



# **The European Semester and modernisation of public administration**

**Final Report**

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## Introduction

Public services across the European Union (EU) have undergone profound structural changes in the last decades, while the economic and financial crises which began in 2007-2008 accelerated this movement and accentuated changes that in some cases were already on the policy agenda in certain EU countries (Eurofound 2015, European Commission 2013d, Vaughan-Whitehead 2013). As stated by the European Commission (EC) in its report on industrial relations 2012 “traditional patterns of employment relations have been challenged, past trends in employment levels have been reversed, and public sector wages and pension systems have been cut and reformed in order to curb overall public sector pay bill and reduce public debt” (European Commission 2013d: 93). Degradations of working conditions and job quality could also be added to this gloomy picture (Eurofound 2015 2014). Moreover, the nature of public sector industrial relations has also changed rapidly in many EU countries since the start of the economic crises, although with differing intensity across Member States (MS). Collective bargaining has become more unilateral: in some countries authoritative decisions from governments have taken precedence over social dialogue. Wage-systems are more centralised than before and there is a general weakening of trade union influence over governments (Eurofound 2015; European Commission 2013d).

The introduction of a new framework of economic governance at the European level, the European Semester (ES), contributed to this trend. The setting of binding rules constraining national budgets to sometimes severe austerity strongly impacted the public sector by encouraging governments to reduce the size and scope of public services. While the dramatic changes in public services in terms of downsizing, pay cuts and working conditions are substantially described in literature, this report intends to shed light on a particular aspect which is less studied: the reforms which can be referred to under the general heading of ‘modernisation of public administration’ (MPA) and which affect the organisation and functioning of public services within the EU. Since 2012, MPA has been included in the short list of top priorities of the European Semester, and numerous Country-specific Recommendations (CSRs) have been addressed since to Member States, pressing them to reform their public services and administrations.

The aim of this report is to give a more in-depth understanding of the particular priority of modernisation of public administration within the ES process, notably through the recommendations that the EU addresses to Member States, but also through the reforms that are undertaken by the EU countries <sup>(1)</sup>. The report emphasises also the problems concerning the involvement of social partners in the ES process, and makes some suggestions to improve this involvement.

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1. This report was produced as part of an EPSU social dialogue project: “Modernising public administration- the implications for social dialogue and collective bargaining” N° VS/2014/0531, with financial support from the European Commission.

After an introduction on the issue of MPA within the ES process of governance and a definition of its analytical dimensions (chapter 1), the second chapter presents in detail the ES process and its components, with a view to establishing the framework of reference. The rest of the report focuses mainly on a comparative approach across EU Member States. The Country-specific Recommendations concerning MPA received by Member States in 2015 are analysed in the third chapter of the report. The fourth chapter contains an analysis of MPA reforms carried out by Member States, starting with an EU overview, followed by 5 detailed country case studies. The (difficult) involvement of social partners in the ES process is examined in the fifth chapter. Finally, the last chapter considers different possible ways to improve the involvement of social partners <sup>(2)</sup>.

### ***What is modernising public administration within the European Semester?***

Before entering into the heart of the matter it is necessary to clarify what is meant by the concept of ‘modernisation of public administration’ in the context of European governance, and particularly in the ES agenda.

For the last three years, the Annual Growth Survey (AGS), which begins and sets out the main priorities for the European Semester, outlines among these priorities the “modernisation of public administration”. Public services and public administrations across the EU are in the front line when it comes to implementing structural reforms to the national/regional/local systems. Combined with the straightjacket of austerity measures carried out in the framework of the EU economic governance process, these reforms have a marked impact on the size of public employment, but also on the quality and efficiency of public services, as well as on the work content and organisation or the working and employment conditions of those employed in public administrations. There are thus several types of interaction concerning public services and administrations in the ES governance framework.

Since 2012, MPA has repeatedly been among the top priorities of the EU structural reform process. Nevertheless, there is still no clear and consensual definition at EU level of what should be understood under the priority of modernising public administrations. This lack has already been deplored by the European Public Services Union (EPSU) in a 2012 Statement. It underscores the imperative need to anchor reform plans in an EU quality framework for public services, as well as relating them to the EU and United Nations social dialogue and trade union rights frameworks. MPA should be linked to public service objectives – which are broader than business interests – accompanied with the necessary human and financial resources in spite of budgetary constraints. It underscores also the need to better involve the social partners in the process, especially since they are already organized at EU level in

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2. The authors would like to thank Erina Costantini (intern at the OSE) for her valuable research assistance.

many areas of public services, including central government administrations, local and regional governments, healthcare, energy, public transport, education... (EPSU 2012). In its Statement the EPSU also points to the narrow vision developed by the European Commission in the Annual Growth Survey, that can give the impression that public administrations are static sectors of the economy and resistant to change, whereas in fact public administrations have been undergoing many reforms in the recent decades (EPSU 2012).

In the framework of this project a first literature review was carried out, to clarify our understanding of what is meant by the modernisation of public administrations within the EU framework, with a view to differentiating between the various aspects of the notion. The scope was also enlarged to literature from international organisations such as the Organisation for Economic Co-operation and Development (OECD), the UN/ILO and the World Bank. The review shows a relatively high level of convergence around several thematic fields related to the broader domain of governance. These thematic dimensions of MPA are to a certain extent also present in the ES framework, but expressed with a strong political emphasis on their economic 'efficiency' and their expected contribution to enhancing growth by removing obstacles to competitiveness while 'rationalising' public budgets. Member States are confronted with the paradoxical challenge of 'doing better with less' in the reforms of their public services and administrations. It is worth noting that, in spite of the emphasis placed on the quality of public services in the ES, the qualitative dimension is not considered in this process in terms of EU citizens' well-being but rather in terms of its ability to contribute to the reduction of public expenditure and the enhancing of competitiveness.

At the end of the review, **six dimensions of MPA** were retained as useful to reflect the approach to MPA within the ES. They also reflect the main thrusts of the reforms undertaken in EU countries under the ES. These dimensions, that will structure the comparative approach followed in this report, were presented to and agreed upon by EPSU affiliates at the first meeting of the project in Brussels. They are the following:

- **Governance and institutions:** this dimension encompasses broad aspects of governance related to horizontal and vertical coordination between levels of governance, notably in the context of territorial reorganisations. It also includes reforms in fundamental fields of governance such as tax policies;
- **Tools for modernising public administration:** this dimension includes references to specific tools of governance such as spending reviews, e-government structures, strategic human resources management, use of evidence-based instruments, etc.;
- **Administrative burden on businesses:** this dimension groups together a wide range of issues related to the overarching objective of alleviating the burden on businesses to foster economic growth (e.g. simplification of administrative

procedures, time and cost of starting up a business; time needed to obtain licences; tax compliance burden, reform of regulated professions, etc.);

- **Efficiency of (EU) public investments:** this dimension encompasses several aspects related to efficiency in the use of public funds, such as the improvement of public procurement procedures, mechanisms for distributing EU funds within the countries, the management of public companies, etc.;
- **Justice systems:** this dimension concerns measures aimed at improving the quality, the efficiency or the independence of justice systems to procure a stable environment, notably in economic terms;
- **Corruption:** this last dimension covers specific reforms to tackle corruption (e.g., irregular payments and bribes; diversion of public funds).

These dimensions of MPA are not mutually exclusive, and some aspects related to a given dimension could also sometimes be classified within another of the dimensions. These 6 dimensions will be used in the chapters giving a comparison across the EU countries of the Country-specific Recommendations given by the EU to the Member States (chapter 2) and the reforms they are undertaking (chapter 3).

## 1. The European Semester

The aim of this chapter is to illustrate the procedures characterizing the European Semester, a yearly policy coordination cycle implemented by the European Union since 2011 with a view to synchronizing and coordinating instruments and procedures related to budgetary and macro-economic policies and structural reforms in a number of policy domains. In order to do so, the paper is structured as follows. Section 1.1 introduces the basic features of the European Semester: its rationale and the three ‘pillars’ on which it relies (the Europe 2020 Strategy, fiscal surveillance under the reformed Stability and Growth Pact (SGP), and the macro-economic imbalances procedure (MIP)). Section 2.2 illustrates the procedures followed under the first four cycles of the Semester (i.e., in 2011-2012-2013-2014). The aim of this Section is to answer the following questions: what are the key documents of the European Semester and when are they produced? Which actors are responsible for them and through what procedures are they elaborated? Finally, it looks at the current European Semester cycle (2015) and reports on a series of proposals put forward by the European Commission in order to modify the procedures for the next cycles.

### 1.1 Basic features of the European Semester

In March 2010 the European Commission launched the ‘Europe 2020 Strategy’, a medium-term strategy aimed at fostering ‘smart, sustainable and inclusive growth’ in Europe (European Commission 2010). Europe 2020 aims at fostering structural reforms in a number of policy domains, including employment, research and development, resource efficiency, education, and social inclusion (see below). Since the launch of the Europe 2020 Strategy, due to the worsening of the financial and economic situation in the EU, several initiatives aiming at better coordinating Member States’ fiscal and macro-economic policies and at strengthening the EU ability to monitor and steer Member States’ policies have been undertaken (cf. Costamagna 2013; Degryse 2012; Zeitlin and Vanhercke 2014). Already existing coordination procedures in these policy domains have been made more stringent and new initiatives have been developed.

Introduced in 2011, the ‘European Semester for economic policy coordination’ is a yearly policy coordination cycle aiming at synchronizing and coordinating instruments and procedures linked to the reformed Stability and Growth Pact with activities associated with the Europe 2020 Strategy (Armstrong 2012) <sup>(3)</sup>. More in detail, as formally codified in 2011 in the framework of the so called Six Pack legislation (European Commission 2011; cf., in

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3. In the words of Costamagna (2013: 5), “[t]he Semester is an umbrella framework that brings together different coordination processes, connecting them with existing or new surveillance mechanisms. The interplay between the different components of the Semester gives to EU institutions an unprecedented capacity of policy formulation, guidance and monitoring on virtually the entire spectrum of Member States’ economic and social policies”.

particular, European Parliament and Council 2011), the European Semester relies on three pillars (Costamagna 2013; Vanhercke 2013):

- 1) the Europe 2020 Strategy and the Integrated Guidelines for growth and jobs (IGs) (thematic coordination aimed at fostering structural reforms);
- 2) the reformed Stability and Growth Pact (fiscal policy);
- 3) the Macro-economic Imbalances Procedure (macro-economic policy).

### 1.1.1 Europe 2020 Strategy

As for the first pillar, the ‘Europe 2020’ strategy relies on three mutually reinforcing priorities: promoting ‘smart growth’ (i.e., “developing an economy based on knowledge and innovation”), ‘sustainable growth’ (i.e., “promoting a more resource efficient, greener and more competitive economy”) and ‘inclusive growth’ (i.e., “fostering a high-employment economy delivering social and territorial cohesion”) (European Commission 2010: 5). In order to give substance to these overarching priorities, a set of 10 ‘Integrated Guidelines’ (integrating the employment guidelines and the broad economic policy guidelines) were adopted in 2010 (Table 1).

**Table 1. Europe 2020 – Integrated Guidelines (IGs)**

<b>Broad Guidelines for the economic policies of the Member States</b>
1. <i>Ensuring the quality and the sustainability of public finances</i>
2. <i>Addressing macro-economic imbalances</i>
3. <i>Reducing imbalances in the euro area</i>
4. <i>Optimising support for research, development and innovation, strengthening the knowledge triangle and unleashing the potential of the digital economy</i>
5. <i>Improving resource efficiency and reducing greenhouse gases</i>
6. <i>Improving the business and consumer environment and modernising the industrial base in order to ensure the full functioning of the internal market</i>
<b>Guidelines for the employment policies of the Member States</b>
7. <i>Increasing labour market participation and reducing structural unemployment</i>
8. <i>Developing a skilled workforce responding to labour market needs, promoting job quality and lifelong learning</i>
9. <i>Improving the performance of education and training systems at all levels and increasing participation in tertiary education</i>
10. <i>Promoting social inclusion and combating poverty</i>

**Source:** Council (2010).

As evident from Table 1, while IGs 1-3 refer to budgetary and macro-economic policies, the remaining guidelines deal with a variety of policy areas, including research, development and innovation, climate change and energy sustainability, the business environment,

employment, education and training, social inclusion. Five EU headline targets related to these policy areas – to be translated into national targets and achieved by 2020 – have been agreed on and seven ‘Flagship initiatives’ aiming at facilitating progress towards the targets have been set-up <sup>(4)</sup>. As for reporting and monitoring procedures, every year the European Commission publishes the ‘Annual Growth Survey’, where key policy challenges are identified and EU priorities are set out. Then Member States draft and submit their ‘National Reform Programmes’ (NRPs), detailing, *inter alia* <sup>(5)</sup>, structural reforms implemented or foreseen in the domains covered by the Strategy. On that basis, the European Commission and the Council issue, if appropriate, (non-binding) Country-specific Recommendations providing MS with policy advice.

### 1.1.2 Fiscal surveillance under the reformed Stability and Growth Pact

As mentioned above, a number of initiatives aimed at strengthening the coordination of Member States’ fiscal and macro-economic policies have been undertaken since the outbreak of the financial and economic crisis. With regard to fiscal policy, the ‘Six Pack’ legislation and the ‘Two-Pack’ legislation <sup>(6)</sup> have reinforced the implementation of the Stability and Growth Pact, by strengthening both its preventive and corrective arms. Under the former, every year MS must submit their budget plans for the next three years (named ‘Stability Programmes’ for the Eurozone countries and ‘Convergence Programmes’ for the countries outside the Eurozone). These Programmes – which give details on budgetary objectives and planned budgetary measures in accordance with fiscal policy guidelines and Member States’ medium-term budgetary objectives – are submitted by the end of April, at the same time as the National Reform Programmes. The Stability and Convergence programmes (SCP) are assessed by the Commission (*ex-ante* assessment) and, if the measures proposed are considered not appropriate or insufficient, the Council may issue

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4. The headline targets concern: - employment ( 75% of adults between the ages of 20 and 64 should be employed); - Research & Development (R&D) ( 3% of the EU’s GDP should be invested in R&D); - climate change and energy sustainability (greenhouse gas emissions 20% lower than 1990; 20% of energy from renewables; 20% increase in energy efficiency); - education (reducing the rates of early school leaving below 10%; at least 40% of 30-34-year-olds completing third level education); - poverty and social exclusion (at least 20 million fewer people in or at risk of poverty and social exclusion) ([http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/targets/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/targets/index_en.htm)). The Flagship Initiatives are: - ‘Digital Agenda for Europe’; - ‘Innovation Union’; - ‘Youth on the move’; - ‘Resource efficient Europe’; - ‘An industrial policy for the globalization era’; - ‘An agenda for new skills and jobs’; - ‘European platform against poverty and social exclusion’ ([http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/flagship-initiatives/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/flagship-initiatives/index_en.htm))
  5. NRPs also include reforms related to the ‘Euro Plus Pact’, an agreement signed by 23 MS in March 2011. These countries committed to pursue coordinated reforms – beyond the requirements of other EU legislation – on issues such as: wage-setting in line with productivity growth; labour market and tax policies; pensions, health care, and social benefits (Zeitlin and Vanhercke 2014: 24).
  6. The ‘Six Pack’ consists of five Regulations and one Directive adopted in 2011. The ‘Two Pack’ includes two Regulations which entered into force in May 2013 (Cf., respectively, European Commission 2011 and European Commission 2013a).

Country-specific Recommendations requesting Member States to modify these documents. Furthermore, if progress toward the medium term budgetary objective is deemed not sufficient (*ex-post* assessment), the Commission addresses a warning to the MS concerned, which is followed by a Council recommendation. Financial sanctions may be imposed on euro area Member States not respecting Council recommendations (<sup>7</sup>). As for the ‘corrective arm’ of the SGP, both the Six Pack and the Two-Pack have reinforced the ‘Excessive deficit procedure’ (EDP), a process concerning countries experiencing excessive deficits (i.e. beyond the 3% of GDP threshold) or debts (i.e. cases where public debt is above 60% of GDP and is not decreasing at a satisfactory pace) (<sup>8</sup>). In particular, sanctions under the EDP (possible for euro area countries only) have been made more automatic, through the introduction of so called ‘Reverse Qualified Majority Voting’: a financial sanction recommended by the Commission is approved unless a qualified majority of the members of the Council vote against it.

### 1.1.3 Macro-economic Imbalances procedure

Besides fiscal policy, the Six Pack has also strengthened the procedures aimed at early identification, monitoring and correction of ‘macro-economic imbalances’, i.e. a number of macro-economic conditions likely to affect the economic stability and competitiveness of the Member States and of the European Union. Notably, a new surveillance and enforcement mechanism –the macro-economic imbalances procedure – has been introduced, under the responsibility of the ECOFIN Council (Vanhercke 2013: 98). The MIP consists of three steps (<sup>9</sup>):

- 1) *Early warning system*. Possible sources of macro-economic imbalances are identified on the basis of a scoreboard composed of 11 macro-economic indicators (with specific ‘alert thresholds’) concerning both external and competitiveness imbalances (e.g. account balance, international investments, export market share, wage rises compared to productivity increase) and internal imbalances (e.g. private and public

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7. Moreover, the Two Pack has also introduced a common budgetary timeline for the members of the euro zone and a preliminary check of their national budgetary plans by the European Commission: every year, these countries must publish, by 15 October, their draft budgetary plan for the following year. The Commission examines the plans and gives its opinion by 30 November. If serious non-compliance with the obligations under the SGP obligations is detected, MS may be asked to submit a revised plan within 3 weeks. National budget laws must then be approved by the 31<sup>st</sup> of December. While, formally speaking, this surveillance procedure falls outside the Semester cycle (it takes place in the autumn, between two European Semesters), the two processes must be seen as complementary insofar as consistency with the European Semester Country-specific Recommendations is one of the criteria against which national budgetary plans are assessed.

8. For more detail about the EDP, see

[http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/corrective\\_arm/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/sgp/corrective_arm/index_en.htm).

9. See

[http://ec.europa.eu/economy\\_finance/economic\\_governance/macroeconomic\\_imbalance\\_procedure/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/index_en.htm)

sector debt, changes in deflated house prices, unemployment rate). The scoreboard is published in the 'Alert Mechanism Report' (AMR) (drafted by the European Commission) and allows the EC to identify countries whose situation needs an 'in-depth review'.

- 2) *Preventive actions*. If appropriate, the Commission and the Council can adopt preventive recommendations to the Member States. These recommendations are embedded in the set of Country-specific Recommendations issued in the context of the European Semester.
- 3) *Corrective actions*. If severe macro-economic imbalances are detected, an 'Excessive imbalance procedure' (EIP) can be opened. In these cases, the MS concerned must submit a corrective action plan with a clear roadmap and deadlines for implementing corrective actions. Furthermore, it must produce regular progress reports. Sanctions (adopted through the reverse qualified majority rule) may be imposed if the Member State does not comply with the recommended corrective actions or if it fails twice to submit a sufficient corrective action plan.

## 1.2 The governance procedures

As shown in the previous Section, the European Semester brings together a number of instruments and procedures with different legal bases, and related to a variety of policy domains. In this Section we will look in more detail at the various steps around which the Semester is organised, with particular attention to those more relevant for the thematic coordination pursued under the Europe 2020 strategy: we will present the key documents of the Semester, the timeline, and the roles of the actors involved. In doing so, we will first consider the procedures as implemented in the first four cycles of the Semester, i.e. over the period 2011-2014. Then, we will provide some information about the current cycle (which is still ongoing) and we will briefly list some proposals put forward by the European Commission in order to modify the procedures for the next cycles.

### 1.2.1 The first four cycles: 2011-2014

The European Semester starts in November, when the European Commission publishes the '**Annual Growth Survey**' and the '**Alert Mechanism report**'. The latter document relates to the macro-economic imbalances procedure and, as we have shown above, it allows the European Commission to identify at an earlier stage countries experiencing macro-economic imbalances, thus needing an 'in-depth review'. In the AGS, the European Commission identifies the main economic challenges facing the EU and recommends priority measures to address them in the coming year. These priorities concern both economic and fiscal policies as well as structural reforms related to thematic coordination under the Europe 2020

Strategy. Table 2 below lists the priorities identified during the first four European Semester cycles (2011-2014).

**Table 2. Priorities in the Annual Growth Surveys 2011-2014**

<b>2011</b>
1. MACRO-ECONOMIC PREREQUISITES FOR GROWTH <ul style="list-style-type: none"> <li>- Implementing a rigorous fiscal consolidation</li> <li>- Correcting macro-economic imbalances</li> <li>- Ensuring stability of the financial sector</li> </ul> 2. MOBILISING LABOUR MARKETS, CREATING JOB OPPORTUNITIES <ul style="list-style-type: none"> <li>- Making work more attractive</li> <li>- Reforming pensions systems</li> <li>- Getting the unemployed back to work</li> <li>- Balancing security and flexibility</li> </ul> 3. FRONTLOADING GROWTH-ENHANCING MEASURES <ul style="list-style-type: none"> <li>- Tapping the potential of the Single Market</li> <li>- Attracting private capital to finance growth</li> <li>- Creating cost-effective access to energy</li> </ul>
<b>2012</b>
1. PURSUING DIFFERENTIATED GROWTH-FRIENDLY FISCAL CONSOLIDATION 2. RESTORING NORMAL LENDING TO THE ECONOMY 3. PROMOTING GROWTH AND COMPETITIVENESS FOR TODAY AND TOMORROW 4. TACKLING UNEMPLOYMENT AND THE SOCIAL CONSEQUENCES OF THE CRISIS 5. MODERNISING PUBLIC ADMINISTRATION
<b>2013</b>
1. PURSUING DIFFERENTIATED GROWTH-FRIENDLY FISCAL CONSOLIDATION 2. RESTORING NORMAL LENDING TO THE ECONOMY 3. PROMOTING GROWTH AND COMPETITIVENESS FOR TODAY AND TOMORROW 4. TACKLING UNEMPLOYMENT AND THE SOCIAL CONSEQUENCES OF THE CRISIS 5. MODERNISING PUBLIC ADMINISTRATION
<b>2014</b>
1. PURSUING DIFFERENTIATED GROWTH-FRIENDLY FISCAL CONSOLIDATION 2. RESTORING NORMAL LENDING TO THE ECONOMY 3. PROMOTING GROWTH AND COMPETITIVENESS FOR TODAY AND TOMORROW 4. TACKLING UNEMPLOYMENT AND THE SOCIAL CONSEQUENCES OF THE CRISIS 5. MODERNISING PUBLIC ADMINISTRATION

**Source:** authors' elaboration on the EC Annual Growth surveys for 2011, 2012, 2013 and 2014.

After its publication, the AGS is debated by the European Parliament (which adopts a Resolution) <sup>(10)</sup> and by the Council of Ministers (grouped in different formations). Then, it is discussed and endorsed by the Spring European Council (in March): on that occasion, the Heads of State and Government take stock of the overall macro-economic situation, assess the progress towards the Europe 2020 targets and provide policy orientations on fiscal, macro-economic and structural reforms for the coming months. Still in March, the European Commission publishes the **'In-depth review'** (IDR) concerning the countries experiencing macro-economic imbalances.

The priorities and measures set out in the AGS should feed into Member States' **'Stability and Convergence Programmes'** on budgetary policies and **'National Reform Programmes'** on structural reforms. In order to ensure complementarities between fiscal and other structural policies, SCPs and NRPs must be submitted simultaneously by the end of April (mid-April in the case of euro area Member States). The NRPs are at the heart of the thematic coordination under the Europe 2020 strategy. They are intended to illustrate the strategies and measures implemented or planned by MS in order to translate into national policies the Europe 2020 Integrated Guidelines and the policy orientations provided by the AGS, progress towards the Europe 2020 headline targets and ways in which Country-specific Recommendations received during the previous cycle have been addressed <sup>(11)</sup>. Furthermore, the NRPs should also refer to actions related to the Euro Plus pact (for countries having signed it) and to the Macro-economic Imbalances procedure.

