The first European Semester and its contribution to the EU2020 Strategy

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List of Abbreviations

AGS	Annual Growth Survey
EMU	European Monetary Union
EP	European Parliament
EU	European Union
FTA	Free Trade Agreement
GDP	Gross Domestic Product
NRP	National Reform Programme
R&D&I	Research and Development and Innovation
SME	Small and Medium-Sized Enterprises
TFEU	Treaty on the Functioning of the European Union

Country Codes

BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg

HU	Hungary
MT	Malta
AT	Austria
NL	Netherlands
PL	Poland
PT	Portugal
RO	Romania
SL	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom

EXECUTIVE SUMMARY

The European Semester was designed in 2010 to provide a new frame supporting the European Economic Governance strengthened by the so-called six pack of legislations adopted in September 2011. The core objective of the European Semester is to provide ex-ante policy co-ordination of Member States in the areas of economic, and to a certain extent, employment and social policies. The European Semester has its own procedure starting with National Reform Programmes submitted to the European Commission in October 2010. Based on these, the Commission realised its first Annual Growth Survey (AGS) in January 2011. This AGS took stock of the Member States' commitments to achieve the five EU2020 headline targets and based on a general assessment, the Commission defined a set of 10 priorities to push these targets forward and drafted recommendations for country-specific recommendations addressed to all Member States. After an amendment period of these texts covering a wide array of areas, the Council urged eventually the Member States to reflect the recommendations in their national policies.

This paper represents a consistent evaluation of the European Semester with the objective of analysing its political implications. More precisely, the paper examines the European Semester's impact on the European Economic Governance process as well as its contribution to the progress towards the EU2020 goals - a smart, sustainable and inclusive economy - and it analyses the country-specific recommendations issued to Member States with particular focus on their cross-country consistency.

In general, the results of this paper illustrate that the European Semester and the ensuing AGS (let alone the Euro-Plus Pact adopted in March 2011) add another layer to the complex web, which constitutes the European Economic Governance. The juxtaposition of rules and benchmarks to the Treaty-based integrated guidelines, is far from constituting a consistent package underpinning effectively the stated objective of a more efficient Economic Governance. Moreover, the priorities in the Annual Growth Survey as starting point of the European Semester do not cover the complete set of EU2020 headline targets. Above that, the national recommendations do not seem based on the Member States' performance towards the EU2020 headline targets. The only cross-country consistency in all recommendations lies in the call for fiscal consolidation. This reduces the attention drawn upon the social policy and environmental dimensions. Finally, the European Semester in its content and implementation cuts out national parliaments as well as the European Parliament, which however constitute the most important source of legitimacy. However, within the codification of the Semester in the six pack following amendments to the Commission proposal for a Regulation amending Regulation 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (the preventive arm of the Stability and Growth Pact), it is henceforth stated that each Stability Programme shall indicate "whether [it] was presented to the national Parliament, and whether the national Parliament had the opportunity to discuss the Council opinion on the previous programme or, if relevant, any recommendation or warning, and whether there has been parliamentary approval of the programme". Furthermore, by the same token, the Regulation on the prevention and correction of macroeconomic imbalances specifies that „when the Council and the Commission apply this Regulation, they should fully respect the role of national parliaments and social partners and respect differences in national systems, such as the systems for wage formation". But in practical terms, the six pack and more broadly the European Semester remain poor since they only enjoy a right of information, there is no enforcement mechanism foreseen and the tight deadlines set in the Regulations do not allow for their thorough involvement. As to the social partners themselves that the Treaty makes and reckons responsible for the negotiation and/or implementation of some policies, their role is not even addressed in the AGS.

- **A steadily more intricate European Economic Governance**

The European Economic Governance is a complex web of partly overlapping strategies, guidelines and initiatives, which are all anchored to varying European institutions. The Annual Growth Survey as starting point of the European Semester was issued under the sole responsibility of the European Commission. In contrast to that, the Integrated Guidelines (merger of the Broad Economic Guidelines and the Employment Guidelines) are enshrined in the Treaty (articles 121 and 148 TFEU) and are, to some extent, subject to scrutiny by the European Parliament. Member States are bound by these Guidelines but their progress is de facto assessed against the benchmarks given in the Annual Growth Survey and the Euro Plus Pact which is only a statement of intent bereft of any serious enforceable mechanism.

However, the priorities in the different documents are not overlapping which is problematic since it may reveal that some priorities are more pressing than others without any justification. While the Annual Growth Survey and the Euro Plus Pact introduce paragraphs on the Financial Sector/Banking, the way to attract private capital to finance growth and to create cost-effective access to energy, the Integrated Guidelines do not have such paragraphs. In contrast to that, the Integrated Guidelines state the objective to improve resource efficiency and reduce greenhouse gases following a multidimensional approach that goes far beyond a cost-effective access to energy (and energy alone). The Integrated Guidelines also aims at "optimising support for R&D and innovation and strengthening the knowledge triangle" or "promoting social inclusion and combating poverty", two sets of goals not addressed in the AGS (except, for the latter, through the restrictive lens of “flexicurity”).

As a result, the Economic Governance does not only formally constitute a complex web of different reference documents issued by different bodies but it is also not consistent in its content as regards the different priorities set.

- **The EU2020 Strategy getting out of sight**

In theory, the new economic governance should support the EU2020 Strategy and accordingly, this Strategy should be the benchmark for the national recommendations issued to Member States. However, the EU2020 headline goals differ from the priorities mentioned in the Annual Growth Survey which is, as explained before, the real benchmark. Especially the EU2020 headline targets of poverty reduction, investment in R&D&I as well as energy and climate action are hardly mirrored in the Annual Growth Survey and rarely give rise to country-specific recommendation.

Moreover, in every recommendation, the Commission and the Council emphasise the urgent need to consolidate the Member States’ budgets although the Commission stated in the Annex of the Annual Growth Strategy that fiscal consolidation is not sufficient to drive growth and that growth is likely to be weak in the next decade. But because of the ideological bias towards fiscal consolidation as top priority, the scope for pro-active policies is very narrow... unless these refer to liberalisation policies.

- **Recommendations based on "variable-geometry" standards & lack of cross-country consistency**

There is not always consistency between the countries' performances towards the achievement of the EU2020 headline targets and the issues addressed in the national recommendations. Member States get specific recommendations regardless of the fact if they are very well or less performing countries. As an example, the 3% of R&D investments to GDP target is a major target in the EU2020 Strategy. Regarding their current levels of R&D, their commitments and their latest progress, Slovenia and Malta are the worst performers in that field (along with Latvia that received no recommendations given this country is a beneficiary of the Balance of Payments assistance). However, no recommendation related to R&D was issued to these countries. In order to make work way and fight discrimination, Austria receives a recommendation to narrow the gender pay gap while no similar recommendation is issued to Estonia which is however the worst performing country in this field. The study points to other cases of such a "variable-geometry" assessment of Member States.

The recommendation addressing the urgency of fiscal and budgetary consolidation is the only consistency in the national recommendations.

- **Trend in changes from the European Commission to the Council**

By and large, most of the amendments the Ministers in the Council put on the recommendations initially drafted by the Commission in early June water down the tone used by the latter even though the general message is left mostly unchanged. However, there are some examples of extensive or drastic changes. The most striking one is the deletion of one entire paragraph on the issue of environment and energy in the recommendations issued to the Netherlands.

- **Cherry picking in the Annual Growth Survey**

The headings in the Annual Growth Survey conceal that the social policy dimension is of a lesser priority. For instance, the headline "Making work more attractive" in the Annual Growth Survey sounds as if the Commission bearing in mind the poverty reduction target aims at improved working conditions and decent salaries. However, the actual text of the Annual Growth Survey enumerates under this heading ideas such as linking training and job search more closely to benefits or making work arrangements more flexible. In the final recommendations, the primary objective then is to bring people on the job market by decreasing unemployment benefits or by matching skills better with the labour market needs which again leaves the social policy dimension unaddressed.

- **No distinction between EMU and non EMU Member States**

Despite explicit wording in the Treaty (article 136 TFEU), the recommendations issued to Member States do not take into account if those adhere to the EMU or not. The possibility to do so was hailed as one of the major achievement of the Convention on the Future of Europe and the Intergovernmental Conference that negotiated the Lisbon Treaty.

- **Problems of accountability**

Within the EU Semester, national parliaments as well as the European Parliament only play a limited role. National parliaments are more carefully informed of the Stability Programmes and can only intervene ex-post to the EU Semester in scrutinising the national budget and passing laws. The Council only informs the European Parliament on the adoption of the national recommendations. Therefore, the EU Semester poses a legitimacy challenge as neither the former nor the latter can increase accountability alongside the whole process. Moreover, the EU Semester might oust other instruments being part of the European Economic Governance which involve saying of the European Parliament. Finally, the social partners play no role despite they are actors of uttermost importance regarding lifelong learning, the wage policy, pension reforms, etc.

INTRODUCTION

In March and June 2010, the European Council launched the Europe 2020 (EU2020) Strategy in order to respond to the financial crisis and to follow the Lisbon Strategy that was expiring. Its objective is to promote smart, sustainable and inclusive growth by defining five headline goals in the fields of employment, Research and Development (R&D) / innovation, climate change/energy, education and poverty/social exclusion.

The competencies for the European Union are however far from being uniform in the policies addressed by the EU2020 headline goals. According to the Treaty of Lisbon, the European Union has exclusive competency as regards competition, monetary policy for those Member States whose currency is the euro and the common commercial policy (article 3 TFEU), shared competency for internal market, social policy, economic, social and territorial cohesion, environment and energy (article 4 TFEU) as well as the competency to carry out actions to support, coordinate or supplement the actions of Member States in education and vocational training matters (article 6 TFEU). Consequently, the European Union cannot set economic and employment policies for its Member States. Therefore, the EU Semester is designed to coordinate and harmonise Member States' policies in this field. Against this background, the European Semester as a new key element of Economic Governance started in January 2011 with the objective to provide "ex-ante policy co-ordination"[1].

The European Semester integrates the revised and new economic surveillance processes of the legislative package. This package consists of one directive and five regulations. Out of these, three regulations[2] and one directive[3] deal with fiscal consolidation issues (including a reform of the Stability and Growth Pact) and two regulations[4] address the subject of macro-economic imbalances. The package builds the framework for a binding and more efficient economic decision-making at the European level. Its aim is to prop up the EU's common economic agenda embedded in the EU2020 Strategy with its five headline targets underpinned by seven flagship initiatives covering "A Digital Agenda for

[1] European Commission: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Annual Growth Survey: advancing the EU's comprehensive response to the crisis, COM (2011) 11 final, Brussels, 12/01/2010, p.4, http://ec.europa.eu/europe2020/pdf/en_final.pdf (07/08/2011).

[2] European Commission: Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies COM (2010) 526 final, Brussels 29/09/2010, http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/com2010_526en.pdf; European Commission: Proposal for a Regulation (EU) amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure COM(2010) 522 final, Brussels 29/09/2010, http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/com2010_522en.pdf; European Commission: Proposal for a Regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area COM(2010) 524 final, Brussels 29/09/2010, http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/com2010_524en.pdf, (all retrieved 07/08/2011).

[3] European Commission: Proposal for a Council Directive on requirements for budgetary frameworks of the Member States, COM(2010) 523 final, Brussels 29/09/2010, http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/com2010__523en.pdf, (retrieved 07/08/2011).

[4] European Commission: Proposal for a Regulation of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances, COM(2010) 527 final, Brussels, 29/09/2010, pp.1-14, http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/com2010_527en.pdf (retrieved 08/08/2011); European Commission: Proposal for a Regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area, COM(2010) 525 final, Brussels, 29/08/2010, pp.1-11, http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/com2010_525en.pdf (retrieved 08/08/2011).

Europe", "Innovation Union"; "Youth on the Move", "Resource Efficient Europe", "An Industrial Policy for a Globalisation era", "An Agenda for New Skills and Jobs" and "The European Platform against Poverty."

In this web of ideas and initiatives, the European Semester has its own procedure. It started with National Reform Programmes submitted by the Member States to the European Commission in October 2010. Based on these, the Commission realised its first Annual Growth Survey in January 2011. This document took stock of the Member States' commitments to achieve the five EU2020 headline targets and the Commission defined a set of 10 priorities to push these targets forward. However, these priorities blurred the Broad Economic Policy Guidelines adopted by the Council and the Employment Guidelines adopted by the Council in consultation with the European Parliament in June 2010.[5] They were blurred because the Annual Growth Survey added a new layer to the EU2020 Strategy framework and this new layer overshadowed these two sets of guidelines although they are both enshrined in the Treaty.

At the same time, the Commission referred back to the EU2020 Strategy in the Annex of the Annual Growth Survey[6]. This Annex I provided information on the progress of the national implementation of the EU2020 Strategy. As Member States already had to announce beforehand their level of ambitions by 2020 for every headline goal, the Commission aggregated these national targets to evaluate if Member States' cumulative commitments match the numerical targets of the headline goals. This allowed for a preliminary assessment of the EU2020 Strategy in the Annual Growth Survey's Annex. The following table summarises this assessment of the Commission (cf. table 1). At a first glance, it seems very likely that the "Lisbon Strategy curse" (on the one hand, the Strategy initially sought to find an equilibrium between its objectives but was quickly biased in favour of economic growth, greater competition and flexibility of labour markets; on the other hand, the Member States did not consider the Strategy seriously while implementing national policies) will repeat itself and that the EU will fall short again of reaching out to its EU2020 targets. Therefore, the predictable outcome should be used to calibrate the assessments of the next round of NRPs and accordingly, the country-specific recommendations proposed by the Commission.

Finally, notwithstanding this serious governance issue, it is hard to understand why the EU2020 Strategy will not fail like the Lisbon Strategy; indeed, beside some controversial calls for implementing structural reforms, the Lisbon Strategy repeated again and again the same wise and consensual messages (invest in R&D, in skills, etc.). Despite that, the progresses achieved were mild. The Commission does not provide any serious guarantees that the EU2020 Strategy represents a quantum leap and is not doomed to fail, especially given the various shortcomings identified in this study.

[5] European Commission: Recommendation for a Council Recommendation of 27.4.2010 on broad guidelines for the economic policies of the Member States and the Union Part I of the Europe 2020 Integrated guidelines, Brussels, 27/04/2010; Proposal for a Council Decision on guidelines for the employment policies of the Member States Part II of the Europe 2020 Integrated Guidelines, SEC(2010) 488 final, Brussels, 27/04/2010, pp.1-28, http://ec.europa.eu/eu2020/pdf/Brochure%20Integrated%20Guidelines.pdf (retrieved 09/08/2011).

[6] European Commission: Annual Growth Survey Annex 1, Progress Report on Europe 2020, COM(2011) 11 final, Brussels, 12/01/2011, pp.1-17, http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/2011/com2011_11_annex1_en.pdf (retrieved 08/08/2011).

	Objective 2020	Quotes from the Annex to the Annual Growth Survey, Progress Report on Europe 2020
Employment	75% of the 20-64 year-olds to be employed	- “Low labour market participation is one Europe’s longstanding key structural weaknesses.”[7] - “Most Member States haven chosen a point target, but several countries have proposed a target range (…) from 62,9% (Malta) to 80% (Sweden).”[8] - Based on present national employment rate targets, the EU as a whole would fall short of the 75% target by 2.2-2.6 percentage points (depending on if Member States manage to achieve the upper value of their target range).[9]
R&D / Innovation	3% of the EU's GDP (public and private combined) to be invested in R&D/innovation	- “Both in level of resources invested, in particular private sector resources, and effectiveness of spending Europe, lags significantly behind the US and other advanced economies. Such a gap negatively affects growth perspec-tives (…).”[10] - “The compilation of all provisional national targets indicates an aggregated level of 2.7 or 2.8% of GDP, which is below the expected target of 3% GDP invested in R&D, but which represents a significant effort, particularly in the current budgetary context.”[11]
Climate change / Energy	greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990	- Current plans by Member States risk falling far short of the overall 20% energy efficiency target set in the EU2020 strategy as their cumulative efforts reach less than 20%.[12] - This is worrying because energy efficiency is the most cost effective way to reduce emissions; it improves as well energy security and increases competitiveness as it can make energy consumption more affordable and create employment. Similarly in the field of climate mitigation, the existing and planned measures are not yet sufficient to reach the 2020 headline targets.
	20% of energy from renewable energy	- Not to be found in the Annex of the Annual Growth Survey.
	20% increase in energy efficiency	- Not to be found in the Annex of the Annual Growth Survey.

[7] European Commission: Annual Growth Survey Annex 1, COM(2011) 11 final, op.cit., 12/01/2011, p.7, http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/2011/com2011_11_annex1_en.pdf (retrieved 08/08/2011).
[8] Ibid, p.7.
[9] Ibid, p.7.
[10] Ibid, p.7.
[11] Ibid, p.7.
[12] Ibid, p.8.

Education	Reducing school drop-out rates below 10%	- “In most draft NRPs it is unclear whether measures described are launched in response or at least adjusted to the priorities of Europe 2020.”[13] - “For early school leaving, while some Member States have set highly ambitious targets, the overall effort seems likely to result in Europe falling short of the 10% target for 2020. With the targets submitted in the draft NRPs and not including countries that have not yet defined targets (UK for both targets, NL for higher education), a rate of 10.5% early school leavers would be achieved by 2020 thus missing the common European target of 10%. In absolute figures this would mean that in 2020 roughly an additional 200 000 young Europeans would have dropped out from education and training. - Similarly, the currently submitted national targets for tertiary attainment will not be sufficient to reach the overall 2020 target. With a total tertiary attainment rate of 37.3% by 2020 the common European target of 40% will be missed. In absolute figures this would mean that in 2020 there would be roughly 800 000 fewer tertiary graduates aged 30-34 than if the 40% rate was achieved.”[14]
	at least 40% of 30-34–year-olds completing third level education	
Poverty / social inclusion	at least 20 million fewer people in or at risk of poverty and social exclusion	- “In their draft NRPs, a majority of countries have set targets, although they do not meet yet the level of ambition agreed by the European Council. Most Member States have used the three agreed indicators [namely, the at-risk-of poverty rate, severe material deprivation and people living in households with very low work intensity] to define the EU target, thereby acknowledging that broad strategies are needed to tackle poverty in all its dimensions. - However, the level of ambition should be raised to reflect the interaction between the targets, in particular the link between labour participation and poverty. Several countries have still not set their target. It is urgent that these countries rapidly finalise the process.”[15]

Table 1: Summary of the Commission’s assessment on the achievement of the EU2020 Headline Targets.

[13] Ibid, p.8.
[14] Ibid, p.9.
[15] Ibid, p.9.

OVERALL RESULTS

1. A steadily more intricate governance

During its first half-time, the Lisbon Strategy was criticised for being a Christmas tree because of its many objectives measured by not less than a forty some indicators; lessons were drawn in 2005 and the Strategy made a 180-degree turn by focussing only on GDP growth and to a certain extent, employment rate.

The EU2020 Strategy is on a good track to fall into the same kind of trap because of the process. The problem is not so much the number of goals or indicators but rather the mushrooming of benchmarks that can be used to assess the evolution at the EU and national levels. This proliferation of benchmarks risks diluting the comprehensive message of the Strategy while, at the end of the day, the financial turmoil we are still facing and the mainstream economic thinking will lead to resort only to the benchmark related to fiscal consolidation.

First, while the Integrated Guidelines on which the NRPs were grounded were adopted only six months before, some issues appeared for the first time in the 10 new priorities set in the Annual Growth Survey (and rightly so such as the concern about the financial sector, the contribution of private capital to finance growth or the cost-effective access to energy) while other vanished in this document or the Euro Plus Pact from the time of the release of the integrated guidelines (for instance, the question of resource efficiency, digital economy, job quality and to a lesser extent, poverty alleviation). Table 2 hereunder presents this chronological development.

Second, the integrated guidelines are enshrined in the Treaty and are, to some extent, subject to scrutiny by the European Parliament. In contrast to that, the Annual Growth Survey is a document issued under the sole responsibility of the European Commission while the Euro Plus Pact was agreed under the intergovernmental method, at the level of the European Council. Yet, the Commission took responsibility for monitoring the national implementation of the Pact.

Whereas Member States are bound by the integrated guidelines according to the Treaty, their progress is in fact assessed against the two other benchmarks, the Annual Growth Survey and the Euro Plus Pact. In case of non-compliance however, the Treaty does not foresee any sanctions. Therefore, the only enforceable mechanism lies theoretically in peer pressure but this is not what happens: there is a reversal of the hierarchy of norms.

Hence, it is possible that the Commission lost grip of the process because of either its incapability to ensure a constant message overtime (the same benchmarks) or the multiplication of inopportune initiatives driven by some Heads of State or Government such as the Euro Plus Pact. Another interpretation for this overall scattered picture might be that the Commission did not intervene against such chaotic developments because the thread of the various initiatives, namely competitiveness and fiscal consolidation, was left untouched. This would imply that the Commission do not intend to defend the five headline targets (the following sections tend to confirm that reading) or that it considers that their achievement will be the outcome of more competitiveness and fiscal consolidation and nothing more than that (the trickle down approach which contributed to the failure of the Lisbon Strategy) and the lack of ownership by the civil society).

Integrated guidelines (Economic and Employment guidelines)	Annual Growth Survey	Euro Plus Pact
7/07/2010	12/01/2011	24 and 25/03/2011
▪ Ensuring the quality and the sustainability of public finances;	▪ Implementing a rigorous fiscal consolidation	▪ National fiscal rules
	▪ Reforming pension systems	▪ Sustainability of pensions, health care and social benefits
▪ Addressing macroeconomic imbalances; ▪ Reducing imbalances in the euro area;	▪ Economic imbalances	▪ Respecting national traditions of social dialogue and industrial relations, measures to ensure costs developments in line with productivity
/	▪ Stability of the financial sector	▪ Putting in place national legislation for banking resolution
▪ Increasing labour market participation and reducing structural unemployment; ▪ Developing a skilled workforce responding to labour market needs, promoting job quality and lifelong learning ▪ Improving the performance of education and training systems at all levels and increasing participation in tertiary education;	▪ Making work more attractive and Getting the Unemployed back to work	▪ Tax reforms, such as lowering taxes on labour to make work pay while preserving overall tax revenues, and taking measures to facilitate the participation of second earners in the work force ▪ Measures to increase productivity (education, R&D&I, business environment, opening of sheltered sectors)
/	▪ Balancing security and flexibility	▪ Labour market reforms to promote “flexicurity”, reduce undeclared work and increase labour participation ▪ Lifelong learning;
▪ Optimising support for research, development and innovation, strengthening the knowledge triangle and unleashing the potential of the digital economy; ▪ Improving the business and consumer environment and modernising the industrial base in order to ensure the full functioning of the internal market	▪ Tapping the potential of the Single Market	▪ Measures to increase productivity (education, R&D&I, business environment, opening of sheltered sectors)
/	▪ Attracting private capital to finance growth	/
/	▪ Creating cost-effective access to energy	/
▪ Improving resource efficiency and reducing greenhouse gases;	/	/
▪ Promoting social inclusion and combating poverty.	/	/

Table 2: Comparison of Integrated guidelines, the Annual Growth Survey and the Euro Plus Pact

2. The EU2020 Strategy getting out of sight

In theory, the EU2020 Strategy should be the benchmark for the recommendations to the Member States. However, the majority of EU2020 targets do not appear in the Annual Growth Strategy (R&D, poverty) or at best, are slightly touched upon (energy/environment, education) although shortcomings in some of them have been assessed in the Annex to that Strategy. As a result, the headline goals are not equally mirrored in the national recommendations. While there are paragraphs on employment and education, recommendations to most of Member States do not refer to the headline targets of poverty reduction, investment in R&D&I as well as energy and climate action.

