expectations.

Consultation process

In line with a number of codes of conduct³⁶ that the Swedish government has undertaken to follow, consultation should be transparent and continue throughout the process. This has not been the case in the development of Sweden's national reform programmes over the years, and particularly not for the most recent version. We want the consultations concerning the forthcoming reform programme to follow the schedule required by the European Semester, and we want an opportunity to discuss it with the government before the drafting process starts.

The NRP indicates that the government will establish a "reference group" made up of various social partners but not other elements of civil society. In our view, organisations representing the rest of civil society should also take part in the dialogue.

As we mentioned above, one element of the governance reforms within the EU is now the European Semester, the aim of which is to coordinate planning processes. This should be an important factor in the ongoing work on the national reform programmes and in terms of Sweden's responsibility for national cofunding. We would ask – and are keen to discuss – what specific steps the government is taking to ensure that the considerations underlying Sweden's budget procedure take due account of Europe 2020.

Following discussions with the Prime Minister's Office, we have now been promised a new structure for consultation with other elements of civil society, with the first meeting scheduled for November 2011. We will take an active part in these meetings, and hope that we will be involved as a partner in Sweden's work on the new national reform programme. Through our involvement in the EESC's Europe 2020 steering committee, we have also taken the first steps towards holding an event concerning the new national reform programme in Sweden in the spring of 2012, to which a range of stakeholders will be invited.

³⁶

Open method of coordination, national agreement on social affairs, the Council of Europe's code of good practice for civil participation, and decisions within the framework of Europe 2020.

Conclusion

In this document, we have tried to point out a number of deficiencies in the current reform programme and the process that produced it. We intend to work constructively to improve both the process and the content in the forthcoming revision of Sweden's national reform programme. The European Commission has recently tabled proposals on social enterprise as a method of creating a "social market economy", and the objectives for future work with the Structural Funds have already been changed as a result. The EESC has expressed its strong support for this proposal and the follow-up work. Civil society organisations have a number of key contributions to make to ensuring that society evolves in a way that is characterised by smart, sustainable, inclusive and environmentally sound development.

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