In May, the European Commission assesses both the SCPs and the NRPs and proposes **'Country-specific Recommendations'** for the Member States <sup>(12)</sup>. The CSRs cover the broad spectrum of policy areas related to the 'three-pillars' of the European Semester (see Section 1.1) and they have different legal bases. Indeed, they may refer to issues falling under either the IGs and the Europe 2020 strategy, the SGP (including the excessive deficit procedure) or the macro-economic imbalances procedure (Bekker 2015). Obviously, CSRs linked to the EDP and the MIP rely on a more stringent enforcement mechanism, possibly leading to financial sanctions (at least for the Member States of the Eurozone). On the other hand, the implementation of CSRs referring to the Europe 2020 strategy relies on 'softer' mechanisms such as peer-pressure. The draft CSRs are accompanied by Commission Staff Working documents illustrating, for each Member State, the rationale for the

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10. On the role of the European Parliament in the European Semester, see Marzinotto *et al.* (2012).

11. More in detail, the NRPs should be drafted following the guidelines provided by the European Commission (2013b), thus including: - the description of the macro-economic outlook of the country; - the responses to the CSRs received in the previous cycle; - progress towards the Europe 2020 targets and national reform strategies to be implemented in order to achieve the targets; - the use of European funds. In drafting these documents, Member States should adequately involve national Parliaments and stakeholders.

12. Besides recommendations addressed to each country (with the exception of countries under bailout programmes, which are simply asked to implement the commitments contained in the 'Economic Adjustment Programmes' (better known as Memoranda of Understanding), the European Commission also publishes recommendations for the whole euro area.

recommendations proposed by the European Commission. As illustrated by Zeitlin and Vanhercke (2014: 34), over time the EC has developed increasingly collaborative procedures in order to draft the proposals for the CSRs, defined by these authors as ‘a collegial exercise’. A key role is played by Country Teams led by the Secretary General, which build on input from desk officers and horizontal policy units across a wide range of Directorates General (DGs) <sup>(13)</sup>. Although the drafting of the Staff Working documents accompanying the proposed CSRs is led by the Directorate General for Economic and Financial Affairs (DG ECFIN), all the relevant DGs provide written feedback (*ibid.*). Basically, these Working documents rely on information drawn from multiple sources: besides information directly provided by the national governments in their SCPs and NRPs and information gathered by existing networks of national experts dealing with issues linked to the Europe 2020 Strategy, the Commission also organises bilateral meetings with national authorities. In order to facilitate exchanges between EU bodies and domestic settings, the Commission has appointed in each Representation ‘European Semester Officers’, economic policy experts who are supposed to collaborate with national actors (governments, parliaments, social partners and other stakeholders). Their role is twofold. Firstly, they should get a balanced picture of the challenges that the Member State is facing so that the annual Country-specific Recommendations will best reflect the realities on the ground <sup>(14)</sup>. Secondly, they should help to explain the details of EU economic governance to national stakeholders.

Draft CSRs are then discussed (in June) by the Council of Ministers (in its various formations), which, mainly relying on discussions held in the various Council committees, can amend or adopt them. Voting in the Council has to follow the reverse qualified majority rule, a circumstance which makes it difficult – but by no means impossible – to modify Commission proposals (and indeed, in some cases there are differences between the CSRs drafted by the Commission and the recommendations adopted by the Council). Finally, in July, the European Council endorses the CSRs, thus formally closing the European Semester cycle.

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13. Each DG of the European Commission has its own ‘country desks’ dealing with a single country or a small group of countries. Country desks draft CSRs which are later discussed in the so called ‘country teams’ (which bring together the country desks of the different DGs).

14. See [http://ec.europa.eu/europe2020/who-does-what/eu-institutions/index\\_en.htm](http://ec.europa.eu/europe2020/who-does-what/eu-institutions/index_en.htm)

**Table 3. The European Semesters: main steps 2011-2014**

Document	Main function	Timing	Main actors involved
<i>Annual Growth Survey (AGS)</i>	It is the starting point of the European Semester. It identifies the main economic challenges facing the EU and recommends priority measures to address them in the coming year	November	European Commission  (discussed by the Council, the European Parliament and endorsed by the European Council)
<i>Alert Mechanism Report (AMR)</i>	It identifies countries experiencing macro-economic imbalances, thus needing an 'in-depth review'	November	European Commission  (discussed by the Council)
<i>In-depth review (IDR)</i>	In-depth analysis of countries identified in the AMR in order to determine whether there are imbalances or excessive imbalances	March	European Commission
<i>Stability and Convergence Programmes (SCP)</i>	They illustrate Member States' budgetary objectives and planned budgetary measures in accordance with fiscal policy guidelines and Member States' medium-term budgetary objectives	April	Member States
<i>National Reform Programmes (NRPs)</i>	They illustrate:  - the strategies and measures implemented or planned by Member States in order to translate into national policies the IGs and the policy orientations provided by the AGS;  - progress towards the Europe 2020 headline targets;  - action undertaken to address CSRs (plus actions related to the Euro Plus Pact and the MIP)	April	Member States
<i>Country-specific Recommendations (CSRs)</i>  (+ Commission Staff Working documents)	Tailor-made policy advice to Member States in areas deemed as priorities for the next 12-18 months (including budgetary and macro-economic policies, Europe 2020 structural reforms)	May (proposals)  End of June-beginning of July (formal adoption)	European Commission (draft CSRs)  Council of Ministers (it adopts the CSRs)  Endorsed by the European Council

**Note:** the table does not include the procedures for monitoring the budgetary plans of the Eurozone countries introduced by the Two-Pack.

**Source:** authors' own elaboration.

### 1.2.2 Annual Growth Survey for 2015 and the European Commission's proposals for the next cycles

At the time of the writing of the present report, the implementation of the European Semester 2015 – the first under the Juncker Commission – is at a halfway stage: the AGS and the AMR were published in November, Member States have published their SCP and NRPs and the Commission is currently preparing draft CSRs. In the meanwhile, the mid-term review of the Europe 2020 strategy is underway (cf. European Commission 2014b; 2015g) and the

European Commission has proposed, in March 2015, a new set of Integrated Guidelines (European Commission 2015e; 2015f).

As for the current European Semester, in the AGS for 2015 (European Commission 2014b) the European Commission has proposed ‘an integrated approach’ based on three pillars (replacing the five priorities of the previous AGS): a) a coordinated boost to investment; b) a renewed commitment to structural reforms; c) pursuing fiscal responsibility. These pillars (Table 4) are supposed to reflect the priorities of the new Commission as expressed in President Juncker’s (2014) ‘Political Guidelines for the next Commission’ and to set out the ‘Jobs, Growth and Investment Package’ announced there. The first pillar refers to the ‘Investment Plan for Europe’ presented alongside the 2015 AGS. The second pillar concerns structural reforms related to the Europe 2020 strategy. Notably, a series of actions to be undertaken at the EU level and seven priority policy areas for Member States’ reform are identified. The third pillar addresses fiscal policy, stressing the need for ‘responsible growth-friendly fiscal consolidation’.

**Table 4. The ‘integrated pillars’ of the Annual Growth Survey for 2015**

<p><b>1. A COORDINATED BOOST TO INVESTMENT</b></p> <ul style="list-style-type: none"> <li>- An Investment Plan for Europe</li> </ul>
<p><b>2. A RENEWED COMMITMENT TO STRUCTURAL REFORMS</b></p> <p><b>a. <u>Removing key barriers at the EU level:</u></b></p> <ul style="list-style-type: none"> <li>- Implementing the single market in goods and services is a priority.</li> <li>- The Digital Single Market is essential for jobs, growth and innovation.</li> <li>- Further structural reforms in energy markets are necessary to achieve a resilient Energy Union with a forward-looking climate change policy.</li> <li>- Ambitious action is required to ensure an EU regulatory framework supportive of jobs, growth and investment.</li> </ul> <p><b>b. <u>Structural reforms at Member State level:</u></b></p> <ol style="list-style-type: none"> <li>1. Improving the dynamics in labour markets and tackling the high level of unemployment.</li> <li>2. Pension reforms</li> <li>3. Modernising social protection systems</li> <li>4. Improving the flexibility of product and services markets.</li> <li>5. Improving framework conditions for business investment.</li> <li>6. Improving the quality of research and innovation (R&amp;I) investment.</li> <li>7. Improving efficiency in public administration.</li> </ol>
<p><b>3. PURSUING FISCAL RESPONSIBILITY</b></p> <ul style="list-style-type: none"> <li>- Responsible growth-friendly fiscal consolidation</li> </ul>

**Source:** authors’ elaboration on European Commission (2014b).

Besides introducing the integrated approach mentioned above, the European Commission has also proposed some changes to the procedures of the European Semester, in order to streamline and reinforce the process. Notably, in the EC's view, action should be taken in order "[...] to increase political ownership, accountability and acceptance of the process, to strengthen its credibility and comparability across Member States and to help improve the implementation of the Country-specific Recommendations" <sup>(15)</sup> (European Commission 2014b: 13). Proposals put forward by the Commission – partly implemented during the current cycle (see Figure 1) – are organized around four axes (*ibid*: Annex):

- “Simplifying Commission outputs and allowing for more feedback on Commission analysis”. In order to improve the coherence of the process and reduce administrative burdens, the European Commission has proposed to publish simultaneously (and in a single report) the two documents that provide the rationale for the Country-specific Recommendations addressed to the Member States, i.e. the Staff-Working Documents accompanying the CSRs and the In-depth review following up the Alert Mechanism report. According to the EC, publishing such a comprehensive document in March would increase the transparency of the process and would allow for more time for reactions and feedback on the EC's analysis. Such a proposal has been already implemented in the current cycle. Indeed, at the end of February, the European Commission published a series of **‘Country Reports’** containing: a) for each Member State (except Greece), an analysis of the economic situation and of the policy areas for reforms identified in the AGS (i.e. the former Staff Working Documents); b) an in-depth review of the prevention and correction of macro-economic imbalances for the 16 MS identified in the AMR. In addition to these reports, the EC has also published a single Country Report for the whole euro area and a Communication summarizing the main messages emerging from the analysis <sup>(16)</sup>.
- “Streamlining reporting requirements of Member States”. According to the EC, reporting requirements of Member States should follow a "tell only once" approach: information already available should be shared and re-used and EU level activities should focus on the analysis and the updating of that information. Consequently, the European Commission invites the Member State to “refocus” their National Reform Programmes (which should feed into the analysis conducted by the Commission, providing more targeted national input at an early stage) and to involve national Parliaments and social partners in the formulation of these documents.

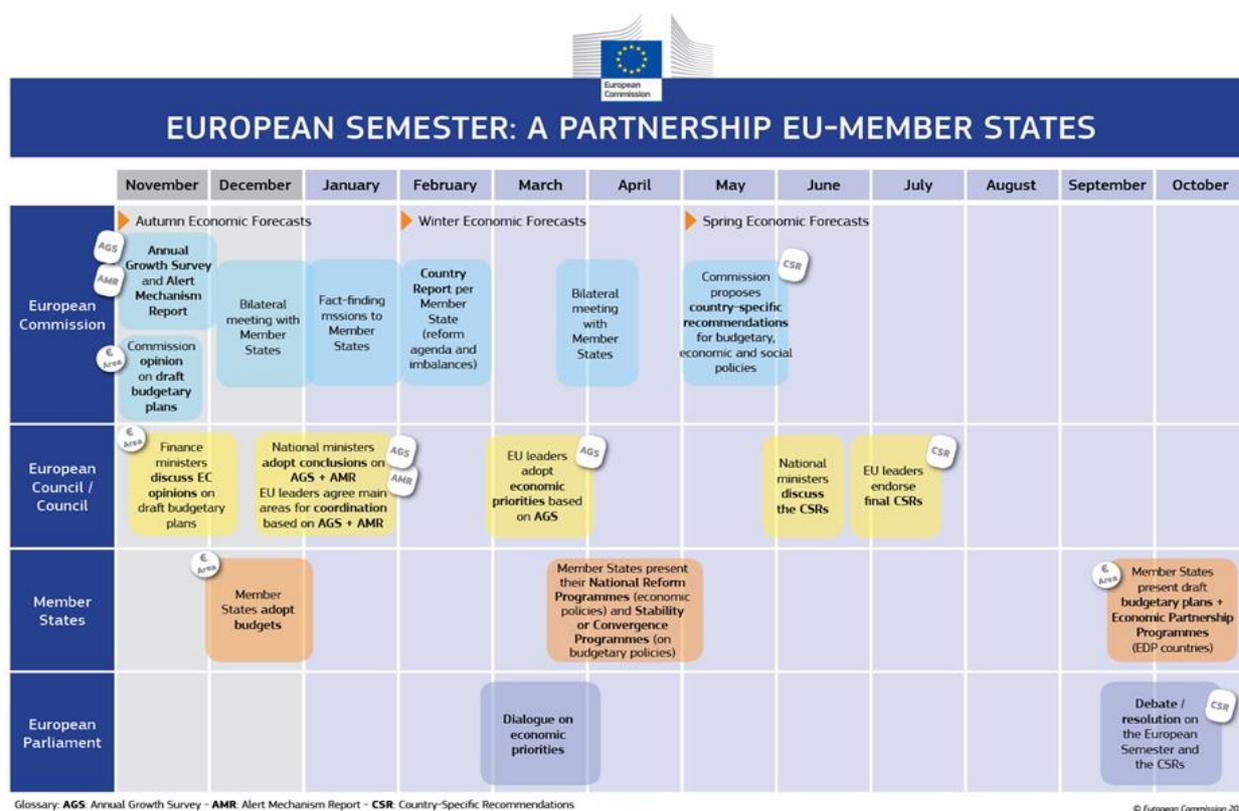
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15. In this respect, in the view of the European Commission (2014b:16), the implementation of the Country-specific Recommendations, in particular in the area of structural reforms, has been so far unsatisfactory.

16. See [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)

- “Enhancing the multilateral nature of the process”. The EC proposes to enhance cross-examination of performance and policies throughout the year and to multiply the exchanges of views on its monitoring of the implementation of reforms, with a view to facilitating implementation of the CSRs. The early presentation of the Country Reports may allow more time for examining and discussing EU guidance. Indeed, according to the new timeline (Figure 1), the two months before and after the publication of the Country Reports will be devoted to bilateral meetings with the Member States and ‘fact-finding missions’ on the ground.
- “Opening up the process and increasing engagement with other actors”. Two proposals aimed at improving the dialogue with the European Parliament and the EU level social partners have been put forward in the 2015 AGS. First, the EC proposes to engage with these actors before the presentation of the Annual Growth Survey, then continuing such a dialogue after its adoption. Second, the European Commission has proposed “[to] engage with the European Parliament to discuss emerging horizontal aspects and, as relevant, with social partners to receive feedback on topical Country-specific issues” (European Commission 2014b:19).

Figure 1: The European Semester 2015



Source: European Commission ([http://ec.europa.eu/europe2020/making-it-happen/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/index_en.htm)).

## 2. Modernisation of public administration in the Country Specific Recommendations

A first insight into the topic of MPA in the CSRs is given by a brief analysis of the synthesis tables provided by the European Commission in the framework of the Annual Growth Surveys (Section 3.1). However, this does not supply much detail on the specific MPA recommendations. A second insight is provided by a detailed analysis of the latest CSRs in 2015, using the 6 dimensions of MPA described previously to define and examine the different aspects of MPA referred to in the recommendations (Section 3.2).

### 2.1. General overview of the modernisation of public administration in the CSRs

From a quantitative point of view, the total number of CSRs increased between 2012 and 2014 (from 138 CSRs to 157) but strongly decreased in 2015 when ‘only’ 102 CSRs were given to the 26 Member States included in the now streamlined ES process (European Parliament 2015). As a consequence, the average number of CSRs declined over this period by about a third, while the minimum and maximum numbers of CSRs addressed to individual Member States were reduced under the streamlined 2015 Semester to one recommendation (Sweden) and six recommendations (France, Croatia and Italy) respectively. The effect of the streamlining is thus reflected in the total number of CSRs. This overall perspective highlights also the different positions of the Member States with regard to structural reforms indicated by the CSRs. The Nordic countries (except Finland) have received the fewest CSRs since 2012, while Southern Member States are predominant among the countries receiving the maximum number of CSRs (European Parliament 2015).

Beyond this overall perspective, the Annual Growth Surveys also include broad information on the distribution of the CSRs related to public administration, although without giving details on the sub-dimensions of MPA. The following table is aggregated using the synthesis tables provided by the European Commission in the AGS documents. Countries are listed according to the total number of CSRs received during the period.

**Table 5. CSRs on public administration in the AGS since 2012 <sup>(17)</sup>**

	<i>Public services and regulation</i>	<i>Public administration and smart regulation</i>	<i>Public administration and smart regulation</i>	<i>Administrative modernisation and rule of law</i>	
	2012	2013	2014	2015	<i>total</i>
Luxembourg					0
Netherlands					0
Sweden					0
United Kingdom	✓				1
Germany			✓	✓	2
Denmark	✓	✓			2
Malta		✓	✓		2
Belgium	✓	✓		✓	3
France		✓	✓	✓	3
Lithuania	✓	✓	✓		3
Poland	✓	✓	✓		3
Austria	✓	✓	✓	✓	4
Bulgaria	✓	✓	✓	✓	4
Czech Republic	✓	✓	✓	✓	4
Estonia	✓	✓	✓	✓	4
Spain	✓	✓	✓	✓	4
Finland	✓	✓	✓	✓	4
Hungary	✓	✓	✓	✓	4
Italy	✓	✓	✓	✓	4
Latvia	✓	✓	✓	✓	4
Slovenia	✓	✓	✓	✓	4
Slovak Republic	✓	✓	✓	✓	4
<b>Total</b>	<b>16</b>	<b>17</b>	<b>16</b>	<b>14</b>	

**Source:** own elaboration based on European Commission AGS from 2012 to 2014 and 'challenge table' for 2015.

To the extent that wording is important in the EU rhetoric, we could firstly notice the fluctuating column headers used by the EC since 2012. The reference to public administration is changeable, sliding from the broader notion of 'public services' in 2012 to the narrower one of 'administrative modernisation' in 2015. But across the whole period,

17. Certain countries are not included in the table. This is mainly because they were under the specific economic governance procedures related to the provision of EU financial aid plans during part (Portugal, Ireland) or the whole (Greece, Cyprus) period of the ES. To avoid duplication, the structural reforms in these countries are not dealt with within the framework of the ES but rather in the economic adjustment programmes. Croatia joined the EU during the ES period.

there is a constant focus on (smart) regulation in the headers. Second, while the total number of CSRs decreases significantly in 2015, the annual total of CSRs on MPA appears to be more stable over time, in spite of a small decrease in 2015. Third, the majority of EU Member States have repeatedly received CSRs on MPA since 2012, or at least in three of the four years. Only a small group of countries have not received a CSR on MPA since 2012 (Luxembourg, Netherlands, Sweden). The United Kingdom was given a CSR on MPA in 2012, but not since. This general overview of the CSRs related to MPA highlights thus a certain constancy on the topic of the MPA in the ES, encouraging most Member States to undertake reforms in public administration.

While an analysis of these European documents gives us a first broad insight into the distribution of MPA-related CSRs across countries, it is necessary to analyse the CSRs in more detail, to examine their precise content related to MPA. For this purpose, a systematic screening of the latest CSRs was carried out, in terms of the dimensions of MPA identified previously in the Introduction to this report. The detailed results are presented in the section below.

## **2.2 Detailed overview of the modernisation of public administration in the 2015 CSRs**

The following table provides an overview of the distribution of MPA dimensions in the 2015 CSRs according to the screening carried out in the framework of this project. It is worth noting that the number of Member States that were given a CSR is higher in this table than in the above table based on the EU Commission's assessment (37, as opposed to 14). This is because the second table examines the CSRs concerning the various dimensions of MPA: a single CSR might include references to several dimensions of MPA.

**Table 6. Overview of 2015 CSRs by dimensions of MPA - 2015**

<i>Countries</i>	<i>Governance and institutions</i>	<i>Tools of administration</i>	<i>Administrative burden on businesses</i>	<i>Use of public and EU funds</i>	<i>Justice system</i>	<i>Corruption</i>	<i>Total</i>
Austria	✓						1
Belgium	✓						1
Bulgaria	✓				✓	✓	3
Croatia							0
Czech Republic	✓			✓		✓	3
Denmark							0
Estonia							0
Finland	✓						1
France	✓	✓	✓				3
Germany	✓	✓					2
Hungary	✓			✓		✓	3
Ireland	✓						1
Italy	✓		✓	✓	✓		4
Latvia	✓				✓		2
Lithuania	✓						1
Luxembourg	✓						1
Malta							0
Netherlands	✓						1
Poland	✓						0
Portugal	✓			✓			2
Romania	✓						1
Slovakia	✓			✓			2
Slovenia					✓		1
Spain	✓		✓				2
Sweden	✓						1
United Kingdom							0
<b>Total</b>	<b>20</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>37</b>

**Source:** own elaboration of authors.

The dimension related to ‘governance and institutions’ was the subject of by far the greatest number of CSRs in 2015 (20 countries). CSRs concerning other dimensions of MPA are less frequent. In the following sections, we show the detailed distribution of CSRs relating to each dimension of MPA.

## 2.2.1 Governance organisation & institutions

**Table 7. CSRs on governance organisation and institutions - 2015**

<b>Countries</b>	<b>CSRs</b>
Austria	Correct the <b>misalignment between the financing and spending responsibilities of the different levels of government</b> .
Belgium	Adopt and implement a <b>comprehensive tax reform</b> broadening the tax base, shifting the tax burden away from labour and removing inefficient tax expenditures.
Bulgaria	Take decisive measures to <b>improve tax collection</b> and <b>address the shadow economy</b> , based on a comprehensive risk analysis and evaluation of past measures.  <b>Improve the cost-effectiveness of the health care system</b> , in particular, by reviewing the pricing of health care and strengthening outpatient and primary care.  With a view to improving the investment climate, prepare a <b>comprehensive reform of the insolvency framework</b> drawing on international best practice and expertise, in particular to improve mechanisms for pre-insolvency and out-of-court restructuring
Czech Republic	<b>Fight tax evasion, simplify the tax system</b>
Finland	Ensure effective design and implementation of the <b>administrative reforms concerning municipal structure and social and healthcare services</b> , with a view to increasing productivity and cost-effectiveness in the provision of public services, while ensuring their quality.
France	<b>Simplify and improve the efficiency of the tax system</b> , in particular by removing inefficient tax expenditure. To promote investment, take action to reduce the taxes on production and the corporate income statutory rate, while broadening the tax base on consumption. Take measures as from 2015 to abolish inefficient taxes that are yielding little or no revenue.  Step up efforts to make the <b>spending review effective and identify savings opportunities across all sub-sectors of general government</b> , including on social security and local government. Take steps to <b>limit the rise in local authorities' administrative expenditure</b> .
Germany	To foster private investment, take measures to <b>improve the efficiency of the tax system</b> , in particular by reviewing the local trade tax and corporate taxation and by <b>modernising the tax administration</b> .  Use the ongoing review to improve the design of fiscal relations between the federation, Länder and municipalities, particularly with a view to ensuring <b>adequate public investment at all levels of government</b> .
Hungary	Remove the unjustified entry barriers in the service sector. <b>reduce compliance costs and improve the efficiency of tax collection</b> .
Ireland	Limit the existing discretionary powers to change expenditure ceilings beyond specific and predefined contingencies. Broaden the tax base and review tax expenditures, including on value-added taxes.
Italy	Swiftly and thoroughly <b>implement the privatisation programme</b> .  Adopt and implement the pending laws aimed at <b>improving the institutional framework and modernising the public administration</b> .  Implement the <b>enabling law for tax reform</b> by September 2015, in particular the revision of tax expenditure and cadastral values and the measures to enhance tax compliance.
Latvia	<b>Improve the public service legislation</b> to strengthen the conflict of interest regime and link remuneration to responsibilities.
Lithuania	<b>Broaden the tax base</b> and improve tax compliance.
Luxembourg	<b>Broaden the tax base</b> , in particular on consumption, recurrent property taxation and environmental taxation.
Netherlands	Accelerate the decrease in mortgage interest tax deductibility so that tax incentives to invest in unproductive assets are reduced. Provide for a more market-oriented pricing mechanism in the rental market and further relate rents to household income in the social housing sector.