A recommendation on the reduction of poverty is only addressed in full length in the recommendation for Bulgaria. Apart from that, only two recommendations (EE, CY) touch upon the question of poverty/poverty risk in the context of employment policies or pension reform. Moreover, the recommendations to some Member States address the question indirectly as they evoke the concern about low and medium income earners (AT, BE, DE, HU, SK).

Similarly, the question of R&D&I is only addressed to a limited number of Member States and constitutes mainly an example for growth friendly expenditure (BU, DE, IT, NL, SK).

In contrast to that, the subject of energy is indeed addressed even in the Annual Growth Survey but it remains confined to the context of cost-efficient energy. The questions of renewable energy and the reduction of CO2 are barely addressed (MT, CY).

On substance, the Commission and the Council emphasise the urgency to consolidate the Member States' budgets although the Commission stated in the Annex of the Annual Growth Strategy itself that despite "fiscal consolidation is an essential pre-requisite for growth, it is [however] not sufficient to drive growth."[16] Even more the Commission claims, "in the absence of pro-active policies, potential growth is likely to remain weak in the coming decade."[17] Therefore, one priority should be to promote this kind of pro-active policies. However, the recommendations were not drafted in this spirit: the vast majority of them is to be understood through the lens of fiscal consolidation that constrains the possiblity to engage in such policies unless the Commission considers that pro-active policies are a synonymous for opening up new markets and flexibilising further the labour markets.

Nonetheless, the question of how to get out of the crisis remains unanswered (as for instance through investment in renewable energy). Above that, the recommendations do not offer comprehensive answers to challenges such as youth unemployment or do not address at all the impossibility of some people to go to work because of not only child but elderly people care responsibilities.

In its progress report of the implementation of EU2020 Strategy, "A strategy for smart, sustainable and inclusive growth"[18], the European Commission claimed that the flagship initiatives of the EU2020 Strategy will commit both the EU and the Member States. However, they are totally set aside despite the fact that these initiatives are springboards towards the EU2020 headline targets, as they set specific goals, rely on complementary indicators and define (non-binding) guidelines and recommendations.

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[16] European Commission: Annual Growth Survey Annex 1, COM(2011) 11 final, op.cit., 12/01/2011, p.2, http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/2011/com2011_11_annex1_en.pdf (retrieved 08/08/2011).

[17] Ibid, p.2.

[18] European Commission: Communication from the Commission Europe 2020. A strategy for smart, sustainable and inclusive growth, COM(2010) 2020, Brussels, 03/03/2010, p.4, http://ec.europa.eu/commission_2010-2014/president/news/documents/pdf/20100303_1_en.pdf (retrieved 02/08/2011).

3. Recommendations based on "variable-geometry" standards & lack of cross-country consistency

According to the European Commission, the "Annual Growth Survey (…) will need to be tailored to the specific situation of each Member State."[19] But the recommendations do not take into account the gap between what a Member State can achieve under the current likely scenario, its commitments and the EU2020 five headline targets.

Sometimes, this is explained by the fact that data are missing (for instance, the last data available at the time of finalising this study as to R&D date from 2009). In the short term, the European Commission, Eurostat and national competent authorities should thus pay particular attention to the timely availability of data in order to have a barometer that properly gives the temperature at the right moment. Otherwise, inappropriate recommendations could be sent at Member States and at the EU level, the European Council will fail to accommodate the aggregated shortcomings in due time.

On the other hand, some data are not easily convertible in the standard of the headline targets (since they are expressed in a different unit or the standard may vary between countries; cf. poverty[20]).

The following table presents rankings of the year-on-year progress (between 2009 and 2010), except for R&D (2008-2009) when taking into account of the gap between the figure for the last year and the country-specific commitment for 2020. In other words, the ranking is computed on the basis of the route already done towards each national objective set for 2020 (cf. table 3).

Poor performance in the achievement of the EU2020 headline goals (assessed by verifying indicators from Eurostat[21]) does not necessarily imply that a corresponding recommendation on how to improve performance in this field is addressed to this particular Member State; the opposite holds true as well. Denmark, Sweden, the Netherlands and Cyprus are top performers in the headline target of employment. The less performing countries in the employment field are Estonia and Slovenia. Except Denmark, they all receive a recommendation in this field as if they faced the same challenge with the same urgency. As regards the early-school leaving rate in the field of education, the top performers are the Czech Republic, Lithuania, Luxembourg, Poland, Slovenia, Finland and Sweden. On the opposite side, there are Cyprus and Germany. However, this particular indicator is addressed neither for top performers nor for less performing countries. Correspondingly, the indicator of CO2 emissions and shortcoming of some countries in this field are not mirrored in the national recommendations either. As one of the less performing countries, there is a recommendation on energy efficiency addressed to Bulgaria. However, its main objective does not seem to be the reduction of CO2 but the decrease of energy costs as it appears under the heading of "Creating cost-effective access to energy." There is no recommendation addressed to Hungary as another less performing country in this field. Poland is the exception here as the recommendation mentions the need to "encourage low-carbon emitting technologies." Regarding their current levels of R&D, their commitments and their latest progress, Slovenia and Malta are the least performers in that field (along with Latvia that received

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[19] European Commission, COM (2011) 11 final, Annual Growth Survey, op.cit., 12/01/2010, pp.1-37, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).

[20] The conclusions of the European Council of June 2010 stated that " The population is defined as the number of persons who are at risk-of-poverty and exclusion according to three indicators (at-risk-of poverty; material deprivation; jobless household), leaving Member States free to set their national targets on the basis of the most appropriate indicators, taking into account their national circumstances and priorities." (We underline)

[21] Eurostat: Headline Indicators, http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators (retrieved 07/08/2011).

no recommendations given this country is a beneficiary of the Balance of Payments assistance). However, no recommendation related to R&D was issued to these countries.

In contrast to that, some recommendations match the ambition of reaching out to the EU2020 objective to promote smart, sustainable and inclusive growth. However, they are not addressed to all countries and even if some of them are addressed to several countries (e.g. like growth-friendly expenditure, see below), they differ in definition and scope.

The only consistency in the recommendations to all Member States - even to those whose track record arouses jealousy - is to be found in the recommendation concerning fiscal consolidation.

Objectives	Employment	R&D	Education		Energy/Environment			Poverty
			Early-school leaving	Tertiary Education	CO2 emissions	Energy intensity	Renewable energy	
	75%	3%	max.10%	40%	-20%	20%	20%	-20M
Years	2009-2010	2008-2009	2009-2010	2009-2010	2008-2009	2008-2009	2007-2008	
Belgium	6	21	24	1	5	19	19	-
Bulgaria	21	17	17	24	25	4	17	-
Czech Republic	16	no target	1	18	22	no target	27	-
Denmark	1	4	21	1	13	11	1	-
Germany	8	7	26	22	1	23	25	-
Estonia	23	15	11	12	21	2	1	-
Ireland	25	5	16	1	12	13	20	-
Greece	20	1	18	15	15	14	26	-
Spain	14	19	15	1	10	18	13	-
France	12	11	22	1	7	22	1	-
Italy	13	9	19	20	6	20	14	-
Cyprus	1	6	25	1	14	8	18	-
Latvia	19	23	10	13	20	6	1	-
Lithuania	22	18	1	1	19	5	1	-
Luxembourg	5	8	1	1	11	3	23	-
Hungary	9	10	12	16	27	10	15	-
Malta	4	24	20	25	17	1	24	-
Netherlands	1	12	13	1	16	no target	22	-
Austria	7	14	1	23	9	15	1	-
Poland	11	16	1	17	26	17	16	-
Portugal	17	13	14	21	18	21	1	-
Romania	10	22	23	19	24	9	1	-
Slovenia	24	25	1	14	4	7	1	-
Slovakia	18	20	1	26	23	no target	12	-
Finland	15	1	1	1	8	12	1	-
Sweden	-	no target	1	1	3	16	1	-
United Kingdom	no target	no target	no target	1 (but no target)	1	no target	21	-

Table 3: Ranking of EU Member States based on the EU2020 Indicators[1], [2], [3], [4]

[1] Technically, the ranking is obtained from the following formula: the progress during the last two years (t1-t0) is measured against the comparison between the commitment for 2020 and the first year for which data are available (c2020-t0). This ratio is then multiplied by the ratio given by c2020/t0 (in order to put into perspective the distance and to give more weight to more ambitious target; inflating the target would be counterproductive since this ratio would be offset by the denominator of the first ratio).

[2] When the value for an indicator (in to or in t1) in a Member State already exceeds the EU2020 headline target concerned, then this country will fare at the top of the ranking (even though its own commitment has not yet been fulfilled. The rationale for this is the fact that everything more it will do will be a "bonus").

[3] The top performers (there can be for a specific goal several due to the previous remark) are highlighted in green and the three laggards are highlighted in old and those that did not specify a target in their NRP in light turquoise

[4] Cf. full set of tables in Annex II, p.85.

4. Trend in changes from the European Commission to the Council

By and large, most of the amendments the Ministers put on the recommendations initially drafted by the Commission in early June water down the tone used by the latter leaving the general message mostly unchanged. However, there are some major changes to highlight, which altered the sense of direction significantly.

First, there is not only a first paragraph on fiscal consolidation for every Member States but also the Council has made its most consistent change in this paragraph. The Council modified this paragraph for 10 Member States (AT, BE, CY, DK, FR, DE, IT, MT, NL, ES, UK) by inserting that Member States should bring the public debt ratio "on a downward path." This number could even be inflated if we included countries under a rescue plan (EE, IT, PT, leaving aside LV and RO whose debt-to-GDP ratio is largely under the 60% threshold although the ratio has trebled since the start of the economic crisis).

In the case of the Netherlands, the Council deleted one entire paragraph on the issue of environment and energy. This paragraph stated that the Netherlands should '"continue to reduce the high congestion costs in transport networks by shifting from fixed to variable road transport charges, targeted expansion of the rail network and introducing road pricing."

There are further (minor) examples of how the Council streamlined recommendations so that they reflect to a greater extent the need for fiscal consolidation. On the other hand, there are also some amendments of the Council changing the recommendation with regard to other subjects. For instance, the recommendation for Bulgaria is one of the rare cases where the Council urges Bulgaria to consult other stakeholders on question on pension reform. However, the general trend is that the amendments tend to stress the urgency for fiscal consolidation while giving Member States more scope of how to achieve this superior objective.

5. Cherry picking in the Annual Growth Survey

Even though the Annual Growth survey replaced the integrated guidelines as a benchmark to assess the Member States, the Commission (and afterwards the Council) do not refer to the entire AGS but selected the parts that it wanted to push forward.

The headings in the Annual Growth Survey appear at a first glance as taking into account social policy aspects. For instance, "Making work more attractive" sounds as if the Commission aims at improved working conditions and decent salaries. However, the actual text of the Annual Growth enumerates under this heading ideas such as linking training and job search more closely to benefits or making work arrangements more flexible. In the final recommendation, the primary objective remains to bring people on the job market by decreasing unemployment benefits (BE) or by matching skills better with the labour market needs (CY, LU, PL, SK, SL, UK).

Similarly under the heading of "Balancing security and flexibility" the Commission puts emphasis on promoting open-ended contracts in order to reduce temporary or precarious contracts. However, the concept of open-ended contracts does not provide security for new recruits either.

Moreover, the issue of economic imbalances is only addressed to countries with automatic wage adjustment or wage indexation mechanisms (BE, CY, LU, MT, ES). Contrary to the initial claim in the Annual Growth Survey Member States with large current account deficit as well as Member States with large current account surplus should take action, no recommendation is addressed to the latter group of Member States.

6. No distinction between EMU – non EMU Member States

The article 136 TFEU states that: “In order to ensure the proper functioning of economic and monetary union, and in accordance with the relevant provisions of the Treaties, the Council shall, in accordance with the relevant procedure from among those referred to in Articles 121 and 126, with the exception of the procedure set out in Article 126(14), adopt measures specific to those Member States whose currency is the euro [notably] to set out economic policy guidelines for them, while ensuring that they are compatible with those adopted for the whole of the Union and are kept under surveillance."

However, the recommendations do not specifically take into account if Member States adhere to the EMU or not. The possibility to do so was hailed as one of the major achievement of the Convention on the Future of Europe and the Intergovernmental Conference that negotiated the Lisbon Treaty.

7. Problems of accountability

Within the EU Semester, national parliaments as well as the European Parliament only play a limited role despite slight improvements from the legislative proposals released by the Commission.

Within the codification of the Semester in the six pack following amendments to the Commission proposal for a Regulation amending Regulation 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (the preventive arm of the Stability and Growth Pact), it is henceforth stated that each Stability Programme shall indicate “whether [it] was presented to the national Parliament, and whether the national Parliament had the opportunity to discuss the Council opinion on the previous programme or, if relevant, any recommendation or warning, and whether there has been parliamentary approval of the programme”. Furthermore, by the same token, the Regulation on the prevention and correction of macroeconomic imbalances specifies that „when the Council and the Commission apply this Regulation, they should fully respect the role of national parliaments and social partners and respect differences in national systems, such as the systems for wage formation”. But in practical terms, the six pack and more broadly the European Semester remain poor since they only enjoy a right of information, there is no enforcement mechanism foreseen and the tight deadlines set in the Regulations do not allow for their thorough involvement. The role of national parliaments is limited as the early finalisation of national reform programmes (as well as stability and convergence programmes) hardly leaves any time for their involvement in discussions.[22] The national and infra-national Parliaments have no opportunity to comment on the first draft of recommendations released by the Commission before "their" Minister has the opportunity to amend the recommendations in the Council. However, they are at the receiving end of the process since ultimately they are the bodies, which will have to pass corresponding laws. They can only intervene ex-post to the EU Semester during the scrutinising and adoption process of the budget proposals and when they pass laws to abide by the

[22] Hallberg, Mark and Benedicta Marzinotto, Guntram B. Wolff/ European Parliament Directorate General for Internal Policies, Policy Department A: Economic and Scientific Policy: How effective and legitimate is the European Semester? Increasing the role of the European Parliament, Briefing Paper, Brussels 08/2011, p.13, http://www.europarl.europa.eu/activities/committees/studies.do?language=EN (retrieved 08/09/2011).

recommendations. Above that, the Council only informs the European Parliament on the adoption of the country-specific recommendations. Neither the former not the latter are thus fully able to ensure participation of citizens and hold the Commission or Council accountable in this process.[23] However, it is to recommend that the European Parliament plays “a stronger role in the dissemination and interpretation of the priorities and objectives identified at the beginning if each year for the purpose of transparency.”[24]

In addition to that, social partners and other stakeholders are excluded from the EU Semester. This is especially problematic when it comes to the wage policy insofar the social partners are competent for negotiating it.

Finally, the national recommendations issued to Member States blur in their content and scope the Broad Economic Policy Guidelines and the Employment Strategy, which have been agreed upon in broad consultation with the European Parliament. As a result, it is not only the EU Semester as such which cuts out the European Parliament but by necessary implication the European Parliament looses ground in having its say within the whole European Economic Governance process.

Beyond that, the EU Semester process does not take into account the decision-making process with its checks and balances on the European level. It rather pushes for an early implementation of parts of the legislative six-pack in the recommendations for some Member States although at that time discussions were still taking place in the European Parliament on this legislative proposal.

[23] Ibid, p.29.

[24] Ibid, p.13.

KEY FINDINGS FROM THE COUNTRY-SPECIFIC RECOMMENDATIONS

0. METHODOLOGY

The Annual Growth Survey constitutes the starting point for the national recommendations as part of the EU Semester. In these recommendations, Member States "are expected to commit to precise national targets, covering all five EU-headline targets"[25] from the EU 2020 Strategy. In the Annual Growth Survey, the Commission focuses its key recommendations for Member States on ten priority actions "encompassing three main areas:

- The need for rigorous fiscal consolidation for enhancing macroeconomic stability
- Labour market reforms for higher employment
- And growth enhancing measures"[26]

Relating these three main areas back to the EU 2020 headline-goals, it is evident that these three areas do not encompass all objectives on an equal footing. This inconsistency in the EU Commission's approach is then carried on into the national recommendations.

However, using the Annual Growth Survey headings as benchmark for a comparative analysis of the national recommendations offers the advantage of creating a framework for comparisons in the following years. Yet, in the country-specific recommendations (cf. Annex I) there is not one paragraph corresponding to one heading. Therefore, in some cases single paragraphs are taken to pieces in order to put them under the corresponding category whereby the ten priority actions remain the baseline for the following overall assessment of the national recommendations.

The national recommendations are analysed under their corresponding heading in the Annual Growth Survey. Every single analysis starts by summarising the Annual Growth Survey on the particular issue, and then analysing the most recurrent issues assesses the consistency of the national recommendations. Where appropriate, there is a separate paragraph on the changes of the Council.

All parentheses with quotation marks but without footnotes are quotes from the recommendation at stake.

[25] European Commission, Annual Growth Survey op.cit., COM (2011) 11 final, 12/01/2010, p.7, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).
[26] European Commission, Annual Growth Survey COM (2011) 11 final, op.cit., 12/01/2010, p.3, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).

I. MACRO-ECONOMIC PRE-REQUISITES FOR GROWTH

There are three different headings in this chapter of the Annual Growth Survey: "Implementing a rigorous fiscal consolidation", "Correcting macro economic imbalances" followed by "Ensuring stability of the financial sector." These issue-areas do not correspond directly to the EU2020 Strategy headline goals but they rather address what the Commission considers as being an "immediate priority"[27] to ensure long-term growth.

1. Implementing a rigorous fiscal consolidation

The Annual Growth Survey

Regarding the issue of fiscal consolidation, the Annual Growth Survey states that Member States have the conflicting priorities of discipline versus flexibility, namely on the one hand the need to support the credibility of monetary policy while on the other hand the need for economic stimulus. Therefore, Member States have to adjust their structural budget balances of more than 0,5% of GDP in order to bring debt ratios close to the 60% requirement. On the track to sustainable public finances, all Member States are required to "keep public expenditure growth firmly below the rate of medium term trend GDP growth, while prioritising sustainable growth-friendly expenditures in areas such as research, innovation education and energy."[28] According to the actual debt ratio, Member States are given additional recommendations.

Recurrent issues within the recommendations on fiscal consolidation

Fiscal consolidation is recommended to all Member States in the first paragraph of each national recommendation, thus underlining the top priority of the EU Semester. Above that, budgetary discipline is echoed in following recommendations, stressing for instance the need to reduce the tax and social security burden in a budgetary neutral way in the section on labour market policy (cf. below "Making labour more attractive"[29] for EE, DE, HU, LT, SK, ES).

The overreaching message of all paragraphs on fiscal consolidation is that Member States have to "correct their **excessive deficit**" (expressed in 16 out of 22[30] recommendations, except for CZ, DE, LU, PL, SL, SE). The second overreaching message in this field is to "bring the **debt ratio on a downward path**" (for AT, CY, DK, DE, HU, IT, MT, NL, ES, UK) and to "take advantage of economic **recovery** / of windfall revenues" (for AT, BE, BG, FI, FR, HU, IT, LT, LU, SL, UK). Moreover, because the likelihood of its medium term macroeconomic scenario is deemed favourable, Spain should "adopt further measures in case budgetary and economic developments do not turn out as expected." In order to

[27] European Commission: Communication from the Commission Europe 2020 COM(2010) 2020, op.cit., 03/03/2010, p.4, http://ec.europa.eu/commission_2010-2014/president/news/documents/pdf/20100303_1_en.pdf (retrieved 02/08/2011).

[28] European Commission, Annual Growth Survey COM (2011) 11 final, op.cit., 12/01/2010, p.4, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).

[29] An example under the heading of „making work more attractive" is to reduce tax disincentives for second earners are the focus of the recommendations for Germany and the Netherlands, cf. p. 26.

[30] There are only 22 instead of 27 because the Member States under a rescue plan do not receive recommendations; their recommendations are embedded in the conditionality attached to the implementation of the rescue plans.

correct the budgetary deficit, Member States should reach out to their specific **medium-term objectives**. While it is not always specified, the most recurrent size of fiscal consolidation mentioned is 0,5% or 0,75% of GDP.

In more concrete terms, France and Malta are asked to spell out measures envisaged for 2012 onwards to ensure that their budgetary effort matches the commitment to correct excessive deficits by 2013.

This set of recommendations on fiscal consolidation is also addressed to Member States, which managed to escape an excessive deficit procedure. Above that, the recommendations go far beyond simple fiscal consolidation as Member States are asked to **implement anticipatively parts of the so-called six-pack**. Member States should commit to that despite the fact that at the time of the release of the recommendations, negotiations were going on between the Council and the European Parliament in order to hammer out an agreement in the first reading. Even if the remaining issues at stake were minor (the reverse qualified majority voting, the modalities of the hearing of the seriously unbalanced Member States in the EP, the symmetric approach in the treatment of Member States according to their deficit/surplus current account especially) and the recommendations are in line with the general guidelines eschewed by the economic governance, there is a **democratic problem** with such a way to proceed.

The directive of the six-pack[31] sets out detailed rules on the characteristics of the Member States' budgetary frameworks. It foresees that "Member States shall bring into force the provisions necessary to comply with this Directive by 31 December 2013 at the latest". However, being one of the ingredients of the economic governance recipe, some Member States (AT, CY, ST) are asked to anticipate the implementation of this directive establishing **fiscal budgetary frameworks**. The recommendations regarding the implementation of the fiscal framework or the introduction of enforceable expenditure ceilings are made for BG, CY, DK, FR, HU, IT, LT, MT, SK, ES. Although the recommendations do not explicitly refer to this directive, they boil down to it since they enumerate its concrete means.

Denmark, Italy and Spain should monitor their implementation on all government level while Slovakia should "ensure [the] timely publication of budgetary data at all levels of government." Germany even goes beyond simple implementation of this expenditure ceiling as it should plan not only to "complete the implementation (…) at the Länder level but the German government should also "further strengthen the corresponding monitoring and sanctioning mechanism."

There are only very few examples of the Annual Growth Survey's suggestion to prioritise "sustainable **growth friendly expenditure** in areas such as research and innovation, education and energy."[32] This type of expenditure is only mentioned in recommendations for five Member States (BU, DE, IT, NL, SK). However, they differ in wording and thereby in scope. In this respect, Slovakia and Bulgaria have the least ambitious recommendations as they only state that Slovakia should "safeguard growth-enhancing expenditure" while Bulgaria should "prioriti[se] growth-enhancing expenditure" which is not the same since it implies that some growth-enhancing expenditure are more important than others.[33] In contrast to that, the recommendation for Germany, the Netherlands and Italy detail this growth-friendly expenditure. Germany should "maintain a growth-friendly consolidation course", meaning that it should safeguard "adequate expenditure on education and further enhancing the efficiency of public spending on health-care and long

[31] Cf. footnotes no 2,3,4 for document numbers.

[32] European Commission, Annual Growth Survey COM (2011) 11 final, op.cit., 12/01/2010, p.4, http://ec.europa.eu/europe2020/pdf/en_final.pdf (07/08/2011).

[33] Thus, within the lump sum currently earmarked for this kind of expenditure.

term care." The recommendation for the Netherlands is pointing into the same direction by defining growth-enhancing expenditure as "expenditure in areas directly relevant for growth such as R&D&I, education, and training." On the other hand, the recommendation for Italy describes this type of expenditure as spending "cofinanced by cohesion policy funds in order to reduce the persistent disparities between regions" while Italy should pay attention to the amount of resources and quality of expenditures.

