

Country Specific Recommendations 2016 and role of social partners in the EU Semester (ETUC position)

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From Country Reports to Country Specific Recommendations

At the beginning of the 2016 cycle, the European Commission promised a more social-oriented Semester, tackling labour market fragmentation and promoting stable and reliable work contracts, while reducing gender gaps and respecting the autonomy of the social partners. The Country Reports deepened the social analysis, but they do not sufficiently translate into the draft Country Specific Recommendations.

Presenting the Country Specific Recommendations 2016, the Commission declared its commitment to an investment-friendly macroeconomic environment and making use of the available space for budget flexibility for growth-oriented policies. The Commission shows confidence in the economic recovery and upcoming investments. However, the Country Reports showed that the resources the EU can mobilise autonomously, including President Juncker's investment plan, remain limited and are insufficient to guarantee a sound level of new investment.

Experiencing a sharp decline in the Euro area deficit (1.9% in 2016 and 1.6% in 2017), the Commission avoids placing countries with excessive deficits or debts under the corrective procedures, either postponing the decision (Spain and Portugal) or demanding solemn commitments from Member States (Finland, Belgium and Italy) to stick with the medium-term budgetary objectives. Concerning Italy, the Commission will review its assessment of relevant factors in a new report by November. As for Spain and Portugal, the Commission will come back to the situation of these two Member States in early July. It appears that the Commission may adopt a more flexible approach, but it remains to be seen if this decision will be confirmed after the Spanish elections. The excessive deficit procedures are closed for Cyprus, Ireland and Slovenia, which should leave six Member States under procedures.

Very few recommendations call for an increase in the level of investment, but they mainly focus on the business environment as a way to boost investment. Only Germany is requested to increase public investment.

Employment and labour related issues

The vast majority of Member States have recommendations in the sphere of employment and labour market reforms. The Country Reports put labour markets at the centre of the analysis, yet too many of the issues identified have not been addressed with targeted recommendations. Serious structural issues that were raised by the reports included long-term unemployment, underemployment and the poor (or non-) implementation of active labour market policies. Even in the countries that were identified as doing relatively well in terms of pure employment rates, workers face serious challenges in finding adequate quality jobs. Country reports also criticised the lack of flexible working time and encouraged Member States to step up efforts as they are seen as a major tool to increase labour market participation of women and older workers. As in previous years, collective and individual dismissal protection is widely considered too rigid and an obstacle to additional hiring. The ETUC rejects this analysis.

The recommendations address some of the challenges identified by trade unions – though we would like to see a more pro-active approach to increasing the provision of quality jobs. That being said, some of the most egregious examples of exploitative employment provision that were identified in the Country Reports are addressed, which provides social partners with a clear mechanism with which to monitor progress in these

areas over the next 12 to 18 months. These include the proliferation of self-employment contracts in the Netherlands, the abuse of temporary employment contracts in Poland, the mushrooming of mini-jobs in Germany to over 7 million and the indentured labour implied by public works programmes in Hungary. The ETUC rejects the view that increasing the provision of open-ended employment contracts can only be achieved by diminishing workplace protection, particularly against unfair dismissal (e.g. Poland).

However, other key labour market challenges are ignored or even aggravated by the recommendations. There are, for example, none to address the issue of underemployment, which remains a major issue in Cyprus, Portugal, Spain and even the UK, where over a million workers are on part-time contracts when they want to work full-time. This is addressed by the ETUC policy of recording employment rates on the basis of FTE (full-time equivalent) rather than the blunt object of yes or no for whether somebody is employed. This is clearly not appreciated by the Commission because they do have recommendations for Cyprus, Spain and Portugal but only in getting people into employment (or at least registered unemployment). The issue of fully utilising the labour market ambitions of workers in quality jobs remains unaddressed. In the case of France, which has seen an increased share of less-than-one-month fixed-term contracts, the recommendations have the real threat of driving down wages at the altar of competitiveness. This comes at a bad time for cohesive and productive industrial relations.