Poland	Remove obstacles to investment in <b>railway projects</b> .
Portugal	Further <b>improve tax compliance and the efficiency of the tax administration</b> . <b>Accelerate private-public partnerships at local and regional level</b> . <b>Improve the efficiency of public employment services</b> , in particular by increasing outreach to non-registered young people.
Romania	<b>Implement the comprehensive tax compliance strategy</b> , strengthen verification control systems in order to <b>tackle undeclared work</b> , Adopt the law on <b>reforming corporate governance of state-owned enterprises</b> .
Slovakia	Take measures to <b>increase tax collection</b> .
Spain	Strengthen transparency and accountability of regional public finances
Sweden	Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes, and by increasing the pace of mortgage amortisation.

**Source:** own elaboration of authors.

Among the 2015 CSRs related to the dimension of ‘governance organisation and institutional policy’, those concerning reforms of the tax systems are by far the most numerous. No less than 15 countries were given CSRs on this topic in 2015 (BE, BG, CZ, FR, DE, HU, IE, IT, LT, LU, NL, PT, RO, SK, SE). The improvement of the governance framework at sub-national levels comes next, with CSRs addressed to 4 countries concerning efficiency of spending (AT, FR, DE, ES) or reforms to the way in which the administration is organised (FI, IT, LV, PT). CSRs related to the privatisation of state-owned companies are explicitly addressed to some countries (IT, PT, PL, RO). More one-off CSRs concerning specific topics are given to certain countries, such as tackling tax evasion and fiscal fraud (CZ) or the shadow economy and undeclared work (BG, RO).

### 2.2.2 Tools of modernisation

There is no specific reference to the ‘tools of modernisation’ dimension in the 2015 CSRs. There is just a broad reference to the improvement of spending reviews, as a tool to identify savings opportunities across all sub-sectors of general government in France and Germany.

### 2.2.3 Administrative burden on businesses

**Table 8. CSRs on reduction of administrative burden on businesses - 2015**

<b>Countries</b>	<b>CSRs</b>
France	By the end of 2015, <b>reduce regulatory impediments to companies' growth</b> , in particular by reviewing the size-related criteria in regulations to avoid threshold effects. <b>Remove the restrictions on access to and the exercise of regulated professions</b> , beyond the legal professions, in particular as regards the health professions as from 2015.
Italy	Implement the simplification agenda for 2015-2017 to ease the administrative and regulatory burden. Adopt competition-enhancing measures in all the sectors covered by the competition law, and take decisive action to remove remaining barriers.
Spain	Remove the barriers preventing businesses from growing, including size-contingent regulations; adopt the planned reform on professional services.

**Source:** own elaboration of authors.

Although the 'reduction of administrative burden' dimension is strongly linked within the ES to the overarching objective of improving competitiveness and economic growth, there are limited references to this dimension in the streamlined CSRs of 2015. This may be due to the fact that reforms aimed at 'cutting red tape' have already been implemented in nearly all Member States since the previous ES cycles. The review of reforms undertaken contained in the next chapter confirms that this dimension was by far the most frequent area for reform addressed by EU Member States in the 2014 NRPs.

### 2.2.4 Efficiency of public and EU investments

**Table 9. CSRs on efficiency of public and EU investments - 2015**

<b>Countries</b>	<b>CSRs</b>
Czech Republic	Take measures to increase the <b>transparency and efficiency of public procurement</b> , in particular by establishing a central register of public contracts and strengthening guidance and supervision.
Hungary	<b>Strengthen structures in public procurement</b> that promote competition and transparency and further improve the anti-corruption framework.
Italy	Ensure that the Agency for Territorial Cohesion is made fully operational so that the management of EU funds markedly improves. Ensure that local public services contracts not complying with the requirements on in-house awards are rectified by no later than end-2015.
Portugal	<b>Accelerate measures and increase transparency</b> as regards concessions.
Slovakia	<b>Improve and streamline the administrative procedures</b> for obtaining land-use and construction permits. <b>Increase competition in public tenders</b> and <b>improve supervisory mechanisms in public procurement</b> .

**Source:** own elaboration of authors.

The need to improve transparency and efficiency of public procurement procedures is still the object of CSRs given in 2015 to countries such as the Czech Republic, Slovak Republic, Hungary, Italy and Portugal. The CSR to Italy also contains a specific reference to the

necessity to activate the institution aimed at distributing the European funds within the regions and local authorities.

## 2.2.5 Justice systems

**Table 10. CSRs on improvement of justice systems - 2015**

<b>Countries</b>	<b>CSRs</b>
Bulgaria	A key building block for an investor-friendly business environment is an <b>independent, high-quality and efficient judicial system</b> and effective mechanisms to fight corruption.
Italy	Ensure that the reforms adopted to improve the efficiency of civil justice help reduce the length of proceedings.
Latvia	<b>Improve efficiency of the judicial system</b> , by increasing accountability of all parties (including insolvency administrators), by providing adequate means to fight tax evasion and by strengthening the role of the Judicial Council.
Slovenia	Ensure that the reforms adopted to <b>improve the efficiency of civil justice</b> help reduce the length of proceedings.

**Source:** own elaboration of authors.

Only 4 countries received CSRs including the necessity to improve efficiency of justice systems. For Bulgaria this goes hand in hand with requirements to improve the independence and quality of the judicial system.

## 2.2.6 Corruption

**Table 11. CSRs on tackling corruption- 2015**

Bulgaria	A key building block for an investor-friendly business environment is an independent, high-quality and efficient judicial system and <b>effective mechanisms to fight corruption</b> .
Czech Republic	Implement the anti-corruption plan.
Hungary	Strengthen structures in public procurement that promote competition and transparency and <b>further improve the anti-corruption framework</b> .

**Source:** own elaboration of authors.

In 2015, even fewer countries were given CSRs explicitly mentioning the fight against corruption (Bulgaria, Czech Republic and Hungary). In the cases of the Czech Republic and Hungary, the CSRs refer to the implementation of existing plans or frameworks against corruption.

### 3. Reforms on the modernisation of public administration in the Member States

This chapter is dedicated to the identification of MPA reforms undertaken by the EU Member States in response to the CSRs that were given to them. It is not possible, in the framework of this project, to provide a detailed overview of the reforms carried out in each of the 26 Member States' NRPs. To counter this difficulty, the report follows a two-step approach.

In a first step, a thematic analysis is performed, to highlight the categories of reforms undertaken in all the EU countries. Countries are classified using the 6 dimensions of MPA emphasised previously (Section 4.1).

To go beyond this general overview, five country case studies were completed, to go into more detail concerning the reforms at national level. The five countries were selected in agreement with the EPSU secretariat and its affiliates during the first project meeting, when intermediate results of the research were presented (Section 4.2). The five countries are the Czech Republic, Finland, France, Ireland and Italy.

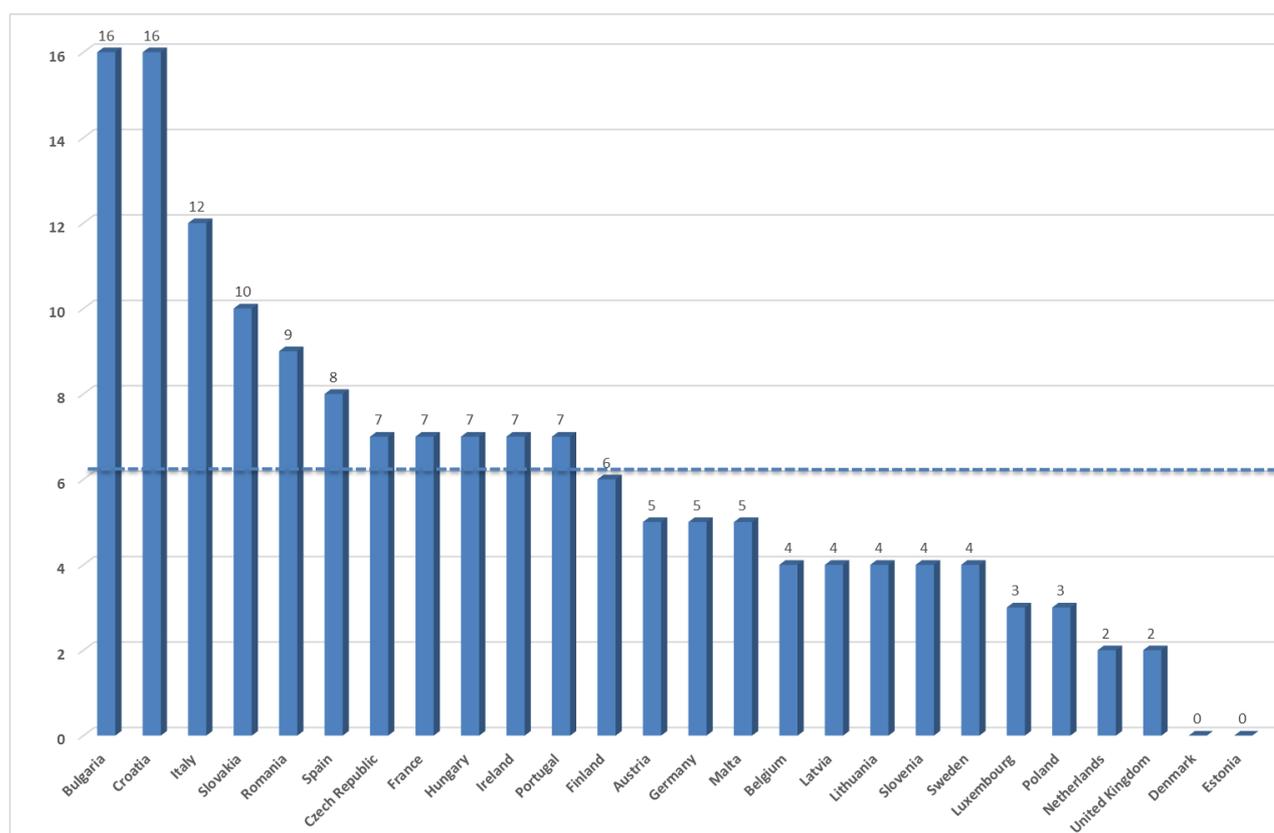
#### 3.1 Overview of MPA reforms in the EU

National reforms aimed at the modernisation of public administrations were identified by analysing the National Reform Programmes and other primary and secondary literature on the 2014-2015 European Semester cycle. The 2015 NRPs, which were drafted to present the reforms undertaken by Member States in response to the 2014 CSRs, will be our main reference points in this chapter when identifying MPA-related reforms <sup>(18)</sup>.

In total, 159 reforms encompassing the dimensions of the MPA were identified in the NRPs, with an average of 6.1 reforms per country. This indicates the existence of a significant stream of MPA reforms in the EU countries. The figure below shows the distribution of these reforms between the EU Member States.

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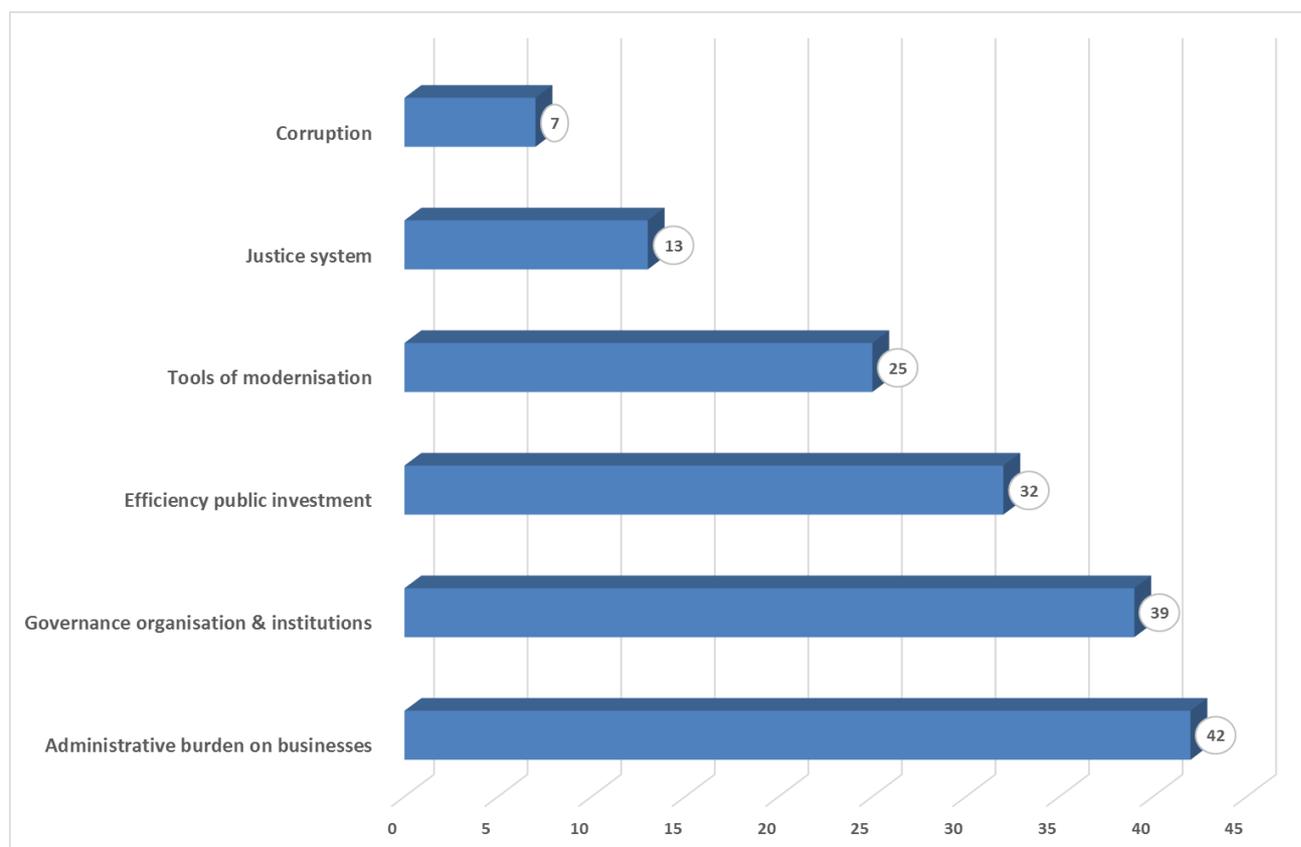
18. The reaction to the 2015 CSRs will be included in the 2015-2016 NRPs, which will be prepared by Member States for April/May 2015.

**Figure 2: Total identified reforms on MPA by country – NRPs 2015**

**Source:** own elaboration of authors.

At the upper end of the distribution there is a group of countries where numerous reforms on MPA are being carried out simultaneously (Bulgaria, Croatia and to a lesser extent Italy, Slovak Republic and Romania). At the other end of the distribution there are countries with less intense efforts at reform (Luxembourg, Poland, Netherlands and the United Kingdom) or no identified reforms at all (Denmark and Estonia). The majority of EU MS are in a 4 to 6 reforms bracket.

As regards the distribution of identified reforms across the MPA dimensions, the following figure shows that the 'administrative burden on businesses' and 'governance and institutions' dimensions are those where there have been most reforms across the EU. The dimensions related to the 'efficiency of public and EU investments' and 'tools of modernisation' have also been the subject of a significant number of reforms. The improvement of 'justice systems' and the tackling of 'corruption' are the MPA dimensions for which the lowest numbers of reforms were identified.

**Figure 3: Total identified reforms by dimensions of MPA – NRPs 2015**

**Source:** own elaboration of authors.

MPA reforms are thus unequally distributed across Member States, but also across the dimensions of MPA. This paper will now give a more detailed vision of the reforms identified within each of the MPA dimensions. Reforms are aggregated into thematic sub-dimensions.

### 3.1.1 Reforms on governance and institutions

Table 12 below presents the distribution across EU countries of the reforms undertaken concerning the dimension of 'governance and institutions'. These represent a large share of the reforms undertaken to modernise public administrations.

**Table 12. Identified reforms on governance and institutions - 2015 NRPs**

	<i>Horizontal and vertical coordination of governance levels</i>	<i>Restructuring / Privatisation of State-owned companies</i>	<i>Increase efficiency tax systems</i>	<i>(Social) housing policies</i>	<i>Shadow economy</i>	<i>Fiscal fraud</i>	<i>Total</i>
Austria	✓		✓				2
Belgium			✓				1
Bulgaria	✓		✓		✓		3
Croatia	✓	✓	✓		✓	✓	5
Czech						✓	1
Denmark							0
Estonia							0
Finland	✓						1
France	✓		✓				2
Germany	✓		✓				2
Hungary			✓				1
Ireland			✓				1
Italy	✓	✓	✓			✓	4
Latvia							0
Lithuania		✓					1
Luxembourg			✓				1
Malta							0
Netherlands			✓	✓			2
Poland							0
Portugal	✓	✓	✓				3
Romania	✓	✓	✓		✓		4
Slovakia			✓				1
Slovenia							0
Spain	✓		✓				2
Sweden	✓		✓				2
United							0
<b>Total</b>	<b>11</b>	<b>5</b>	<b>16</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>39</b>

**Source:** own elaboration of authors.

Among the 39 reforms identified for this dimension of MPA, there are two sub-dimensions encompassing the majority of reforms: the improvement of the efficiency of tax systems and the coordination of governance levels. No less than 16 EU countries are engaged in reforms aimed at improving the scope and efficiency, in economic terms, of the tax systems. Needless to say, this is a policy field of utmost importance within the ES, as it touches on the funding capacities of the States, but also on potential budgetary savings that could be realised. 11 European countries, frequently the same ones, are also reforming the organisation of governance levels, notably the horizontal and vertical coordination between the levels of powers. The other sub-dimensions of MPA are the object of fewer reforms. Overall, certain countries are deploying reforms across the whole range of sub-dimensions of MPA. This is notably the case of Croatia after its recent accession to the EU, but also of Romania and Italy.

### 3.1.2 Reforms concerning the tools of modernisation

For this dimension of the MPA, there are fewer reforms identified, and these are more concentrated in a limited number of Member States. In 11 countries no reforms involving tools of modernisation have been identified.

**Table 13. Identified reforms on tools of modernisation - 2015 NRPs**

	<i>E-government</i>	<i>HR management</i>	<i>Evidence-based instruments</i>	<i>Wage-setting procedures</i>	<i>Spending reviews</i>	<i>Public employment services</i>	<i>Total</i>
Austria							0
Belgium				✓			1
Bulgaria	✓			✓			2
Croatia				✓			1
Czech			✓			✓	2
Denmark							0
Estonia							0
Finland				✓		✓	2
France				✓	✓		2
Germany							0
Hungary	✓						1
Ireland							0
Italy			✓		✓	✓	3
Latvia							0
Lithuania							0
Luxembourg				✓		✓	2
Malta	✓						1
Netherlands							0
Poland							0
Portugal						✓	1
Romania				✓	✓		2
Slovakia		✓				✓	2
Slovenia				✓			1
Spain	✓					✓	2
Sweden							0
United Kingdom							0
<b>Total</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>8</b>	<b>3</b>	<b>7</b>	<b>25</b>

**Source:** own elaboration of authors.

Wage setting procedures are the object of reforms in 8 countries (BE, BG, HR, FI, FR, LU, RO, SI). In several countries these have gone hand in hand with profound reforms of social dialogue, including in the public services sector (Van Gyes and Schulten 2015; Vaughan-Whitehead 2013). There are also frequent reforms aimed at improving the (procedural) efficiency of Public Employment Services (PES), with 7 countries undertaking reforms in this area. The other sub-dimensions of reforms are related to the introduction or the improvement of more technical tools: spending reviews, use of evidence-based instruments, introduction of

e-government or reform of HR management practices. These reforms are being carried out in a limited number of countries.

### 3.1.3 Reforms concerning the administrative burden on businesses

The alleviation of the administrative burden on businesses is the dimension of MPA for which the highest number of reforms are identified in the 2015 NRPs. 42 reforms on this dimension are being undertaken in nearly all the Member States. In only 5 EU countries have no reforms been identified (DK, EE, LU, NL, PL). This intense reforming activity contrasts with the limited number of CSRs in 2015 explicitly referring to this dimension. Only 3 countries were given CSRs on this dimension of MPA in 2015 (see Section 3.2.3). This indicates that, as a key focus of the ES, reforms aimed at ‘cutting red tape’ were already required in previous years’ CSRs, generating since then an intense wave of reforms across the EU.

**Table 14. Identified reforms on administrative burden on businesses - 2015 NRPs**

	<i>Time and costs to start business</i>	<i>Reform of regulated professions</i>	<i>Insolvency procedures</i>	<i>Payment delays</i>	<i>Tax compliance burden</i>	<i>Competitiveness obstacles</i>	<i>Burdens on SMEs</i>	<i>Total</i>
Austria	✓	✓				✓		3
Belgium	✓					✓		2
Bulgaria			✓		✓	✓		3
Croatia			✓		✓	✓		3
Czech Republic					✓			1
Denmark								0
Estonia								0
Finland						✓		1
France		✓			✓		✓	3
Germany					✓	✓		2
Hungary	✓				✓	✓		3
Ireland	✓				✓	✓	✓	4
Italy					✓	✓		2
Latvia			✓		✓	✓		3
Lithuania					✓			1
Luxembourg								0
Malta					✓			1
Netherlands								0
Poland								0
Portugal				✓	✓			2
Romania						✓		1
Slovakia						✓		1
Slovenia	✓	✓						2
Spain			✓				✓	2
Sweden						✓		1
United Kingdom						✓		1
<b>Total</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>12</b>	<b>14</b>	<b>3</b>	<b>42</b>

**Source:** own elaboration of authors.

The sub-dimension on the removal of ‘obstacles to competitiveness could be understood as a cross-cutting category. Under this header we found wider strategies of reforms, with axes encompassing one or several of the other sub-dimensions. This is also the case, to a more focused extent, of the sub-dimension concerning alleviation of the ‘burden on Small and medium-sized enterprises (SMEs)’. This integrated approach is also that most emphasised across the EU, as no less than 17 countries refer in their 2015 NRPs to such approaches. Together with this, we find smaller groups of countries more focused on reforms targeting specific aspects related to expected ‘obstacles’ to competitiveness and the excessive burden on businesses. The reduction of the tax compliance burden is the object of reforms in 12 EU countries, while smaller groups of countries are also undertaking reforms on different topics: reduction of time and costs to start a business, regulated professions, insolvency procedures, or reduction of payment delays.

#### **3.1.4 Reforms on the use of public and EU funds**

Greater efficiency in the use of public investments is also a dimension of MPA on which numerous reforms are underway. The table below shows that, in total, 32 reforms concerning the efficient use of public funding are being carried out across the EU.

**Table 15. Identified reforms on the use of public and EU funds - 2015 NRPs**

	<i>EU Funds</i>	<i>Low value public contracts</i>	<i>Improve public procurement systems</i>	<i>Management public companies</i>	<i>Increase efficiency of public expenditure</i>	<i>Total</i>
Austria						0
Belgium						0
Bulgaria	✓	✓	✓			3
Croatia		✓	✓	✓	✓	4
Czech Republic		✓	✓			2
Denmark						0
Estonia						0
Finland			✓		✓	2
France			✓			1
Germany					✓	1
Hungary			✓			1
Ireland						0
Italy	✓	✓	✓			3
Latvia						0
Lithuania			✓			1
Luxembourg						0
Malta			✓			1
Netherlands						0
Poland	✓	✓	✓			3
Portugal						0
Romania	✓		✓			2
Slovakia	✓		✓		✓	3
Slovenia						0
Spain			✓			1
Sweden			✓			1
United Kingdom					✓	1
<b>Total</b>	<b>5</b>	<b>5</b>	<b>14</b>	<b>1</b>	<b>5</b>	<b>30</b>

**Source:** own elaboration of authors.

The improvement of public procurement systems is the area in which by far the highest number of reforms is being undertaken to increase the efficiency of the use of public funds. 14 countries are reforming their public procurement systems, including the problem of low value public contracts. 5 countries are engaged in reforms concerning, particularly, the use of EU funds (BG, IT, PL, RO and SK). Other countries refer to more general reforms to increase the efficiency of public expenditure (HR, FI, DE, SK and UK).