Changes from Commission to Council

In the recommendations on fiscal consolidation, the Council has left its footprint. In 10 out of 22 recommendations (AT, CY, DK, FR, DE, IT, MT, NL, ES, UK), the Council adds that the public debt ratio has to be brought on a "**downward path** and [that] **adequate progress towards the medium term objective**" has to be ensured. Moreover, the Council underlines a clear focus on implementation and timeframe in the recommendation for Cyprus by adding that programme and performance budgeting should be implemented "as soon as possible." Other important changes are made on the recommendation for Bulgaria by replacing "increasing share of growth-enhancing public expenditure" with "prioritising growth-enhancing expenditure" (that is, taking *constant* the share of this kind of expenditure) or on the recommendation for Italy by replacing "binding" with "enforceable ceilings on expenditure."

2. Correcting macro economic imbalances

The Annual Growth Survey

Under this heading, the AGS refer to excessive surplus/deficit current account that the Member States have to correct. Whereas adjusting the wage-setting arrangements, especially the wage-indexation mechanisms appear as one of the lever that the Member States running deficit current account may pull, the Euro-Plus-Pact insists very much on that. When drafting its proposals for the country-specific recommendations, the Commission chose to lean on the Euro-Plus-Pact and hereby, discarded non-cost factors such as the knowledge intensity of export or the geographical distribution of export. Furthermore, the Commission neglected to address Member States with large current account surpluses although it urged them in the AGS to "identify and tackle the sources of persistently weak domestic demand". (In doing so, it failed to preserve a symmetric approach of the Member States according to their current account while the six-pack resulting from the negotiations between the Council, the EP and the Commission itself stressed on that.)

The stress on wage policy should vanish in the next round of country-specific recommendations in 2012 because of the new regulation on the prevention and correction of macroeconomic imbalances[34], one of the legislative pieces of the six pack. Indeed, the regulation states clearly that "The application of this Regulation shall fully respect Article 152 TFEU and the recommendations issued under this Regulation shall respect national practices and institutions for wage formation. It shall take into account Article 28 of the Charter of Fundamental Rights of the European Union, and accordingly shall not affect the right to negotiate, conclude and enforce collective agreements and to take collective action in accordance with national law and practices".

[34] Not yet published in the Official Journal of the EU.

Recurrent issues within the recommendations on "Economic Imbalances"

According to article 153 TFEU, the European Union "shall support and complement the activities of the Member States" in various fields such as an "improvement (…) of the working environment, (…); working conditions" or the "social security and social protection of workers." However, concerns about wage setting and the indexation mechanism prevail in the recommendations on economic imbalances although they exceed the remit of the EU as mentioned in this article.

The European Commission gave explicit recommendations on economic imbalances to eight Member States, including Belgium, Cyprus, Bulgaria, France, Italy, Luxembourg, Malta and Spain. Consequently, this list consists of all EU countries in which a system of **automatic wage adjustment or wage indexation** is applied (BE, CY, LU, MT and in ES where some form indexation is also taking place). The recommendations to these countries plus Italy emphasis that "wage growth should better reflect development in labour **productivity and competitiveness**."

In consultation with the social partners and in accordance with national practice, Belgium, Cyprus, Luxembourg, Malta, Spain and Italy are recommended to reform their system of wage bargaining and wage indexation "to ensure that wage growth better reflects developments in labour productivity and competitiveness". Spanish and Italian wages should also take into account "local- and firm-level conditions". Italy should consider "clauses that could allow firm level bargaining to proceed in this direction". (It currently covers less than half of all workers.) In the Spanish case and in a narrow-minded fashion, it is clear that the wage policy is the only driver "to grant firms enough flexibility to internally adapt working conditions to changes in the economic environment".

Finally, France must "ensure that any development in the minimum wage is supportive of job creation".

Changes from Commission to Council

Belgium managed to soften the tone of the recommendation (since the one adopted by the Council states "take steps to reform" rather than "reform") while the message was from the start (that is, already in the proposal of recommendation drafted by the Commission) "harsher" (a "comprehensive reform of the collective bargaining process" that goes far beyond than wages alone).

3. Stability of the financial sector

The Annual Growth Survey

According to the Annual Growth Survey, the stability of the financial sector must be reinforced by regulation and supervision as well as restructuring of banks. The latter recommendation should ensure its "long-term viability and (…) a properly functioning credit channel."[35] Moreover, in accordance with Basel III, the Commission urges for a stronger capital base.

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[35] European Commission, Annual Growth Survey COM (2011) 11 final, op.cit., 12/01/2010, p.5, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).

Six Member States (BE, CY, DK, DE, ES, UK) received already recommendations regarding the state of their financial sector. However, three weeks after the release of the recommendations on the 15th of June 2011, the outcome of the stress test[36] was made public. Refined recommendations might have been the result if these stress tests were taken into account. Therefore, a better synchronicity between these two exercises would have been much consistent and welcomed.

Recurrent issues regarding the "stability of the financial sector"

The most recurrent recommendation urges Member States to finalise **restructuring** those **banks** which have particularly suffered during the financial crisis (BE, DE, ES). In this context, Belgium should restructure those banks which are "in need of an adequately funded and viable business model" and address the **structural weaknesses** of its financial sector. Germany should restructure its Landesbanken (regional state banks) and Spain its saving banks. The Council amended this recommendation for Spain by deleting the reference to the weaknesses in the governance structure of Spanish saving's banks and by adding the deadline of 30 September 2011 to finalise the restructuring process.

The Commission urges **Cyprus** to strengthen the prudential framework for its banks while detecting risks early.

The focus of the Commission's recommendations for Denmark and for the United Kingdom lies on the **real estate market** as well as the mortgage and property tax system. Beyond stabilisation of the real estate market, the United Kingdom is further asked to address the problem of affordability of housing. Addressing the question of affordability of housing has a positive impact for e.g. low-income earners. However, fiscal consolidation remains the top priority, as the "need for state subsidy for housing" should be alleviated according to the second part of the same sentence. Beyond a simple review of the functioning of the mortgage and property tax system for the UK and Denmark, the Commission also takes into account the concentration of the **financial service providers** in the United Kingdom by urging the latter to review also its financial regulation, tax and planning systems. However, this is not specified in terms of concrete proposals for modifications.

Changes from Commission to Council

In three recommendations on the financial sector, the Council left a noteworthy footprint.

In the case of the United Kingdom, the Council amended the recommendation so that measures and policy instruments such as "reforms to the mortgage market, financial regulation, property tax and the planning system" are not mandatory but worth to be considered.

Second, similar amendments have been made to Slovenia's recommendation as the Council inserts the words "where appropriate" before enumerating the measures to take. As a result, Slovenia gets a larger room for manoeuvre to pick and implement suggested measures.

Third, the Council – maybe taking into account the need for credible fiscal consolidation in Spain to calm down financial markets – inserts a date for finalisation of restructuring of saving's banks, which is now set at the end of September 2011.

[36] Cf. European Banking Authority, 2011 EU-wide stress test aggregate report, London, 15/07/2011, http://stress-test.eba.europa.eu/pdf/EBA_ST_2011_Summary_Report_v6.pdf (retrieved 05/08/2011).

II. MOBILISING LABOUR MARKETS, CREATING JOB OPPORTUNITIES

This chapter contains four different headings: "Making work more attractive", "Getting unemployed back to work", "Reforming the pension system" and "Balancing security and flexibility." As the recommendations on the first two headings are rather overlapping, they are analysed together in one section. In their content they refer to the EU2020 headline goals on employment and education.

4. Making work more attractive and Getting the Unemployed back to work

Looking closer at the indicators for EU2020 as collected by Eurostat in 2011, the EU falls on average short 2-2,4% of the 75% employment rate put forward in the EU2020 strategy. The most ambitious targets are set for Spain (from 62,5% employed in the age group 20-64 to 74% in 2020, namely an increase of 11,5%) and Hungary (from 60,4% employed in the age group 20-64 to 75% in 2020, an increase of 14,6%). In contrast to that, Sweden, Denmark and the Netherlands were already above the EU2020 target in 2010.

The Annual Growth Survey

In order to align Member States on the achievement of the EU2020 targets, the Commission suggests a set of measures and instruments grouped under the headings of "making work more attractive" and "getting unemployed back to work" in its Annual Growth Survey. Under the former heading, the Commission urges all Member States in this document to shift "taxes away from labour", to gear "tax benefit systems, flexible work arrangements and childcare facilities"[37] as well as to "reduce undeclared work."[38] Under the latter heading, the Commission suggests three main instruments: (1) provide incentives to work through support of self-employment, time-limited support, conditionality linking training and job search, (2) ensure coherence between the level of income taxes and unemployment benefits, (3) adapt the unemployment insurance system.[39]

Recurrent issues regarding "Making work more attractive" and "Getting the unemployed back to work"

If 24 Member States out of 27 fall short of the employment target within the EU2020 strategy, the recommendations on labour policy such as "Making labour more attractive" should thus encompass at least 24 Member States. However, the objective of enhancing participation in labour markets is only addressed to 13 Member States.[40]

Suggested measures against low **labour market participation** range from demand side solutions, such as subsidies/aid/financing in retraining of workers, provision of childcare

[37] European Commission, Annual Growth Survey COM (2011) 11 final, op.cit., 12/01/2010, p.6, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).

[38] Ibid.

[39] Ibid.

[40] However, there might be some recommendations to some countries, which show some overlap with labour market policy issues.

facilities, to supply side solutions, such as cutting taxes and social security for companies. Starting with the former, the active labour market policies – in some recommendations specified, in others not - **target** mainly low-skilled workers (CY, EE, SK, CZ, HU), elderly workers (BE, CZ, FR, PL), long-term unemployed (FI), young people (LU, EE, SL, SK, SE) vulnerable groups (CZ, HU, NL, SE) or workers in general without further distinction (DE, MT, PL). The issue of migrant workers as such is not addressed in any of the recommendations. The fact that most of them resort to one of the previous categories should not overshadow the difficulties facing the high skilled migrants. As noted in a study realised for the OECD[41], "In Europe it was observed, that highly skilled immigrants are often employed in low skilled jobs, e.g. as taxi drivers or hospital staff. This so called brain waste generates resource costs and leaves room for questions about assimilation, integration and the consequences of discrimination on the human capital accumulation in the receiving economy."

A contrario, it appears that except native male white-collar and well paid workers, everyone on the labour markets is concerned. But practically, the labour policies seem "sliced" to address particular profiles at the expense of horizontal issues such as the quality of work (intrinsic job quality, gender equality, health and safety at work, work organisation and work-life balance...). It is worth underlining that while quality of work was an explicit objective pursued by the Lisbon Strategy it is not anymore the case under the EU2020 Strategy. In 2003, the Commission stated in a communication[42] that: "In the EU, a clear positive link can be observed between overall employment performance, on the one hand, and job quality on the other. There is in particular a negative correlation between the share of low quality jobs and the employment rate, notably for women and medium to high skilled people". Indicators were agreed by the Council, published once but unfortunately never used afterwards.

Cyprus, Hungary, Italy and Poland directly state their objective of an increasing participation of the number of women in the workforce, which reminds of the former Lisbon Strategy where the employment objective was split in three specific goals: a 70% employment rate for the 15-65 year old, a 60% employment rate for women and a 50% employment rate for +55 year old workers. The recommendations to the Czech Republic, Germany and the UK address workers in general who are not part of the workforce because of childcare responsibilities. To this end, these countries claim to enhance the number of **childcare facilities**, especially for young children (pre-school). However, exact wording and thereby potential effects of this same idea differ throughout the country-specific recommendations. The UK only intends to target lone parents without mentioning any concrete instrument. The recommendations for Austria, Germany, Hungary and Italy do not reflect great ambition as they just plan to increase the number of available childcare facilities. In contrast to that, the recommendations for the Czech Republic and to Poland touch upon not only the **availability** of these facilities but also the **affordability**. In this respect, Poland claims to ensure stable funding for the childcare facilities and the Czech Republic explicitly intends to ensure affordable access to them. As a result, while some countries (AT, DE, HU, IT) should address the problem, only the combination of available and affordable childcare facilities (as suggested to CZ) will finally contribute to close the gender gap in the workforce.

Being part of active labour market policies, **assistance of employment services** and **training** are recommended to particular target groups as a remedy against unemployment

41 OECD, What are the migrants' contributions to employment and growth? A European approach, January 2007

42 European Commission: Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. Improving quality in work: a review of recent progress, COM(2003) 728final, Brussels, 26/11/2003, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2003:0728:FIN:EN:PDF (retrieved 08/08/2011).

(PL, SK, MT, CY, CZ, DE, HU, LU). Most commonly targeted by this instrument are low-skilled workers. In the case of some countries (EE, FI, FR, PL, SK, SL, ES), the Commission put emphasis on the importance of **lifelong-learning** which represents - in case of availability and affordability – an essential requirement to match supply and demand on labour markets and to make growth smart, inclusive and sustainable as required in EU2020 strategy. In theory, this emphasis should be incorporated into every country-specific recommendation. However, only eight of them included it. The Cyprian recommendation is one of the most ambitious in this regard as it sets out very ambitious labour market policies encompassing vocational training, a training system by incentives and with better access to it. However, the quality of trainings in order to ensure the long-term success is not mentioned in most of these recommendations (except for HU, CZ, MT). Consequently, it may be possible that unemployed are put into such training measures without ever having a realistic opportunity of getting a job on the labour market. In addition to that, the aspect of consulting or cooperating with **other stakeholders** on the question of training and lifelong learning is neglected except in for the Czech Republic (cooperation) and Hungary (consultation).[43]

What is generally **missing** under the headings of "making work more attractive" and "getting unemployed back to work" is a global assessment of reasons why people may tend to not to seek actively for work. No word about decent salaries, gender discrimination on the job market or more attractive working conditions. Regarding the equal treatment of gender in the labour market, it is only the recommendation for Austria, which explicitly seeks to close the gender pay gap (the second deepest with 25,4% in the EU after Estonia[44]).

As the technical background on the Austrian case claim, this deep **gender pay gap** lead to a relatively high poverty risk for women. According to the Commission, this gender pay gap is caused by female part-time work, which is intended to shrink through increasing childcare facilities. However, there might be very different reasons why women do only get part-time jobs, ranging from labour market conditions to care responsibilities for disabled or elderly people or a reasoned choice of their own.

The recommendations to Member States focus again on fiscal consolidation through enhanced participation in labour markets, which then leads to increased productivity and growth. And yet, there is hardly any social dimension of labour market policies mentioned. Solely Estonia puts the objectives "the steps to enhance labour demand" and "reduce the risk of poverty" on equal footing in the paragraph on employment policies.

In all EU MS **youth unemployment** rates are higher than mainstream joblessness, often by a factor of two to one with only DE and NL having youth unemployment rates below 10%. But when it comes to tackle unemployment of young people and their education, only the recommendations for EE, SK, SL, SE, LU, ES mention young people as specific target group of their active labour market policies. The recommendation for Spain which is the country with the highest youth unemployment rate in the EU with 42,8% of under-25s seeking work (in contrast, mainstream unemployment rate at 19,1%) aims at assessing its labour market reforms and its reforms of labour market policies envisaging to improve further employment opportunities for young people.

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43 The 2003 Communication shows the importance of involving stakeholders, especially the social partners since "collective agreements on the provision of continuing vocational training contribute to reducing the large discrepancies in the provision of training. In enterprises with agreements more than half of all employees participated in CVT courses in 2000, compared with about a third in firms without agreements. Average hours spent in CVT courses by the participants throughout the year were twice as high in firms with agreements (53 hours) as in firms without agreements (35 hours)." (Ibidem)

44 Eurostat: Labour Market Statistics, 2009 edition, to be retrieved under: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-30-09-149/EN/KS-30-09-149-EN.PDF (retrieved 05/08/2011).

This high youth unemployment rate is thereby implicitly considered as being caused by young people themselves and education institutes as it is claimed that **skills should better match with labour market needs** (CY, LU, PL, SK, SL, UK). More generally, it is recommended to work on this deficit (not specifically in case of young people) for BG and SL. The recommendation for Slovenia contains a very interesting remark on the labour market in the context of youth employment. According to it, the parallel labour market resulting from so-called student work has to be tackled. This remains the only recommendation that finally raises the issue of precarious and instable contracts for young people (education cf. balancing security and flexibility).

The important aspect of **decent living conditions** for elderly people is almost left aside. Only Malta and the Netherlands are required to adopt and implement a comprehensive active ageing strategy; the Netherlands should above that aim at reforming long-term care. In addition to that, Slovenia and Spain are the only countries to offer assistance to elderly workers by encouraging active labour market policies and lifelong learning (cf. also below "making work more attractive" and "getting unemployed back to work").

The improvement of employment services is another recommendation being part of active labour market policies. Be it for those at risk of long-term unemployment (FR, SK) or young people (SK) or for other people being unemployed, BG, CZ, FR, HU, SK and SL put emphasis on the need to enhance the **public employment services' capacity**. In addition to that, the recommendation for Hungary is not only intending to strengthen the capacity of public employment services but also it is to open the procurement of these services to other providers. Beyond that, Hungary is also urged to deliver positive evidence-based results by reinforcing its labour market measures.

Finally, turning to the supply side solutions in order to promote employment, 8 out of 22 countries intend to reduce the **tax and social security burden** in a budgetary neutral way (AT, BE, EE, DE, NL, HU, LT, SK, ES). In this context, the recommendation for Austria stresses the need to follow this direction especially for low and medium income earners. Tax disincentives to work for second earners are the focus of the recommendations for Germany and the Netherlands. France is also called upon to reduce - as already planned - the number and cost of tax and social security exemptions (including "niches fiscales"). Finally, the recommendation for Belgium is linking this aspect to the introduction of a system where the level of unemployment benefits decreases gradually with the duration of unemployment, thereby setting a double incentive with an increased income through a decreasing tax burden and gradually lowering unemployment payments.

In the recommendations for Belgium, France and Slovakia, the tax system is addressed. The recommendations for Belgium and France target at shifting away tax from labour to "consumption and environment-harmful activities." In contrast to that, the recommendation for Slovakia falls more under the heading of fiscal consolidation as it just states that revenues should be increased "through environmental and property taxes" as well as more efficient ways of "VAT collection."

As a specific recommendation, Italy intends to fight against **undeclared work** which is a far spread phenomenon in the south with four southern regions (out of 20 in total) having a share of 18,6% of black market.[45] In addition to that, Italy foresees to combat labour market segmentation by reviewing "selected aspects of employment protection legislation, including dismissal rules and procedures and reviewing the currently fragmented employment benefit system taking into account budgetary constraints." This far-reaching recommendation is unique in its scope and ambition.

Under the heading of employment policies, Estonia is committed to **territorial cohesion**

[45] The Economist: Oh for a new risorgimento, Special Report: Italy, 09/07/2011, to be retrieved under http://www.economist.com/node/18780831?story_id=18780831 (retrieved 05/08/2011).

as long-term unemployed should be tackled “especially in areas of high unemployment.” Apart from Estonia, there is only one paragraph on closing the gap between different regions in the recommendation for Italy where the GDP per person is over 70 to 80% lower in the South than in the centre and North (respectively) and has been for the past 30 years [46]. Italy should thus take steps to reduce the “persistent disparities between the regions” by accelerating “in a cost-effective way growth-enhancing expenditure co-financed by cohesion policy funds.”

It is surprising that Hungary, Bulgaria, Slovakia where the interregional disparities are the highest (as measured by the dispersion of regional GDP at Nuts 2 level)[47] are not required to act likewise (their coefficient exceeds 30% while Italy, the UK and Belgium are around 23-24% and the Nordic countries 15% and the Netherlands faring even better with 10,6% (no such data computed for Estonia and some other Member States)).

Changes from Commission to Council

There in no significant amendment adopted by the Council regarding this area. However, it is interesting that while the recommendation urges France to "review selected aspects of employment protection legislation", the Council added that such a move should be undertaken "while improving human capital and upward transition", introducing hereby the qualitative dimension.

5. Reforming pension systems

The Annual Growth Survey

According to the AGS, “fiscal consolidation should be supported by reform of pension systems.”[48] To this objective, the following measures are suggested: “increase the retirement age and link it with life expectancy, (…) reduce early retirement”, incentives for older workers and lifelong learning, development of private savings to enhance retirement incomes and further measures enhancing “the sustainability and adequacy of their public finances.”

Recurrent issues within the recommendations on “Reforming the pensions system”

The most recurrent recommendation under this heading regards the **increase of the retirement age** (BE, BG, CZ, FI, LU, MT, NL, PL, SK, SL, ES). This recommendation translates in fine into a decrease of the effective pension payments and in the AGS it is suggested to achieve this objective through linking the statutory retirement age to life expectancy. It is indeed then the most commonly stated instrument within all recommendations (BE, CY, CZ, FI, LU, MT, NL, PL, SK) and can therefore be considered as the core message herein. While for some countries, this instrument is just one to consider (BE, CZ, LU, PL), others are urged directly to follow this line (CY, FI, MT, NL, SK). Further instruments with the same consequence are the recommendation to gradually increase of the social insurance length of service (BG) and to extend years of

[46] Eurostat: Dispersion of regional GDP at Nuts level 2 and 3 (%), 16/12/2010, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_r_e0digdp&lang=en (retrieved 18/08/2011).

[47] Ibid.

[48] European Commission, Annual Growth Survey COM (2011) 11 final, op.cit., 12/01/2010, p.6, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).

contribution to the pension system (CY).[49]

The second most recurrent recommendation under the heading of the reform of the pension system is the improvement of the **long-term sustainability of public finance** (BE, CY, CZ, DK, LU, MT, NL, SK, SL). This underlines that the reform of pensions obeys primarily the objective of fiscal consolidation. Consequently, scope and possibilities regarding potential pension reforms are limited. With limited budgetary room for manoeuvre, Malta is called upon to encourage **private pension savings** and Slovakia should “adjust further the pay-as-you go pillar.” However, the recommendations do not address the fact that currently insufficient regulation on these private pension schemes might cause the future loss of these private savings. Beyond that, Cyprus is required to control the healthcare-related expenditure in order to help curbing age-related expenditure.

Another means to assure a constant number of payers to each national pension systems is to prevent **early exit from the labour market** by phasing out or overhauling existing schemes (AT, BE, BG, FI, LU, MT). In addition to that, the improvement of employability and the participation of older workers (LT, LU, SL) and the increase of long-term labour supply through e.g. flex-jobs is stressed in the recommendations for Denmark and Finland.

The general emphasis is clearly put on the question of how to reform pension system so that they contribute to consolidate national budgets. In contrast to that, less emphasis is put on the question of **adequacy of pensions** and the **risk of poverty for the elderly**. Despite the fact that 88%[50] of the elderly (+65) are at risk of poverty rate before social transfers when pensions are included in these transfers or 22% if pensions are excluded (2009), only in a few cases attention is paid to the need to preserve the adequacy of pension (CZ, SK, and Slovenia, the figures are respectively 84% and 32%) or to address the high risk of poverty rate for elderly (CY). However, the risk of not having a fair level of pension to escape poverty when being old is even higher in Estonia, Bulgaria, Latvia or even Denmark.

Another aspect essential for any sustainable pension reform is the consultation of “social partners and national partners.” However, only Austria, Bulgaria and Finland mention consultation and accordance procedures with partners as integral part of pension reforms’ projects.

Changes from Commission to Council

In Cyprus and Luxembourg and to a lesser extent, Belgium cases, the Council seems to consider that such a measure is less stringent, just a way to consider while there exists alternative routes with "an equivalent budgetary effect" to raise older employment.