The recommendations address gender gaps in fewer countries than expected in terms of labour market participation of women (Austria, Czech Republic, Germany and Slovakia) or the gender pay gap (only Estonia). Fewer countries than in the past received a recommendation to increase the availability of childcare facilities, although most of them have not met the Barcelona targets. Country Reports should have paid greater and more coherent attention to gender gaps and more recommendations prioritising gender inequalities in national reforms were expected. It should not be forgotten that Country Reports may still be used to orientate national policies.

Wages and collective bargaining

Belgium, France, Portugal, and Spain received recommendations, confirming the Country Reports, which question the wage setting systems and employment protection legislation, thus interfering with the autonomy of social partners. In countries deviating from the Stability and Growth Pact, the Commission advances the traditional macroeconomic solutions already issued in the past and which generated long periods of economic stagnation and severe social consequences. Together with affiliates, the ETUC will seek to rectify these recommendations.

A biased reading of the centralised collective bargaining model persists. In countries like Belgium, France, Italy, Spain and Portugal, collective bargaining systems are considered inefficient because of their rigidity. In economies dominated by SMEs and very small businesses, decentralisation of collective bargaining remains an ideological argument.

In Italy, the outstanding reform of the collective bargaining system is not the object of a specific recommendation, but is mentioned in the preamble. Appearing in recommendations in the past year, this reform remains a highly sensitive open issue. The Italian trade union confederations have proposed a reform of the collective bargaining system which is now under discussion with some groups of employers. The preamble mentions the need to move on with the consensus of the social partners and it improves on the National Reform Programme in which the government was envisaging a unilateral intervention.

In the case of Spain, the ETUC regrets the deafening silence on the need to restore a more equitable and protected labour market, to address wide-spread social unrest and compensate for disruption caused by past reforms.

The French SMIC and the Belgium wage formation system are under strain again. The rise of the Portuguese minimum wage toward 60% of the median wage (€600 per month in 2018) is criticised as well. The Commission should rather welcome and support the increase which is needed to uphold consumption.

In Central and Eastern European Countries (CEECs), positive wage dynamics are tolerated but not encouraged. It has to be said that in many Member States, statutory minimum wages are still too low in absolute terms (Estonia, Lithuania, Latvia, Bulgaria, Romania, Croatia) or indefinite in their composition (ex. Slovenia, Hungary).

In CEECs, references to wage-setting mainly concern transparency criteria in minimum wage-setting (Bulgaria and Romania) or wage-setting in the public administration (Croatia). It may evolve in a positive direction if the respective governments follow up the demand for a more incisive involvement of social partners.

The tax wedge was analysed in a number of the Country Reports, where the thrust was towards reducing tax on labour, especially in favour of low-wage earners, or for shifting tax from labour to other bases (Italy). Three countries received specific recommendations in this direction (Germany, Hungary, Latvia). Trade union positions in this respect vary across countries, as fairer tax systems should be designed so as to ensure adequate tax income to fund universal and quality welfare systems, according to national specificities.

As an overall observation, the ETUC stresses that the EU needs a generalised upward wage dynamic to boost internal demand and thus economic growth.

Poverty and social exclusion

The Country Reports indicated that the low-inflation and low-growth environment has a negative impact on poor and elderly people, in particular women. Fourteen countries have received recommendations that can be classified as reacting to social exclusion and poverty, namely in support of disadvantaged categories (Austria, Bulgaria, Hungary, Latvia, Romania) or increased coverage of health, care and other public services. The rationale is either to support inclusive active labour market policies or to provide relief to households at risk of poverty (Bulgaria, Cyprus, Estonia, Ireland, Lithuania, Portugal, Spain and UK). However, the negative societal picture is not clearly recognised as a consequence of restrictive and unbalanced macroeconomic policies.

The Country Reports' focus on the situation of people and workers with a migrant background generate specific recommendations in only three countries (Austria, Belgium and Finland). However, the Country Reports still offer an opportunity to raise public opinion and governments' attention on the need to tackle discrimination suffered by the migrant population in national policies.