### 3.1.5 Reforms of justice systems

Well designed and functioning justice systems are promoted in the ES as a fundamental pre-requisite to ensure a favourable business environment. However, this dimension of MPA is the object of less intensive reform. Only 13 reforms related to justice are identified in a small group of countries. In 18 EU countries, no reforms of the justice systems have been identified in the NRPs.

**Table 16. Identified reforms on the improvement of justice systems - 2015 NRPs**

	<i>Quality</i>	<i>Efficiency</i>	<i>Independence</i>	<i>Total</i>
Austria				0
Belgium				0
Bulgaria	✓	✓	✓	3
Croatia	✓	✓		2
Czech Republic				0
Denmark				0
Estonia				0
Finland				0
France				0
Germany				0
Hungary				0
Ireland	✓	✓		2
Italy				0
Latvia		✓		1
Lithuania				0
Luxembourg				0
Malta		✓		1
Netherlands				0
Poland				0
Portugal				0
Romania				0
Slovakia	✓	✓		2
Slovenia		✓		1
Spain		✓		1
Sweden				0
United Kingdom				0
<b>Total</b>	<b>4</b>	<b>8</b>	<b>1</b>	<b>13</b>

**Source:** own elaboration of authors.

Bulgaria is the only country where there are cross-cutting reforms across the three sub-dimensions: quality, efficiency and independence of the justice systems. In 3 countries the reforms are aimed at improving both the quality and the efficiency of justice systems (HR, IR, SK). In the other countries the reforms are mainly geared to improving efficiency.

### 3.1.6 Reforms tackling corruption

Still on reforms to justice systems, the tackling of corruption is also promoted in the ES as a fundamental pre-requisite for ensuring a favourable business environment. Practices such as irregular forms of payments or bribes, and more broadly the diversion of public funds, are brakes to economic growth. There is a small number of 7 reforms on this issue, particularly concentrated in certain countries (BG, HR, CZ, HU, LT, SK and PT).

**Table 17. Identified reforms on tackling corruption - 2015 NRPs**

	<i>Irregular payments / bribes / diversion public funds</i>	<i>Total</i>
Austria		0
Belgium		0
Bulgaria	✓	1
Croatia	✓	1
Czech Republic	✓	1
Denmark		0
Estonia		0
Finland		0
France		0
Germany		0
Hungary	✓	1
Ireland		0
Italy		0
Latvia		0
Lithuania	✓	1
Luxembourg		0
Malta		0
Netherlands		0
Poland		0
Portugal	✓	1
Romania		0
Slovakia	✓	1
Slovenia		0
Spain		0
Sweden		0
United Kingdom		0
<b>Total</b>	<b>7</b>	<b>7</b>

**Source:** own elaboration of authors.

## 3.2 Country case studies

### 3.2.1 Czech Republic

#### *Overview of the CSRs*

During the European Semester 2014, the Czech Republic received a high concentration of CSRs, proposed by the European Commission and approved by the Council, in the field of the modernisation of the public administration. The recommendations addressed all the broader analytical dimensions of MPA as outlined in the present research, with one exception: the functioning and efficiency of the judicial system.

With regard to the **governance organisation and institutions** dimension, the Council expressed its concern with regard to the long-awaited adoption of the ‘Civil Service Act’, aiming to “[...] ensure a stable, efficient and professional state administration service” (Council 2014a).

At the time of the publication of the 2014 CSRs, the country was indeed the only Member State in the whole European Union that had failed to implement a specific regulation on the functioning of the civil service. In 2002, a Civil Service Act was adopted, but never became effective. Therefore the public administration has been run for about ten years since the Czech accession to the EU under a combination of provisions, rather than a comprehensive code for the functioning of the Civil Service. These included the ordinary Labour Code and other rules applicable from the Ethical Code of Officials and Public Administration Employees, dealing with the definition of the desirable standards of behaviour for public officials (Godarová and Matějová 2014: 36). Recommendations about the implementation of a specific regulation for the civil service have therefore been a constant feature of the CSRs addressed to the Czech Republic since the launch of the European Semester in 2011, with very little change in the forms used to address the issue. Specifically, what is new in the 2014 document is the vocabulary used when referring to the reform: for the first time it is referred to as the Civil Service Act instead of ‘Public Servants Act’. The reason behind the new wording is related to the renewed government’s commitment to introducing the reform – named the ‘Civil Service Act’ – already known to the public at the time of the publication of the Country-specific Recommendation in 2014.

The recommendations on taxation included in the document concerned different domains, thus falling into different sub-categories of the broader dimensions defined in the present report, namely the **efficiency of the tax system** and **fiscal fraud**. Specifically, the CSR refers to the need to improve tax compliance, especially with regard to VAT collection, as well as to better define fiscal rules for local and regional authorities and coordination between all the levels of governance. In addition, the criticisms concerned the excessive burden on labour characterizing the Czech tax system. According to the Council, tax collection should increasingly focus on areas less detrimental to growth, thus shifting the burden to the housing and environmental sectors.

Additional room for adopting new **tools of modernisation** of the Czech public services was underlined in the 2014 CSR, with regard to the need to improve the efficiency of the national Public Employment Services. Following the implementation of restrictive measures in the period 2010-2012, new actions undertaken in 2013 have reversed the trend by increasing the number of PES employees, with a view to improving the quality of the services offered (see the following Section ‘Overview of the reforms undertaken’) (Jahoda *et al.* 2015: 15). However, despite the progress made and acknowledged by the Council, further governmental commitment to “strengthen the efficiency and effectiveness of the public employment services, in particular by setting up a performance measurement system” is recommended, along with an increased participation of unemployed youth in individualised services (Council 2014a). Although the path of reform of the employment services undertaken in recent years has swung substantially with different governments in power, between retrenchment and expansionary reforms, the approach of the EU institutions in this regard has been pretty consistent. The increased efficiency required by the Council does not specifically imply a reduction of the financial resources allocated, but rather better quality of the services offered to the unemployed and an efficient system of evaluating the results achieved. The CSR issued in 2012 actually confirms this statement, as it criticises the deterioration of working conditions for the PES employees, whose number had been reduced in 2011 in parallel to an increased workload. In a similar way, the CSR issued in 2014 denounces the underfunding of Active Labour Market Policies in the country.

With regard to the analytical dimension **reducing the administrative burden on businesses**, the Council recommendation highlighted the necessity for the Czech authorities to take further steps in this direction. This includes proceeding with the **reform of regulated professions** “[...] focusing on the removal of unjustified and disproportionate requirements”, thus producing “[...] rapid benefits from increased competition in the service sector” (Council 2014a). The Czech Republic has indeed one of the highest numbers of regulated professions in the EU, especially in the health and social services sectors. According to the EC, reducing this number would boost competitiveness and contribute to creating a healthier business environment (European Commission 2015a: 26).

When it comes to the **efficiency of public investment**, the Czech Republic is largely targeted by EU institutions by means of recommendations and the conditionality related to the disbursement of EU funds. The need to improve the country’s performance in this sector is related to both national public investment and the management of European funds. The CSR addresses therefore – besides the declining level of public investment, especially in infrastructure – the lack of transparency of public procurement in the country. It describes the ‘Reform of Public Procurement’ already implemented as a step backwards in ensuring the transparency of the process. In addition, public tenders at both local and regional level have been found to be subject to consistent delays, which should be reduced by providing appropriate guidance and supervision.

With regard to the **management of EU funds**, the recommendation issued in 2014 acknowledges the improvements reported in the last years in the field. Even if minor, some steps forward have indeed been achieved in relation to the restructuring of the Czech Audit Authority and in increasing the efficiency of the implementation system. Thanks to these measures, fewer resources are expected to be de-committed in 2014 than in 2013 – EUR 313 million in 2014, down from EUR 411 million in 2013 (European Commission 2015a: 24). Yet, the Council (2014a) finds additional scope to “[...] further improve the management of EU funds by simplifying implementing structures, improving capacity and tackling conflicts of interest”. Additionally, the aforementioned problem of the lack of transparency in public procurement remains an issue to tackle also in relation to the management of the EU funds, as it also led to the suspension of the payments in some cases (KPMG 2014: 26).

Finally, yet importantly, the 2014 CSRs have once again addressed the problem of the **corruption** infiltrating the Czech institutions. Specifically, the main reason of concern is related to failure in adopting major pieces of legislation included in the ‘2013-2014 Anti-corruption strategy’. Therefore, the Council strongly recommends “speeding up and substantially reinforcing the fight against corruption by implementing the remaining legislative measures provided for in the anti-corruption strategy for 2013-2014 and by developing plans for the next period”.

### ***Overview of reforms undertaken***

The adoption of the ‘Civil Service Act’, which finally took place in 2014, represents, at least in principle, an essential component of the attempts made to modernize the public administration in the Czech Republic in the last two years. Indeed, the Civil Service Act has been designed to regulate areas related to the coordination of governance and the quality and efficiency of the PA, as well as to introduce important tools of modernisation such as improved HR management and wage setting procedures. The reform regulates the state administration under many different aspects, thus the attempt to assign its provisions to a specific analytical dimension would potentially limit its scope.

However, it is worth mentioning that the political discussion around the adoption of the Act – and the compromise reached between the government and the opposition on the topic – substantially undermined the level of ambition of the reform. In its final form, entered into force on the 1<sup>st</sup> of January 2015, the bill – while defining the general structure and certain rules for the functioning of the civil service at national level – lacked provisions regulating several key aspects needed to guarantee the efficiency and the transparency of the system. These include: - specific regulation of civil servants’ remuneration; - their entry into service (usually highly restricted and lacking a recruitment system based on transparent testing requirements); - a clear definition of the boundaries for cooperation between the political level and civil servants (that would avoid any dependency of the bureaucratic system on the

political parties) (European Commission 2015a). Nevertheless, the government has acknowledged the shortcomings of the implemented reform in the 2015 National Reform Programme, in which it confirms the commitment of the cabinet to address these key-issues through decrees and implementing regulations planned to take effect by the 1<sup>st</sup> of July 2015. Following the entry into force of the reform, the correct functioning of the public administration has to be guaranteed by the Deputy Minister for the Civil Service, appointed in February 2015.

As already mentioned above, the necessity to improve the **efficiency of the tax system** as well as to ensure a greater level of **tax compliance** in the Czech Republic has been largely addressed in the 2014 CSRs. The Czech public institutions have shown that they share the Council's views in relation to the need to improve tax compliance and tackle fiscal fraud by adopting a new system of VAT collection and new measures to tackle tax evasion. These include strengthened cooperation between the fiscal administration, customs and police officers, which ultimately led to the setting up in June 2014 of a task force focusing on tax evasion of over 150 million CZK (Office of the Government of the Czech Republic 2015: 7). In addition, the problem of VAT evasion has been partly tackled in 2015 by extending the reverse-charge mechanism to more goods and services and adopting a broader definition of the 'unreliable taxpayer' status (European Commission 2015a). Moreover, inspection reports and the electronic records of sales are planned to be implemented from 2016. The two measures will provide additional tools to tackle underreporting of income and VAT fraud respectively.

Nonetheless, the European Commission's Country Report on the Czech Republic (2015a) reads "no progress has been made in reducing the costs of collecting and paying taxes [and n]o progress has been made in shifting taxation to areas less detrimental to growth". Therefore, there is additional room for improvement in increasing the efficiency of the tax system, as well as in boosting economic growth through reformed taxation, which however do not constitute major priorities in the government's action at the moment. This is confirmed in the Czech National Reform Programme insofar as it does not present a real implementation plan for measures shifting the burden of taxation. However, it still includes some initial proposals on the possibility of increasing indirect taxation on gambling and excise taxes on tobacco products. Moreover, in 2015 measures were introduced to restore the possibility of applying taxpayer deductions to the income tax of individuals and for working pensioners, and an increase of the tax deduction for second and subsequent children. These can both be considered as a first, feeble step forward in reducing the burden of taxation on labour and families.

When it comes to the **tools of modernisation** of the public administration, the Czech Republic seems particularly keen on conceiving and implementing strategies to increase the availability of public services through e-Government tools. Since the launch of the European

Semester, progress has been made with regard to the implementation of e-Government services, although the country is still lagging behind the majority of other EU Member States in terms of outcomes. Nonetheless, although no specific pressures have come from the EC in this regard, in 2014 a new 'Strategic Framework of the Development of Public Administration of the Czech Republic for 2014-2020' has been adopted, along with its implementation plan agreed in January 2015, which indeed includes the employment of new e-Government tools. Along the same lines, the 'e-Collection' and 'e-Legislation' programmes are still being implemented. These aim at creating legally binding electronic forms of legal regulation and legal liability and, among other things, to reduce the costs of access to justice.

Additional efforts to modernise the public services have been underway since 2013 with regard to reforms and measures aiming at increasing the efficiency and effectiveness of the **Public Employment Services**. Major restructuring of the Labour Office of the Czech Republic has been implemented starting from the year 2011, with a view to reducing public expenditure on PES. The restrictive approach ultimately led to a substantial reduction in the number of employees of the Czech PES and to consequential important shortcomings in the efficiency of the services provided. Since 2013, the measures taken have reversed this trend and aimed to improve the capacity of PES – including through consistent hiring in the sector – as well as the methods of working both with the unemployed and with employers, thus to better match labour supply and demand (Jahoda *et al.* 2015: 13). Currently, the project 'Effective Management of Human Resources of the Labour Office' (ELZUP) has been set up with a view to optimize the **HR processes** of the Czech PES, as well as to develop a methodology of evaluating the performance of its employees and to increase productivity through continuous training (Office of the Government of the Czech Republic 2015: 12). Additionally, a set of monitoring indicators ('Monitoring Indicators of the LO CR - Revision of Requirements') was created in October 2014 to address the issue raised by the Council in the CRS 2014 on the need to set up a performance measurement system for the services provided. In general terms, therefore, the EU and the Government seem to agree on the need to pursue the path of increasing the effectiveness of PES, as ALMP represents an important focus of the governmental reform programme. Although the implemented strategic plans and projects may need additional time in order to be assessed, significant progress has been made in the last two years in this regard, as also acknowledged in the CSR 2015.

Major steps in **reducing the administrative burden on businesses** have been taken through the adoption of a new 'Civic Code' and a new 'Law on Trading Companies', in force since 2014. The new legislation produced performance improvements in the sub-dimension **time and cost to start a business** while also making available a digitalisation process for start-up documentation (European Commission 2015a: 25). Moreover, the attempt to reduce systematically the administrative burden on businesses will be pursued by an expert group established in April 2014, which will collect and address complaints coming from the business environment directly (Office of the Government of the Czech Republic 2015: 33).

Additionally, according to the 2015 NRP, “by the end of 2013, the Czech Republic has managed to implement 34 measures to reduce administrative burdens” and “60 measures have been set as a new goal to reduce the administrative burden for businesses by 31st December 2015”. This shows a certain degree of interest in improving the Czech performances in the field and consequently to attract private investment. This approach is further confirmed by the adoption of the ‘law on investment companies and investment funds’, in force since 1<sup>st</sup> January 2014, aiming at facilitating the set-up of investment funds, thus boosting private investments in companies.

Reforms and measures in the dimension of the **efficiency of public investment** have been numerous and related to several of the sub-categories defined. As for **improvement of the public procurement system**, reforms have been underway since 2012, with the adoption of the ‘Public Procurement Act’. This act introduced some new elements to the management of the country’s public procurement system, such as compulsory on-line publication of tender documentation and the consequential penalty for non-compliance (a financial fine imposed by the Review Body). However, the transparency of the system still had important shortcomings (European Commission 2015a: 24) <sup>(19)</sup>. Therefore, the Czech Republic has taken further steps to improve the transparency of public tenders, through the adoption of the ‘technical amendment to the Public Procurement Act’, which came into force on the 6<sup>th</sup> March 2015 (Office of the Government of the Czech Republic 2015). According to statements made in the 2015 NRP, the main subject of the amendment is to remedy the shortcomings of the Act and comply with the EU directives, with a view to the planned adoption of a new Public Procurement Act, which may become effective on the 1<sup>st</sup> of January 2016. As for the moment, the amendment is expected to introduce an effective tender procedure, to reduce administrative, time and financial costs and to accelerate the review procedure. It would also address the problem of the excessive focus on the lowest price as the main award criterion, by extending the assessment criteria for the awarding of contracts by adding the opportunity to evaluate the organization, qualifications and experience of workers participating in the public contract (*ibid.*).

As for measures to increase the efficiency of the **management of the EU funds**, the country has made progress with regard to the functioning of the Czech Audit Authority and to the absorption of the funds. For the programming period 2014-2020, the governing authorities will focus on the implementation of harmonized rules and administrative procedures for all implementation bodies. In this regard, a new Methodology came into force on 1<sup>st</sup> of June 2015 (Office of the Government of the Czech Republic 2015: 21), although its performance cannot yet be evaluated at this initial stage of the programming period.

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19. Even the procedure for assigning a penalty for non-compliance is not automatic. It requires an interested party to make a formal complaint.

Last but not least, since 1999 the Czech Republic has adopted five different ‘Anti-corruption action plans’. However, besides agreement on the strategy to be implemented, in the last three years the country has met with consistent delays in the adoption of the legislation on this matter. According to the government of the Czech Republic, the adoption of only partial, insufficient measures included in the Anti-corruption strategy 2013-2014 has to be attributed to the political instability leading to the political elections in 2013 and the consequential creation of a new coalition government. Therefore, the missing measures have been included in the new strategy adopted for the year 2015, including Acts on financial control, public prosecution, financing of political parties, protection of whistle-blowers, a new policy on the management of state-owned companies and an amendment to the Act on free access to information. Nonetheless, the CSRs issued in 2015 denounce the continuing delays in the implementation of these measures also in the current year (Council 2015a).

Summing up, several measures and more comprehensive reforms have been adopted and implemented in the Czech Republic in the last two years with regard to the MPA. These include measures relating to all the analytical dimensions presented in the first chapter of the present report, apart from to the quality, efficiency and independence of the Justice system (<sup>20</sup>). In general, the public authorities have worked with the European institutions in addressing the shortcomings observed in the CSRs issued in recent years. However, there have been serious delays in complying with transparency in public procurement procedures, the fight against corruption, and the reform of regulated professions. Specifically, the latter does not seem to be a specific focus of the governmental reform effort. Moreover, other measures have been implemented in the field of MPA which have not been mentioned in the 2014 CSRs, but which have been a focus of government attention in 2014 and 2015. Such is the case of measures reducing the administrative burden on businesses and improving the system of investment incentives in order to boost private investments in the country.

### ***Stakeholders’ involvement***

The recent history of tripartite social dialogue in the Czech Republic has been significantly influenced by the different governments’ positions with respect to the importance of communicating with social partners while defining the path of reform to undertake. Although the system of social dialogue has not changed over the years – thus remaining focused on the activity of the main tripartite forum at national level, the Council of the Economic and Social Agreement (RHSD) (Veverkova 2015: 6) – the high level of instability characterizing the Czech political scene in the last decade (<sup>21</sup>) has not helped to create stable

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20. It is still worth mentioning that some of the actions taken, namely the e-Collection and e-Legislation programmes, are expected to have repercussions on the judicial system of the country.

21. Five different governments have been in office since 2006, among which two caretaker governments appointed in order to replace the centre-right coalition governments led by Mirek

communication channels between social partners and public authorities. Since 2010, with the beginning of Nečar's term of office, industrial relations, especially between the government and trade unions, deteriorated strongly due to the restrictive nature of the planned reforms. Therefore, trade unionists, as well as employers' associations, warmly welcomed the appointment of the caretaker cabinet led by Jiří Rusnok in June 2013, following the political scandal leading to Nečar's resignation. Moreover, tripartite social dialogue is expected to gain momentum during the term of office of the coalition government led by the social-democrat Bohuslav Sobotka, in power since January 2014. Indeed, a commitment to establishing an effective system of communication with the social partners has clearly been stated in the government's Policy Statement (Veverkova 2015: 4) <sup>(22)</sup>.

As for the involvement of social partners in the European Semester at national level, especially trade unions, some evidence of their increased inclusion in the process was reported in the NRPs published in 2014 and 2015 by the Office of the Government of the Czech Republic <sup>(23)</sup>. Specifically, active dialogue in view of the preparation of the NRP would be guaranteed every year from February to April by means of a "[...] number of formal and informal discussions with relevant ministries, representatives of Parliament, representatives of economic and social partners (especially the Bohemian-Moravian Confederation of Trade Unions, the Confederation of Industry of the Czech Republic, Association of Independent Unions, Chamber of Commerce, the Confederation of Employers and Entrepreneurs Unions CR), local government (in particular the Association of Towns and Municipalities), academic sphere, the European Commission Representation in Prague and other interested public" (Office of the Government of the Czech Republic 2015: 2). The different steps of the NRP preparation process are defined as follows (Office of the Government of the Czech Republic 2014: 4) <sup>(24)</sup>:

- individual ministries prepare topical proposals;
- a first round of discussions with stakeholders on the proposals prepared by the ministries takes place;
- based on the results of this dialogue, the government prepares a draft of the document;

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Topolánek (2006-2009) and Petr Nečar (2010-2013) which both failed to complete their term of office.

22. See <http://www.vlada.cz/en/media-centrum/dulezite-dokumenty/policy-statement-of-the-government-of-the-czech-republic-116171/>

23. NRPs in 2012 and 2013 do include references to the involvement of social partners in the process of creation of the document, but only to a very limited extent in 2012 and without clear reference to timing and procedures in 2013.

24. The limited information available in English from the trade unions does not allow a cross-check of the information provided by the government.

- a second round of discussions takes place among interested parties, including discussions in the EU Working Team of the Council of Economic and Social Agreement (RHSD), as well as debates in relevant committees of the Chamber of Deputies and the Senate of the Czech Parliament;
- the government approves the document.

With regard to the specific involvement of trade unions in the process, discussions at national level are mainly conducted with the largest umbrella organization for trade unions in the country, namely the Bohemian-Moravian Confederation of Trade Unions. No specific information with regard to trade unions representing the public sector is reported.

### ***Conclusion***

During the European Semester cycle 2014-2015, the Czech Republic received a high concentration of CSRs in the field of MPA. The recommendations addressed all the broader analytical dimensions of MPA as outlined in the present research, with the only exception being the functioning and efficiency of the judicial system. However, many of the topics touched upon by the recommendations were already present in the CSRs published in previous European Semester cycles, such as the adoption of the long-awaited 'Civil service Act', the transparency of the public procurement system, the quality and efficiency of the PES and the issue of corruption.

Nonetheless, following a period of serious political instability, the Czech Republic is proceeding with its path of reform, thus making some progress on a number of issues relating to the modernisation of its public administration. In 2014 and 2015, thanks also to some degree of convergence between the government's priorities and the CSRs issued by the Council, some important – even if often initial – steps were taken with regard to the regulation of the PA. These include the implementation of the long awaited Civil Service Act, the increased commitment to fighting fiscal fraud and improving fiscal compliance, the improvements verified in absorbing EU Funds and in the performances of the Czech PES. Also, some additional progress was made with regard to the attempt to reduce the administrative burden on businesses, while still a lot more needs to be done in order to fight corruption in the country and to improve the transparency of the system of public procurement.

Among the priorities of the current government, the commitment to strengthen tripartite social dialogue at national level has been referred to in the 2014 and 2015 NRPs, as well as in the government's Policy Statement. Despite the difficulties in finding additional sources in English on this specific topic, there seems to have been a certain degree of improvement in industrial relations in the country as well as a greater involvement of social partners in the European Semester at national level.

### 3.2.2 Finland

#### **Overview of the CSRs**

In 2014-2015, Finland received only one Country-specific Recommendation explicitly related to the modernisation of public administration. A second recommendation was only indirectly linked to this topic, insofar as it mainly concerned competitiveness and innovation policies.