Belgium should set up a strategy aimed at curbing age-related expenditure while, at the request of the Council, being "in line with the framework of the three-pronged EU strategy", hereby referring to: reducing debt at a faster pace; raising employment rates and productivity; and, reforming pension, health care and long-term care systems. This addition broadens the scope of the reform asked by the Commission.

As regards the recurrent issue of linking the statutory retirement age to life expectancy, the Council amends the recommendation for Belgium and Luxembourg in this point. After

[49] Further specific recommendations guiding in the same direction are to be found in the recommendation for Poland (raise statutory retirement age for uniformed services) and for Austria (harmonisation of the retirement age for men and women).

[50] Eurostat database

the amendments of the Council, this measure is just one to be considered.

Finally, the change in the recommendation for Denmark reflects the general idea of the “reforming of the pension system.” The Council adds to the first sentence describing the project of pension reform that its objective is “to strengthen employment and the sustainability of public finances.” The sustainability of public finance is probably also the major concern in the recommendation for Slovakia when the Council inserts the advice to “change the indexation mechanism.”

6. Balancing security and flexibility

The Annual Growth Survey

According to the European Commission within the AGS, labour market rigidities restrain the access to labour markets. At the same time, education is considered as variable to improve access to it especially for young people. On the flexibility side, the European Commission suggested in its Annual Growth Survey to diminish “labour market rigidity”[51] and to promote education in order to help young people to enter the job market. Moreover, a more simple recognition procedure of professional qualifications should facilitate free-circulation of “citizens, workers and researchers.”[52] Moreover, more open-ended contracts should replace temporary or precarious contracts.

Recurrent issues regarding “Balancing security and flexibility”

Regarding **labour market rigidities**, France, Italy and Spain should combat labour market segmentation by reviewing selected aspects of employment protection legislation (in the case of Italy, the Council points especially to the dismissal rules and procedures and the review of the unemployment benefit system). By the same token, Slovenia should reduce asymmetries in rights and obligations guaranteed under permanent and temporary contracts and the Czech Republic should introduce more flexible forms of working arrangements such as for instance part-time work. Lithuania is supposed to address the issue of amending labour legislation in order to make it more flexible but also “to allow better use of fixed-term contracts.” Finally, France has to ensure that "ensure that any development in the minimum wage is supportive of job creation."

However, the approach is biased since even the Annual Growth Survey stated that “Member States could introduce more **open-ended contracts** to replace existing temporary or precarious contracts in order to improve employment perspectives for new recruits”. However, contrary to the term open-ended contract, they do not imply the same rights as conventional unlimited contracts.[53] Therefore, the aspects of work quality disappears despite it was a goal of the Lisbon Strategy that was swept away in the EU2020 Strategy.[54]

Regarding the promotion of **education**, the most recurrent matter is to reduce drop-out

[51] European Commission, COM (2011) 11 final, Annual Growth Survey, op.cit., 12/01/2010, p.8, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).
[52] Ibid.
[53] cf. Parliamentary Questions, Elisabeth Schroedter (Verts/ALE), 29/03/2011, to be retrieved under http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+WQ+E-2011-003025+0+DOC+XML+V0//EN.
[54] Cf. In recurrent issues of “Making work more attractive“ and “Getting unemployed back to work“, p.25.

rates of school and vocational training (emphasis DK) (AT, DK, MT, ES). The Council deleted this point in the recommendation for the UK by stressing the need to “ensure that a higher number of young people enters labour market with adequate skills” and to “improve employability of 8-24 year olds.” Denmark, Estonia, Malta and Spain underline their urge to enhance quality and availability of professional education (such as the number of apprenticeship places). A more general recommendation is addressed to Germany that should ensure an equitable access to education and training systems. In addition to that, the Maltese recommendation – which spends one entire paragraph/article on the issue of education – intends beyond that to “identify, analyse and measure its [early school-leaving] causes by 2012 and by setting up a regular monitoring and reporting mechanism on the success rate of the measures.” When leaving education institutes, skills should better match with labour market needs (CY, LU, PL, SK, SL, UK).[55] Beyond education, several recommendations are made on other active labour market instruments such as training, assistance and lifelong learning to specific target groups.[56]

In order to promote **free movement of professionals** on the European labour market, several recommendations address the issue of removing restrictions on some professions (AT, FR, SL, ES, DE).[57]

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[55] Cf. also for further information on professional/vocational training for specific target groups in “Making work more attractive“ and “Getting unemployed back to work“, starting from p.23.

[56] Ibid.

[57] More details under “Tapping the potential of the single market“, starting from p.32.

III. Frontloading growth-enhancing measures

Under this title, three different issues are discussed, namely “Tapping the potential of the Single Market”, “Attracting private capital to growth” and “Creating cost-effective access to energy.”

7. Tapping the potential of the Single Market

The Annual Growth Survey

According to the Annual Growth Survey, Member States are supposed to lift barriers to market entry and obstacles to entrepreneurship and cross-border services in order to tap the potential of the EU Single Market. Measures include the implementation of the Services Directive and the removal of restrictions on professional services, promotion of e-commerce, free trade agreements and symmetry in public procurement markets as well as specific measures regarding taxation such as the modernisation of the VAT system and the adaptation of the EU framework for energy taxation.

Recurrent issues regarding “Tapping the potential of the Single Market”

The general emphasis within this recommendation is clearly put on fostering **competition** either in the services’ sector (AT, CY, DK, FI, IT) and more specifically the retail sector (BE, DK, FI, LT), and/or the network sector (DE, CY), especially the electricity and gas sector (BE, BG, FI, LT). Above that, Austria is urged to fully adopt the services directive. In more specific terms, Denmark is planning to foster competition in the retail sector by reviewing legislation on land use and opening up procurement in municipalities and regions while Lithuania is planning to achieve the same target by reforming the delivery of construction permits. To foster competition in the network sector, Germany is further urged to ensure the effective independence of energy production and transmission as well as improving cross-border interconnections. As competition authorities are a means to enhance competition, Austria, Bulgaria (Bulgarian Energy Regulator) and Germany (Federal Network Agency in the rail sector) shall attribute more power to them.

The strengthening of the **general administrative capacity** as factor influencing the business environment is mentioned in the recommendations for Bulgaria, the Czech Republic, Hungary, Slovenia and Poland. For Bulgaria and Czech Republic, the combat against corruption as well as the responsiveness of administration to businesses’ and citizens’ needs is underlined. To that same end, Slovakia should furthermore ensure higher performance and transparency of the judicial system. In contrast to that, Finland is planning to achieve productivity gains and cost savings in public service provision in order to respond to the challenges arising from population ageing. As a very specific target within the general idea of improving the business environment, Lithuania addresses the need to improve start-up conditions. The same idea is behind the Polish recommendation to simplify legal procedures involved in enforcing contracts; revise construction and zoning legislation, with a view to streamlining appeal procedures and speeding up administrative procedures.

The removal of **restrictions on some professions and crafts** is another instrument suggested by the Annual Growth Survey and incorporated into the recommendations to Austria, France, Slovenia, Spain and Germany. For Germany, the removal should not only encompass some professions but also some crafts.

As a result, Commission and Council open the way for a strengthened **Services Directive** with a broadened scope focussing on the retail markets and regulated trades and/or professions (AT, DE, FR, SL, ES) or even certain crafts (DE) because either it has not yet been properly implemented 18 months after the legal date for transposition or it lacks tooth due the softening of the Commission proposal after EP and Council amendments.

The recommendations also cover some further **legislative or procedural rules** such as

- for Italy, the adoption of the Annual Law on Competition, the reduction of the length of contract law enforcement procedures,
- as well for Italy and also for Hungary, the access of SME to capital markets,
- for Slovakia and Bulgaria, a more effective application of public procurement rules,
- for Slovenia, a strengthened administrative capacity of the Competition Protection Office,
- for Spain, an improved coordination between regional and national administrations to reduce the administrative burden, the implementation of the Law on Sustainable Economy and, very broadly, the elimination of restrictions to competition, efficiency and innovation,
- for the Czech Republic, addressing the issue of anonymous share holding,
- for Lithuania implementation of all aspects of the State-Owned Enterprise reform in order to ensure a separation of ownership and regulatory functions.

The recommendations focus thus on the services' sector. It is therefore striking that there is no recommendation addressing the industrial sector as both are closely intertwined. "Business-related services such as logistics, facility management, design, marketing and advertising are becoming ever more essential to modern manufacturing". Therefore, no wonder that "at least one out of four [jobs in the private sector in the EU] is in associated services that depend on industry as a supplier or as a client" (that is as many as in the manufacturing industry)[58].

On the top of that, the industrial policy has a persisting importance for the EU economy in terms of jobs, exports and R&D investment. On the downside, the industry is responsible for a major share of greenhouse gas emissions. All these effects are influencing the achievement of the EU2020 targets. This blank is even more striking as the Commission released a communication “An industrial policy for the globalisation era"[59] in which one chapter is directly linked to the priority of “strengthening the Single Market.” In this chapter, the Commission develops proposals as to the enforcement of intellectual property rights, the competition policy, the upgrading of infrastructure and standardisation. Beyond that however, the Commission also deals with the question of sustainability of the industrial sector, namely the resource, energy and carbon efficiency, the access to raw materials and other critical products and trade, innovation or skills issues. To conclude,

[58] European Commission: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. An Integrated Industrial Policy for the Globalisation Era putting Competitiveness and Sustainability at Centre Stage, SEC(2010) 1272, Brussels, 28/10/2010, http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/files/communication_on_industrial_policy_en.pdf (retrieved 19/08/2011).
[59] Ibid.

the Commission already had a more far-reaching and more encompassing concept of how to strengthen the single market.

Changes from Commission to Council

There is no significant amendment put by the Minister on the proposals drafted by the Commission.

8. Attracting private capital to finance growth

The Annual Growth Survey

The Annual Growth Survey envisaged two measures to be initiated at the EU level:

- The Commission will make proposals for EU project bonds to help bring public and private financing together for priority investments notably in energy, transport and ICT and will also include these innovative financing instruments in its forthcoming proposals for the next Multi annual Financial Framework.
- To facilitate access to finance for SMEs and innovative start-ups, the Commission will make proposals to enable venture capital funds established in one Member State to operate freely anywhere in the EU and to eliminate remaining tax obstacles to cross-border activities.

Recurrent issues regarding "Attracting private capital to finance growth"

There is only one recommendation for the UK to be found in this field. While some countries like Hungary and Italy have to address the need to improve **access to bank finance for SMEs**, it is only the UK recommendation that specifically speaks about access to **nonbank finance** for the private sector and especially SMEs such as venture capital, risk capital and debt issues on public markets. To this end, ways to improve such finance possibilities should be discussed as stated in the Commission's draft. The Council has however changed that particular recommendation by introducing "explore with the market way to improve" such finance instruments. Nonetheless, there is no attempt in getting to regulate these instruments any further.

9. Creating cost-effective access to energy

The Annual Growth Survey

The Annual Growth Survey invited the Member States to step up their energy efficiency policies as this will lead to significant savings and create jobs in the construction and services sectors.[60]

[60] European Commission, Annual Growth Survey COM (2011) 11 final, op.cit., 12/01/2010, p.8, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).

Recurrent issues regarding “Creating cost-effective access to energy”

As regards the cost-effective access to energy, Estonia and Bulgaria should target at enhancing the **energy efficiency** of their buildings; Estonia and Malta should further aim at enhancing the energy efficiency of their economies. Germany should improve the “cost-effectiveness of the Renewable Energy Act and upgrade cross-border energy interconnections.” The development of “cross-border electricity grid interconnections” is also recommended to Poland. Moreover, Poland should “develop a multiannual plan for investment in railway infrastructure and promote energy efficiency.”

Few recommendations take into account any aspects reaching beyond the heading of “creating cost-effective access to energy” (CY, MT, PL)[61] in order to match the energy/environment objectives of the EU2020 Strategy whereby the EU committed to reduce its CO2 emissions by 20%, increase its energy efficiency by 20% and raise the share of renewable energies in overall energy consumption to 20%[62]).

[61] Further information on recommendation reaching beyond „cost-effective access to energy“ cf. “energy/environment – sustainable growth” starting from p.38.

[62] cf. European Commission, Europe 2020 COM(2010) 2020, Brussels, 03/03/2010, p.9, http://ec.europa.eu/commission_2010-2014/president/news/documents/pdf/20100303_1_en.pdf (retrieved 02/08/2011).

EU2020 ISSUES NOT ADDRESSED IN THE AGS BUT GIVING RISE TO (FEW) RECOMMENDATIONS

10. Poverty – Inclusive growth

As stated in the EU2020 Strategy, the European Commission wants not only to promote smart and sustainable but also inclusive growth. Therefore, one of the headline targets is to reduce poverty by at least 20 million people by 2020. According to Eurostat, in 2009, 23,1% of the European Union's overall population, that is 113,7 million people, were at risk of poverty or exclusion.[63] The top performing countries in this field are the Czech Republic (14%), the Netherlands (15,1%) and Sweden (15,9%). The highest percentage of population at risk of poverty or exclusion has Bulgaria (46,2%) and Romania (43,1%).

The headline target should be supported by the recommendations. It should furthermore be an integral part of the recommendations as Article 9 of the Treaty on the Functioning of the European Union reads as follows: "In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health." However, fighting poverty is one of the poor recommendations.

Bulgaria is the only country having an entire paragraph on this issue. According to its recommendation, Bulgaria should address "the challenge of combating poverty and promoting social inclusion, especially for vulnerable groups facing multiple barriers." And yet, suggested instruments to take on this challenge are the modernisation of employment services and the support to young people with low skills.

Other country-specific recommendations address the issue under other headings and to a limited extent or indirectly as regards the issue of low and medium income earners.

The recommendation for Estonia refers to the issue of poverty under the heading of labour market policies. The reduction of risk of poverty and the support of labour demand are considered as objectives on equal footing. However, the reduction of tax and social security burden in a budgetary neutral way is introduced as inter alia effective way to tackle this challenge.

The recommendation for Cyprus explicitly speaks about the high risk of poverty in the context of pension reforms while – as in the case of Estonia – suggesting the well-known instruments of extending the years of contribution and of linking the statutory retirement age with life expectancy. It remains therefore unsure if the issue of high risk of poverty of elderly people can be properly solved.

Finally, AT, BE, DE, HU, SK address the issue of low and medium income earners which implicitly falls into this field. However, any further step to tackle this problem effectively is limited by the top priority of fiscal consolidation. For instance, the recommendations for Austria and Belgium envisage to "reduce the effective tax and social security burden on labour in a budgetary neutral way especially for low and medium income earners", the

[63] Eurostat: EU2020 Indicators, Population at-risk-of-poverty or exclusion, http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_50 (retrieved 07/08/2011).

recommendation for Germany speaks about an improvement of “work incentives for persons with low income perspectives”, the Hungarian recommendation intends to “alleviate the impact of the tax reform on low earners in a budget-neutral way.”

Finally, plain silence is kept on the very low level of public expenditure spent on social transfers despite the fact that this represents a straightforward lever to pull especially for countries that have a low debt-to-GDP ratio. As an example, Bulgaria spends far less than the EU27 average (14,3% and 21,7% respectively in 2010)[64]; while Cyprus, Lithuania, Malta and Romania are four other countries reluctant as well to dedicate money (less than 15 % of their GDP)[65] on the reduction of poverty although their record in this field being poor.

11. R&D&I – Smart growth

The EU2020 Strategy repeated the target of 3% of GDP invested in R&D already set in the Lisbon Strategy, the latter being clearly unsuccessful in raising the percentage from 1.86% in 2000 to 2.01% in 2009.

Having a closer look at the statistics provided by Eurostat on the gross domestic expenditure R&D[66], only Finland (3,96% in 2009), Sweden (3,62%) and Denmark (3,02%) are above this numerical threshold. While the lowest spending has Romania (0,47% in 2009), Slovakia (0,48%), Malta (0,54%) and Lithuania (0,84%) –, one out of three Member States spends less than 1% of its GDP in R&D, public and private fundings combined.

In spite of the huge challenge to build a knowledge society, the term "innovation"[67] appears only twice in the Annual Growth survey under the heading "Fiscal consolidation" and in the final section on “ensuring delivery.” The term “research”[68] is mentioned under the heading of “fiscal consolidation” and at the beginning of the second chapter on “frontloading growth-enhancing measures.” The apparent lack of interest in promoting such a growth-enhancing instrument is replicated in the recommendations. No wonder that only two country-specific recommendations address the R&D issue. But what is striking is that they go to middle-ranking countries: the Netherlands (1,84%) and Italy (1,27%).

The Netherlands (that exhibits a particularly low level of R&D private spending) should protect expenditure in areas directly relevant for growth such as research and innovation, education and training. This Member State should also promote these investments and closer science-business links. Italy is the other country for which a recommendation related to R&D is issued but here, it does not go in the same direction: Italy should improve the framework for private sector investment in R&D&I by extending current fiscal incentives, improving conditions for venture capital and supporting innovations procurement schemes.

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64 These figures refer to the social benefits other than social transfers in kind and social transfers in kind: Eurostat, Main national accounts tax aggregates, 25/06/2011, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_a_tax_ag&lang=en (retrieved 18/08/2011).

65 Ibid.

66 Eurostat uses the indicator GERD (Gross Domestic Expenditure on R&D) as a percentage of GDP. Cf. further explanation provided under: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_20 (retrieved 08/08/2011).

67 European Commission, Annual Growth Survey COM (2011) 11 final, op.cit., 12/01/2010, p.4 and p.9, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).

68 Ibid, p.4 and p.7.

Consequently, the less performing countries are not required to improve their performance in this field. Does it mean that they should rely on cost-competitiveness as the sole engine for growth and therefore, which then would start a social race to the bottom?

12. Energy/Environment – Sustainable growth

The EU2020 Strategy contains three objectives under the headline target of energy and climate action. According to this strategy, the EU should reduce its CO2 emissions by 20%, increase its energy efficiency by 20% and raise the share of renewable energies in overall energy consumption to 20%.[69] However, the Annual Growth Survey only focuses on cost-effective access to energy (cf. “Creating cost-effective access to energy”).

Whereas it is nonetheless announced in the AGS that "the Commission is developing EU-wide standards for energy efficient products to help the expansion of markets for innovative products and technologies"[70], Member States are not urged to lift the ecological footprint. This underlines once again that the recommendations are not connected to the seven flagships (in this case, the resource-efficiency Europe flagship) supporting the EU 2020 Strategy, let alone the 2050 Roadmap (or the wraithlike Sustainable Development Strategy). The article 11 of the Lisbon Treaty foresees that: "environmental protection requirements must be integrated into the definition and implementation of the Union’s policies and activities, in particular with a view to promoting sustainable development". However, this horizontal provision of the Lisbon Treaty has been not respected.

Nonetheless, the recommendations for some Member States (CY, MT, PL) contain some advice on sustainable growth.[71] The recommendation for Malta is the most comprehensive on this subject. It is not only about infrastructure energy efficiency but also about reducing the “dependence on imported oil, by bringing forward investments in renewable energies.” The recommendation for Cyprus is less comprehensive but still ambitious. Cyprus should “reform by 2012 its water resources management” and the Council extended the scope of this recommendation so that Cyprus should “increase the diversity of the energy mix” and expand the share of renewable energy.

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[69] cf. European Commission, Europe 2020 COM(2010) 2020, Brussels, 03/03/2010, p.9, http://ec.europa.eu/commission_2010-2014/president/news/documents/pdf/20100303_1_en.pdf (retrieved 02/08/2011).

[70] European Commission, COM (2011) 11 final, Annual Growth Survey, op.cit., 12/01/2010, p.10, http://ec.europa.eu/europe2020/pdf/en_final.pdf (retrieved 07/08/2011).

[71] For further recommendations on energy in the context of cost efficiency cf. “Creating cost-effective access to energy”

ANNEX I : THE COUNTRY-SPECIFIC RECOMMENDATIONS

Annex I depicts in full length all country-specific recommendations issued to EU Member States. The Annex shows the final version of these recommendations as approved by the Council. The underlined (stricken through) parts in the recommendations highlight parts added (deleted) by the Council throughout the process to the Commission's texts.

The text of each recommendation is followed by an overview of the country-specific technical developments as mentioned in the National Reform Programmes. Despite not being part of the recommendations as such these technical developments are interesting since they explain the rationale underpinning the recommendations. They could also be interpreted as "points to watch" that may in the future may give rise to a recommendation.

EU recommendations for AUSTRIA

(1) ~~Take advantage of the ongoing economic recovery to accelerate~~Accelerate the correction of the excessive deficit~~. To this end, adopt and implement the necessary measures, including at the sub-national level~~, which is planned mainly on the expenditure side, thus bringing the high public debt ratio on a downward path, taking advantage of the ongoing economic recovery, in order to ensure an average annual fiscal effort of ~~at least~~ 0~~.~~,75 % of GDP over the period 2011-2013 in ~~2012~~line with the Council recommendations under the EDP. To this end, adopt and ~~2013~~implement the necessary measures, including at the sub-national level. Specify measures as needed to ensure adequate progress towards the medium-term objective in line with the Stability and Growth Pact (SGP) after correction of the excessive deficit.

(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.

(3) In consultation with the social partners and according to national practices, take ~~measures to phase out the~~ steps to further limit access to the current early retirement scheme for people with long insurance periods and ~~bring forward~~take steps to reduce the ~~increase in women's~~ transition period for harmonisation of the statutory retirement age between men and women to ensure the sustainability and adequacy of the pension system. Apply strictly the conditions for access to the invalidity pension scheme.

(4) Take measures to enhance participation in the labour market, including the following: reduce, in a budgetary neutral way, the effective tax and social security burden on labour, especially for low and medium-income earners; implement the National Action Plan on the equal treatment of women and men ~~on~~in 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.

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

<u>Technical developments</u>	
likelihood of macroeconomic scenario	plausible, too favourable toward the end of the period
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	medium
commitments under Euro+ Pact	raise the effective retirement age as well as control public expenditure more effectively at the various levels of government; combating youth unemployment, investing further in research and technical education, as well as on developing models for all-day schools
assessment by EU	while the measures address some of the main socio-economic issues facing the country, there are outstanding challenges that could usefully have been covered in the commitments, including in the areas of fiscal policy, education, competition and innovation
country-specific features	1) Fiscal consolidation: measures to underpin the consolidation path at the sub-national level are unspecified and the fact that savings from some of the measures adopted at the federal level will not materialise, e.g. gains from the anti-tax-fraud campaign the predicted impact of which seems to be highly speculative. 2) Banking sector: the growing debt of state-owned companies classified outside the government sector and potential further burden stemming from support measures to the banking sector are negative risks. 3) Despite the set up of a National Stability Pact, for a number of activities, revenue-raising and spending responsibilities do not reside within the same level of government. Notable examples of inefficiencies stemming from the current form of these fiscal relations are found in the health care and education sectors. 4) Employment: the female employment rate in Austria is relatively high, associated with one of the highest rates of part-time work. Women's jobs are highly concentrated in low-wage employment. These patterns result in a gender pay gap of 25,4 % which is the second highest in the EU and one of the factors leading to a relatively high poverty risk for women. A reason for female part-time work is the uneven distribution between women and men of care obligations for children and the elderly and the lack of child care and long-term care services. 5) Education: the education system is characterised by "early tracking", whereby pupils have to decide at the age of 10 about their future education path with limited permeability between paths, and widespread half-day schooling. This can result in suboptimal educational outcomes for vulnerable youth, in particular those with a migrant background.