The Country Reports referred to pensions sustainability, prolonged working life and later retirement as a challenge to be overcome. The trade unions' main concern all over Europe is about adequacy and health protection. Old-age poverty is expected to increase throughout Europe. Recommendations to adapt pensions systems concern Austria, Croatia, Poland, Portugal and Romania but they mainly refer to their sustainability. What is unchanged is the overall objective of economic governance that wants pensioners' income increases to be subject to GDP stability and growth rules. And even where this happens, the rate of elder poverty remains a source of serious concern (as in Germany). Moreover, the recommendations should take into due consideration the impact that prolonged working life can have on the health of older workers (e.g. mining in Poland).

Role of social partners and social dialogue in the EU Semester

The Commission insists on the role of social partners and better use of social dialogue to drive change. The Commission invited Member States to involve social partners at the drafting stage of National Reform Programmes (NRPs) and to report back on this in a

specific section of their NRPs. The ETUC coordination has shown the advantages of a closer involvement of social partners in the European Semester both at national and European level and improvements have been recorded especially in the dialogue between trade unions and the European Commission. However, a persistent resistance from some governments toward the social partners (e.g. Spain) remains an impediment to an effective dialogue on the milestones of the European Semester.

The ETUC analysis of 23 out of 28 NRPs shows that in five countries, social partners are involved through institutional consultative bodies like economic and social committees (Belgium, France, Croatia, Italy, and Luxembourg). Malta, Poland and Ireland's governments expressed a preference for multi-stakeholder (civil society) consultations. A specific consultation with social partners took place in Slovenia, Germany and Denmark. Four countries do not report on stakeholder involvement and six countries refer to the social partners without explaining how they have been involved. In a few cases, the opinions of consultative bodies or of social partners were attached to the NRP (Austria, Croatia, Sweden and Netherlands). Recurrent flaws in social partner involvement are: insufficient notice, non-transparency in the selection of the parties to be involved and difficult access to drafts/preparatory documents.

However, the NRP reports have to be assessed against actual practices and trade unions' perceptions. Some Country Specific Recommendations effectively encourage governments to be proactive, but there is a much greater investment in social dialogue needed. In recent times, trade unions helped to prompt a real public debate on the European Semester. But their role cannot be limited to that. Trade union involvement remains below expectations. Consultations between governments and social partners should take place at least twice a year, in between the publication of the Annual Growth Survey and the drafting of Country Reports, and at the drafting stage of the NRPs. This dialogue has to be timely, meaningful and run in a spirit of genuine cooperation. Social partners should also be given the opportunity to propose amendments to the recommendations either through their own governments or through the European Commission, in coordination with the ETUC.

The ETUC will monitor the involvement of its members each year at the end of each Semester cycle. The ETUC, on their request, can support affiliates in drafting amendments to the recommendations and help submit them to the EU institutions.

Conclusions

The ETUC recognises that there is a stronger focus on social and employment policies in this year's Country Reports, which can also be seen to a certain extent in the recommendations. Apart from this, the same policies are being pursued as in previous years, such as reductions in public expenditure and labour costs. Some recommendations remain unclear and offer room for interpretation. This is a source of uncertainty also for social partners when consulted in the policy-making process.

Structural reforms of the labour markets follow the same unsuccessful logic that Europe has already tested and which have failed. The ETUC refutes the idea that labour markets are suffering from too little flexibility, they suffer from too much fixed-term and involuntary part-time employment and bogus self-employment.

The modest recovery was made possible because of an increase in consumption due to the low level of inflation, favourable external factors and more neutral budgetary policy. What Europe needs is an increase in minimum wages, wage increases through enhanced collective bargaining to boost growth and tackle inequality, and action to end precarious employment.

The ETUC expresses its concern at the Country Specific Recommendations (CSRs) received by Belgium, France, Spain, Portugal, Poland and asks for reconsideration of the impact they may have on the more than 160 million people concerned. In particular,

the ETUC wants to ensure that the autonomy of collective bargaining is fully respected and enhanced as well as employment protection legislation.