This CSR concerned **governance** issues and the **distribution of competences among the various levels of government**. Indeed, the country was asked to smoothly implement two reforms already planned by the national government: the reform of the municipal structure (foreseeing a voluntary merging of some municipalities) and the reform of social and healthcare services (implying a redistribution of competences on services provision between regions and municipalities). These reforms should help in addressing shortcomings deriving from the fact that Finnish municipalities are generally small in size but, at the same time, they carry out quite extensive tasks. This circumstance may pose problems related to both the effectiveness of expenditure and the capacity to effectively solve problems at local level (European Commission 2015d: 55). As emerges from the text of the CSR, the aim of these reforms should be to “increase the cost-effectiveness in the provision of public services”, since, according to the analysis of the European Commission and of the Council, in Finland “[t]he efficiency of public services has not kept up with productivity developments in the private sector” (Council 2014d). Recommendations to implement measures aiming at increasing the cost-efficiency of the public sector and obtaining cost-savings from public sector provisions have been regularly included in the CSRs addressed to Finland in the framework of the European Semester. Such a priority was indeed put forward both in 2011 and 2012, and the text of the 2014 recommendation recalls almost exactly the CSR addressed to Finland in 2013. The need to implement the administrative reform so as to improve the productivity and the cost effectiveness in the provision of public services has been stressed once again in the CSRs for 2015. However, in the latter case the recommendation also specifies that the reforms should in any case preserve the ‘quality’ of public services <sup>(25)</sup>.

A second recommendation addressed to Finland in 2014 relates to public administration in a more indirect manner. It mainly concerns the need to enhance the competitiveness of the country by **improving the business environment** with a view to strengthening investment and further facilitating smaller firms' entry into export markets <sup>(26)</sup>. In order to do so, two kinds

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25. In detail, the 2015 CSR reads: “[...] Ensure effective design and implementation of the administrative reforms concerning municipal structure and social and healthcare services, with a view to increasing productivity and cost-effectiveness in the provision of public services, while ensuring their quality” (Council 2015c).

26. “Continue to boost Finland's capacity to deliver innovative products, services and high-growth companies in a rapidly changing environment, and continue the diversification of industry, in particular by improving the business environment to strengthen investment in Finland and further facilitating smaller firms' entry into export markets” (Council 2014d).

of measures should be implemented. First, further tailored support for the internationalisation of smaller companies should be provided. Second, the capacity of the Finnish firms to deliver innovative products should be strengthened and the diversification of the national industry should be supported. As for the latter point, the European Commission and the Council note that Finland has already launched a comprehensive reform of research institutes and research funding (Council 2014d).

### **Overview of reforms undertaken**

As mentioned above, when it comes to the **governance and institutions** dimension, a major administrative reform concerning municipal structure and a reform of social and healthcare services are on-going in Finland. The objectives of these reforms seem to carry on from previous initiatives undertaken over the 2000s, when a number of reforms of local government structure (leading to a significant reduction of the number of municipalities) and of municipal competences (by allocating duties to entities larger than individual municipalities) were implemented (Ministry of Finance 2015: 15). The 'Local Government Structure Act', which entered into force on the 1<sup>st</sup> July 2013, aims at promoting mergers of municipalities by obliging them to jointly conduct studies on the potential benefits of mergers (*ibid.*). The Act defines the criteria according to which the studies must be carried out (<sup>27</sup>) and earmarks government funding to cover costs arising from conducting the studies. State incentives for municipalities that actually decide to merge are foreseen. Both the objectives of enhancing the effectiveness of service provision and obtaining budget savings seem to characterise the reform. As for the state of implementation, however, mixed evidence emerges (European Commission 2015d: 55; Ministry of Finance 2015: 16). On the one hand, 40 studies have already been carried out involving 158 municipalities, and three mergers involving six municipalities have been completed. On the other hand, 88 municipalities have not conducted any study. At the end of 2014 the deadline for carrying out studies and putting forward merger proposals was extended to 29 April 2016, and special grants were foreseen for municipalities deciding to merge during 2017. Meanwhile the government has decided to create a metropolitan authority in the Helsinki region with a view to better addressing problems related to land use, housing and transport in that area (European Commission 2015d: 55). According to the government proposal, the new authority will have planning and monitoring responsibilities but not the right to raise taxes (*ibid.*: 56).

In 2014, the government submitted to the Parliament the 'Act on the Arrangement of Social and Healthcare Services' aimed at transferring administrative responsibilities over those services from municipalities to five regional providers (Ministry of Finance 2015: 16). Here

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27. Including, for instance, the population base required by services, the economic situation and the employment self-sufficiency of the municipality, criteria concerning commuting and the urban structure.

again the objectives to strengthen the effectiveness of services provision and obtain budget savings are combined. Indeed, according to the Finnish National Reform Programme (*ibid.*), the reform – which enjoys a broad political consensus – is aimed at “[...] strengthening basic-level services, reducing the sustainability gap in Finland’s public finances, securing the funding of public services and benefits, and safeguarding the equal availability of services everywhere in the country”. The reform is expected to have a significant impact on services provision insofar as it will affect the structure of services and the ways of working, it will lead to the integration of social and health services, and it will strengthen national steering of social and health care provisions (Ministry of Finance 2015: 17). This said, the reform is progressing at a slow pace, as the Constitutional Law Committee of the Parliament found that the transfer of responsibilities to regions is in conflict with the autonomy of the municipalities guaranteed by the Finnish Constitution. According to the Finnish government, a new proposal will be submitted to the Parliament at the end of 2016.

Overall, the reforms described above seem to be in line with the CSRs addressed to Finland in the European Semester process, despite the delays in their progress. This said, one cannot assume that these reforms are a direct reaction to those CSRs, since they are also in line with long-term national trends (e.g. in the reduction in the number of municipalities and the redistribution of their competences).

Besides the reforms addressing governance issues described above, the Country Report issued by the European Commission and the Finnish National Reform Programme point to a number of measures related to other dimensions identified in the present study. First, there is an attempt to **ease administrative burden on businesses** by simplifying licencing requirements. Simplification mainly concerns some sector-specific permits and permits related to construction and the environment (European Commission 2015d: 56). Second, in order to increase the availability of **e-government services**, the government is building a ‘National Digital Services Infrastructure’ that should allow for the introduction of a national common identification solution and the set-up of better users’ portals (*ibid.*). Thirdly, the ‘Enterprise Finland’ portal has been strengthened to include all business services, provide advice on financial problems and information on the necessary permits and notifications adapted to the profile of the firms (*ibid.*). Finally, a comprehensive reform of research institutions and research funding has been launched in 2013, with a view to promoting the renewal of the Finnish economic base and increasing the competitiveness of the country (*ibid.*). In particular, research institutes have been reorganised into larger and stronger entities and a new funding system for universities has been introduced.

### **Stakeholders' involvement**

When it comes to the involvement of stakeholders in the policy-making process, the regular consultation of interest organisations and associations appears a distinctive feature of the Finnish consensus-oriented political system (Anckar *et al.* 2015: 29). Draft legislation is often submitted to the assessment of civil society actors through mechanisms such as public hearings or their involvement in committee discussions (*ibid.*). A high degree of involvement in the policy-making process also characterises the action of the social partners: centralised collective bargaining has indeed traditionally played a key role in the Finnish industrial relations system. Through the so-called 'income policy', Finnish governments have facilitated wage bargains among the social partners by linking these to economic policies and social reforms (Vartiainen 2011). Though centralised collective bargaining has somehow been called into question by the employers since 2007 (*ibid.*), it continues to play a pivotal role. Indeed, as for public administration, a recent Eurofound report points to a further move towards centralised bargaining in Finland, "with the central public administrations included in an economy-wide agreement [...] and a reduction in the number of bargaining units" (Eurofound 2014: 10).

Though social partners' involvement in national policy-making is relatively high in comparison with the rest of Europe, only a little information about trade unions' actual involvement in decisions related to the implementation of the European Semester at the national level has emerged from the present research. Looking, more broadly, at the way Finland deals with EU affairs, the OECD notes that the country has developed an "*impressively inclusive and coordinated approach*" (OECD 2010: 117, italic in the original) which foresees the regular involvement and consultation of various ministries, the Parliament and stakeholders (OECD 2010; Finland's Permanent Representation to the EU, *n.d.*). Responsibilities related to the preparation and monitoring of EU affairs are attributed to the government, with the Prime Minister playing a substantial role. An important coordinative venue is the Cabinet Committee on European Union Affairs (chaired by the Prime Minister), a high level committee where Finnish priorities are discussed and agreed. Besides the Cabinet Committee, there is a Committee for EU Affairs, an advisory and mediatory body in the coordination of EU affairs where broad issues involving several ministries are discussed. The work of the Committee for EU Affairs relies on the activities of 37 sector specific sub-committees, usually chaired by representatives of the competent ministries and involving civil servants. Importantly, EU sub-committees can meet either in a restricted or in an extended composition. In the former case, civil servants from the competent ministry and representatives of other ministries and central agencies attend the meetings. In their extended composition, the sub-committees also comprise representatives of various interest groups. On its side, the Parliament has extensive rights to be informed on EU related issues, with the Parliament Grand Committee holding general responsibilities for EU matters.

According to the Finnish National Reforms Programme, procedures related to the European Semester have been integrated into the more general process illustrated above (cf. Ministry of Finance 2015: 41) <sup>(28)</sup>. Responsibilities primarily lie with the government: the various ministries are responsible for the areas of their competence and their actions are coordinated by the various inter-ministerial committees (primarily, the Committee of EU Affairs). According to the Finnish NRP, the government submits the Commission's Annual Growth Survey to the parliamentary process and the National Reform programme is presented to the parliamentary Grand Committee before it is delivered to the European Commission. When it comes to stakeholders' involvement, information in the National Reform Programme is extremely vague: the document simply states the NRP is presented to the social partners "in conjunction with the EU procedures". Some evidence of trade unions' involvement in the process emerges from the 'Resource tool for coordination of collective bargaining' set-up by the European Trade Union Confederation (ETUC 2015a). Information provided refers to the 2015 European Semester and concerns SAK, the Central Organisation of Finnish Trade Unions. According to this information, several experts from SAK were involved in dialogue with the government held in various sub-committees for EU Affairs. Interestingly enough, sub-committee meetings seem to be more than a simple occasion to exchange information but they might have the potential to impact on decisions taken. An example reported by ETUC concerns discussions on the role of the social partners in wage setting held during a sub-committee meeting on employment policies, eventually leading the government to commit to changing the contents of a CSR so as to better take into account the autonomous role played by the social partners in wage setting. Furthermore, according to information available, formal and informal contacts between the delegation of the European Commission in Helsinki and the SAK about the Finnish NRP and CSRs took place. Finally, high level discussions related to the European Semester were held within the Economic Council and further informal exchanges with employers' representatives are reported.

While some evidence of a certain degree of involvement of trade union confederations in activities related to the European Semester has emerged from the present study, information about the role played by public sector trade unions is missing. As for Finland, only one answer was provided to the web survey set up in the framework of the present research, a circumstance which obviously does not allow us to draw any definite conclusions. Yet, information provided by that respondent may be a useful starting point for further analysis. These answers seem to confirm a certain degree of involvement of the Finnish trade unions in the national procedures linked to the European Semester, and that this involvement basically concerns the confederation-level. Indeed, our respondent states that national confederations are consulted on both the implementation of the CSRs and the elaboration of

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28. Since 2013, the Finnish National Reform Programmes – which are drafted under the responsibility of the Economic Department of the Ministry of Finance – include a Section on 'Institutional issues and stakeholders' involvement'. Information provided in that Section is extremely synthetic and somehow vague.

the National Reform Programmes (though, in the latter case, their opinion is not duly taken into account). Similarly, it is the confederation (and not the union directly) which is sometimes in contact with the European Semester officer in the country (even though doubts are raised about the usefulness of these exchanges). Consequently, in the Finnish case public sector trade unions' involvement in the European Semester at the national level seems to go via national confederations (which, at last in the opinion of our respondent, take into account public service issues in their activities linked to the European Semester).

### ***Conclusion***

Recommendations to implement measures for increasing the cost-efficiency of the public sector and obtaining cost-savings from public sector provisions have been regularly included in the CSRs addressed to Finland in the framework of the European Semester since 2011. Since 2013, this priority has been expressed in a more explicit manner, with the European Commission and the Council recommending that Finland implement two reforms concerning the governance of the system and the distribution of competences among the various levels of government: the reform of municipal structure and the reform of social and healthcare services. An analysis of the 2015 Finnish NRP and of the Commission's Country Report for 2015 shows that both the reforms are progressing, though with some delays and difficulties. The objectives pursued through these reforms appear in line with the objectives suggested by the European Semester CSRs. This said, the importance of the latter in steering these policy developments at the national level should not be overemphasised, since both the reforms are largely in continuity with a longer-term reform pattern already undertaken by Finland since the 2000s.

When it comes to trade unions' involvement in national procedures related to the European Semester, little information has been gathered through the present research. It emerges however that trade unions – notably, national confederations – are consulted in discussions concerning the implementation of the CSRs and the elaboration of the NRPs, though some doubts have been raised as to the extent to which their views are actually taken into account. An important venue for trade unions' involvement is the thematic sub-committees of the Committee for EU Affairs, which are also the key structures for discussing EU-related issues at the administrative level.

### 3.2.3 France

#### **Overview of the CSRs**

The first CSR addressed to France is extensive and mainly focused on budgetary reforms and reduction of public spending. It refers also to a fundamental reform in the French organisation of governance: the **decentralisation process of territorial governance**. While acknowledging that the process was expected to start in December 2014, the CSR demands that a clear timetable be set for the reform. In its assessment of the 2015 French NRP, the European Commission estimates that only some progress has been made in response to the first CSR, notably concerning the reform of local administration, the reduction of the number of regions, the creation of the Metropolitan Areas, the introduction of an expenditure norm for local authorities and the discussion of a further law streamlining the responsibilities of the various layers of local government (European Commission 2015c).

CSR No. 3 concerns the **reduction of the administrative burden on businesses**. France is asked to simplify companies' administrative, fiscal and accounting rules and to take concrete measures to implement the government's ongoing 'simplification plan'. The revision of size-related criteria in regulations to avoid threshold effects is required, to eliminate impediments to companies' growth. The EC assesses that some progress has been made under the 'simplification plan', with a range of measures being proposed including the adoption and implementation of the 'Law on economic activity'. But the overall complexity of the system remains high and counteracting effects may result from the new regulations being passed or entering into force, especially since the 'SME test' is not yet systematically used and the independent authority in charge of monitoring the principle of zero additional charge has not yet been created.

CSR No. 4 refers in its content to the **reform of regulated professions**; removing the unjustified restrictions in terms of access, entry costs and exercise of the professions. This CSR highlights also other regulatory reforms viewed as necessary to boost economic competitiveness: reduction of the regulatory burden in the retail sector, an adequate competitive level for gas and electricity tariffs and strengthening of the energy interconnection capacity with Spain, as well as, in the railway sector, ensuring the independence of the new unified infrastructure manager from the incumbent operator. While the Commission acknowledges some progress in the French reforms on the regulation of professions, notably concerning pharmacists and opticians, more efforts are judged necessary. The Law on economic activity proposes to reform the establishment regulations and tariff governance framework, but actual implementation will depend on the detailed rules enacted in the implementing decrees. The assessment also underscores the need for further efforts to remove unjustified restrictions fully and for all professions.

CSR No. 5 is dedicated to increasing the **efficiency of the tax system**, notably to alleviate the burden for companies. France is asked to do so by removing inefficient personal and

corporate income tax expenditure and the debt-bias in corporate taxation. The European Commission's assessment estimates that only limited progress has been made to simplify the tax system and increase its efficiency.

### ***Overview of reforms undertaken***

In response to CSR No. 1, the 2015 French NRP describes extensively the reforms concerning the **restructuring of territorial governance**. This presentation of the reforms puts the accent on budgetary savings and regulation of spending, as well as the potential contribution to economic growth.

With a view to improving the effectiveness of State intervention, France launched in September 2014 a 'review of missions' carried out by the State at the central and decentralized levels, to avoid the overlap identified in certain public policies (notably cultural policy, economic development and social policies), including the action of local authorities and State operators <sup>(29)</sup>. The review is expected to draw consequences concerning past or ongoing decentralization laws. The first consultations are already highlighting the need to re-examine the supervisory function exercised by the State services and to ensure increased coordination between services through better programming and prioritization. The review process also includes a phase of consultation with the social partners and local authorities. The implementation will take place over the years 2015-2016.

The territorial reform commitment of 2013 streamlines the distribution of competencies between levels, to avoid duplication and achieve economies of scale in the implementation of public policies. It should therefore result in direct savings in the medium term. Moreover, the drop in operating subsidies will, at the same time, encourage communities to make significant savings. Furthermore, by simplifying and streamlining the country's administrative organization, this reform is expected to help improve the overall functioning of the economy. It is worth noting that the territorial reform is not being undertaken in direct relation with the ES but rather is the continuation of a long process <sup>(30)</sup>. The reforms described in the 2014 French NRP operate on several levels:

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29. These mission reviews were held in 14 territories, on 23 themes relating to the role of the State at the territorial level. They involved government officials, representatives of local communities, users and companies, and identified nearly 600 proposals to clarify and redefine the positioning, missions and modes of State intervention.
  30. Without entering into the complex details of the reforms, it is however possible to highlight different phases in the process of decentralisation in France. The first reforms date back to the end of the Nineteenth century with the laws on decentralisation. In the beginning of the Eighties, a supplementary step was achieved by redistributing competences and resources between 'Departments' and 'Regions'. In 2003 a reform of the Constitution modified the first Article to state that France is a republic with a decentralised organisation, and to refer to the principle of the financial autonomy of territorial entities (municipalities, departments, regions), while in 2004-2005 new competences were attributed to the Regions. In 2010, a reform of the organisation of

- **Merging of regions:** The Act of 16 January 2015 defining the regions is intended to decrease the number of metropolitan areas from 1<sup>st</sup> January 2016. 13 regions will thus replace the current 22 regions. These new areas are grouped into more coherent structures, to give them a European size, notably in terms of population size. They may act in a wider area and strengthen cooperation, in order to more effectively attract promoters at European and international level and to accompany economic development.
- **Merging of Departments and Municipalities:** The Act of January 27, 2014 (law 'Maptam') reforms the organisation of local governance by developing the metropolitan zones around the major employment areas and removing the pre-existing municipalities or Departments. It also creates a possibility for groups of municipalities making up a certain population size (over 400,000 persons) to opt to become a city. 12 big cities have been created since 1<sup>st</sup> January 2015. The law Maptam also transferred several competences of municipalities to the inter-municipal level (management of aquatic environments, protection against floods, heat and cooling networks, concessions of public distribution of electricity and gas, travellers' settlements, promotion of tourism, energy transition). The resulting economies of scale are expected to have a significant economic return <sup>(31)</sup>.
- **Recasting of local governments:** since February 2014, Deputies and Senators are prohibited from also carrying out local executive functions.
- The **Law on new territorial organisation of the Republic** streamlines the competencies of different levels. First, the 'general jurisdiction clause' for the departments and regions is abolished; these communities can no longer intervene outside the jurisdiction which is conferred to them by law; this will help reduce cross-financing and public spending. Second, there is a clarification of competences. The regions' powers in the field of economic development and land-use planning will be strengthened, while the departments will be refocused on their core competencies, namely social and territorial solidarity. Third, the role of regions and inter-municipalities is strengthened. The number of municipalities/departments will be reduced by one third from 2017. In order to remove duplication between local entities the law requires the compulsory transfer of municipal competencies for promotion of tourism, water, sanitation and waste.
- **Decrease of State transfers:** the reduction in financial assistance from the State to local communities is already set out in the 'Public Finances Planning Law 2015-2017'.

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'territorial collectivities' was implemented through law 2010-1563 (*La Documentation Française* 2010).

31. According to an estimation made by the OECD, implementation of the Act just in the cities of Paris and Aix-Marseille-Provence could lead to a gain of 0.3 GDP points within 5 years and 1 GDP point in 10 years.

As acknowledged by the French government, this decline represents an unprecedented strain for the communities. The multi-year nature of the measure is expected to permanently change the behaviour of communities and encourage them to contain growth in their spending to the rate of inflation. The ability to compensate for these decreases by local tax rate increases is limited by existing rules on the raising and the maximum level of these rates. In addition, the use of debt is strictly regulated and limited to financing investment.

- **Supervision of local public expenditure:** the reduction in State transfers is accompanied in the 'Public Finances Planning Law' by an objective aimed at monitoring the development of local public expenditure (Odedel). It complements the existing monitoring and programming instruments. It is expected to guide each local community to develop a budget compatible with the overall trajectory of public finances, and to steer the development of its multi-annual expenses. From 2016, this objective will be set at local community level and may be adjusted after consultation with the Local Finance Committee (CFL).

Regarding CSR No. 3 and the **reduction of the administrative burden on businesses**, the 2015 French NRP is also eloquent on the numerous reforms undertaken to ease the life of companies. A Council for **the simplification of business** was established in January 2014. This independent body is co-chaired by a member of Parliament and an entrepreneur. The Council announces new simplification measures every 6 months, and presents an assessment of the implementation of the measures already announced. It makes proposals to be implemented by different legal instruments (laws, orders, decrees, orders) or changes in organization of the administration. In April 2014, the Council introduced a first series of 50 measures, enshrined in December 2014 in the Law on the simplification of the corporate life. A series of 50 new proposals was announced by the Simplification Council, with a view to further simplifying at the sectoral level (agriculture, trade-craft, hospitals, industry, etc.). In the same vein, the French NRP also announces the upcoming establishment of a consultative panel of companies, in order to examine standards, to assess the impacts of draft texts applicable to undertakings and to alert the Government if it considers it necessary. The 'Law on the simplification of the corporate life' mentioned above implements a wide range of modifications suggested by the Council for the simplification of business <sup>(32)</sup>. According to the 2015 French NRP, 36% of these measures have already affected enterprises.

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32. The main reforms are related to: the principle of non-retroactive tax, harmonization of the definition of the word 'day' in the labour code, exemption from administrative permission prior to activity to facilitate entrepreneurship, simplification of various tax declaration obligations in the tax field, development of employment business services allowing SMEs to entrust certain payroll-related administrative tasks to the URSSAF (the French social security institution), simplification or removal of the prior qualification requirement for certain activities.

Since September 2013, draft regulatory texts creating extra work or costs for individuals, businesses or local authorities can be adopted only if they are accompanied by a simplification saving an equivalent amount. The implementation of this "1 for 1" principle resulted in strengthened compliance with government assessment requirements (establishment of a new form of balance-sheet, mandatory financial evaluation, qualitative description of impact, etc.).

In August 2015 the 'Law for growth, activity and equality of economic chances' (LGAEC) ('Macron' law) was adopted. This catch-all law includes numerous **administrative simplification measures**. Several measures are aimed at simplifying things for firms (digitisation of all administrative procedures, exemption from requirements for companies with fewer than 10 employees, allowing the law professions to take any legal form, creation of an electronic identifier for companies, but also measures related to the health and safety obligations of firms. These latter included the transition to a purely declarative procedure for the employment of minors on "dangerous machines" and simplification of the rules concerning the protection of minors working at a certain height. The LGAEC also provides an important set of measures to reduce the time taken to complete construction projects: it modifies the planning permission rules to speed up attribution, assessment of environmental impact, submission of offers, consultation of authorities and the general public. In parallel, the Minister of housing is introducing several measures to simplify standards in the construction sector.

The same LGAEC also contains provisions concerning the **reform of regulated professions** in order to boost competitiveness, a problem that was the subject of CSR No. 4. The reform of regulated professions has three main elements: 1) the principle of freedom of establishment, to facilitate the entry of new players (professions concerned: bailiffs, judicial auctioneers and lawyers at the Council of State and the Court of Cassation); 2) the principle of gearing tariffs towards the relevant service costs while ensuring a reasonable remuneration of professionals and greater transparency concerning the fixing of tariffs (professions concerned: auctioneers, commercial court clerks, bailiffs, court administrators, attorneys and notaries); 3) the opening up of capital among law professionals, as well as greater freedom in the forms of organization, to allow the development of inter-professional societies while ensuring respect for the rules of conduct. In a similar vein, the consumer Act of 17 March 2014 removes the pharmacists' distribution monopoly for certain products (cleaning products for glasses and lenses, pregnancy and ovulation tests). The Act of 1 October 2014 on taxis and cars with a driver (VTC) has modernized the regulations and improved the coexistence of the two types of services. Several pieces of legislation were also adopted in 2014 to reform the regulated professions of law and sales: rules on salaried work for notaries and lawyers at the Court of cassation and the Council of State were relaxed, as well as the constraints relating to participation and governance in public accounting firms.