EU recommendations for BELGIUM

(1) Take advantage of the ongoing economic recovery to accelerate the correction of the excessive deficit. To this end, take the necessary specified measures — mainly on the expenditure side — by the time of the 2012 budget to achieve an average ~~structural~~annual fiscal effort ~~of at least 0.75% of GDP.~~in line with the recommendations under the EDP, thus bringing the high public debt ratio on a declining path. This should bring the government deficit well below the 3 % of the GDP reference value by 2012 at the latest. Ensure progress towards the ~~Medium-Term Objective~~medium-term objective by at least 0,5 % of GDP annually.

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

(3) Address the structural weaknesses in the financial sector, in particular by finalising restructuring of the banks in need of an adequately funded and viable business model.

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

(5) Improve participation in the labour market by reducing the high tax and social security burden for the low-paid in a budgetary neutral way and by introducing a system in which the level of unemployment benefits decreases gradually with the duration of unemployment. Take steps to shift the tax burden from labour to consumption and to make the tax system more environmentally friendly. Improve the effectiveness of active labour policies by targeting measures at older workers and vulnerable groups.

(6) Introduce measures to boost competition in the retail sector, by lowering barriers to entry and reducing operational restrictions; and introduce measures to strengthen competition in the electricity and gas markets by further improving the effectiveness of the sectoral regulatory and competition authorities.

Technical developments	
likelihood of macroeconomic scenario	plausible (slightly less favourable growth assumptions for 2011)
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	high
commitments under Euro+ Pact	bring down the deficit, keep energy prices under control and encourage competition, control real wage increases, implement a supervisory framework to monitor the financial sector and introduce measures to increase the effective retirement age
assessment by EU	no information on the measures to be taken in order to achieve the required budgetary objective, nor on how real wage growth or energy prices could be controlled. Concerning early retirement schemes, it is not clear whether and when the 'Generation Pact' will be reviewed and what the impact of that review would be in terms of concrete measures
country-specific features	1) Banking sector: the financial situation of the banking sector remains fragile. Furthermore, the banking sector is highly concentrated and relatively large compared to the size of the economy. 2) Wage development: According to the 1996 “Wage-Setting” Law, the trend in wages should be in line with the wage trend in France, Germany and the Netherlands. Nevertheless, over the period 2005-2010, wages have increased faster in Belgium while productivity growth has been slower. As a consequence, unit labour costs have risen at a faster rate in Belgium compared to its neighbouring countries and the euro-area average. This is particularly problematic as Belgium is specialised in goods with relatively low technology content, facing fierce competition from lower-cost countries. Even though the wage rule helps to frame the wage negotiations, it could be improved by taking into account differences in productivity growth and by providing a more effective system to implement corrections ex post if the targets are not met. 3) Labour Market: the labour market is characterised by a number of rigidities that create significant disincentives to taking up work, namely: unlimited unemployment benefit duration; high effective marginal tax rates and a high tax wedge (particularly for low paid workers); and the combination of the withdrawal of social assistance benefits and high taxation when taking up work. Moreover, several exit routes for older workers provide incentives to leave the labour market before the statutory retirement age of 65. Further reform of active labour market policies, and extending them to cover the over 50, would help increase the overall employment rate and improve incentives to look for jobs. 4) Employment: non-EU nationals have an employment rate (40,9 %) which is much lower than the EU average. 5) Taxes: combined with the high tax wedge on labour, Belgium has the lowest ratio of environmental taxes compared with labour taxes in the whole of the EU. This has contributed to a situation where high unemployment coexists with a relatively high use of energy, making it more difficult to achieve targets on employment and energy efficiency.

EU recommendations for BULGARIA

(1) Proceed with effective budget implementation so as to correct the excessive deficit in 2011~~.~~, in line with the Council Recommendation of 13 July 2010 under the EDP. Specify the measures underpinning the budgetary strategy for 2012-2014 ~~and take~~ . Take advantage of the ~~ongoing~~ economic recovery to ~~speed up fiscal adjustment~~ensure adequate progress towards the medium-term ~~budgetary~~ objective, primarily by keeping tight control over expenditure growth ~~in line with medium-term potential growth~~, while ~~increasing the share of~~prioritizing growth-enhancing ~~public~~ expenditure.

(2) Take further steps to improve the predictability of budgetary planning and ~~its~~ the implementation control, including on an accruals basis, in particular by strengthening fiscal governance. To this end, design and put in place binding fiscal rules and a well-defined medium-term budgetary framework that ensures transparency at all government levels. ~~Introduce measures to put budget reporting on an accrual basis.~~

(3) ~~Take~~Implement the agreed steps ~~to speed up~~with social partners under the current pension reform, advance some of ~~the pension system and strengthen~~its key measures ~~to~~that would help to increase the effective retirement age and reduce early exit, such as through the gradual increase of the social insurance length of service, and strengthen policies to help older workers to stay longer in employment.

(4) Promote, in consultation with the social partners and in accordance with national practices, policies to ensure that wage growth better reflects developments in productivity and sustain competitiveness~~.~~ while paying attention to on-going convergence.

(5) Take steps to address the challenge of combating poverty and promoting social inclusion, especially for vulnerable groups facing multiple barriers~~, by : expanding the market~~ . Take measures for ~~private job service providers; modernising~~modernizing public employment services to enhance their capacity to match skills profiles with labour market demand; and focusing support on young people with low skills. Advance the educational reform by adopting a Law on Pre-School and School Education and a new Higher Education Act by mid 2012.

(6) Step up efforts to enhance administrative capacity in key government functions and regulatory authorities, in order to make public services more effective in responding to the needs of citizens and businesses; introduce and implement effectively measures to check public procurement on the basis of risk assessments, strengthen the capacity of the authorities to prevent and sanction irregularities, in order to improve quality and value-for-money in the use of public funds.

(7) Abolish barriers to entry, guaranteed profits arrangements and price controls and ensure full independence of the Bulgarian Energy Regulator, in order to open up the electricity and gas markets to greater competition. Introduce incentives to upgrade the energy efficiency of buildings.

Technical developments	
likelihood of macroeconomic scenario	less plausible as based on more favourable growth projections than those of the Commission
attainment of MTBO as announced in SGP	more ambitious than minimum required level, attainment yes by end of Convergence Programme Period (2014), should aim for faster progress
risks with regards to long-term fiscal sustainability	Medium
commitments under Euro+ Pact	on fiscal side, sustainability of public finances underpinned by pension reform measures, performance-based pay in the public sector by freezing pensions and wages until 2013, adoption of Financial Stability Pact with binding numerical rules; reduction of share of undeclared work; reduction of administrative burdens, increase e-governance, access to education.
assessment by EU	Fiscal consolidation should be implemented as envisaged and the deficit should be brought below 3% reference value in 2011. Moreover, it is important to strengthen the domestic fiscal framework and to take further measures to strengthen competitiveness and to enhance capacity of administration and regulators.
country-specific features	1) General government balance moved from a surplus superior to the crisis into a deficit of 4,7% of GDP in 2009 ad 3,2% of GDP in 2010. Subdued activity in construction, real estate and retail has constrained the recovery over the past year. As a result, unemployment increased by several percentage points to 10,2% in 2010. 2) Fiscal consolidation: In order to remedy inefficiencies in the public sector and weaknesses in public finances, the authorities launched several initiatives to improve expenditure control and monitoring and reporting systems, including the adoption of a comprehensive legislative package, strengthening fiscal rules and the medium budgetary framework. 3) Wage development: after the crisis, wages have started to decelerate, although wage growth remained relatively high at close to 10% in 2010 for employees under labour contracts (representing around 65% of the labour force). 4) Labour Market: recent deterioration of labour market due to labour market barriers and underfunded and not sufficient public employment services; crisis particularly hit low-skilled workers (including a large part of the Roma minority) who represent 70% of the unemployed, Bulgaria also has the highest share of young people who are neither in education nor employment (19,5% of persons aged 15-24). Shortage of opportunities to combine education and work. 5) Education: ample scope for improvement in the education system to better align it to labour market needs; early school leaving rate particularly high among the Roma (estimated 43% in 2008) 6) Poverty: greater degree of poverty in comparison to the EU average (41,9% compared to 8,1% for EU). The achievement of the NRP targets for poverty reduction depends to a large extent on the proper design of policies for older workers and disadvantaged people, as well as the adequacy of social transfers 7) Energy: energy intensity rate as one of the highest in the EU, negative example: household heating 8) Pension: Planned pension reform no link between statutory retirement age and life expectancy

EU recommendations for CYPRUS

(1) Adopt the necessary measures of a permanent nature to achieve the budgetary target in 2011 and the correction of the excessive deficit by 2012 in line with the Council recommendations under the EDP. Take measures to keep tight control over expenditure and make use of any better-than-expected budgetary developments for faster deficit and debt reduction. Ensure progress towards the ~~Medium Term Objective~~medium-term objective by at least 0.5% of GDP annually and bring the4 public debt ratio on a downward path. Accelerate the phasing-in of an enforceable multiannual budgetary framework with a binding statutory basis and corrective mechanisms, as from the preparation of the 2012 Budget. The~~,~~ ~~as well as~~ Programme and Performance Budgeting should be implemented as soon as possible.

(2) Strengthen further the prudential framework for supervision of banks and cooperative credit societies to ensure early detection of risks.

(3) Improve the long-term sustainability of public finances by implementing reform measures to control pension and healthcare expenditure in order to curb the projected increase in age-related expenditure. For pensions, extend years of contribution, link retirement age with life expectancy or adopt other measures with an equivalent budgetary effect, while taking care to address the high at-risk-ofpoverty rate for the elderly. For healthcare, take further steps to accelerate implementation of the national health insurance system.

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

(5) Take further steps, within the reforms planned for the vocational education and training system, to match education outcomes to labour market needs better, including ~~notably~~ by setting up ~~a~~ post-secondary vocational education and training institutes. Take measures to increase the effectiveness of the vocational training system by increasing the incentives for and improving access to vocational education and training, especially for the low-skilled workers, women and older workers.

(6) Abolish remaining obstacles to the establishment and free provision of services in sector-specific legislation by December ~~October~~ 2011 in order to create more opportunities for growth and jobs in the services sector.

(7) Introduce measures to increase the diversity of the energy mix and the expansion of Renewable Energy Sources.~~Introduce measures to increase competition in network services by allowing greater freedom to set prices.~~ Establish, by 2012, a water management plan and a pricesetting scheme reflecting cost efficiency and equity concerns in order to ensure more sustainable management of water resources.

Technical developments	
likelihood of macroeconomic scenario	plausible until 2012 and rather favourable thereafter
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	high
commitments under Euro+ Pact	strengthening fiscal sustainability by preparing a framework law for dealing with financial crises and setting up a fully Independent Financial Stability Fund; restructuring the public sector pension system is taking place and should be concluded by the end of 2011; combating illegal and undeclared work, addressing the skills mismatch and increasing the competitiveness of enterprises. containing public-sector wages (redesigning the wage indexation mechanism), strengthening the competitiveness of small and medium-sized enterprises, finalising the National Digital Strategy by 2011 and promoting energy efficiency and renewable energy source
assessment by EU	no timeframe specified but general approval
country-specific features	1) Fiscal Consolidation: downside risks to the consolidation path mapped out in the programme, associated with the continued rebalancing towards a less tax-rich growth pattern (...) 2) Banking sector: the banking sector weathered the global financial crisis and the sovereign debt crisis in the euro area well, without any need for government intervention. However, with assets of more than six times GDP, excluding subsidiaries and branches of foreign banks, and nine times GDP when they are included, the banking sector is large in relation to the economy. Moreover, it is relatively concentrated, with the market dominated by three domestic groups that hold about 55 % of total consolidated banking assets, excluding the cooperative banks. 3) Wage development: the twice-a-year automatic cost-of-living allowance (COLA) adjustment is linked directly to the average percentage change in the consumer price index (CPI) over the last six months compared with the preceding six months. It enjoys strong support from the social partners and has remained non-negotiable during the collective bargaining process. However, its uniform application does not allow wages to reflect productivity differences across sectors. The shortcomings of the COLA are, first, that wages are connected to product prices only and not to productivity gains. Second, those benefiting most from this system are those with higher incomes. Third, the COLA also has a significant impact on public finances as, beyond wages and salaries, it is also an integral feature of pensions, benefits and other allowances. 4) Energy/environment: overall, environmental constraints and issues connected with resource and energy use could create bottlenecks to growth. But recommendations do not address the issue of resource use.

EU recommendations for CZECH REPUBLIC

(1) Implement the planned consolidation in 2011 and take countervailing measures of a permanent nature as needed in case of any revenue shortfalls or expenditure slippages. Adopt fiscal measures as planned in the Convergence P~~p~~rogramme for 2012 and underpin the target for 2013 by more specific measures; subject to this, ~~.~~ a~~A~~void cutting expenditure on growth-enhancing items ~~and exploit the available space for increases in indirect tax revenue, improve tax compliance, and reduce tax evasion~~. Improve the efficiency of public investments, and continue efforts to exploit the available space for increases in indirect tax revenue to shift taxes away from labour, improve tax compliance, and reduce tax evasion. Ensure an average fiscal effort over the period 2010-2014 of 1% of GDP, in line with the Council recommendations on correcting the excessive deficit, which will allow meeting the EDP deadline with a sufficient margin in 2013.

(2) ~~Introduce a comprehensive~~Implement the planned pension reform in order to improve the long-term sustainability of public finances and to ensure the future adequacy of pensions. Additional e~~E~~fforts should focus on further changes to the public pillar to ensure that the system is not a source of fiscal imbalances in the future, and on the development of private savings. With a view to raising the effective retirement age, measures such as a link between the statutory retirement age and life expectancy could be considered. Ensure ~~, first, on further changes to the public pillar, including a more rapid increase in the statutory retirement age than planned, underpinned by measures promoting the employment of older workers; and, second, on the development of private savings. In this context, ensure~~ that the envisaged funded scheme attracts broad participation, and is designed to keep administrative costs transparent and low.

(3) Enhance participation in the labour market by reducing the barriers for parents with young children to re-enter the labour market through increased availability and access to affordable childcare facilities. Increase the attractiveness and availability of more flexible forms of working arrangements, such as part-time jobs.

(4) ~~Strengthen~~Improve the ~~capacity~~performance of the public employment service in order to increase the quality and effectiveness of training, job search assistance and individualised services, linking funding of the programmes to results. In ~~consultation~~cooperation with stakeholders, ~~introduce~~extend tailor-made training programmes, for older workers, young people, low-skilled workers and other vulnerable groups.

(5) Take the necessary measures to improve the quality of public services in areas essential for the business environment. In this context speed up the implementation of the anti-corruption strategy in line with the identified targets, adopt the Public Servants Act to promote stability and effectiveness of the public administration~~,~~ and ~~revise the Commercial Code~~take steps to ~~abolish~~address the issue of anonymous ~~share~~share holding.

(6) Establish a transparent system of quality evaluation of academic institutions and link it to its funding in order to improve the performance of tertiary education.

Technical developments	
likelihood of macroeconomic scenario	plausible in the first two years of the Convergence Programme and favourable thereafter
attainment of MTBO as announced in SGP	no/beyond the horizon of Convergence Programme
risks with regards to long-term fiscal sustainability	Intensity of risks depends mainly on the capacity to implement the necessary pension reform
commitments under Euro+ Pact	No further information.
assessment by EU	focus on fiscal consolidation should be kept while protecting growth-enhancing expenditure; moreover, important to implement pension reform.
country-specific features	1) Despite increase in unemployment rate (from 4,4% in 2008 to 7,3% in 2010) and real GDP decline (4,1% in 2009), high degree of exposure to international trade and a fast recovery in the main trading partners facilitated rebound of GDP growth rate in 2010 to 2,3%; moderate recovery. 2) Fiscal Consolidation: clear objective to bring the deficit in public finances below 3% of GDP by 2013 and further to 1,9% of GDP in 2014. Based mainly on expenditure restraint. However, the challenge herein represents that the underlying measures do not compromise long-term growth 3) Budgetary consolidation strategy includes measures that affect VAT revenue: lower VAT rate planned to rise in 2012/13, higher rate to decrease in 2013. Plan to increase of number of firms liable to VAT from 2013. Measures to increase tax compliance likely to boost revenue. 4) Pension reform: budgetary impact of ageing is projected to be well above the EU average: pension reform important! Planned reform targets public Pay-As-You-Go pillar (which is in deficit since 2009) and increase of statutory retirement age. Another set of plans: introduction of voluntary second private pillar in 2013, however, suggested form of pillar too few incentives to join and add long-term pressure. 5) Labour Market: structural weaknesses on labour market: reintegration of women after having given birth associated with gender employment gap and high gender pay gap. 6) Unemployment rate below EU level but increasing unemployment of young people; regular activation measures should be increased and better targeted. 7) Public administration: better regulation agenda to confront inefficiencies in public administration and create a better business environment. 8) Education insufficient with target of more students, more spending per student.

EU recommendations for DENMARK

(1) Implement fiscal consolidation measures in 2011~~ and ~~, 2012 and 2013 and ensure an average annual fiscal effort of 0,5 % of GDP over the period 2011-2013 as planned and correct the excessive deficit by 2013~~.~~ in line with the Council recommendation under the EDP. Thereafter ensure, as planned, an appropriate adjustment path towards the medium-term objective. Accelerate the reduction of the general government deficit if economic conditions turn out better than currently expected. Strengthen expenditure control by adopting binding multiannual spending ceilings for local, regional and central government which are consistent with the overall medium-term general budget targets.

(2) ~~Phase out as planned~~In order to strengthen employment and the sustainability of public finances, take further steps to increase long-term labour supply, by implementing the recently concluded reform on the voluntary early retirement pension (VERP) scheme, ~~reform ~~reforming the disability pension~~,~~ and better ~~target~~targeting subsidised employment schemes (the "flex-job" system) towards the most vulnerable groups.

(3) Speed up the implementation of reforms to improve the quality of the education system. Reduce drop-out rates, particularly in the vocational education sector, and increase the number of apprenticeship places available.

(4) Take steps to remove obstacles to competition, in particular in local services and the retail sector, by reviewing legislation on land use and opening up procurement in municipalities and regions.

(5) While supporting the ongoing stabilisation of the real-estate market following the recent price correction, ~~take~~consider preventive action to strengthen the medium-term stability of the housing market and the financial system including ~~reforms to~~reviewing the functioning of the mortgage and property tax systems.

Technical developments	
likelihood of macroeconomic scenario	plausible, slightly more favourable growth assumptions for 2012 and beyond
attainment of MTBO as announced in SGP	yes, by 2015
risks with regards to long-term fiscal sustainability	low
commitments under Euro+ Pact	strengthening of sanction legislation with regard to spending control at the local level, planned law on expenditure ceilings, prolonging working life through retirement reform, Competition Package towards construction and service sectors, dowry scheme to facilitate private resolution for distressed banks and support financial stability
assessment by EU	continuous and ambitious fiscal consolidation efforts to be purused in 2011 and beyond; raise labour supply further by reducing early retirement and targeting particular groups, improve quality of education, more competition, stabilisation of real-estate market
country-specific features	1) During crisis, output contracted by 8% between 2007-09 and employment rate dropped from 79,8% in 2008 to 76,1% in 2010; recovery started in 2009 driven by sustained domestic demand, strong inventory rebound and recovery of Denmark's trading partners. 2) Fiscal consolidation: surplus of 3,2% of GDP in 2008 to deficit of 2,7% of GDP in 2009; Commission services' spring 2011 forecast expects the deficit to widen again to around 4% of GDP in 2011. Need for consolidation. 3) Fiscal consolidation: avoid public spending above budgetary targets. Plan to introduce new spending control scheme. 4) Demographic change: Therefore further increase of labour supply through less early exit and less subsidised employment, subject to independent surveillance by the Danish Economic Council. 5) Education: Despite high spending on education only average outcomes in key areas, e.g. fourth lowest youth education attainment level, low PISA results and in 2009 only 70,1% of the 20-24-year old population had completed at least upper secondary education (EU average 78,6%), high drop-out rates. 6) Competition: low degree of competition in particular within local services, the retail sector, wholesale trade, personal services. Zoning laws limit possibilities for productivity enhancing economies of scale in the retail sector 7) Procurement: Open public procurement only covers around 25% of public procurement. Target that 31,5% of all public procurement to be public by 2015. 8) Private debt: household debt in terms of GDP highest in the EU.

EU recommendations for ESTONIA

(1) Achieve structural surplus by 2013 at the latest, while limiting deficit in 2012 to at most 2~~.~~,1 % of GDP~~ in 2012~~, keeping tight control over expenditure and enhancing the efficiency of public spending.
(2) Take steps to support labour demand and to reduce the risk of poverty, by reducing the tax and social security burden in a budgetary neutral way, ~~especially for low and medium-income earners. Improve~~as well as through improving the effectiveness of active labour market policies, including by targeting measures on young people and the long-term unemployed, especially in areas of high unemployment~~, in order to reduce the risk of poverty~~.
(3) Ensure implementation of planned incentives to reduce energy intensity and improve the energy efficiency of the economy, targeted on the buildings and transportation sectors, including by ensuring better market functioning.
(4) While implementing the education system reform, give priority to measures improving the ~~quality and~~ availability of pre-school ~~and professional~~ education, and ~~strengthen~~enhance the ~~system~~quality and availability of professional ~~qualifications.~~education. Focus education outcomes more on labour market needs, and provide opportunities for low-skilled workers to take part in life-long learning.

Technical developments	
likelihood of macroeconomic scenario	plausible
attainment of MTBO as announced in SGP	yes
risks with regards to long-term fiscal sustainability	-
commitments under Euro+ Pact	achieve budget balance by 2013 and a surplus in 2014; to include a public sector budget balance requirement in the state budget base law; as well as first steps to reform special pension schemes., employment-oriented tax incentives, measures focussed on innovation, higher education and public service reform
assessment by EU	-
country-specific features	while recommendations has about energy intensity, the technical developments include resource efficiency at large

EU recommendations for FINLAND

(1) Continue the fiscal consolidation using any windfall revenue to reduce the deficit, while taking additional measures to maintain the fiscal position above the medium-term objective, in particular through compliance with the medium-term expenditure benchmark.
(2) Take further measures to achieve productivity gains and cost savings in public service provision, including structural changes, in order to respond to the challenges arising from population ageing.
(3) Target active labour market measures better on the long-term unemployed and young people.
(4) Take measures to improve the employability of older workers and their participation in lifelong learning. ~~Take further steps to discourage early exit from the labour market and further link the statutory retirement age limits to life expectancy.~~ Take further steps, in consultation with social partners and in accordance with national practices, to encourage older workers to stay in the labour market, by measures to reduce early exit and increase the effective retirement age. In view of the already existing system of linking pension benefits to life expectancy, consider a link between the statutory retirement age and life expectancy.
(5) Take further measures to open up further the service sector, by redesigning the regulatory framework and removing restrictions in order to facilitate new entry into service sector markets, especially in the retail sector.

<u>Technical developments</u>	
likelihood of macroeconomic scenario	plausible for 2011-2012, but slightly too favourable thereafter
attainment of MTBO as announced in SGP	yes, in 2011 but not thereafter
risks with regards to long-term fiscal sustainability	medium
commitments under Euro+ Pact	Specific commitments under the Euro Plus Pact are not explicitly set out in Finland's Stability and National Reform Programmes but are expected to be submitted once the new government has been formed
assessment by EU	-
country-specific features	1) GDP contracted by 8.2 % in 2009, driven by an exceptionally steep fall in exports (-20% in volume). 2) Employment: although the Finnish authorities recognise the increase in long-term unemployment as a pressing issue, so far no comprehensive strategy has been designed to combat it. 3) Demographic change: population ageing will lead to a significant rise in demand for ageing-related services, which are mostly provided by local governments in Finland. Various studies have found that productivity improvement in public services has been poor over the past few years. The Finnish authorities have already implemented several reforms to restructure public services and boost productivity at both central and local government level. The relatively large investments in information technology in the public sector have not yet shown up in productivity improvements, implying that structural and administrative changes are needed to accompany investments. 4) Labour market: disability is very often the cause of early retirement. Increasing the effective retirement age requires measures that also take into account the quality of working life, including the well-being and health of employees.

EU recommendations for FRANCE

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

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

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

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

(5) Take further steps to remove unjustified restrictions on regulated trades and professions, in particular in services and the retail sector.

Technical developments	
likelihood of macroeconomic scenario	favourable, especially as expected growth levels remain well above the potential growth in later years
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	medium
commitments under Euro+ Pact	implementation of the 2010 pension reform; change Constitution to introduce binding multiannual budget planning; promoting apprenticeship to ease the school-to-work transition of younger workers, additional childcare facilities by 2012, strengthening of the public employment services for jobseekers; improving the higher education system and promoting R&D&I ("investissements d'avenir"), as well as reducing the administrative burden
assessment by EU	Many of them are confirmations of existing public policies/reforms. The reform agenda does not seem fully consistent with the extent of the macroeconomic challenges faced in the labour market or the business environment. In addition, the envisaged constitutional reform is subject to political uncertainty.
country-specific features	1) Fiscal Consolidation: measures are not sufficiently specified to reach the targets from 2012 onwards/ Targets have often been missed in the past. Furthermore, the average annual fiscal effort over the 2010-2013 period as recalculated by the Commission is slightly below what was included in the Council Recommendation of 2 December 2009 ('above 1 % of GDP'). 2) Pension reform: France adopted a new pension reform in 2010. The planned measures include the gradual increase in the minimum retirement age from 60 to 62 and in the statutory retirement age from 65 to 67, as well as the phasing out of early retirement schemes. The pension system is expected to be in balance by 2018. A deficit is likely to appear thereafter unless further measures are taken. The latest pension reform has also created a new public body, the "Comité de pilotage des régimes de retraite", which is in charge of presenting annual assessments of the budgetary situation of pension accounts and, if there is any likelihood of a deterioration, of proposing corrective measures. 3) Employment: the public employment service (reformed in the meantime). Pôle emploi resources dedicated to individualised support of job seekers remain underdeveloped (71 full-time equivalents per 10 000 unemployed, which is significantly below the levels recorded in some peer countries). 4) Wage development: the French current account deficit has gradually deteriorated during the last decade, reflecting the decline in the trade balance of goods, partly due to a decrease in labour cost competitiveness after the single minimum wage was reintroduced in the 2003-2005 period (the previous reform of the 35 hours working week had resulted in five different minimum levels). Some improvements have been made to the indexation procedure (creation of an advisory commission of independent experts, elimination of discretionary hikes). As a result, the proportion of employees that are paid the minimum wage has decreased substantially, enabling better wage differentiation. The French minimum wage is still among the highest in the EU when compared to the median salary. 5) Taxes: environmental tax revenues as a share of GDP are also below the EU average.

EU recommendations for GERMANY

(1) Implement the budgetary strategy for the year 2012 and beyond as envisaged~~.~~, thus bringing the high public debt ratio on a downward path, in line with the Council recommendations under the EDP. Ensure an adequate structural adjustment effort towards the medium-term objective thereafter. Complete the implementation of the budgetary rule at the Länder level and further strengthen the corresponding monitoring and sanctioning mechanism. Maintain a growth-friendly consolidation course, in particular by safeguarding adequate expenditure on education and by further enhancing the efficiency of public spending on health-care and long-term care.

(2) Address the structural weaknesses in the financial sector, in particular by restructuring Landesbanken which are in need of an adequately funded viable business model.

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

(4) Remove unjustified restrictions on certain professional services and on ~~the craft sector.~~certain crafts. To improve competition in network industries, strengthen the supervisory role of the Federal Network Agency in the rail sector; and, in the context of the announced national Energy Concept, focus on improving the long-term cost-effectiveness of the Renewable Energy Act, ensuring the effective independence of energy production and transmission, and improving cross-border interconnections.

Technical developments	
likelihood of macroeconomic scenario	cautious for 2011 and plausible thereafter
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	medium
commitments under Euro+ Pact	excessive deficit to be corrected already in 2011 and budgetary targets to be achieved by a wide margin in 2011-2012; efficient regulation and supervision of the capital market; reform of active labour market instruments, improved integration of professionals with foreign qualifications and integration of migrants) and education (Basic Education Pact); market transparency agency for the electricity and gas sector, a programme on electro mobility, and increased funding of transport infrastructure as well as on education (i.e. Initiative for Excellence to promote graduate schools and funding of the University Pact)
assessment by EU	Several policy areas remain unaddressed in the Pact commitments (e.g. restructuring of Landesbanken or the tax wedge on labour) or are only touched upon (opening the services sector and network industries to greater competition).
country-specific features	1) While the German fiscal framework has been considerably strengthened through the introduction of a constitutional budgetary rule, the creation of the Stability Council and the early warning system to prevent budgetary distress, the budgetary rule still needs to be fully implemented at Länder level 2) The crisis revealed serious vulnerabilities in the banking sector that have been partly remedied. The restructuring of the Landesbanken in need of a viable and adequately funded business model and the strengthening of the regulatory and supervisory framework remain to be carried out. 3) The educational attainment rates of young people in Germany, at both upper secondary and tertiary level, are below the EU average. Increasing the availability of pre-school education and all-day schools and easing the transition between different strands of the school system may improve educational outcomes.

EU recommendations for GREECE

~~fully~~Fully implement the measures ~~as~~ laid down in the ~~Council~~ Decision 2010/320/EU, as amended by ~~Council~~ Decision ~~XXXX/XXX~~2011/257/EU, and as further specified in the Memorandum of Understanding of ~~XX/XX/XXXX~~../../…. and its subsequent supplements~~[,~~ [in particular the last supplement of ~~XX/XX/XXXX]~~../../…].

Technical developments	
likelihood of macroeconomic scenario	-
attainment of MTBO as announced in SGP	-
risks with regards to long-term fiscal sustainability	-
commitments under Euro+ Pact	-
assessment by EU	-
country-specific features	In April 2010, Greece asked for international financial assistance as it was confronted with sizeable financing needs and not able to access international capital markets. The adjustment programme foresees comprehensive action on three fronts: (i) a frontloaded fiscal consolidation strategy, supported by structural fiscal measures and better fiscal control; (ii) structural reforms in the labour and product markets to address competitiveness and growth; and (iii) efforts to safeguard banking system stability. Greece is expected to submit an updated Stability Programme and specific Euro Plus Pact commitments and actions for 2011 based on the updated economic adjustment programme. The outcome of the extraordinary Euro Area summit of July 21 is anticipated in the sense that the only recommendation addressed to Greece is to fully implement the measures laid down in the first Decision of the Council adopted in exchange for the financial assistance and amended thereafter to take into account new circumstances.

EU recommendations for HUNGARY

(1) Strengthen the fiscal effort in order to ~~reduce~~comply with the Council recommendation to correct the excessive deficit in a sustainable manner, inter alia by avoiding the structural deterioration in 2011 implicit in the planned 2 % of GDP budget surplus and ~~avoid~~ensure that the budget ~~balance breaches the~~ deficit is kept safely below the 3 % of GDP threshold ~~again~~ in 2012~~. Adopt additional~~ and beyond, contributing to the reduction of the high public debt ratio. Fully implement the announced fiscal measures and adopt additional measures of a permanent nature if needed at the latest in the 2012 budget to secure the budgetary target~~s~~ for that year. The 2012 ~~and~~budget should also identify the additional measures in order to attain the 2013 target in the Convergence Programme. Ensure progress towards the medium-term objective (MTO) by at least 0~~.~~,5 % of GDP annually until the ~~end of the programme horizon~~MTO is reached and use possible windfall revenues to accelerate the fiscal consolidation.
(2) Adopt and implement regulations specifying the operational aspects of the new constitutional fiscal governance framework, including, inter alia, the numerical rules that will be implemented at the central and local level until the debt ratio has declined to below 50 % of GDP. ~~Broaden the remit of the Fiscal Council to cover the entire budgetary cycle, in particular through real-time assessments of new policies with major budgetary implications and strengthen the fiscal framework to cover multiannual fiscal planning and to improve the transparency of public finances.~~Regarding the fiscal framework, implement and strengthen multiannual fiscal planning, improve the transparency of public finances and broaden the remit of the Fiscal Council.
(3) Enhance participation in the labour market by alleviating the impact of the tax reform on low earners in a budget-neutral manner. Strengthen measures to encourage women's participation in the labour market by expanding childcare and pre-school facilities.
(4) Take steps to strengthen the capacity of the Public Employment Service and other providers to increase the quality and effectiveness of training, job search assistance and individualised services. ~~Link funding of programmes to results.~~Reinforce active labour market measures delivering positive evidence-based results. In consultation with stakeholders, introduce tailor-made programmes, for the low skilled and other particularly disadvantaged groups.
(5) Improve the business environment by implementing all the measures envisaged for regulatory reform and lowering administrative burdens in the National Reform Programme; assess the effectiveness of current SME support policies and adjust public programmes in order to improve access to non-bank funding.

Technical developments	
likelihood of macroeconomic scenario	slightly favourable, in particular regarding the developpment of domestic demand
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	medium
commitments under Euro+ Pact	-
assessment by EU	Fiscal adjustment strategy mainly based on expenditure side; 2011 deadline set by the Council for bringing the deficit below the 3% of GDP threshold only met due to the significant one-off revenues. Implementation risks, therefore threshold might be breached again in 2011. Not enough progress towards MTO. Further measures to increase labour market participation and modernise employment services would help to increase job opportunities. Less administrative burdens to let SMEs grow.
country-specific features	1) After the EU-IMF adjustment programme, the country emerged from recession. Hungary's GDP grew by 1,2% in 2010, supported by increasing exports while unemployment increased further to over 11% from the pre-crisis level of below 8%. Implementation of tax cuts over 2010-2013 and in parallel extraordinary levies and permanent spending cuts were introduced. Abolishment of mandatory private pension pillar. 2011 adoption of further consolidating measures. 2) Recently adopted Constitution establishes a constitutional debt brake at 50% of GDP and gives the Fiscal Council a veto right over the annual budget. However, details will be defined in subsequent laws. Moreover, the imposition of a nominal debt cap as all-purpose device may lead to a pro-cyclical fiscal stance. In addition to that, the Fiscal Council is relatively narrow and might thus not be able to prepare an opinion on the draft budget. I also does not cover the entire budgetary cycle. 3) Employment: Low employment rate (60,4%), especially of women and in particular women with children. Therefore, childcare facilities are needed. 4) Taxes: high tax burden on labour. Despite the introduction of a new personal income tax system, the tax burden on low earners without children has increased (as employment tax credits are phased out). 5) Insufficient Public employment services. Funding not sufficiently linked to results. Recently reduction of duration of unemployment benefits to the lowest levels in the EU. 6) Poverty: Particularly Roma affected. Low-skilled employment rate very low at 36,8% (EU average 53,4%). Estimated that 70& of Roma population live under the poverty threshold. 7) SMEs are hindered by the complexity of the regulatory framework. Need of more non-banking funding mechanisms.

EU recommendations for IRELAND

~~implement~~Implement the measures ~~as~~ laid down in Implementing Decision 2011/77/EU~~ on granting Union financial assistance to Ireland~~, as amended by Implementing Decision ~~of 16 May~~ 2011/326/EU, and further specified in the Memorandum of Understanding of 16 December 2010 and its update of 18 May 2011.

Technical developments	
likelihood of macroeconomic scenario	plausible
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	high
commitments under Euro+ Pact	reforming wage-setting mechanisms, opening up certain professional services to competition, strengthening research and innovation, reinforcing the financial stability, in particular crisis resolution mechanisms, and enhancing public finance sustainability through a medium-term budget framework, reforming pensions and increasing the retirement age
assessment by EU	-
country-specific features	1) The crisis brought about a major correction of the large imbalances that were built up during the preceding boom years. Between 2007 and 2010 real GDP declined by 12 % and employment by nearly 13 %, with unemployment increasing from 4,6 % in 2007 to 13,6 % in 2010. It also led to a dramatic deterioration in public finances, with the general government deficit ratio reaching double-digit levels in 2008 and 2009. In 2010, the general government deficit reached 32,4 % of GDP, including financial sector support measures of 20,5 % of GDP. The debt-to-GDP ratio increased from 25 % in 2007 to 96 % in 2010. 2) The implementation of the EU-IMF financial assistance programme is on track. The agreed fiscal measures have been implemented, the 2010 fiscal target was met, and fiscal outturns in the first quarter of 2011 have also been in line with the assistance programme targets. The general government 2011 deficit is forecast to remain below the assistance programme ceiling, despite a downward revision in the forecast for nominal GDP in 2011. Important progress has been made in reforming the banking system and steps have been taken to achieve the structural reform objectives. 3) Fiscal Consolidation: the Stability Programme targets deficits of 10,0 % of GDP in 2011, 8,6 % in 2012, 7,2 % in 2013, 4,7 % in 2014 and 2,8 % by the end of the Stability Programme period in 2015. This path is underpinned by consolidation measures of 3,8 % of GDP implemented in the budget for 2011, and broad consolidation measures of 5,9 % of GDP in 2012-14 and a further unspecified consolidation effort of more than 1 % of GDP in 2015. 4) Further reforming the Irish social security system is necessary to improve the sustainability of public finances.

EU recommendations for ITALY

(1) Implement the planned fiscal consolidation in 2011 and 2012 to ensure correction of the excessive deficit~~. Fully~~ in line with the Council recommendations under the EDP, thus bringing the high public debt ratio on a downward path. Building on recently approved legislation, fully exploit any better-than-expected economic or budgetary developments for faster deficit and debt reduction and stand ready to prevent slippages in budgetary implementation. Back up the targets for 2013-2014 and the planned achievement of the medium-term objective by 2014 with concrete measures by October 2011 as provided for in the new multi-annual budgetary framework. ~~Strengthen~~Further strengthen the framework by introducing ~~binding~~enforceable ceilings on expenditure and improving monitoring across all government sub-sectors.

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

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

(4) ~~Introduce measures to open~~Extend the process of opening up the services sector to further competition, ~~in particular~~including in the field of professional services. Adopt in 2011 the Annual Law on Competition, taking into account the recommendations presented by the Anti-trust Authority. Reduce the length of contract law enforcement procedures. ~~Take steps~~Further strengthen actions to promote the access of SMEs to capital markets by removing regulatory obstacles and reducing costs.

(5) Improve the framework for private sector investment in research and innovation by extending current fiscal incentives, improving conditions for venture capital and supporting innovative procurement schemes.

(6) Take steps to accelerate in a cost-effective way growth-enhancing expenditure co-financed by cohesion policy funds in order to reduce the persistent disparities between regions, by improving administrative capacity and political governance. Respect the commitments made in the national Strategic Reference Framework in terms of the amount of resources and quality of expenditure.

Technical developments	
likelihood of macroeconomic scenario	plausible
attainment of MTBO as an-nounced in SGP	yes, in 2014
risks with re-gards to long-term fiscal sus-tainability	medium
commitments un-der Euro+ Pact	future reform to address public finance sustainability and financial stability, foster competitiveness and increase employment. A new major commitment specifically undertaken to respond to the Pact is the government's intention to amend the Con-stitution in order to reinforce budgetary discipline
assessment by EU	in line with the principles of the Euro Plus Pact
country-specific features	1) Between 2001 and 2007, average real GDP growth was around 1 %, i.e. only half the euro-area average, due mainly to sluggish productivity growth. Although the economy was not marked by large private sector internal imbalances, it was seriously affected by the global crisis. 2) Fiscal Consolidation: the planned average annual fiscal effort over the period 2010-2012 is above the 0,5 % of GDP recommended by the Council under the EDP, and the envisaged pace of adjustment after 2012 is well above the provisions in the Stability and Growth Pact. 3) Employment: the level of unemployment among young workers reached 27,8 % in 2010, with an uneven distribution across the country, youth unemployment in southern regions being double that in northern regions. The role of apprenticeships and vocational training should be further strengthened. There is currently no single system of skill certification and recognition of vocational and training standards that is acknowledged across the country. There is room to strengthen the effectiveness of employment services, especially in regions with high unemployment. Finally, un-declared work remains a serious phenomenon in Italy. 4) The employment rate of women lags behind that of men by over 20 percentage points on average with significant differences between regions. Barely one third of women between 20 and 64 were employed in the southern regions in 2009, due to both relatively lower activity rates and higher unemployment. 5) Wage development: bargaining at firm level can play a significant role, which may also help to address regional labour market disparities. The 2009 reform of the bargaining framework introduced, among other things, the possibility of opening clauses (i.e. derogations from the sectoral wage agreed at national level), but they have not yet been widely used up until now. 6) R&D intensity remains low (around 1,27 % of GDP) due to a low level of busi-ness R&D intensity (0,64 % of GDP). Target of 1.53% of GDP but still the half of the headline EU target of 3%) 7) Cohesion Funds: Italy is the third-largest beneficiary of EU cohesion policy funds, having received around 8 % of the total EU cohesion policy budget during the period 2007-2013. Halfway through the programming period, the share of EU funds actually mobilised is only 16,8 % and it is much lower in the southern Convergence regions.

EU recommendations for LATVIA

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

Technical developments	
likelihood of macroeconomic scenario	plausible although inflation projection may be on the low side for 2011
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	medium/high
commitments under Euro+ Pact	
assessment by EU	urgency of implementing the planned measures to comply with Decision 2009/290/EC
country-specific features	1) Overheating of economy, sizeable imbalances, during 2008-09 steepest contraction in the EU; Latvian employment rate, previously amongst the highest in EU, fell over 10%, unemployment over 18%, general government deficit decreased to 7,7% thanks to fiscal consolidation measures

EU recommendations for LITHUANIA

(1) Adopt additional fiscal measures of a permanent nature by the time of the 2012 budget to correct the excessive deficit~~.~~ in line with the Council recommendations under the EDP. Reinforce tax compliance and take full advantage of the economic recovery to further accelerate deficit reduction and ensure progress towards the ~~Medium Term Objective~~ medium-term objective by at least 0~~.~~,5 % of GDP annually. Strengthen the fiscal framework, in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.

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

(3) Enhance labour market flexibility by amending the ~~Labour Code~~labour legislation to make it more flexible and to allow better use of fixed-term contracts. Amend the relevant legislation~~, in particular the Law on Cash Social Assistance,~~ to ensure that the social assistance system does not contain disincentives to work~~.~~1.

(4) Implement all aspects of the State-Owned Enterprise reform package by the end of 2011, ensuring a separation of ownership and regulatory functions, clear enterprise objectives, enhanced transparency and a separation of commercial and non-commercial activities.

(5) Improve the energy efficiency of buildings, including through a rapid implementation of the

Holding Fund, and take steps to shift taxation towards energy use~~, starting with taxes on registration~~.

(6) Take steps to improve start-up conditions and ~~ownership of passenger transport vehicles.~~

~~(6) Take steps to improve start-up conditions,~~ the delivery of construction permits, and to strengthen competition in the energy and retail sectors.

Technical developments	
likelihood of macroeconomic scenario	plausible although economic growth and inflation may turn out higher than currently projected
attainment of MTBO as announced in SGP	No
risks with regards to long-term fiscal sustainability	medium (dependent on implementation of reforms)
commitments under Euro+ Pact	reform of pension and social security reform, employment measures with focus on fostering employment, combating illegal and undeclared work, promotion of flexible employment arrangements, better business environment with increased transparency and reduced administrative burden on business
assessment by EU	measures to ensure compliance with budgetary targets for 2012 will need to be specified; further steps to reform pension system (longer working lives), improve functioning of labour market, reform state-owned enterprises, improve energy efficiency, more competition
country-specific features	1) Lithuania is recovering from a severe economic crisis with GDP contraction of 17% from peak and unemployment peaking at 18,3% by mid 2010. The economy is however stabilising through the commitment to the currency board arrangement, underpinned by fiscal consolidation, and adjustment of private sector wages. 2) Secure necessary co-financing in order to frontload absorption of EU structural funds and increase productive investment in economy. The challenge will be to identify further consolidation measures, especially in the light of demographic change. 3) Improvement of public sector efficiency without compromising quality of public services 4) Pension reform: pension and social security reform with increase in pensionable age, changes to the way pensions are calculated and integration of state pensions into general scheme of social insurance. 5) Stronger fiscal framework needed. 6) The unemployment rate is one of the highest in the EU. Strict labour market regulations and disincentives to work within the social assistance system are compromising the functioning of the labour market. Avoid structural unemployment by revising Labour Code and other relevant legislation (Law on Cash Social Assistance), to be combined with sufficiently funded active labour market policies 7) State-owned enterprises (about 18% of GDP) remain prone to inefficiencies with unsatisfactory financial returns. Continue reform state-owned enterprises, including transparency guidelines with provide a basis for government accountability. 8) Energy: reduce energy intensity, addressing of low energy tax rates 9) Improve conditions for start-ups , competition policy reform, implementation of Third Package of EU electricity and gas market legislation, more competition in retail sector

EU recommendations for LUXEMBOURG

(1) Take advantage of the improving cyclical conditions ~~to~~, strengthen the fiscal effort and use unexpected additional revenue in order to further reduce the headline deficit and reach the medium-term objective in 2012.

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

(3) Reform, in consultation with social partners and in accordance with national practices, the system of wage setting to ensure that wage growth better reflects developments in labour productivity and competitiveness.

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

Technical developments	
likelihood of macroeconomic scenario	slightly cautious
attainment of MTBO as announced in SGP	No
risks with regards to long-term fiscal sustainability	Medium
commitments under Euro+ Pact	finalising the pension reform by the end of 2011; boosting the resistance of the financial sector through regulation and supervision at the European and international levels and pursuing the efforts to diversify the structure of the Luxembourg economy; reform of the "Administration de l'Emploi" and encouraging life long learning in the private sector by a higher co-financing rate by the state; postponement of the indexation of wages from spring 2011 (implied by the automatic indexation system) to October 2011, and a commitment to negotiate with social partners a similar postponement for 2012; improving the business environment through administrative simplification and better infrastructure.
assessment by EU	some of the proposed reforms lack detail
country-specific features	1) Demographic change: the increase in age-related public expenditure in Luxembourg in coming decades is projected to be the strongest in the EU. 2) Pension reform: it is planned by the government but would only concern new pensioners and only apply to the part of the career situated after the entry into force of the reform, so it would only produce its full effect in 40 years. 3) Wage development: the price and cost competitiveness of Luxembourg has deteriorated substantially since the beginning of the last decade. This is due to developments both in wages and productivity. Over the period 2000-2010, unit labour costs rose about one and a half times faster in Luxembourg than on average in the EU-15, and more than five times faster than in Germany. Given the agreement between the government and the trade unions to postpone, from spring to October 2011, the application of the automatic wage indexation mechanism, there will be a substantial moderation of real wage growth in 2011. 4) Employment: youth unemployment is relatively high at 16,1 % in 2010 compared to 6 % of total active population. Young residents face an acute competition for available jobs from non-residents, who are often as, or even higher, qualified.