Finally, the LGAEC also addresses **improvement of the tax system**, increasing efficiency, notably to alleviate the burden for companies (CSR No. 5). Tax rules are simplified, notably by aligning corporate income tax and valued added tax assessment (CVAE) statements.

### ***Stakeholders' involvement***

France is among the rare Member States (with Sweden and the Netherlands) which include an annex to the NRP describing the positions of social partners and civil society, as reflected in the consultation process conducted by the French Economic, social and environmental Council (*CESE*)<sup>(33)</sup>. This document highlights different steps in the consultation process:

- NRP draft transmitted for opinion to the National Assembly and the Senate, having been presented by the Council of Ministers, at the same time as the stability Programme.
- It has also been the subject of consultation with the various stakeholders: the Economic, social and environmental Council, social partners meeting within the Social Dialogue Committee for European and International Affairs, the associations of territorial authorities, and the National Council on policies to combat poverty and social exclusion.
- The social partners and associations of territorial authorities were able to hold discussions with the European Commission at the bilateral meeting in April 2015 in Paris.

The programming and the implementation of European policies. This strengthening requires the early adoption of an agreed timetable for the European Semester, so that civil society can contribute effectively to the decision-making process. This mechanism must be guaranteed at all three levels of governance of the strategy: European, national, regional (CESE 2015).

France has a long-standing tradition of (consultative) concertation with social partners when developing reforms and the accompanying legislation. However, the usefulness of this consultation process is questioned by trade unions. In the framework of the ETUC consultation on the involvement of social partners in the European Semester, the consultation in France is described as very formal, with tight deadlines and very little debate. Moreover, the union positions are given very little consideration at the end of the process and only influence the content of the NRP in a 'homeopathic proportion'. As expressed in a

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33. These consultations were conducted in two phases, previously, and then subsequently put to the Council of Ministers. Some stakeholders wanted to adjust the observations they had made to the Government. The contributions collected in this document, submitted up to this date are annexed to the 2015 Programme - any additional contributions will be sent to the European Commission as soon as possible (CESE 2015).

comment by a French trade unionist, this 'social dialogue' is more of a facade for the European Commission and the government (ETUC 2015b).

### **Conclusion**

The reforms required from France in the ES are focused on two main areas: budgetary savings through the reorganisation of the country's administration and the related national and sub-national levels of governance, and removing brakes to economic growth by eliminating the obstacles to economic competitiveness and alleviating the regulatory burden on businesses.

The reform of the territorial organisation of the French state is fundamental but appears also complex, especially when it is taking place in an unfavourable context of budgetary tension. On the one hand, the French national state is under strong pressure to downsize public budgets in the framework of the ES, and notably through the 'corrective arm' of the Stability and Growth Pact, which requires France to correct excessive deficits by implementing the Excessive Deficit Procedure. This implies also that as well as making further budgetary savings, every case of additional public expenditure must be offset by equivalent savings in the total French budget. On the other hand, the devolution of greater powers to sub-national entities should ideally be accompanied by adequate State transfers to sub-national levels to cope with these new obligations. But the reform process within the ES results in an obligation to reduce State transfers while, at the same time, monitoring the expenditure at sub-national levels. These local and regional bodies are faced with the challenge of carrying out new state tasks in a context of decreasing central state transfers and limited possibilities for finding their own means of financing, such as local taxation or the use of sub-national debt, as such funding sources are subject to strict rules and limited to financing investments.

The issue of French economic competitiveness is mainly addressed through the Law for growth, activity and equality of economic chances. In the words of its promoter, Emmanuel Macron, the law aims to "unlock the French economy" and address the "three diseases" of France : 'defiance', 'complexity' and 'corporatism ' (34). As a catch-all law, it includes aspects linked to a broad range of issues: administrative and regulatory simplification, reform of regulated and legal professions, reduction of the tax burden on businesses, reform of labour law, etc. The 'Macron law' comes on top of other related legal reforms such as the Law on the simplification of corporate life or the creation of a Council for the simplification of business, with legal powers.

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34. See *Travail du dimanche, pouvoir d'achat... ce que prévoit (ou pas) la future loi Macron*, Le Monde.fr, 08.12.2014, [http://www.lemonde.fr/les-decodeurs/article/2014/12/08/travail-du-dimanche-autocars-professions-reglementees-qu-y-a-t-il-dans-la-loi-macron\\_4536498\\_4355770.html#](http://www.lemonde.fr/les-decodeurs/article/2014/12/08/travail-du-dimanche-autocars-professions-reglementees-qu-y-a-t-il-dans-la-loi-macron_4536498_4355770.html#)

The social partners do seem to be involved in designing these significant reforms, as consultations are organised at different levels and moments in the formal process of drafting the reforms. But these consultations have ultimately no influence - or only a weak influence - on the content of reforms, and the consultative process is perceived as being a showcasing exercise rather than a tangible dialogue. There is certainly room for improvement, to evolve towards a real concerted approach to the reforms to be undertaken.

### **3.2.4 Ireland**

Ireland has followed a singular path in the context of the ES, in comparison to the other country cases evoked in this section. Ireland has been one of the EU countries severely hit by the financial and economic crisis which began in 2008, pushing the Irish government to ask the EU and the International Monetary Fund (IMF) for financial assistance. On November 2010, the Irish government agreed to a Programme of Financial Support (PFS) for Ireland from the EU and the IMF, including financial support of 85 billion EUR, among which 17.5 billion EUR provided by Irish own resources: the National Pension Reserve Fund and cash reserves. The main focuses of the PFS were to address financial sector weaknesses and to safeguard financial stability in the euro area and the EU as a whole. Ireland exited its EU-IMF financial support programme on the 15<sup>th</sup> December 2013. Following this exit, Ireland is currently subject to post programme surveillance under the Macro-economic Imbalance Procedure of EU economic governance, involving twice yearly review missions.

The issue of structural reforms, usually addressed in the Europe 2020 framework, was thus mainly tackled between 2010 and 2013, as part of these economic processes, very much geared to budgetary restraint and cuts in public spending. Ireland rejoined the Europe 2020 process with the drafting of a NRP in 2014, following the CSRs received from the Council in 2013. Unsurprisingly, the 2014 CSRs addressed to Ireland, and its NRP, remain strongly marked by budget and financial considerations, as are the following 2015 CSRs.

#### ***Overview of the CSRs***

Four of the seven CSRs made to Ireland in 2014 are directly related to the reduction of public spending and reforms of the Irish financial and loans market. Two CSRs concern the improvement of active labour market policies and an increase in households' work intensity. Only the last CSR refers to an issue concerning the MPA: the reform of the regulation on legal provisions through implementation of the 'long-awaited' Legal Services Regulation Bill and also the improvement of the judicial system <sup>(35)</sup>.

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35. CSR No. 7: Reduce the cost of legal proceedings and services and foster competition, including by adopting the Legal Services Regulation Bill by the end of 2014, including its provision allowing the establishment of multi-disciplinary practices, and by seeking to remove the solicitor's lien.

The first CSR asks notably that Ireland limit the existing discretionary powers to change public expenditure ceilings beyond specific and predefined contingencies. The country is also asked to broaden the tax base and to review tax expenditure, including on value-added taxes. The second CSR calls on the country to take measures to increase the cost-effectiveness of the healthcare system, including by reducing spending on patented medicines and gradually implementing adequate prescription practices. The fifth CSR concerns the restructuring of the bank system and the loans market. Ireland is required to: finalise durable restructuring solutions for a vast majority of mortgages in arrears by end-2015 and strengthen the monitoring arrangements by the Central Bank of Ireland; ensure that restructuring solutions for loans to distressed SMEs and residual commercial real-estate loans are sustainable by further assessing banks' performance against own targets; take the necessary steps to ensure that a central credit registry is operational by 2016 (Council 2014b).

### ***Overview of reforms undertaken***

The dimensions of MPA are only partly addressed in the 2014 CSRs. CSR No. 7 refers to the **reform of the regulation of legal professions**, highlighting the need to implement the 'long-awaited' 'Legal Services Regulation Bill' (LSRB). While in 2014 this topic was the object of a specific CSR, this is no longer the case in 2015, although the EC recalls its intention to monitor progress in this area in the context of the European Semester. The LSRB was first proposed in 2011 in relation to the memorandum of understanding with the EU and the IMF. The aim of the Bill was to introduce independent regulation and implement the recommendations on transparency and competition made by the Competition Authority and the Legal Costs Working Group. Concerns were raised by specific stakeholders, notably associations of lawyers and of solicitors, about the possible negative economic impact of new business structures on the profession, on competition, on access to justice and also as to the independence of the proposed authority, as, according to the initial proposal, 7 of 11 board members would be appointed by the government. Since 2011 the LSRB has been partly emptied of content by numerous amendments made by the Irish Parliament and

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Monitor its impact, including on the costs of legal services. Take executive steps to ensure that the Legal Services Regulatory Authority is operational without delay and that it meets its obligations under the legislation, including in terms of publishing regulations or guidelines for multi-disciplinary practices and the resolution of complaints. Improve data collection systems to enhance the monitoring and evaluation of the efficiency of judicial proceedings to identify issues in need of reform (Council 2014b).

Senate <sup>(36)</sup> and the process is not yet over, as consultation with stakeholders is still ongoing and further substantial amendments are expected. However, the Minister for Justice maintains that the legislation will be in place by the end of the year (The Irish Times 2015).

CSR No. 7 also recalls the need to improve some aspects of the **judicial system**. In order to reduce significantly the long delays in appeal procedures to Supreme Court, Ireland introduced in 2014 an important reform of its court system ('the Act'). A new Court of Appeal is set up between the High Court and the Supreme Court, and the scope of the jurisdiction of Circuit Courts and of Districts Courts is extended. Ireland is also taking measures to **improve data collection systems on judicial proceedings**, but the measures need to be completed for some courts and areas of the justice system. While the Commission estimates that there has been some progress on these issues, there are nevertheless points still pending. The removal of the 'solicitor's lien' <sup>(37)</sup>, which was already pointed to as anticompetitive by the Competition Authority in 2006, has not yet taken place, as the measure was withdrawn from the Legal Services Regulation Bill. Moreover, the Commission also highlights the lack of a regular evaluation system and defined quality standards or specialised court staff in charge of quality policy. In the context of budgetary restrictions and the already low number of judges, quality measurement is seen as an important step in the improvement of the Irish judicial system (European Commission 2015b).

This weak reference in the 2014 CSR to the MPA dimensions does not mean that no reforms of the public services have taken place in recent years. On the contrary, as a consequence of the crisis which began in 2008, the Irish public sector has been subject in recent years to drastic reforms with marked pay cuts, freezes of employment and changes in work organisation. This process began in 2008, with the governmental decision to withdraw from

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36. The central structures of authority, tribunal and adjudicator remain in place, but the plan for legal partnerships will first be subject to a six-month public consultation process, after which a report and recommendations will be produced for the minister for the justice. Direct access to barristers will also require lengthy public consultation before going ahead. A report will be provided to the minister within 12 months of the authority being established. The authority will also prepare initial research and a report on multidisciplinary practices within six months. This will be followed by public consultation on the establishment and impact of the practices. Within a further six months, a final report will be sent to the minister for justice, who will decide whether or not to allow the practices to go ahead. Other amendments to the legislation are aimed at addressing concerns about the independence of the authority. Though board members will still be appointed by the government, they will have to include members of organisations such as the Citizens' Information Board, the Human Rights Commission and the Competition Authority. The role of the minister for justice in the appointment of staff to the authority has been dropped and the minister will no longer have a role in deciding the levy to be imposed on the profession to fund regulation. A clause requiring members of the authority to disclose any interests in matters to be considered by the authority has also been dropped. Members of the disciplinary tribunal will be appointed by the president of the High Court and not by the government. There is also more emphasis on informal resolution of client complaints before formal disciplinary procedures are initiated (The Irish Times 2015).

37. The 'solicitor's lien' is the practice whereby a solicitor may retain possession of a client's file pending receipt of payment, frustrating attempts by a client to switch solicitors.

the national pay agreement of November 2006, and the unilateral decision to freeze public servants' wages at least until 2010. In March 2009, as part of an emergency budget plan (the 'Financial Emergency in Public Interest Act'), a cut in public sector pay was decided, followed by a further reduction introduced through the budget law enacted in December 2009 by the Cowen government (Glassner 2010). This brutal and unilateral alteration of collective bargaining achievements was later tempered by other agreements which were more negotiated but do not change the main thrust of these acts. After a difficult negotiation, a four year 'Public Service Agreement' (known as the 'Croke Park Agreement') was signed in March 2010, providing protection for public sector pay levels in exchange for a reduction in employee numbers and a commitment to reform work practices in the public sector: a pay freeze in the public sector until 2014 was decided on. The 'Croke Park Agreement' was replaced in 2013 by the 'Haddington Road Agreement' foreseeing further pay cuts, new pay freezes, and changes to the working conditions for public servants. The latter include additional working hours, greater use of redeployment, the reform of work-sharing arrangements and a reform of flexible work arrangements (Doherty 2014). The Haddington Road Agreement was followed by the publication, in January 2014, of the 'Second Public Service Reform Plan 2014-2016'. It is worth mentioning that these plans for reforming the Irish public services also include objectives related to MPA, such as increasing **e-government** possibilities, **reducing the administrative burden for businesses** or improving **the system of public procurements**.

### ***Stakeholders' involvement***

As stated by Regan in 2012 "the first casualty of the economic crisis in Ireland was social partnership and centralised wage bargaining. Despite the fact that a consensual approach to socio-economic policy was the default position of the country's economy for 23 years, the Irish government has so far pursued a unilateral rather than negotiated adjustment" (Regan 2013). The following Croke Park and Haddington Road Agreements negotiated between public sector unions and the Irish government were attempts to soften the implementation of the harsh decisions made between 2008 and 2010. For the government the main objective of the agreements was to secure savings in the public sector pay bill in a context of the rapid post-crisis deterioration of public finances in Ireland and to do so while maintaining industrial relations 'peace'. From a public sector union perspective, the main strategy has been to seek to minimise planned reductions in public service headcount, pay and entitlements for public sector employees in exchange for work flexibility and guarantees that no compulsory redundancies will take place (Eurofound 2015).

While some forms of social dialogue have been re-established in Ireland, these do not question past decisions but rather try to minimise their consequences. In the private sector the situation concerning social dialogue is even worse, as the country returned to company

level bargaining instead of the National Partnership Agreements that were the rule between 1987 and 2009. But while in the private sector, some company-level agreements on pay raises and working conditions were made in recent years, this is not yet the case in the public sector after the pay cuts from earlier plans since 2008. The General Secretary of the Irish Congress of Trade Unions, the umbrella association of Irish trade unions, underlined in a recent speech the central role that pay restoration in the public sector will play in social dialogue in the forthcoming months. There is notably a provision in the current Haddington Road Agreement which provides for it as and when the economic circumstances improved, which is currently the case (ICTU 2015).

In this context it is thus not surprising to find only scarce reference to the involvement of social partners in the ES process. According to the Irish authorities, stakeholder commitment is regarded as an important part of the process, and involvement at sectoral and Departmental level is encouraged with regard to the range of specific issues that arise in the context of the NRP. However, the Irish 2014 NRP mentions only briefly the organisation of several meetings and workshops to consult social partners and civil society. As stated by the Irish NRP, the Department of the Taoiseach (the government department of the Taoiseach (prime minister)) coordinates central involvement with a wide range of stakeholders following publication by the European Commission of the Country Report in February. The Minister of State for European Union Affairs gathers views on the contents of the draft NRP from stakeholders before the NRP is considered and finalised by the government. Stakeholders consulted include regional representatives, representatives of employers, trade unions, the farming community, community and voluntary organisations, and environmental organisations. The Stakeholder submissions are published on the website of the Department of the Taoiseach.

The involvement of social partners from the public services appears to be feeble in the Irish process, and the outcome of the consultations do not seem to be strongly reflected in the NRP.

### ***Conclusion***

The case of Ireland is unique among the countries considered in this section. Ireland was severely hit by the crisis which began in 2007 and was forced to ask for a Programme of Financial Support from the EU and the IMF. The main focus of reforms in this framework was on the reduction of public spending, which resulted in unilateral pay cuts and other forms of reduction in public service expenditure. While Ireland has rejoined the standard ES process since 2013, the CSRs and the NRP are still essentially geared towards reductions in public expenditure. Only one of the seven CSRs received by Ireland in 2014 is related to dimensions of the MPA such as the reform of the legal professions or improvement to the collection of judicial data to improve the quality of the judicial system.

After 23 years of social partnership and centralised wage bargaining practices, the Irish social dialogue experienced a strong setback after 2008 with the unilateral decision of the government to withdraw from collective agreements in the public sector. A similar process occurred in the private sector, with the return of the supremacy of company based collective agreements. Although in recent years the social dialogue has been relaunched in the public service sector, with two consecutive agreements, it has really only tempered the damage resulting from the unilateral pay cuts introduced between 2008 and 2010. Pay restoration in the public sector will be one of the harder topics on the agenda of the public service social dialogue in forthcoming months.

In this context of strong budgetary constraints, it is not surprising that there seems to be only weak involvement of Irish social partners from the public services in the ES process; the outcomes of the consultations do not seem to be strongly reflected in the NRP.

### 3.2.5 Italy

#### *Overview of the CSRs*

The public sector was one of the key topics of the Country-specific Recommendations addressed to Italy in 2014 (Council 2014c). Among these, CSR No. 3 is the one most directly linked to the priority of ‘modernising public administration’ and touches upon a number of issues related to several of the dimensions identified in the present study: governance, the efficiency of public investment, the justice system, and corruption. Besides CSR No. 3, messages relevant for the modernisation of the public administration emerge from the text of other CSRs.

As for the dimension of **governance organisation and institution**, recommendations issued by the Council and the Commission basically referred to three themes: strengthening the **horizontal and vertical coordination between the various levels of governance**, increasing the efficiency of the tax system and implementing measures against the shadow economy. With regard to the first theme, the Council noted that “[...] an enhanced coordination and a more efficient allocation of competences among the various levels of government” are a pre-condition for improving the quality of the Italian policy-making system, making it possible to address the strong implementation gap which often characterizes reform processes in Italy (Council 2014c: point 11). As a consequence, the Council stressed that the clarification of the competences attributed to the various levels of government should be an essential part of any effort to improve the efficiency of public administration.

Other messages pertaining to governance issues arising from the CSRs for 2014 concerned the need to **increase the efficiency of the tax system** and to take action against **the shadow economy**. Given the size of these problems in Italy, any action on the composition of the tax structure would need, to be effective, accompanying measures aimed at combating

tax evasion, the shadow economy and undeclared work (Council 2014c: point 10). According to the Council, although the recently adopted enabling law for tax reform foresees several measures to strengthen the tax administration (cf. the following Section ‘Overview of the reforms undertaken’), further action is needed in four areas: enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration.

**Reducing regulatory and administrative burden for businesses** is the second dimension on which the CSRs addressed to Italy in 2014 insisted. In the Council’s view, though some initiatives have been taken to set-up “a more business- and citizen-friendly environment”, their impact has been hampered by delays in their final approval and implementation gaps (Council 2014c: 15). In particular, bottlenecks to competition still persist in areas such as professional services, insurance, fuel distribution, retail and postal services. Consequently, the Council recommended that Italy approve the pending legislation aimed at simplifying the regulatory environment for businesses and citizens (or enact other equivalent measures) and asked the country to address implementation gaps in existing legislation. Additionally, it recommended Italy to promote market opening and remove remaining barriers and restrictions in areas such as the professional and local public services, insurance, fuel distribution, retail and postal services sectors.

The need to **enhance the efficiency of public investment** was stressed in the 2014 recommendations. On a more general level, savings coming from the “durable improvement of the efficiency and quality of public expenditure at all levels of government” announced by the Italian government (cf. following Section ‘Overview of the reforms undertaken’) are essential, it was felt, for implementing the “growth-friendly fiscal adjustment” recommended by the Council. Besides this general recommendation, attention was drawn to more specific issues: the management of EU funds and the public procurement system (including e-procurements). In terms of the **management of EU funds**, both the Council and the European Commission (2015i: 53) pointed to the poor performances of the country, especially the Southern regions. Consequently, CSR No. 3 reads that management of the funds should be enhanced “by taking decisive action to improve administrative capacity, transparency, evaluation and quality control both at national and regional level, especially in southern regions”. As for the **public procurement system**, the Council pointed out existing weaknesses and recommended that action be taken to enhance its efficiency, “especially by streamlining procedures including through the better use of **e-procurement**, rationalising the central purchasing bodies and securing the proper application of pre- and post-award rules” (Council 2014c, bold added). Particular attention should be paid to local public services: competition in this area should be enhanced, through the rigorous implementation of the legislation providing for the rectification of contracts that do not comply with the requirements on in-house awards by 31 December 2014’ (*ibid.*).

A further topic touched upon by the Council in the 2014 CSRs concerned the **justice system**. In relation to this domain, the CSR addressed to Italy was very specific, insofar as it asked Italy to “monitor in a timely manner the impact of the reforms adopted to increase the efficiency of civil justice with a view to securing their effectiveness and adopting complementary action if needed”. Some doubts about the sufficiency of measures undertaken in this field seem to emerge from this recommendation, since the Council also remarked upon the persistence of inefficiencies in civil justice (Council 2014c: point 11). Indeed, as pointed out by the European Commission (2015i: 51), the Italian justice system is generally inefficient and, in particular, the length of trials still represents one of the major factors behind the country’s poor business environment.

Finally, the Council remarked that **corruption** continues to represent a paramount challenge for Italy, significantly weighing down “[...] on Italy’s productive system and on trust in the political and institutional landscape” (Council 2014c: point 11). Consequently, the Council recommended that the country enhance the effectiveness of anti-corruption measures. In particular, two measures were highlighted in the CSRs for 2014: the revision of the statute of limitations (by the end of 2014), and the reinforcement of the powers of the national anti-corruption authority (the ‘National Anti-Corruption Authority for the Evaluation and Transparency of Public Administrations’).

Overall, it emerges from the overview provided above that considerable attention was given to topics related to the modernisation of the public administration in the CSRs addressed by the Council to Italy in 2014, as was the case, after all, of the CSRs issued in the previous years. In particular, besides the more specific initiatives related to the dimensions relevant to the present analysis, in the view of both the Council and the European Commission (2015i) improvement in the efficiency of the national public administration is considered as a pre-condition allowing for an effective implementation of reforms in other domains and the successful implementation of fiscal consolidation and growth-enhancing strategies.

### ***Overview of reforms undertaken***

The Italian National Reform Programme for 2015 (MEF 2015a) points to a number of measures enacted or foreseen in the area of the CSRs illustrated in the previous Section. On a more general level, a series of measures aiming, *inter-alia*, at facilitating staff turnover, increasing civil servants’ mobility, and addressing corruption in the public administration were enacted in June 2014 (MEF 2015a: 19). Furthermore, at the time of the writing of the NRP, a comprehensive reform of the public administration was on-going and a delegated law bill was under parliamentary scrutiny. The delegated law contained measures aimed at modernising the public administration, notably by (MEF 2015a: 19-23): - promoting innovation in the management of human resources and improving the quality of management at all the levels of government; - reorganising the sectors of investee companies, companies controlled by

public administrations and local public services; - implementing actions related to the digitisation of the public administration; - rationalising administrative functions and structures; - implementing the objectives set out in the ‘Simplification Agenda for 2015-2017’ (see below). The delegated law bill was eventually approved in August 2015 and implementing Decrees are expected to be enacted in 2015 and 2016.