EU recommendations for MALTA

(1) Ensure correction of the excessive deficit in 2011, in line with the EDP recommendations, standing ready to take additional measures so as to prevent possible slippages, and adopt concrete measures to back up the 2012 deficit target. Bring the high public debt ratio on a downward path and ensure adequate progress towards the MTO. With a view to strengthening the credibility of the medium-term consolidation strategy, define the required broad measures from 2013 onwards, embed the fiscal targets in a binding, rule-based multi-annual fiscal framework and improve the monitoring of budgetary execution.
(2) Take action to ensure the sustainability of the pension system such as by accelerating the progressive increase in the retirement age and by linking it to life expectancy. Accompany the higher statutory retirement age with a comprehensive active ageing strategy, discourage the use of early retirement schemes and encourage private pension savings.
(3) Focus education outcomes more on labour market needs, notably by ~~taking measures to~~ making additional efforts to improve access to higher education and by strengthening the effectiveness of the vocational training system. Take further measures to reduce early school-leaving by identifying, analysing and measuring its causes by 2012 and by setting up a regular monitoring and reporting mechanism on the success rate of the measures.
(4) Reform the automatic wage indexation mechanism, in consultation with the social partners in accordance with national practice, to ensure that wage growth better reflects developments in labour productivity and competitiveness.
(5) Strengthen efforts to reduce ~~Malta’s~~Malta's dependence on imported oil, by bringing forward investments in renewable energies and making full use of available EU funds to upgrade infrastructure and promote energy efficiency.

Technical developments	
likelihood of macroeconomic scenario	favourable, especially in the later years of the period
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	high
commitments under Euro+ Pact	strengthening the accountability and transparency of the budgetary framework and introducing mechanisms to increase discipline in budgetary execution; improving the business environment and financing conditions for firms, as well as enhancing competition in services, especially in telecommunications.
assessment by EU	the Euro Plus Pact commitments do not address employment and financial stability. The authorities do not acknowledge that the current wage indexation mechanism affects Malta's competitiveness
country-specific features	1) Pensions reform: the 2006 pension reform started to address sustainability by increasing the retirement age, albeit very gradually, and addressed the adequacy of future pensions, in particular through more generous indexation arrangements and the introduction of a guaranteed national minimum pension. The NRP reports on the ongoing consultation on the proposals for further pension reform put forward by the Pensions Working Group, including the establishment of an explicit link between retirement age and life expectancy and the introduction of a mandatory second pension pillar and a voluntary third pillar. 2) Wage development: Malta is one of the few EU Member States with a generalised wage indexation mechanism. Wage increases are linked to a mandatory cost-of-living adjustment (COLA) mechanism, resulting in wage increases in line with past inflation developments though proportionately higher at the low end of the wage spectrum. Adding to the minimum wage, this adjustment may further hamper the competitiveness of the labour-intensive sectors. The issue is particularly pertinent in view of the recent increases in energy prices, which could lead to wage-price spirals. Malta could not accept the text of the Commission proposal for Recommendation 4, since the Maltese system does not include an indexation of wages but only of the basic wage. Malta has argued that the recommendation has not been backed by technical evidence which clearly indentifies that the partial wage indexation measure in Malta, that is, the Cost of Living Allowance, as a mechanism leading to any excess of growth in wages relative to productivity and therefore in need of reform. 3) Employment: female employment rate is the lowest in the EU ; highest rate of early school-leavers in the EU (36.8% in 2009, compared to an EU average of 14.4%; within the EU2020 framework, the aim is to bring it down to 29% by 2020)

EU recommendations for NETHERLANDS

(1) Implement the budgetary strategy for the year 2012, in line with the Council recommendations on correcting the excessive deficit, setting the high public debt ratio on a downward path. Thereafter, progress towards the medium-term objective in line with the Stability and Growth Pact requirements, respecting the overall spending ceilings and consolidation requirements, thereby ensuring that consolidation ~~and beyond as envisaged. Ensure that the correction of the excessive deficit~~ is sustainable and growth-friendly, by protecting expenditure in areas directly relevant for growth such as research and innovation, education and training.

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

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

(4) Promote innovation, private R&D investment and closer science-business links by providing suitable incentives in the context of the new enterprise policy (‘Naar de top’).

~~(5) Continue to reduce the high congestion costs in transport networks by shifting from fixed to variable road transport charges, targeted expansion of the rail network and introducing road pricing.~~

Technical developments	
likelihood of macroeconomic scenario	Plausible
attainment of MTBO as announced in SGP	almost in 2015
risks with regards to long-term fiscal sustainability	High
commitments under Euro+ Pact	introduction of a new business policy based on more generic reductions in taxation and administrative burdens; making social security more activating and reducing dependence on unemployment benefits; anchoring the stability and growth pact in national law) and to reinforce financial stability; more power to supervisory institutions
assessment by EU	lack of detail in terms of their timing and the measures that will be needed to implement them
country-specific features	1) The Stability Programme plans to reduce the general government deficit below 3 % in 2012, which would be one year ahead of the deadline set by the excessive deficit procedure thanks to the planned (and partly implemented) structural expenditure cutbacks, amounting to approximately 3 % of GDP by 2015 2) Demographic change:The long-term cost of ageing is clearly above the EU average. The expected increase in long-term care expenditure is the highest in Europe, as shown in the Commission's 2009 Ageing Report. The main reason for this is the existence of an already comprehensive system of formal long-term care (e.g. public long-term insurance covering personal care, nursing, assistance, treatment and stay in an institution), while informal care plays a more limited role. 3) Labour market: one of the main disincentives for second-income earners to enter the labour market or to work more hours is the high marginal tax rate on second incomes (in some cases > 80 %), as a result of inter alia the general tax credit and the reduction in income dependent benefits such as childcare subsidy. 4) Employment: for an increasing and heterogeneous group of partly disabled, long-term unemployed who face a growing risk of structural unemployment, the implementation of active labour market policies has apparently not produced positive results. Non-EU nationals are experiencing particular difficulties, thereby amplifying the persistent employment and unemployment gaps. 5) R&D: the Dutch R&I system has succeeded in maintaining its innovative capacity, but the low share of the private sector in R&D investment may negatively affect future economic growth and the competitiveness of the Dutch economy. 6) The business environment is negatively affected by the congestion levels in road and rail transport. These congestion levels are among the highest in the EU. In this context, a relatively inefficient transport infrastructure negatively affects labour mobility and thus potential growth through productivity. Workers are faced with long commutes, unreliable travel times and high congestion costs. The latter are expected to increase further until 2020 in the absence of policy changes. Improvements in the efficient use of infrastructure (e.g. through road pricing measures), would contribute to increasing labour mobility and productivity and thus to potential growth.

EU recommendations for POLAND

(1) Implement the measures announced in the draft 2012 Budget Law and ~~include~~ take additional measures of a permanent nature if needed to reduce the general government deficit to below 3 % of GDP in 2012~~. Minimise~~, in line with the Council recommendations under the EDP. While ensuring adequate progress towards the medium-term objective, minimise cuts in growth-enhancing expenditure in the future~~, particularly the co-financing of EU funds, while ensuring adequate progress towards the medium term objective.~~.

(2) Enact legislation with a view to introducing a permanent expenditure rule by 2013. This rule should be based on sufficiently broad budgetary aggregates and should be ~~fully~~ consistent with the European system of accounts. Moreover, take measures to strengthen the mechanisms of coordination among the different levels of government in the medium-term and annual budgetary processes.

(3) Raise as planned the statutory retirement age for uniformed services, continue steps to increase the effective retirement age ~~and link~~, such as linking it to life expectancy. Establish a timetable to ~~amend~~further improve the rules for ~~farmers’~~farmers' contributions to the social security fund (KRUS) to better reflect individual incomes.

(4) Implement the proposed lifelong learning strategy, enhance apprenticeships and dedicated vocational training and education programmes for older workers and low-skilled workers. Strengthen links between science and industry by implementing the ~~‘~~'We build on ~~Knowledge’~~ Knowledge' programme (~~‘~~'Budujemy na ~~Wiedzy’);~~Wiedzy'). Implement the higher education reform programme 'Partnership for Knowledge' (~~‘~~'Partnerstwo dla ~~Wiedzy’~~Wiedzy') so as to better align educational provision with labour market needs.

(5) Increase female labour market participation by taking measures to ensure stable funding for pre-school child-care arrangements, to increase enrolment rates of children under three years.

(6) Take measures to ~~rebalance~~ improve incentives for investment in energy generation capacity with a view to encouraging low-carbon emitting technologies, and to further develop cross-border electricity grid interconnections; develop a multiannual plan for investment in railway infrastructure and implement the rail transport master plan.

(7) ~~Establish a timetable to~~ Take steps to simplify legal procedures involved in enforcing contracts; revise construction and zoning legislation, with a view to streamlining appeal procedures and speeding up administrative procedures.

Technical developments	
likelihood of macroeconomic scenario	plausible, slightly too favourable growth assumptions for 2012
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	medium
commitments under Euro+ Pact	commitment to existing debt and temporary expenditure rule, introduction of new regulations limiting deficit ratios of local governments and introduction for a permanent expenditure rule, more efficient regulation and supervision of banking sector, employment measures target on women and older workers, strengthening of business-education links, improvement of business environment
assessment by EU	ambitious public finance consolidation plan, additional measures to deuce general government deficit to below 3% of GDP by 2012 if necessary; further increase of employment, reforms in pension and education systems, increase of non-price competitiveness by improving R&D framework and by promoting infrastructure investment
country-specific features	1) In 2010 GDP growth bounced back to 3,8% as strong external demand fuelled manufacturing and turned the inventory cycle, despite increasing employment, unemployment rate rose to 9,6% in 2010 (from 7,1% in 2008); heavy toll on public finance with general deficit 7,3% in 2009 and 7,9% in 2010. Debt-to-GDP ratio 55,1% in 2010. 2) Strengthening of fiscal framework with fiscal rules on sufficiently broad budgetary aggregates and consistent with ESA95. 3) Higher statutory retirement age needed; heavily subsidised farmers' social security fund (KRUS) provides little incentives for farmers to move to more productive sectors. 4) Education and training system more tailored to labour market needs; proportion of adults participating in education and vocation training remains low. 5) Low rate of spending on R&D and still declining, as major obstruction to medium- and long-term economic growth. 6) Labour market: low female labour market participation due to insufficient care facilities. 7) Infrastructure: underdeveloped network infrastructure as obstacle to business and foreign investment; amplifies regional disparities; energy infrastructure is ageing rapidly and reached its capacity limit. Rail infrastructure has to be modernised to support economic expansion. 8) Business environment: Low quality of business environment and efficiency of public administration (tax, starting and closing businesses, enforcing contracts, registering property).

EU recommendations for PORTUGAL

Implement the measures as laid down in ~~Council~~ Implementing Decision ~~[~~2011/~~0122]~~344/EU and further specified in the Memorandum of Understanding of 17 May 2011 and its subsequent supplements.

Technical developments	
likelihood of macroeconomic scenario	
attainment of MTBO as announced in SGP	
risks with regards to long-term fiscal sustainability	
commitments under Euro+ Pact	Specific commitments and actions for 2011 are not explicitly communicated.
assessment by EU	-
country-specific features	On 23 March 2011, the Portuguese government submitted a Stability Programme for 2011-2014 to the national parliament, which rejected it. Following consecutive downgrading of Portuguese bonds by credit rating agencies, the country became unable to refinance itself at rates compatible with long-term fiscal sustainability. In parallel, the banking sector, which is heavily dependent on external financing, particularly within the euro area, was increasingly cut off from market funding. On 17 May 2011, the Council adopted Implementing Decision 2011/344/EU to make available to Portugal medium-term financial assistance for a period of three years 2011-2014. The accompanying Memorandum of Understanding signed on the same day and its successive supplements lay down the economic policy conditions on the basis of which the financial assistance is disbursed. Portugal committed to take action on three fronts: (i) a credible and balanced fiscal consolidation strategy, supported by structural fiscal measures and better fiscal control; (ii) deep and frontloaded structural reforms, including in the labour and product markets; and (iii) efforts to safeguard the financial sector against disorderly deleveraging through market-based mechanisms supported by back-up facilities. therefore, the only recommendation issued to Portugal is to implement fully the above mentioned measures.

EU recommendations for ROMANIA

Implement the measures laid down in ~~Council~~ Decision 2009/459/EC as amended by ~~Council~~ Decision 2010/183/EU, together with the measures laid down in ~~Council~~ Decision 2011/288/EU and further specified in the Memorandum of Understanding of 23 June 2009 and its subsequent supplements, and in the Memorandum of Understanding of [June 2011] and its subsequent supplements.

Technical developments	
likelihood of macroeconomic scenario	plausible
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	high (although does not take into account pension reform measures of 2010)
commitments under Euro+ Pact	Specific commitments and actions are not explicitly communicated.
assessment by EU	-
country-specific features	1) Tightening of capital flows to Romania; employment rate fell to 63,3% by 2010 while unemployment rate increased from 5,8% in 2008 to 7,3% in 2010 as a result of the economic downturn; unemployment particularly high among vulnerable groups, e.g. Roma 2) Precautionary EU-IMF programme for 2011-13 negotiated with the authorities continuing fiscal consolidation, fiscal governance reforms and preservation of financial stability, stronger emphasis on structural reform 3) Main risks to budgetary targets are implementation risks, the arrears of state-owned enterprises, and the reservations expressed by the Commission about Romania's excessive deficit procedure notification.

EU recommendations for SLOVAKIA

(1) ~~Implement~~ Rigorously implement both the 2011 budget as envisaged and ~~introduce~~ the planned specific measures of a permanent nature in 2012 and 2013, to reduce the deficit below 3 % of GDP by 2013~~. Safeguard~~ in line with Council recommendations on correcting the excessive deficit and ensure adequate progress towards the medium-term objective. Subject to this, safeguard growth-enhancing expenditure, and use available room to increase revenue through environmental and property taxes and by increasing the efficiency of VAT collection.

(2) Strengthen fiscal governance by adopting in 2011 and implementing from 2012 binding multi-annual expenditure ceilings, covering the central government and the social security system. In addition, introduce an independent Fiscal Council and ensure timely publication of budgetary data at all levels of the government.

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

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

(5) Speed up the implementation of planned general education, vocational education and training reforms and take steps to improve the quality of higher education and its relevance to market needs. Develop a framework of incentives for both individuals and employers to encourage participation of the low-skilled in life-long learning.

(6) Ensure the implementation of planned measures aimed at a more effective application of public procurement rules, a higher performance and transparency of the judicial system.

<u>Technical developments</u>	
likelihood of macroeconomic scenario	plausible for the initial two years but favourable towards the end of the period
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	-
commitments under Euro+ Pact	enhancing the long-term sustainability of public finances and strengthening the national fiscal framework by adopting a new legal act on fiscal responsibility; revising the labour code revision with a view to making the labour market even more flexible; reducing the administrative burden, tackling corruption, increasing transparency of public procurement and the judiciary system, and increasing effectiveness of the tax system
assessment by EU	They step up ongoing reform projects related to business environment and enforcement of rights, as well as open the important issue pensions and long-term sustainability of public finance.
country-specific features	1) Fiscal consolidation: the consolidation effort focuses primarily on the expenditure side, through savings in expenditure on goods and services and on the wage bill, which may however be difficult to pursue further on a sustainable basis. There is scope to increase revenues from taxes that are least harmful to growth, such as property and environmental taxes, and to improve the efficiency of tax collection, especially in view of the large VAT gap. 2) Pension reform: additional future pressures on the pay-as-you-go pillar may come from a strong merit component for the calculation of pensions and the indexation mechanism. Changes to the fully-funded pillar in 2008-2009, including the requirement for pension funds to cover incurred losses and the removal of compulsory participation for new labour market entrants, undermined its viability. 3) Within the public administration, insufficient capacity and high turnover of staff tend to lower its effectiveness and transparency, weaken analytical capabilities, and hamper the effective absorption of EU funds and efficient use of public resources in general. These factors hamper the growth potential of economy and its competitiveness. 4) Employment: the long-term unemployment rate of 9.2% remains the highest in the EU. The low education achievements of the marginalised Roma communities are a major factor contributing to this phenomenon. 5) Labour market: participation of working age people in life long learning remains very low (2,8 %) compared to the EU average.

EU recommendations for SLOVENIA

(1) Achieve the 2011 deficit target, underpin the 2012 deficit target with concrete measures and implement the necessary consolidation rigorously, standing ready to adopt additional measures to prevent possible slippages. ~~Underpin this required adjustment process over the programme period to achieve an appropriate mediumterm objective with structural measures to contain expenditure and address identified inefficiencies with a more binding medium-term budgetary framework.~~Underpin this required adjustment process over the programme period with additional measures to ensure the average annual fiscal effort in line with the Council recommendations under the EDP and adequate progress towards an appropriate medium-term objective. To this purpose, use structural measures to contain expenditure and address identified inefficiencies and implement a more binding medium-term budgetary framework. Accelerate the reduction of the deficit if economic or budgetary conditions turn out better than currently expected.
(2) Take the required steps to ensure the long-term sustainability of the pension system, while preserving the adequacy of pensions. Increase the employment rate of older workers ~~by introducing incentives to retire~~through later retirement, and by further developing active labour market policies and lifelong learning measures.
~~(3) Take further measures to ensure sufficient loan loss recognition and cleaning of balance sheets across the banking sector.~~(3) Take further measures in the banking sector, where appropriate, to strengthen the balance sheets and the loan portfolio, with a view of enhancing the flow of credit to the real economy.
(4) Take steps, in consultation with the social partners and in accordance with national practices, to reduce asymmetries in rights and obligations guaranteed under permanent and temporary contracts. Renew efforts to tackle the parallel labour market resulting from ~~"~~"student work".
(5) Set up a system to forecast skills and competencies needed to achieve a responsive labour market. Evaluate the effectiveness of the public employment service, notably on career guidance and counselling services, to improve the matching of skills with labour market needs.
(6) Streamline regulated professions and improve the administrative capacity of the Competition Protection Office, in order to enhance the business environment and attract investment.

Technical developments	
likelihood of macroeconomic scenario	plausible in the near term, and favourable towards the end of the period
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	high
commitments under Euro+ Pact	no firm commitments had been notified to the Commission by 7 June 2011
assessment by EU	-
country-specific features	1) The further expenditure savings envisaged in the Stability Programme for the period 2011-2014 mainly affect the public sector wage bill, social transfers (including pensions) and public investment. Contrary to other Member States, the recommendations will not call for the ring fencing of public investment or warn that cutting the public sector wage bill may be unsustainable in the long run. 2) Pension reform: the pension reform adopted in Spring by the Parliament would stabilise age-related spending until 2030 and would therefore be an important first step in tackling the sustainability of the pension system. It was submitted to a referendum on 5 June 2011 and rejected. The problem of sustainability of the pension system remains and other ways of resolving it will need to be found 3) Labour market: the share of young workers aged 15-24 years on temporary contracts including "student work" is the highest in the EU (67 % in 2009) and transition from temporary to permanent contracts appears to be relatively difficult. Previous attempts to address this issue proved insufficient. "student work" constitutes a sizeable, largely unregulated, tax-advantageous, parallel labour market.

EU recommendations for SPAIN

(1) Implement the budgetary strategy in 2011 and 2012 and correct the excessive deficit in the year 2013 in line with the Council recommendation under the EDP, ensuring the achievement of deficit targets at all levels of government, including by strictly applying the existing deficit and debt control mechanisms for regional governments; adopt further measures in case budgetary and economic developments do not turn out as expected; take any opportunity including from better economic conditions to accelerate the deficit reduction; set out concrete measures to fully underpin the targets for 2013 and 2014, which should bring the high public debt ratio on a downward path and ensure adequate progress towards the medium-term objective. Keep public expenditure growth below the rate of medium-term GDP growth, by introducing a binding~~an~~ expenditure rule at all levels of government in the Budget Stability Law, as envisaged. Further improve the provision of information in relation to regional and local government budgets and their execution.

(2) Adopt the proposed pension reform to extend the statutory and effective retirement age and increase the number of working years for the calculation of pensions as planned; regularly review pension parameters in line with changes to life expectancy, as planned, and develop further measures to ~~raise the effective retirement age,~~improve including lifelong learning for older workers.

(3) ~~Reinforce the ongoing restructuring of the savings banks sector by addressing remaining weaknesses in their governance structure.~~Monitor closely the ongoing restructuring of the financial sector, in particular as regards savings banks, with a view to finalising it by 30 September 2011 as envisaged.

(4) Explore the scope for improving the efficiency of the tax system, for example through a move away from labour towards consumption and environmental taxes while ensuring fiscal consolidation plans.

(5) F~~Explore the scope to reduce the level of social security contributions in order to lower non-wage labour costs in a budget-neutral way, for example by changing the structure and rate of VAT and energy taxation. Adopt and implement, f~~ollowing consultation with social partners and in accordance with~~to~~ national practice, complete the adoption and proceed with the implementation of a comprehensive reform of the collective wage bargaining process and the wage indexation system to ensure that wage growth better reflects productivity developments as well as local and firm level conditions and to grant firms enough flexibility to internally adapt working conditions to changes in the economic environment.

(6~~5~~) Assess by the end of 2011 the impacts of the labour market reforms of September 2010 and of the reform of active labour market policies of February 2011, accompanied, if necessary, by proposals for further reforms to reduce labour market segmentation, and to improve employment opportunities for young people; ensure a close monitoring of the effectiveness of the measures set out in the National Reform Programme to reduce early school leaving, including through prevention policies, and facilitate the transition to vocational education and training.

(7~~6~~) Further open up professional services and enact the planned legislation in order to redesign the regulatory framework and eliminate current restrictions to competition, efficiency and innovation; implement the Law on Sustainable Economy, notably measures aimed at improving the business environment and enhancing competition in the product and service markets, at all levels of government; and improve coordination between regional and national administrations to reduce the administrative burden for enterprises.

Technical developments	
likelihood of macroeconomic scenario	favourable in 2011 and 2012
attainment of MTBO as announced in SGP	no
risks with regards to long-term fiscal sustainability	high
commitments under Euro+ Pact	establishing an expenditure rule to enhance fiscal stability and thus sustainability of public finances; before 30 September the restructuring process of the financial sector; implementing acts on active labour market policies and provisions in the field of vocational training, as well as on addressing informal employment. reforming the collective bargaining system, regulated professions, setting up an Advisory Committee on Competitiveness and a reform of bankruptcy law
assessment by EU	the commitments add a firm timeframe for the implementation of certain refors and ensuring full implementation of reforms that have already been carried out
country-specific features	1) The government plans to seek consensus within the Council for Fiscal and Financial Policy on applying the rule to the Autonomous Communities. 2) Labour market: the ongoing labour market reform in Spain needs to be complemented by an overhaul of the current unwieldy collective bargaining system. The predominance of provincial and industry agreements leaves little room for negotiations at firm level. The automatic extension of collective agreements, the validity of non-renewed contracts and the use of ex-post inflation indexation clauses contribute to wage-inertia, preventing the wage flexibility needed to speed up economic adjustment and restore competitiveness. The Spanish government has requested social partners to agree on a reform of the collective bargaining system during spring 2011. In the absence of an agreement, on 10 June the government has approved a Royal Decree which has immediately entered into force but will have to be validated by the Parliament. 3) (Early-School leaving : 31.2% (2009)

EU recommendations for SWEDEN

(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. A broad set of measures could be considered, such as reviews of ~~, including reforms to ~~the mortgage system, including the capital requirements of bans, rent regulation, property taxation and construction permits.
(3) Monitor and improve the labour market participation of young people and other vulnerable groups.