The administrative reform includes some provisions related to **‘horizontal and vertical coordination between the various levels of government’**. More in detail, with a view to rationalising State functions and structures, the reform foresees the creation of State territorial offices (*‘Uffici territoriali dello Stato’*) acting as a single contact point between citizens and decentralised State structures (MEF 2015a: 21). Besides measures included in the reform of the public administration, other provisions recently approved or under parliamentary examination will affect the territorial structure of the country and the distribution of functions between the levels of government. First, Law n. 56/2014 affects Italian provinces, modifying the composition of their elected bodies and changing their competences (MEF 2015b: 34-35). Second, a constitutional reform is being debated by the Parliament. The Constitutional bill foresees, among other things, changes in the distribution of legislative competences between the State and the regions, and a review of the law-making process, with the Senate expected to keep legislative competences only on a reduced number of matters. In the view of the European Commission (2015i: 50), the developments described above potentially represent steps forward, though a certain prudence appears necessary since, on the one hand, some of these measures have still to be approved while, on the other hand, the implementation of some of the measures already enacted has been proving rather challenging.

When it comes to measures aiming to **increase the efficiency of the tax system and fighting the shadow economy**, “some progress” was identified by the European Commission in its 2015 Country Report on Italy (European Commission 2015i: 78). First, a Legislative Decree enacted in October 2014 was an attempt to simplify tax procedures, including, for instance, by introducing pre-filled tax returns and several simplifications concerning the declarations of individuals, companies and relating to tax refunds (MEF 2015b: 24-25; European Commission 2015i: 71). Second, a number of bilateral cooperation agreements on tax matters have been signed (MEF 2015a: 140) and measures aimed at facilitating the emersion of previously undisclosed assets and funds illegally held abroad have been passed <sup>(38)</sup> (MEF 2015a:142).

As for the dimension on **reducing regulatory and administrative burden on businesses**, the main measure approved in recent times is the ‘Simplification Agenda for 2015-2017’, which is part of the reform of the public administration (see above). The objectives of the

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38. The regulation on the Voluntary Tax Disclosure Programme was approved by the Italian Parliament on 4 December 2014.

Agenda are to reduce the costs of and the time taken up by bureaucratic procedures for both citizens and enterprises. Guidelines included in the Agenda concern five priority sectors (digital citizenship, welfare and health, tax system, construction, and enterprises) and, for each of them, specific actions, responsibilities, deadlines and expected outcomes have been defined (MEF 2015a: 197). Other steps towards the simplification of the relationship between the administration, citizen and enterprises are expected to come from greater digitisation of the public administration and, in particular, from the implementation of the 'Public system for the management of digital identity of citizens and enterprises' (*ibid.*). Furthermore, the 2015 Italian NRP lists a number of actions aiming at simplifying administrative procedures in specific sectors such as construction, environment, culture, tourism, and agriculture.

While some progress can be noticed on the issue of the simplification of the environment for business and citizens, the assessment of the European Commission (2015i: 81) is more critical when it comes to measures implemented in order to **foster market opening and remove barriers to competition**, especially in the sector of local public services. Indeed, as noted by the European Commission (*ibid.*), a comprehensive reform of local public services has not been enacted yet and the Observatory for Local Public Services – set-up in 2013 in order to monitor the functioning of these services – is not operational.

When it comes to the **efficiency of public investment** dimension, it should be said that, at a more general level, there has been an attempt in recent years to rationalize public spending so as to reduce wastefulness in the use of public resources and obtain permanent budget savings, through the so called 'spending review'. This exercise has been conducted both through the appointment of 'Extraordinary Commissioners' with the task of proposing areas for rationalization and through ordinary procedures coordinated by the Ministry of Finance. It has followed four main lines of action (MEF 2015a: 125-126): 1) changing the spending procedures and organizational arrangements of public administrations; 2) improving the efficiency of the procedures for the provision of goods and services to public administrations; 3) abandoning obsolete and ineffective interventions in favour of more effective ones; 4) changes in the scope of public intervention. Furthermore, as part of the drafting process of the Budget Law for 2015, Ministries conducted their own spending reviews by identifying areas within their budgets eligible for targeted savings. In the future, moreover, a structural spending review procedure is expected to be integrated into the planning process for the multiannual State budget (*ibid.*). The Commission's assessment of these initiatives appears quite prudent, and the overall progress on the improvement of the efficiency and quality of public spending has been assessed as "limited" (European Commission 2015i: 77). Indeed, in its 2015 Country Report, the Commission notes that "regular evaluation of the impact of spending is not yet an integral part of the budgetary process across all government levels" (*ibid.*: 50) and points to the fact that, to avoid cuts in growth-enhancing spending items, a stronger central coordination of actions undertaken by the various ministries should be ensured.

Besides the more general spending review process, other initiatives concerned two of the sub-dimensions considered in the present analysis, notably the efficient use of EU Funds and actions aimed at improving the public procurement system. As for the **management of EU funds**, the setting up of the Agency for Territorial Cohesion can be seen as one of the most important initiatives implemented in order to address the poor performances displayed by the country, especially in southern regions. The setting up of the Agency is part of a broader attempt to reform the governance of cohesion policies by reinforcing the planning, coordination and monitoring functions of the central administration (and, in particular, of the Presidency of the Council) (MEF 2015a: 150). The Agency is expected to support and monitor the implementation of the operational programmes and to directly manage specific programmes and measures. The Department of Cohesion Policies of the Presidency of the Council is responsible for the overall planning and coordination of cohesion policy, and the Presidency of the Council has important monitoring and intervention powers to ensure the correct and timely use of the funds. Furthermore, as foreseen by the Partnership Agreement on the European Structural and Investment Funds agreed with the European Commission, every Region and central administration responsible for EU co-funded programmes is expected to draw up an 'Administrative Reinforcement Plan' demonstrating the availability of adequate structures and competences necessary for the management the funds, and illustrating measures taken to strengthen the public administration in areas relevant for the management of the funds (MEF 2015a: 149; European Commission 2015i: 53). In order to monitor the implementation of the Plans, a steering committee – including representatives of the European Commission – has been set-up within the Presidency of the Council.

Limited progress was made in **enhancing the efficiency of public procurement** (European Commission 2015i: 81). Indeed, while some measures to rationalise public procurement have been enacted, a draft enabling law for the reform of the public procurement code (also aimed at transposing the new directives on EU public procurements) was tabled by the government but not yet approved (*ibid.*). A National Strategy for Public Procurement is being developed by the government and, as mentioned above, a comprehensive reform of local public services (which should also contain provisions incentivizing the use of open tendering) is still pending. The deadline of end-2014 for amending contracts that do not comply with EU law has been postponed to the end of 2015 (*ibid.*).

As for the **justice system** dimension, in its recommendations for 2014, the Council invited Italy to monitor the impact and the implementation of reforms adopted to increase the **efficiency of civil justice** and to adopt further measures, if needed. Indeed, a number of initiatives enacted in 2013 and 2014 in this domain are listed in the 2015 Country Report, including (European Commission 2015i: 50-51): - the reorganization of the court system (through a reduction in the number of first instance civil courts) and the creation of specialized courts for businesses; - measures reinforcing digitization in civil, administrative and tax-related trials; - measures introducing accelerated administrative proceedings for

public procurement; and - measures aimed at reducing the backlog of civil cases (including by attributing a major role to arbitration and the introduction of a new form of out-of-court settlement). In August 2015, the Government presented a justice reform package including a Law Decree and four enabling laws concerning civil justice (MEF 2015a: 157-158; European Commission 2015i: 51). One of the enabling laws concerned the reform of civil proceedings, with the aim to reduce their length, extend the competences of business courts and create courts specialized in family law disputes and human rights.

Finally, as for the dimension of the fight against **corruption**, the CSR for 2014 insisted in particular on two points: the revision of the statute of limitations (to be amended by the end of 2014) and the need to strengthen the powers of the national anti-corruption authority. As it emerges from the Italian NRP, initiatives to reinforce the powers of the Italian National Anti-corruption authority (ANAC) – whose function is to prevent and tackle corruption in the public administration – were indeed undertaken (MEF 2015a: 151-152). Monitoring tasks previously exercised by other supervisory bodies have been attributed to ANAC, in particular in the area of public procurement. Furthermore, ANAC monitors the anticorruption plans that public authorities and state-owned companies are now requested to adopt. This said, according to the European Commission, the powers of ANAC could be further reinforced (European Commission 2015i: 53): the authorities' powers to penalise violations are still limited and its opinions are non-binding. As for the revision of the statute of limitations, progress has been limited: draft laws in this domain are still under parliamentary discussion (European Commission 2015i: 52). On a more positive note, the Commission appreciates that fact that, in 2015, the new offence of self-laundering was introduced into Italian criminal law (*ibid.*: 53).

Overall, as is made clear in the Italian National Reform Programme for 2015, a number of reforms in the domains considered in the present study have been implemented in Italy, to address some of the 2014 CSRs. However, looking at the 2015 Country Report for Italy, the European Commission's (2015i) assessment of initiatives undertaken often appears rather tepid, and progress is mostly deemed to be limited. Indeed, it is not coincidental that most of the recommendations addressed to Italy in 2014 have been repeated by the Council in the 2015 CSRs.

### ***Stakeholders' involvement***

The general features of Italian participation in the EU policy-making process (in both its 'ascending' and 'descending' phases) were modified in 2012, with the enactment of Law No. 234 of 24 December 2012 on 'General rules on the participation of Italy in the development and implementation of EU legislation and policies'. The Law attributes significant steering, coordination and monitoring powers to the President of the Council of Ministers who is supported by the Department for European Policies. An important role is played by the Inter-ministerial Committee for European Affairs (CIAE), a body chaired by the President of the

Council and composed of various Ministries. When issues falling under their respective competences are being discussed, representatives of regions, provinces and cities attend the meetings. When it comes to the involvement of stakeholders in EU-related issues, Law 234/2014 reads that the Council of Ministers should guarantee a wide involvement of social partners in the process of drafting the Italian position on EU initiatives. The forum for such involvement is the National Council of Economy and Labour (CNEL). The President of the Council of Ministers and the Minister for European Affairs must send the CNEL information on EU-related documents and important economic and social initiatives. The CNEL can transmit to the Parliament and the Government its assessments and input and, in order to do so, it can create specific working groups to examine EU-related matters.

When it comes, more specifically, to national procedures related to the European Semester, it should be noted that in Italy, as foreseen by Law no.39/2011, both the National Reform Programmes and the Stability Programmes have been explicitly linked to the budget cycle. In fact, these two documents are an integral part of the Economic and Financial document (DEF). The concrete procedures through which the NRP is elaborated are reported in the NRP 2012, which defines the document as the result of “team-work” involving the various levels of government and gathering together the input from relevant stakeholders (MEF 2012: 4). In particular, according to the document, the Technical Committee of the CIACE <sup>(39)</sup> is the forum where the NRP is discussed with Regional Authorities and where their input is gathered. The contributions of the regions are then reported in an Annex to the NRP. As for social partners, the document claims that they are given the opportunity to make their contributions on specific policies considered in the NRP (e.g. on cohesion policy or labour market policies) through special sectoral consultations. Furthermore, the opinion of the CNEL is taken into account.

The NRP is then presented to the Parliament by the Ministry of Economy and Finance (after consultation with the Ministry for European Affairs) as part of the process related to the Economic and Financial document. Trade union representatives at the highest level (generally confederal secretaries) attend Parliamentary Committee hearings on the Economic and Financial document providing trade unions’ opinions on the general document and on the NRP (which – as already explained – is one of the constitutive elements of the DEF).

The 2012 NRP <sup>(40)</sup> describes a rather open process relying on the collaboration of a variety of public administrations at different levels of government and on the involvement of relevant

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39. CIACE (‘Inter-ministerial Committee for European Community Affairs’) is the former name for the ‘Inter-ministerial Committee for European Affairs’ (CIAE).

40. Information about the procedures for drafting the NRP were reported in the introduction to the National Reform Programme for 2012 under the Section ‘Consulting political parties, Local Governments and social partners). However, this information was not reported in any of the other NRPs published by Italy. The 2015 NRP contains a Section on ‘The National Coordination of European Policies’ where it is stated that “The Italian Semester of Presidency of the Council of

stakeholders; the available literature, however, is more sceptical as to the actual degree of integration and openness of the exercise (Agostini and Sabato 2014:22-23). The drafting of the NRP seems to be a rather centralised activity: consultation in the CIAE Technical Committee has a rather formal character and the process appears to be strongly steered by the Ministry of Economy and Finance, with marginal involvement of other ministries. Similarly, stakeholders' – including trade unions' – involvement in the process appears rather weak and the drafting of the NRP is depicted as a 'governmental action'. Besides formal consultation, it is not clear how and to what extent the input from social partners is actually taken into account in the NRPs: for instance, unlike in other countries, Italian NRPs do not include a specific section reporting the social partners' views.

It was only possible to obtain limited information on trade unionists' opinions as to the process for the purpose of this research. This information, however, seems to confirm the many shortcomings of the involvement process. As it emerges from the 'resource tool for coordination of collective bargaining' set-up by the European Trade Union Confederation (ETUC 2014a), consultation on the NRP is informal and not systematic: a more structured process for exchanging with social partners – better aligned with the timing of EU reporting – should be set up. Furthermore, social partners should be provided with more detailed information about the European economic governance process and its development.

While only a little information about trade union involvement in national processes related to the European Semester has emerged from this research, information about the role played by public sector trade unions is completely missing. Trade unions' opinions and input to the NRPs are generally provided by national confederations. However, looking at some of those contributions (i.e. CGIL 2011, CISL 2014), it is clear that issues related to the public sector have often been raised. This suggests that internal consultation involving public sector federations does take place.

## **Conclusion**

The modernisation of the public administration was a key topic in the Country-specific Recommendations addressed to Italy in 2014. CSRs endorsed by the Council in that year indeed concerned several of the dimensions considered in the present research: 'governance organisation and institution', the 'reduction of regulatory and administrative burden for businesses', the 'efficiency of public investment', the 'justice system' and 'corruption'. More in general, in the view of both the Council and the European Commission, improvement of the efficiency of the national public administration is considered as a pre-

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Ministers has highlighted the need to strengthen national governance of EU policies through stakeholders' coordination and consultation [...]” (MEF 2015a: 95). However, no further details are provided.

condition for an effective implementation of structural reforms in other domains and for the successful implementation of fiscal consolidation and growth enhancing strategies in Italy.

Overall, as it emerges from the Italian National Reform Programme for 2015, a number of reforms have been implemented in Italy to address some of the 2014 CSRs. However, looking at the 2015 Country Report for Italy, the European Commission's (2015i) assessment of initiatives undertaken often appears rather tepid and progress is mostly deemed to be limited. As a consequence, most of the recommendations addressed to Italy in 2014 have been repeated by the Council in the 2015 CSRs.

When it comes to trade unions' involvement in national procedures related to the European Semester, little information has been gathered through the present research. According to the government, the drafting of the NRP is a 'team-work' exercise, in which both regional authorities and stakeholders are involved. The discussions in special sectoral consultation bodies and in the CNEL are, it is said, key access points to the process for trade unions. Furthermore, trade unions attend Parliamentary Committee hearings on the Economic and Financial document. This said, doubts have been raised about whether the process for drafting the NRP is really that open. It seems, on the contrary, to be more of a 'governmental document' with limited space for stakeholder, including trade union, input. Indeed, unlike in other countries, Italian NRPs do not even include a specific section reporting social partners' views. In particular, the need to strengthen the consultation process by setting-up a more structured process for exchanging with social partners – better aligned with the timing of EU reporting – has been raised.

## 4. Involvement of social partners in the European Semester

### 4.1 Knowledge of the ES by EPSU affiliates: results of the web survey

In the course of the project it was decided to carry out a short web survey among EPSU affiliates, to gain insight into their knowledge of the ES. The questionnaire was discussed and amended at the first project meeting in Brussels. The web survey was open to all EPSU affiliates from the end of June to the end of September 2015. In total, 50 questionnaires were viewed but finally only 21 respondents filled them in. Needless to say, this limited number of answers does not allow any interpretation with statistical significance. The detailed tables on the results of the web survey and the distribution of answers by countries of origin of the respondents are provided in annexes 1 and 2 to this report. In the following section we will briefly highlight the main results of the web survey.

A first set of questions is related to the **general knowledge among EPSU affiliates about the European Semester**. Asked about their degree of familiarity with the ES process in general, most respondents said they were familiar or even very familiar with the ES (12/21). Concerning their sources of information on the ES, a majority of EPSU affiliates refer to the EPSU as the main source of information on the developments concerning the ES process (15/21). Among the limited number of respondents mentioning other sources of information, most referred to the national confederations as a complementary/alternative source (3/5).

A second set of questions sought to shed light on how much EPSU affiliates knew about the existence of a particular actor in the ES process: the **European Semester Officer**. These are European Commission officials deployed in all the Member State capitals, whose job is to get a balanced picture of the challenges faced by the countries, in order to ensure that the CSRs best reflect the realities on the ground. They are supposed to be key actors, providing information and holding discussions about national issues, including with social partners. In spite of this alleged importance, a great majority of respondents had not heard of the European Semester Office (14/21). Among those knowing of its existence, contact was made either through the union (3/5) or through the union confederation (3/6). It was difficult to draw conclusions on the level of satisfaction as to the quality of the information provided by the Officer: there was a very small number of satisfied respondents (2/21) and an equally small number of dissatisfied respondents (3/21).

A third set of questions concerns the **consultation of unions** about the ES in general and the CSRs and NRPs in particular. Questioned on the existence of national forums in which ES developments could be discussed with trade unions, only a limited number of EPSU affiliates declared the existence of such a forum (6/21). A majority of respondents did not know about or comment on the existence of national forums (9/21). The remaining respondents denied the existence of national forums (3/6). Asked about the consultation of

their national confederations on the National Reform Programmes, 9 of the 21 respondents confirmed the existence of such consultation. However, in the views of 6 respondents, the opinions of national confederations are not adequately reflected in the NRPs, with a smaller share thinking on the contrary that these opinions are adequately reflected in the plans (3/21). When it comes to the consultation of unions about the content and implementation of CSRs, the respondents are more or less equally split between those claiming that consultation does take place (6/21) and those denying consultation (7/21), with the last third of respondents not knowing or commenting.

Finally, a last set of questions was related to the **degree of agreement with two general statements**. The first statement was that national confederations are sufficiently involved in the developments within the ES. A greater share of the respondents (7/21) does not agree that their national confederations are sufficiently involved, while only 4 of the 21 respondents do agree. But the biggest group is made of respondents adopting a neutral opinion (neither agree nor disagree) or not commenting/knowing (10/21). The second statement is that national confederations take account of public service issues in their involvement in the ES. Here, the opinions of EPSU affiliates are more positive, as 9 of the 21 respondents agree with the proposed statement. The number of disagreements is much lower (4/21).

Although no statistical significance could be attributed to these results as a proper reflection of the opinions of all EPSU affiliates, the web survey sheds light on the low levels of knowledge and consultation about the ES and its components. There is certainly room for improvement in this perspective.

#### **4.2 Trade unions' involvement in the European Semester: an overview**

The Europe 2020 strategy called for broad stakeholder involvement in the processes of economic and social coordination. The need to involve relevant stakeholders in the policy-making process at both the EU and national level has been stressed in many official documents, starting from the 2010 Commission Communication on Europe 2020. In that document, the European Commission (2010) emphasised the need to adopt a 'partnership approach', in particular by involving national parliaments, national, local and regional authorities, social partners, and civil society organisations in the delivering and implementation of the strategy. The Guidance on the Content and Format of NRPs (European Commission 2013b) reiterated the importance of stakeholders' involvement as a crucial element to ensure the achievement of Europe 2020's objectives and targets, to facilitate the implementation of the CSRs and to ensure a broad commitment to the strategy at the national level. Member States are invited to use the NRPs to encourage stakeholder involvement and to report on it: the comments and contributions of social partners and other stakeholders should be summarized in the NRPs or provided in a separate Annex.

Besides the rhetoric of the official documents, however, during the first years of implementation stakeholders' participation in the European Semester has been weak. The public consultation launched in the framework of the mid-term review of the Europe 2020 strategy pointed to the "insufficient involvement of relevant stakeholders" as a weak point of the strategy (European Commission 2015g: 7). This shortcoming has been highlighted by various organisations – including civil society organisations and trade unions – which have consequently stressed the need to reinforce their role in the EU economic and social governance<sup>(41)</sup>.

Already before the mid-term review of the Europe 2020 Strategy, in 2013 the EU-level social partners (cf. BusinessEurope *et al.* 2013) prepared a joint declaration to support stakeholder involvement. In particular, they asked the Commission and the Council to ensure that national governments consult national partners in a balanced way when drawing up their NRPs. Moreover, as regards the CSRs, the EU social partners pointed out that consultation should take place at both national and European level. At national level, social partners should be consulted when the Commission prepares the CSRs. Following this national consultation, and based on the view of their members, EU social partners should have the opportunity to comment on the contents of the recommendations. Moreover, coordination meetings between small delegations of European and national social partners should be organized when the draft CSRs are discussed and then approved by the Council. Finally, national social partners should be involved in the macro-economic imbalances procedure to comment on the in-depth country reviews and in the development of new indicators.

In order to monitor EU and national developments of the European Semester (with particular attention to their implications for collective bargaining and wage development), the ETUC has developed since 2013 a 'Toolkit for coordination of collective bargaining and wages in the EU economic governance' (ETUC 2013). More in detail, five toolkits to support a new collective bargaining working method of coordination within the framework of the European Semester have been elaborated. Specifically, toolkits 1, 2 and 3 aim at enhancing the position of trade unions in the European Semester. In order to do so, toolkit 1 presents and describes the two-phased 'ETUC Semester', through which ETUC affiliates can coordinate with a view to participating in the EU system of economic governance. What emerges is the importance for trade unions of strategically coordinating their actions and reacting promptly to the AGS and other documents published during the Semester, so as to be able to influence it. Additionally, toolkits 2 and 3 map national practices, namely the strategies that

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41. Among civil society organisations, the European NGO 'Social Platform' pointed out the need to rebalance financial and economic priorities with a strong commitment to social priorities. In this context, the Social Platform maintained that "social NGOs are ready to play their role in their areas of expertise, in developing policies and in the implementation of the economic and social priorities of the EU" (Social Platform 2014: 9). Similarly, the NGO 'European Anti-Poverty Network' (EAPN 2014) singled out the need to include within the processes not only stakeholders and NGOs but also representatives of those who are affected by the EU policies (notably, people with direct experience of poverty).

ETUC affiliates use to participate in the Semester and a barometer of trade unions' rights in Europe. The picture emerging from this monitoring activity is rather gloomy (ETUC 2015b). Looking at the 2014 European Semester, ETUC highlights the lack of linkages between social dialogue and the EU socio-economic governance and the persistence of a democratic deficit characterising the European Semester. As for the national level, social partners' involvement in the elaboration of the NPRs has been assessed as insufficient. In some countries, the social partners were not consulted at all (e.g. Slovenia, Bulgaria, Ireland and Cyprus) or the methodology for collecting their opinion was totally inadequate (Spain). In other cases, social partners were involved but the consultation was either informal (Italy) or formal but ineffective/insufficient (Netherlands, Poland and Hungary). The presence of a relatively well-structured dialogue with regard to the European Semester emerged only in a few countries (Germany, Denmark, Sweden, France and Belgium), though, in some of those cases, the effectiveness of the process was somehow undermined by the lack of timely and complete information <sup>(42)</sup>.

Thus, unsurprisingly, the position on the ongoing review of European Economic Governance adopted by the Executive Committee of the European Trade Union Confederation in 2014 was highly critical about social partners' involvement in the process (ETUC 2014b). In this document, ETUC highlighted that EU governance focused on fiscal stability and cost competitiveness while the objectives of economic recovery, sustainable growth, more and better jobs and social cohesion have received little attention. In the view of ETUC, the rebalancing of economic governance is connected to who is deciding within the system, i.e. to the role of the various actors involved. ETUC thus stressed the need of a greater role for social partners. In particular, macro-economic dialogue should be used as a forum to consult the social partners on the Excessive Macro-economic Imbalance Procedures. Moreover, the European Commission and the Council should upgrade the role of the Tripartite Social Summit by promoting it as a forum where social partners can influence the European Economic Governance in the context of the European Semester and Europe 2020.