Technical developments	
likelihood of macroeconomic scenario	plausible, except for 2012 when it appears favourable compared with Commission forecast
attainment of MTBO as announced in SGP	yes
risks with regards to long-term fiscal sustainability	low
commitments under Euro+ Pact	-
assessment by EU	adequately addresses the main challenges. Care from 2012 to meet MTBO, macroeconomic imbalances should be assessed, labour market participation monitored and improved, notably for young people and foreign-born women
country-specific features	1) Strong and broad-based recovery, with real GDP rebounding by 5,7% in 2010; fiscal balance from surplus in 2007 to deficit of 0,9% in 2009 but returned to balance in 2010 2) Housing and mortgage markets as source of potential instability with house prices at a record high; hand in hand with rising household indebtedness which represented around 170% of disposable income by mid-2010; large share of mortgage debt is at variable rates with little amortisation making Swedish households particularly vulnerable to interest rate hikes or set-backs in employment 3) Labour market: on labour market weak position for young people and non-EU nationals; implementation of several reforms in order to improve employment situation of both groups such as increased funds for coaching, work-experience positions, vocational adult education, apprenticeship training coaching, targeted wage subsidies, streamlined Swedish language courses, Improving situation except for foreign-born women

EU recommendations for UNITED KINGDOM

(1) Implement the planned fiscal consolidation aiming at a deficit of 6~~.~~,2 % of GDP ~~in 2012-13, ensuring~~ in 2012-2013, in line with Council recommendations on correcting the excessive deficit, and setting the high public debt ratio on a downward path when the excessive deficit is corrected by the end of the programme period. Ensure no slippage from the ambitious spending reduction targets, thereby strengthening long-term sustainability; and, subject to this, prioritise growth-enhancing expenditure ~~including research and innovation, and infrastructure investment.~~.

(2) Develop a programme of reform which addresses the destabilising impact of the house price cycle on public finances, the financial sector and the economy, with a view to alleviating problems of affordability and the need for state subsidy for housing. ~~This should include~~ A broad set of measures and policy instruments could be considered including reforms to the mortgage market, financial regulation, property ~~taxation~~ tax and the planning system~~.~~ ~~(3) Take steps~~ in order to ~~tackle youth unemployment by adopting a comprehensive strategy to reduce early school leaving, by the end of 2012.~~prevent excessive volatility.

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

(4) Take measures, within current budgetary plans, to reduce the ~~high proportion of jobless~~number of workless households by ~~increasing the supply of child care provision to facilitate single parents' and second earners' labour market participation~~targeting those who are inactive because of caring responsibilities, including lone parents.

(5) ~~Significantly~~ Implement measures already announced and continue to work to improve the availability of bank and non-bank financing to the private sector and in particular to SMEs while recognising potential challenges on the demand side. Encourage competition within the banking sector and explore with the market ways to improve access to non-bank financing such as venture and risk capital and debt ~~publicly~~ issued ~~debt~~on public markets.

Technical developments	
likelihood of macroeconomic scenario	plausible except for 2012 when it may be slightly too favourable
attainment of MTBO as announced in SGP	MTO not included
risks with regards to long-term fiscal sustainability	High
commitments under Euro+ Pact	-
assessment by EU	ambitious measures to reduce the deficit, should proceed as planned, further steps to reform housing market, reduce youth unemployment, early school leaving, address situation of children living in workless households, improve credit availability to private sector
country-specific features	1) UK being particularly exposed to financial crisis, massive intervention to support banking sector and provision of additional liquidity to the whole sector. Government deficit rose to 11,2% of GDP in 2009 and unemployment rose to 7,6% in 2009; output remains below pre-crisis peak. The short-term outlook is for moderate growth driven by strong corporate investment and an exchange-rate driven rebound in net exports. But held back by weak/negative growth in household and government consumption. Inflation above official 2% target in 2011. High risks to forecast that rebounds in corporate investment or net exports may not materialise and that persistent high inflation may prevent the use of monetary policy to offset lower government spending. 2) Demographic change: long-term cost of ageing above EU average and current budgetary position compounds the cost of ageing. Measures envisaged: bringing forward the date of the planned rise in the State Pension Age from 65 to 66 and changes to the method of up-rating certain benefits and tax thresholds Growth-enhancing expenditure should be prioritised because of historically low rates of public infrastructure investments 3) Labour market: flexible labour market allowed to cope reasonable well with increases in unemployment. But should be more focused on young people and skill provision to them; weaknesses at intermediate skills level; also target children living in jobless households 4) House prices very high again contributing to household indebtedness and unsustainable growth in household consumption in pre-crisis decade. It explains not only to some extent worsening of UK fiscal position but also high expenditure on housing benefits. Develop more comprehensive package of reforms including in the mortgage market and property taxation to address these issues 5) Credit availability and cost as significant constraint on investment and expansion plans in the private sector, especially for SMEs

ANNEX II: THE EU2020 INDICATORS

This Annex shows all numbers and proxies underlying the ranking on page 12. There are several tables depicting the full ranking of EU Member States based on the EU2020 Indicators as provided by Eurostat.[1]

Methodology of the ranking:

Technically, the ranking is obtained from the following formula: the progress during the last two years (t1-t0) is measured against the comparison between the commitment for 2020 and the first year for which data are available (c2020-t0). This ratio is then multiplied by the ratio given by c2020/t0 (in order to put into perspective the distance and to give more weight to more ambitious target; inflating the target would be counterproductive since this ratio would be offset by the denominator of the first ratio).

When the value for an indicator (in to or in t1) in a Member State already exceeds the EU2020 headline target concerned, then this country will fare at the top of the ranking (even though its own commitment has not yet been fulfilled. The rationale for this is the fact that everything more it will do will be a "bonus").

[1] Eurostat: Headline Indicators, http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators.

EMPLOYMENT*

Headline target:	**75 % of the population aged 20-64 should be employed**	*				
	2009	2010	Employment rate as stated in NRP (in%)	EU2020 Headline Target	Progress (in % of the path leading to national target)	ranking in terms of progress
UE27	69,1	68,6	73.70-74% (addition of national targets)	75%		
Euro area (17)	69	68,4				
Belgium	67,1	67,6	73,2		8,2	3
Bulgaria	68,8	65,4	76		-47,2	18
Czech Republic	70,9	70,4	75		-12,2	13
Denmark	77,8	76,1	80		-77,3	23
Germany	74,8	74,9	77		4,5	5
Estonia	69,9	66,7	76		-52,5	21
Ireland	66,7	64,9	70		-54,5	22
Greece	65,8	64	70		-42,9	17
Spain	63,7	62,5	74		-11,7	12
France	69,5	69,2	75		-5,5	9
Italy	61,7	61,1	68		-9,5	10
Cyprus	75,7	75,4	76		-100	24
Latvia	67,1	65	73		-35,6	16
Lithuania	67,2	64,4	72,8		-50	19
Luxembourg	70,4	70,7	73		11,5	2
Hungary	60,5	60,4	75		-0,7	6
Malta	58,7	59,9	62,9		28,6	1
Netherlands	78,8	76,8	80		-166,7	25
Austria	74,7	74,9	77,5		7,1	4
Poland	64,9	64,6	71		-4,9	8
Portugal	71,2	70,5	75		-18,4	14
Romania	63,5	63,3	70		-3,1	7
Slovenia	71,9	70,3	75		-51,6	20
Slovakia	66,4	64,6	72		-32,1	15
Finland	73,5	73	78		-11,1	11
Sweden	78,3	78,7	-		-0,5	-
United Kingdom	73,9	73,6	no target in NRP		-	-

* Employment rate by gender, age group 20-64 - % Short Description: The employment rate is calculated by dividing the number of persons aged 20 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey. The survey covers the entire population living in private households and excludes those in collective households such as boarding houses, halls of residence and hospitals. Employed population consists of those persons who during the reference week did any work for pay or profit for at least one hour, or were not working but had jobs from which they were temporarily absent.

R&D / Innovation						
Headline target:	**3% of the EU's GDP should be invested in R&D***					
	2008	2009	R&D in % of GDP as stated in NRP 04/2011 (in%)	EU2020 Headline Target	Progress (in % of the path leading to national target)	ranking in terms of progress
UE27	1,92	2,01	2,65-2,72 (addition of national targets)	3%		
Euro area (17)	2,01	2,1				
Belgium	1,96	1,96	3		0	19
Bulgaria	0,47	0,53	1,5		5,8	15
Czech Republic	1,47	1,53				
Denmark	2,87	3,02	3		115,4	1
Germany	2,68	2,82	3		43,7	5
Estonia	1,29	1,42	3		7,6	12
Ireland	1,45	1,77	2		58,2	3
Greece	-	-				19
Spain	1,35	1,38	3		1,8	17
France	2,11	2,21	3		11,2	9
Italy	1,23	1,27	1,53		13,3	8
Cyprus	0,42	0,46	0,5		50	4
Latvia	0,61	0,46	1,5		-16,9	21
Lithuania	0,8	0,84	1,9		3,6	16
Luxembourg	1,51	1,68	2,45		18,1	7
Hungary	1	1,15	1,8		18,8	6
Malta	0,57	0,54	0,67		-30	23
Netherlands	1,76	1,84	2,5		10,8	10
Austria	2,67	2,75	3,76		7,3	13
Poland	0,6	0,68	1,7		7,3	14
Portugal	1,5	1,66	3		10,7	11
Romania	0,58	0,47	2		-7,7	20
Slovenia	1,65	1,86	1		-32,3	24
Slovakia	0,47	0,48	3		0,4	18
Finland	3,72	3,96	4		85,7	2
Sweden	3,7	3,62	4		-26,7	22
United Kingdom	1,77	1,87	No target in NRP		-	-

* Short Description: The indicator provided is GERD (Gross domestic expenditure on R&D) as a percentage of GDP. "Research and experimental development (R&D) comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications" (Frascati Manual, 2002 edition, § 63). R&D is an activity where there are significant transfers of resources between units, organisations and sectors and it is important to trace the flow of R&D funds.

Climate Change / Energy I						
Headline target:	**Reduction of the greenhouse gas emissions by 20% compared to 1990***					
	2008	2009	CO2 emission reduction targets as stated in NRP 04/2011 (in%)	EU2020 Headline Target	Progress (in % of the path leading to national target)	ranking in terms of progress
UE27	89	83				
Euro area (17)						
Belgium	94	87	85		77,8	3
Bulgaria	62	53	120		-15,5	23
Czech Republic	72	68	109		-10,8	19
Denmark	94	90	80		28,6	9
Germany	79	74	86		-71,4	26
Estonia	49	41	111		-12,9	21
Ireland	124	114	80		22,7	12
Greece	123	117	96		22,2	13
Spain	143	130	90		24,5	10
France	96	92	86		40	5
Italy	104	95	87		52,9	4
Cyprus	193	178	95	-20% (compared to 1990 levels)	15,3	16
Latvia	45	40	117		-6,9	18
Lithuania	48	44	115		-6	17
Luxembourg	96	91	80		31,3	8
Hungary	75	69	110		-17,1	25
Malta	146	139	105		17,1	14
Netherlands	97	94	84		23,1	11
Austria	111	102	84		33,3	7
Poland	87	83	114		-14,8	22
Portugal	131	126	101		16,7	15
Romania	61	52	119		-15,5	23
Slovenia	115	105	104		90,9	2
Slovakia	65	59	113		-12,5	20
Finland	100	94	84		37,5	6
Sweden	88	83	83		100	1
United Kingdom	80	73	84		-175	27

*Greenhouse gas emissions, base year 1990 - Index 1990 = 100 Short Description: This indicator shows trends in total man-made emissions of the ‘Kyoto basket’ of greenhouse gases. It presents annual total emissions in relation to 1990 emissions The ‘Kyoto basket’ of greenhouse gases includes: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), and the so-called F-gases (hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride (SF6)). These gases are aggregated into a single unit using gas-specific global warming potential (GWP) factors. The aggregated greenhouse gas emissions are expressed in units of CO2 equivalents. The indicator does not include emissions and removals related to land use, land-use change and forestry (LULUCF); nor does it include emissions from international aviation and international maritime transport. CO2 emissions from biomass with energy recovery are reported as a Memorandum item according to UNFCCC Guidelines and not included in national greenhouse gas totals.

Climate Change / Energy II

Headline target: **Increase in the share of renewable energy sources in final energy consumption to 20%***

	2007	2008	National target	EU2020 Headline Target	Progress (in % of the path leading to national target)	ranking in terms of progress
UE27	9,7	10,3	20			
Euro area (17)	-	-	-			
Belgium	3	3,3	13		3	19
Bulgaria	9,1	9,4	16		4,3	15
Czech Republic	7,3	7,2	13		-1,8	26
Denmark	18,1	18,8	30		5,9	14
Germany	9,1	9,1	18		0	24
Estonia	17,1	19,1	25		25,3	3
Ireland	3,4	3,8	16		3,2	18
Greece	8,1	8	18		-1	25
Spain	9,6	10,7	20		10,6	9
France	10,2	11	23		6,3	13
Italy	5,2	6,8	17		13,6	6
Cyprus	3,1	4,1	13		10,1	10
Latvia	29,7	29,9	40	20%	1,9	20
Lithuania	14,2	15,3	23		12,5	7
Luxembourg	2	2,1	11		1,1	22
Hungary	6	6,6	13		8,6	11
Malta	0,2	0,2	10		0	23
Netherlands	3	3,2	14		1,8	21
Austria	26,6	28,5	34		25,7	2
Poland	7,4	7,9	15		6,6	12
Portugal	22,2	23,2	31		11,4	8
Romania	18,7	20,4	24		32,1	1
Slovenia	15,6	15,1	25		-5,3	27
Slovakia	7,4	8,4	14		15,2	5
Finland	28,9	30,5	38		17,6	4
Sweden	44,2	44,4	49		4,2	16
United Kingdom	1,7	2,2	15		3,8	17

* Share of renewable energy in gross final energy consumption - %

Short Description: This indicator is calculated on the basis of energy statistics covered by the Energy Statistics Regulation. It may be considered an estimate of the indicator described in Directive 2009/28/EC, as the statistical system for some renewable energy technologies is not yet fully developed to meet the requirements of this Directive. However, the contribution of these technologies is rather marginal for the time being. More information about the renewable energy shares calculation methodology and Eurostat's annual energy statistics can be found in the Renewable Energy Directive 2009/28/EC , the Energy Statistics Regulation 1099/2008 and in DG ENERGY transparency platform http://ec.europa.eu/energy/renewables/index_en.htm .

Climate Change / Energy III*

Headline target: **20% increase in energy efficiency Energy intensity of the economy (proxy indicator for Energy savings, which is under development)**

			Energy efficiency- reduction of energy consumption in Mtoe as stated in NRP (in%)	EU2020 Headline Target	Progress (in % of the path leading to national target)	ranking in terms of progress
UE27			206,9 Mtoe			
Euro area (17)						
Belgium	59,63	58,23	49,83		14,2	22
Bulgaria	20,09	17,57	16,89		78,6	4
Czech Republic	45,1	42,29	45,1		-	-
Denmark	20,11	19,41	19,28		84,7	2
Germany	342,82	326,6	304,52		42,4	14
Estonia	5,87	5,29	5,16		81,4	3
Ireland	15,88	14,85	13,13		37,3	16
Greece	31,85	30,63	29,15		45	12
Spain	142,02	130,19	116,82		47	10
France	274,25	262,69	240,25		34	17
Italy	180,77	168,92	152,87		42,5	13
Cyprus	2,88	2,79	2,42		19,1	21
Latvia	4,59	4,33	3,92	20%	39,4	15
Lithuania	9,19	8,35	8,05		73,9	5
Luxembourg	4,62	4,36	4,42		129,5	1
Hungary	26,8	25,31	23,84		50,5	9
Malta	0,95	0,82	0,71		52,9	6
Netherlands	83,83	81,6	83,83		-	-
Austria	34,17	32,29	27,01		26,2	20
Poland	98,99	95,31	84,99		26,3	19
Portugal	25,21	24,97	19,21		4	23
Romania	40,5	35,43	30,5		50,7	7
Slovenia	7,76	6,99	6,11		46,7	11
Slovakia	18,41	16,81	18,41		-	-
Finland	36,14	34,01	31,93		50,6	8
Sweden	49,98	45,93	37,18		31,7	18
United Kingdom	219,36	206,81	219,36		-	-

* Energy intensity of the economy - Gross inland consumption of energy divided by GDP (kilogram of oil equivalent per 1000 Euro). Short Description: This indicator is the ratio between the gross inland consumption of energy and the gross domestic product (GDP) for a given calendar year. It measures the energy consumption of an economy and its overall energy efficiency. The gross inland consumption of energy is calculated as the sum of the gross inland consumption of five energy types: coal, electricity, oil, natural gas and renewable energy sources. The GDP figures are taken at chain linked volumes with reference year 2000. The energy intensity ratio is determined by dividing the gross inland consumption by the GDP. Since gross inland consumption is measured in kgoe (kilogram of oil equivalent) and GDP in 1 000 EUR, this ratio is measured in kgoe per 1 000 EUR.

Education I *******

Headline target: The share of early school leavers should be under 10%

	2009	2010	target in % as in NRP	EU2020 Headline Target	Progress (in % of the path leading to national target)	ranking in terms of progress
UE27	14,4	14,1	10.30-10.50%			
Euro area (17)	15,9	15,6				
Belgium	11,1	11,9	9,5		-50	21
Bulgaria	14,7	13,9	11		21,6	8
Czech Republic	5,4	4,9	5,5		-500	26
Denmark	10,6	10,7	10		-16,7	17
Germany	11,1	11,9	10		-72,7	23
Estonia	13,9	11,6	9,5		52,3	5
Ireland	11,3	10,5	8		24,2	7
Greece	14,5	13,7	9,7		16,7	10
Spain	31,2	28,4	15		17,3	9
France	12,4	12,8	9,5		-13,8	16
Italy	19,2	18,8	15,5		10,8	12
Cyprus	11,7	12,6	10		-52,9	22
Latvia	13,9	13,3	13,4	under 10%	120	2
Lithuania	8,7	8,1	9		-200	24
Luxembourg	7,7	7,1	10		-26,1	18
Hungary	11,2	10,5	10		58,3	4
Malta	36,8	36,9	29		-1,3	13
Netherlands	10,9	10,1	8		27,6	6
Austria	8,7	8,3	9,5		-50	20
Poland	5,3	5,4	4,5		-12,5	15
Portugal	31,2	28,7	10		11,8	11
Romania	16,6	18,4	11,3		-34	19
Slovenia	5,3	5	5		100	3
Slovakia	4,9	4,7	5		-200	25
Finland	9,9	10,3	6		-10,3	14
Sweden	10,7	9,7	10		142,9	1
United Kingdom	15,7	14,9	-		-	-

* Early leavers from education and training by gender - Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training. Short Description: From 20 November 2009, this indicator is based on annual averages of quarterly data instead of one unique reference quarter in spring. Early leavers from education and training refers to persons aged 18 to 24 fulfilling the following two conditions: first, the highest level of education or training attained is ISCED 0, 1, 2 or 3c short, second, respondents declared not having received any education or training in the four weeks preceding the survey (numerator). The denominator consists of the total population of the same age group, excluding no answers to the questions "highest level of education or training attained" and "participation to education and training". Both the numerators and the denominators come from the EU Labour Force Survey.

Education II
Headline target: **at least 40% of 30-34 years old should have completed a tertiary or equivalent education***

	2009	2010	target stated in NRP (%)	EU2020 Headline Target	Progress (in % of the path leading to national target)	ranking in terms of progress
UE27	32,3	33,6	37,5-38%			
Euro area (17)	32,3	33,3				
Belgium	42	44,4	47		48	2
Bulgaria	27,9	27,7	36		-2,5	22
Czech Republic	17,5	20,4	32		20	10
Denmark	48,1	47	40		13,6	12
Germany	29,4	29,8	42		3,2	20
Estonia	35,9	40	40		100	1
Ireland	49	49,9	60		8,2	16
Greece	26,5	28,4	32		34,5	5
Spain	39,4	40,6	44		26,1	8
France	43,2	43,5	50		4,4	19
Italy	19	19,8	26,5		10,7	15
Cyprus	44,7	45,1	46		30,8	6
Latvia	30,1	32,3	35	40,00%	44,9	3
Lithuania	40,6	43,8	40		-533,3	26
Luxembourg	46,6	46,1	40		7,6	17
Hungary	23,9	25,7	30,3		28,1	7
Malta	21	18,6	33		-20	23
Netherlands	40,5	41,4	45		20	11
Austria	23,5	23,5	38		0	21
Poland	32,8	35,3	45		20,5	9
Portugal	21,1	23,5	40		12,7	14
Romania	16,8	18,1	26,7		13,1	13
Slovenia	31,6	34,8	40		38,1	4
Slovakia	17,6	22,1	6		-38,8	24
Finland	45,9	45,7	42		5,1	18
Sweden	43,9	45,8	42,5		-135,7	25
United Kingdom	41,5	43	no target			-

*Tertiary educational attainment by gender, age group 30-34
Short Description: The share of the population aged 30-34 years who have successfully completed university or university-like (tertiary-level) education with an education level ISCED 1997 (International Standard Classification of Education) of 5-6. This indicator measures the Europe 2020 strategy's headline target to increase the share of the 30-34 years old having completed tertiary or equivalent education to at least 40% in 2020.

Poverty, social exclusion *			
Headline target:	**Reduction of poverty by aim**		**Comments**
	2008	2009	Reduction of population at risk of poverty or social exclusion in number of persons as stated in NRPs
UE27	23,6	23,1	Cannot be calculated because of differences in national methodologies
Euro area (17)	21,4	21,2	
Belgium	20,8	20,2	380
Bulgaria	44,8 (b)	46,2	260
Czech Republic	15,3	14	Maintaining the number of persons at risk of poverty or social exclusion at the level of 2008 (15.3% of total population) with efforts to reduce it by 30,000
Denmark	16,3 (b)	17,4	22,000 (household with low work intensity)
Germany	20,1	20	330,000 (long-term unemployed)
Estonia	21,8	23,4	Reduce the risk of poverty rate (after social transfers) to 15% (from 17,5% in 2010)
Ireland	23,7	25,7	186,000 by 2016
Greece	28,1	27,6	450
Spain	22,9	23,4	1,400,000-1,500,000
France	18,6 (b)	18,4	Reduction of the anchored at risk of poverty rate by one third for the period 2007-2012 or by 1,600,000 people
Italy	25,3	24,7	2,200,000
Cyprus	22,2	22,2	27
Latvia	33,8	37,4	121
Lithuania	27,6	29,5	170
Luxembourg	15,5	17,8	no target
Hungary	28,2	29,6	450
Malta	19,5	20,2	6,56
Netherlands	14,9	15,1	100
Austria	18,6	17	235
Poland	30,5	27,8	1,500,000
Portugal	26	24,9	200
Romania	44,2	43,1	580
Slovenia	18,5 (b)	17,1	40
Slovakia	20,6	19,6	170
Finland	17,4	16,9	150
Sweden	14,9	15,9	Reduction of the % of women and men who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well under 14% by 2020
United Kingdom	23,2	22	Existing numerical targets of the 2010 Child Poverty Act

*Population at-risk-of-poverty or exclusion - % and 1000 persons
Short Description: This indicator summarizes number of people who are either at risk-of-poverty and/or materially deprived and/or living in households with very low work intensity. Interactions between the indicators are excluded. At risk-of-poverty are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). The collection "material deprivation" covers indicators relating to economic strain, durables, housing and environment of the dwelling. Severely materially deprived persons have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone. People living in households with very low work intensity are people aged 0-59 living in households where the adults work less than 20% of their total work potential during the past year.