In its 2014 position, the ETUC has thus stressed the need to better link (a relaunched) EU-level social dialogue to the European Semester, so as to allow social partners to actually contribute to the policy-making process. The need to strengthen social dialogue and use existing EU *fora* – such as the biannual macro-economic dialogue, the Tripartite Social Summits, and the Social Dialogue committee- to involve the social partners in the

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42. More in general, 'time pressure' is often considered a key issue preventing an effective involvement of the stakeholders in the European Semester. The tight deadlines within which social partners are supposed to provide their input to the Semester often transform consultation into a mere formality without any concrete impact. A meaningful stakeholder involvement would require a more realistic timetable for the analysis, the deliberation on and the revision of key documents both at national and European level. The early publication of the Country reports should provide more time for exchanges with stakeholders before the publication of the Country-specific Recommendations, while stronger guidance to MS about the drafting and implementation of the NPRs should be provided by the Commission and the Council.

coordination of economic and employment policies at EU level was already recognised by the European Commission in its 2013 Communication on ‘Strengthening the Social Dimension of the EMU’ (European Commission 2013c) <sup>(43)</sup>. However, progress in that respect proved to be insufficient. More recently, a renewed emphasis on the relaunch of the EU-level social dialogue and on the need to better involve the social partners in the governance of the European Semester seems to characterise the action of the Juncker Commission. In its address to the European Parliament in July 2014, President Juncker (2014) undertook to give a fresh impetus to social dialogue: Vice-President Dombrovskis and Commissioner Thyssen have been made responsible for the re-launch of the social dialogue at all levels. Furthermore, as shown elsewhere in the present report, some proposals to increase the engagement with the social partners (as well as with the European Parliament) were put forward in the AGS for 2015 (European Commission 2014b:19). First, the EC proposed to engage with those actors before the presentation of the Annual Growth Survey, then continuing such a dialogue after its adoption. Second, the European Commission undertook to engage with the European Parliament to discuss emerging horizontal aspects and, where relevant, with social partners to receive feedback on topical Country-specific issues. In March 2015, the Commission organised a high level conference to give ‘a new start for social dialogue’, which also included a workshop on ‘Improving social partners’ involvement in the European Semester’. In the preparatory document, the European Commission (2015h: 1) reaffirmed that, in the context of the strengthened EU economic governance, “[...] a greater role for social dialogue [is needed to contribute to National Reform Programmes and to accompany the implementation of reforms in the Member States]”. As for dialogue at the EU-level – somehow recalling the contents of the 2013 Communication on the social dimension of the EU – the European Commission proposed to better exploit existing *fora* such as the Social Dialogue Committee, the Sectoral social dialogue committees and the Tripartite Social Summits. As for the national level, the European Commission stressed once again the need for national social partners to be consulted in the drafting of the National Reform Programmes, “in line with national practices”. Furthermore, the intention to directly discuss the country analysis from the Country Reports with both EU level and national social partner organisations was put forward. While, obviously, the actual results of these commitments are still to be seen, commenting on discussions held during the workshop ‘Improving social partners’ involvement in the European Semester’ the ETUC (2015b: 3) has stressed three elements that would be of overwhelming importance to transform the Commission’s commitments into reality and to achieve real progress: 1) information should be forwarded by the European Commission in a timely manner, to enable social partners to prepare contributions and to be consulted and

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43. As for the national level, in its 2013 Communication the European Commission invited Member States to improve, “[...] in line with national traditions, the involvement of their social partners in the discussion, design and implementation of on-going reforms, following their national traditions” (European Commission 2013c: 13).

listened to; 2) the EC should fully apply the principles agreed in the 2013 social partners' joint declaration on the involvement in the European economic governance; 3) the EC should intervene to ensure a real social dialogue at national level.

More recently, the need to modify the procedures of the European Semester in order to enhance democratic accountability and legitimacy was restated in the so called Five Presidents' Report published in June 2015 (European Commission 2015j). The report envisages a revision of the European Semester so as to distinguish more clearly between two stages: a) a "European moment" (from November to February) when the situation in the euro area as a whole is analysed and discussed and key priorities are identified; b) a "national moment" (from March to July) focusing on the review and assessment of the performances and policies of the Member States. The new procedures should allow for a better involvement of actors such as the European Parliament, national parliaments, EU level and national social partners. As for the European Parliament, a key venue for contributing to the European Semester should be the 'Economic dialogues' with the Council, the EC and the Eurogroup. Furthermore, the Commission proposes to strengthen the involvement of the Parliament at key steps of the Semester such as the drafting of the Annual Growth Survey and of the Country-specific Recommendations. The former document should indeed be discussed by the European Parliament in a plenary debate before its publication and in follow-up debates later. Similarly, a plenary debate to discuss the CSRs should be held. Proposals for a better involvement of EU and national social partners are somehow less detailed. With regard to EU-level social partners, according to the report (European Commission 2015j: 22), these should be consulted earlier and exchanges should take place in fora such as the Tripartite Social Summit and the Macro-economic Dialogue. As for social partners at the national level, the document simply reiterates the importance of a "[m]ore systematic consultation and involvement by governments of national Parliaments and social partners before the annual submission of National Reform and Stability Programmes" (European Commission 2015j: 20).

## 5. Getting involved in the European Semester: recommendations to EPSU and its affiliates

The European Semester is a complex process aimed at synchronising and coordinating a number of instruments and procedures implemented by a variety of actors at both the European and national levels. This complexity is one of the reasons explaining the difficulties encountered by some actors when trying to have access to, and possibly impact on, the process. Trade unions are among the actors experiencing these difficulties since, as shown in Chapter 5, the quality of their involvement at both the national and European level cannot be considered satisfactory.

This said, decisions taken at the EU level in the framework of the European Semester are having an increasing impact on domestic policy choices, though with some degrees of variation related to the MS and the specific policy areas. As shown in this report, public administration is not an exception. The objective of ‘modernising public administration’ has been, since 2012, among the top priorities of the Annual Growth Survey, and numerous Country-specific Recommendations concerning this issue have been addressed to the Member States over time.

For these reasons, trade unions, including public sector trade unions, should multiply their efforts for become involved in an effective way in the European Semester, so as to make the most of every opportunity to influence the process and its outcomes. The objective of this Chapter is to provide EPSU and its affiliates with some recommendations on enhancing their involvement in the European Semester process. Drawing on the analysis conducted, we identify three main potential ‘**entry points**’, which correspond to the three key stages of the annual European Semester cycle: a) the drafting of the Annual Growth Survey; b) the drafting of the National Reform Programmes; and c) the preparation of the Country-specific Recommendations. For each of them we will briefly explain **why** it is important to get involved, we will suggest actions to be taken in order to enhance the chances of getting involved (‘**how**’) and the timing for undertaking these actions (‘**when**’). Finally, we will briefly point out some **limitations** of the actions proposed and sketch possible **alternative strategies/processes** to be considered.

### 5.1 Entry point No. 1: the Annual Growth Survey

#### **Why?**

Published in November, the Annual Growth Survey represents the starting point of the European Semester annual cycle. In this document, the European Commission identifies the main economic challenges facing the EU and recommends priority measures to address them in the coming year. The priorities and measures set out in the AGS should feed into Member States’ Stability or Convergence Programmes on budgetary policies, and the

National Reform Programmes on structural reforms. Since, at least in principle, the AGS sets the scene for the whole annual cycle and also concerns issues related to the modernisation of public administration, it is important for EPSU and its affiliates to get their foot in the door of the process.

### ***How and when?***

The Annual Growth Survey illustrates the European Commission's view on the main challenges and priorities confronting Europe. In the AGS for 2015, the EC expressed the willingness to better engage with EU level social partners before presenting the AGS, then continuing the dialogue after its adoption. Consequently, ***the debate preceding the adoption of the AGS is the key moment when EPSU could try to provide its input. In order to do so, EPSU should coordinate with ETUC representatives in these debates, to make sure that its positions and, in general, themes related to public administration are duly addressed.*** A second, more indirect, option, would be to ***seek collaboration with the European Parliament or specific parliamentary groups***, to try to raise issues related to the modernisation of public administration when the Parliament debates the AGS or, more in general, issues related to the European Semester <sup>(44)</sup>.

### ***Limitations/alternative strategies***

Obviously, the contents of the AGS are the result of debates held, analysis carried out and decisions taken over the whole year and, more broadly, they very much depend on the political orientations of the European Commission <sup>(45)</sup>. As a consequence, it would be *naïve* to think of 'influencing' the analysis contained in this document through a single (or a few) high-level meeting(s) with the Commission. In general, ***EPSU should closely monitor whether and how EU-level social dialogue will be actually linked more closely to the European Semester*** – an objective repeatedly stressed by the current European Commission – and what will be the relevant fora for doing so (Tripartite Social Summit, Social Dialogue Committee, the Sectoral social dialogue committees). EPSU should make sure that its messages and priorities reach those venues.

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44. At the end of each European Semester cycle, the European Parliament holds a debate (and adopts a resolution) on the European Semester and the CSRs. Furthermore, proposals to multiply parliamentary debates about the AGS have been tabled in the Five Presidents' Report (cf. Section 5.2).

45. Indeed, the priorities set in the AGS tend to remain stable over a number of years.

## 5.2 Entry point No. 2: the National Reform Programmes

### **Why?**

The NRPs should illustrate the strategies and measures implemented or planned by Member States in order to translate into national policies the Europe 2020 Integrated Guidelines and the policy orientations provided by the AGS. Furthermore, progress towards the Europe 2020 headline targets and ways in which Country-specific Recommendations received during the previous cycle have been addressed should be reported in these documents. Consequently, it is important for EPSU affiliates to be consulted in the drafting of the NRPs so that their opinions are reported in these documents and, ideally, in order to be able to ‘influence’ the drafting of specific Sections.

### **How and when?**

The NRPs must be submitted by the end of April (mid-April in the case of euro area Member States). The timing of the process for drafting these documents, as well as the specific procedures, differ in the Member States.

***National trade unions should put pressure on national governments – also acting in coalition with other stakeholders – in order to set up transparent and timely procedures for meaningful stakeholder involvement in the drafting of the NRP.*** The objective should be to have trade unions’ (or, social partners’) positions published as an Annex to the document (as is already the case in some countries) or reported in boxes in specific Sections of the NRPs.

In the meanwhile, ***EPSU should continue to lobby for the development of a European Framework for trade union involvement in the European Semester, clearly defining the procedures for involving trade unions in proper consultation and their rights*** (a proposal put forward by the ETUC Collective Bargaining Committee in its opinion on the 2014 CSRs).

When they do take place, national level discussions about the NRPs are often conducted by confederal level representatives. Consequently, EPSU affiliates should: 1) ***make sure to be informed of and get involved in the procedures for preparing the confederal position on the NRP***; 2) ***make sure that their input is duly taken into account so that themes related to public administration are adequately addressed in the confederal standpoint on the NRP.***

An alternative option would be ***to directly get in contact with the ministerial bodies responsible for preparing the NRPs*** (generally, the Ministries of Finance) or ***with the ministries responsible for issues related to the public administration.***

### ***Limitations/alternative strategies***

The National Reform Programmes are, to a large extent, ‘governmental documents’. They express the views and the priorities of the governments and give an account of measures implemented or to be implemented. Obviously, these measures are not decided during the preparation of the NRPs but reflect the wider political process. In other words, while being consulted on the NRP would be worthwhile, decisions are taken elsewhere. In order to have an impact on these decisions, the tools of more traditional social dialogue should be used. Consequently, ***trying to create better links between national social dialogue and national-level European Semester procedures*** (the drafting of the NRPs, the discussion and implementation of the CSRs) would be worthwhile. Firstly, in some cases this may give trade unions additional political resources to be spent in national decision-making processes and, secondly, this link might enhance the chances of their positions being reported on at EU level.

## **5.3 Entry point No.3: the Country-specific Recommendations**

### ***Why?***

With the Country-Specific recommendations, the European Commission provides tailor-made policy advice to the Member States in areas deemed to be priorities for the next 12-18 months. These areas are identified on the basis of the priorities set out in the Annual Growth Survey and of the analysis of the situations in the Member States. Draft CSRs are published by the European Commission in May and rely heavily on the analysis contained in the Country Reports, which are published in February. Indeed, the Country Reports contain an analysis of the situation in the Member States and provide the rationale for the CSRs proposed by the Commission. The Commission’s proposals are adopted (and in some cases amended) by the Council of Ministers in June.

The CSRs represent a key stage in the European Semester process: they are among the essential tools through which the European Semester may exert an influence on the domestic levels. Getting involved in decisions about the CSRs is important for two reasons. First, to avoid the country receiving a recommendation which goes against trade unions’ wishes. Second, it may be useful to push for recommendations trade unions agree with, since these could be used as a political resource in the domestic decision-making process.

### ***How and when?***

#### **3.1 The Country Reports and the draft Country-specific Recommendations**

In order to be involved in the decision-making process concerning the CSRs, the first option for ETUC affiliates would be to give their contribution while decisions about the **draft CSRs**

are being taken. In this case, the ‘target’ should be the European Commission, and action should be taken in the period between September and January, that is, while the Commission is preparing the **Country Reports**. Indeed, the latter documents are the basis for the CSRs and, if a topic is not addressed there, it will not be included in the recommendations. The European Semester is, to a large extent, an ‘evidence based’ process: in their discussions leading up to drafting of the CSRs, the various DGs of the European Commission must provide evidence supporting their positions and justifying the adoption of a recommendation. The same applies to the Member States in the Council of Ministers, while trying to amend a CSR proposed by the Commission. Consequently, ***when providing their views to the European Commission, EPSU affiliates must provide evidence justifying why it is important to address a specific issue or, conversely, challenging the approach adopted by their government or the European Commission itself.***

***Providing input to the Country Reports (at an early stage) represents the most effective strategy through which EPSU affiliates can be involved in the decision-making process concerning the draft CSRs.*** EPSU affiliates’ contributions may be provided in a number of ways:

- a) ***By directly suggesting Country-specific Recommendations/themes that should be issued by the European Commission.*** In this case, these proposals should be elaborated as part of a broader analysis illustrating the situation in their countries, including an assessment of initiatives taken by the government and of the state of implementation of the previous CSRs, and an assessment of the European Commission’s analysis in the previous Country Report. These analyses may be sent directly to the European Commission. ***This exercise – already carried out by other organisations, especially Non-Governmental Organisations (NGOs) – should be coordinated by EPSU and make use of synergies with the ETUC ‘Toolkit for coordination of collective bargaining and wages in the EU economic governance’ and with the ‘Common methodology’ to be developed by the ETUC.***
- b) ***By keeping in contact with the ‘European Semester Officer’ in the respective countries.*** Indeed, he/she is supposed to get a balanced picture of the challenges faced by the Member State so that the annual Country-specific Recommendations best reflect the realities on the ground. Consequently, he/she could be a contact point between the European Commission and national actors, including trade unions.
- c) By getting involved in, and presenting their own views during, the ‘Fact-finding missions to Member States’ that representatives of the European Commission undertake in January, i.e. just before the publication of the Country Reports. Besides the fact-finding missions, the possibility of participating in the bilateral meetings

between the Commission and the Member States (taking place in December, March and April) should be explored.

- d) Through direct contacts with the 'country desks' of the various DGs of the Commission.

### 3.2 The final Country-specific Recommendations

**The second option would be to intervene after the publication of the draft CSRs, with a view to having an impact on the contents of the final recommendations.** In this case, the target should be the ministry attending the formation of the Council of Ministers which decides on the specific recommendations which interest EPSU affiliates. This option is however hardly viable since the time between the Commission proposals and the discussions in the Council is limited and, given the use of the 'reverse qualified majority rule', it is extremely difficult (although not impossible) to modify CSRs proposed by the EC, even for national ministries.

Finally, attention should not be exclusively devoted to the drafting stage for CSRs, but also their implementation should be followed-up. As mentioned above, the CSRs can be considered as political resources to be used in domestic policy processes. Consequently, to monitor national developments linked to the European Semester in general, **it is important for EPSU affiliates to be involved in the activities of broader national networks with other actors (e.g., NGOs, academics, political parties).**

#### ***Limitations/alternative strategies.***

While it is worth exploring the strategies described above, they do have certain limitations. First, the CSRs follow the more general policy orientations at the EU level, so, without changing the latter, it is complicated to modify the tenor of the former. Second, the process through which the European Commission draws up its proposals is rather complex, since it relies on interactions and bargaining between numerous DGs and on the use of a variety of sources of information. Though attempts to get involved in the process should be made, it is not easy to find the right channels to be sure that one's own voice is heard and input taken into account.

**Table 18. Summary table of the recommendations to EPSU and its affiliates on getting involved in the European Semester**

<i>Entry point</i>	<i>When</i>	<i>How</i>	<i>Limitations/Alternative strategies</i>
<b>Annual Growth Survey (AGS)</b> Published in November	Debate preceding the adoption of the AGS	<ul style="list-style-type: none"> <li>- Ensure coordination with ETUC representatives to make sure that themes related to MPA are duly addressed.</li> <li>- Seek collaboration with the European Parliament or specific parliamentary groups.</li> </ul>	Closely monitor whether and how EU-level social dialogue will be linked more closely to the ES and what will be the relevant fora for this.
<b>National Reform Programme (NRP)</b> Published in April	Preparation of the document	<p>With national governments:</p> <ul style="list-style-type: none"> <li>- put pressure – also acting in coalition with other stakeholders – in order to set up transparent and timely procedures for a meaningful involvement in the preparation of the NRP;</li> <li>- directly get in contact with the ministerial bodies responsible for the drafting of the NRPs (generally, the Ministries of Finance) or with the ministries responsible for issues related to the public administration.</li> </ul> <p>At confederal level:</p> <ul style="list-style-type: none"> <li>- make sure to be informed of and get involved in the procedures for drafting the confederal position on the NRP;</li> <li>- make sure that the input is duly taken into account so that themes related to PA are adequately addressed.</li> </ul>	Try to create better links between national social dialogue and national-level European Semester procedures, as the governmental nature of the NRP implies the need to have a strong capacity to influence the national decision-making process
<b>Country Reports (CRs) and draft Country-specific Recommendations (CSRs)</b> Published respectively in February and May	Between September and January (prior to the publication of the CRs)	<p><u>Providing input to the Country Reports represents the most effective intervention if one wants to influence the content of the CSRs.</u> This could be done by:</p> <ol style="list-style-type: none"> <li>a) directly suggesting CSRs/themes that should be issued by the EC (supported by evidence-based analysis);</li> <li>b) keeping in contact with the 'European Semester Officer' in the respective countries;</li> <li>c) getting involved in the 'Fact-finding missions to Member States' and/or get involved in the bilateral meetings between the EC and the MS (taking place in December, March and April);</li> <li>d) directly contacting the 'country desks' of the various DGs at the EC.</li> </ol>	<ul style="list-style-type: none"> <li>- CSRs follow the more general policy orientations at the EU level, so it is complicated to modify their tenor.</li> <li>- The complexity of the process through which the EC elaborates its proposals makes it harder to find the right channels to influence the drafting of the CSRs.</li> </ul>
<b>Final Country-specific Recommendations</b> Adopted by the Council in June	Between May and June (before the approval of the final CSRs)	Target the ministry attending the formation of the Council of Ministers deciding on the specific recommendations of interest to EPSU.	Hardly viable option due to the limited time available and the use of the 'reverse qualified majority rule'.
	During the implementation of the CSRs	Follow up the implementation of CSRs by getting involved in the activities of broader national networks together with other actors (e.g. NGOs, academics, political parties).	

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## Annexes

### Web survey EPSU affiliates – results

#### Country distribution

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Austria	1	4.8	4.8
Belgium	1	4.8	9.5
Bulgaria	1	4.8	14.3
Croatia	1	4.8	19.0
Cyprus	1	4.8	23.8
Czech republic	1	4.8	28.6
Denmark	1	4.8	33.3
<i>ECB</i>	1	4.8	38.1
Estonia	1	4.8	42.9
Finland	1	4.8	47.6
France	2	9.5	57.1
Ireland	1	4.8	61.9
Latvia	1	4.8	66.7
Lithuania	3	14.3	81.0
North Cyprus	1	4.8	85.7
Romania	1	4.8	90.5
Spain	1	4.8	95.2
Sweden	1	4.8	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

#### Q1. How familiar would you say you are with the European Semester process in general?

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Very familiar	3	14.3	14.3
Familiar	9	42.9	57.1
Neither familiar nor unfamiliar	4	19.0	76.2
Very unfamiliar	3	14.3	90.5
No comment/I do not know	2	9.5	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

#### Q2A. What is your main source of information about developments in the European Semester?

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
EPSU	15	71.4	71.4
ETUC	1	4.8	76.2
other	5	23.8	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q2B item 'other'**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
<i>empty</i>	16	76.2	76.2
Confédération CGT	1	4.8	81.0
EPSU. EFS and national info.	1	4.8	85.7
NHS - my national confederation	1	4.8	90.5
Own quick search on the Internet	1	4.8	95.2
several sources (above)	1	4.8	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q3. Are you aware of the presence of a 'European Semester Officer' in your country?**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Yes	5	23.8	23.8
No	14	66.7	90.5
No comment/I do not know	2	9.5	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q4A. Have you (or your confederation) ever contacted the European Semester Officer in your country? – item [Your Union]**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
<i>empty</i>	16	76.2	76.2
Yes	3	14.3	90.5
No	2	9.5	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q4B. Have you (or your confederation) ever contacted the European Semester Officer in your country? – item [Your confederation]**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
<i>empty</i>	16	76.2	76.2
Yes	3	14.3	90.5
No	1	4.8	95.2
No comment/I do not know	1	4.8	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q5. Were you satisfied about the quality of the information provided by the European Semester Officer?**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Satisfied	2	9.5	9.5
Neither satisfied nor dissatisfied	3	14.3	23.8
No comment/I do not know	13	61.9	85.7
Dissatisfied	3	14.3	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q6. Is there a forum in your country for discussing developments within the European Semester with trade unions)?**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Yes	6	28.6	28.6
No	6	28.6	57.1
No comment/I do not know	9	42.9	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q7. Is your national confederation consulted about the National Reform Programme?**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Yes	9	42.9	42.9
No	4	19.0	61.9
No comment/I do not know	8	38.1	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q8. Do you think that the opinions expressed by your national confederation are adequately reflected in the National Reform Programme?**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Yes	3	14.3	14.3
No	6	28.6	42.9
<i>empty</i>	12	57.1	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q9. Is your national confederation consulted over implementation of the Country-Specific Recommendations?**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Yes	6	28.6	28.6
No	7	33.3	61.9
No comment/I do not know	8	38.1	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q10. Do you agree with the following statement: 'My national confederation is sufficiently involved in the developments within the European Semester'**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Strongly agree	1	4.8	4.8
Agree	3	14.3	19.0
Neither agree nor disagree	6	28.6	47.6
Disagree	5	23.8	71.4
Strongly disagree	2	9.5	81.0
No comment/I do not know	4	19.0	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Q11. Do you agree with the following statement: 'My national confederation takes account of public service issues in its involvement in the European Semester'**

	<b>N</b>	<b>%</b>	<b>% cumulated</b>
Strongly agree	2	9.5	9.5
Agree	7	33.3	42.9
Neither agree nor disagree	3	14.3	57.1
Disagree	2	9.5	66.7
Strongly disagree	2	9.5	76.2
No comment/I do not know	5	23.8	100.0
<b>Total</b>	<b>21</b>	<b>100.0</b>	

**Web survey EPSU affiliates – results by countries****1. How familiar would you say you are with the European Semester process in general?**

	<i>Very familiar</i>	<i>Familiar</i>	<i>Neither familiar nor unfamiliar</i>	<i>Very unfamiliar</i>	<i>No comment/ I do not know</i>	<i>Total</i>
Austria	1					1
Belgium		1				1
Bulgaria	1					1
Croatia		1				1
Cyprus					1	1
Czech Republic		1				1
Denmark			1			1
ECB				1		1
Estonia			1			1
Finland		1				1
France	1	1				2
Ireland				1		1
Latvia		1				1
Lithuania			1	1	1	3
North Cyprus		1				1
Romania		1				1
Spain			1			1
Sweden		1				1
<b>Total</b>	<b>3</b>	<b>9</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>21</b>

**2. What is your main source of information about developments in the European Semester?**

	<i>Other</i>	<i>EPSU</i>	<i>ETUC</i>	<i>Total</i>
Austria			1	1
Belgium		1		1
Bulgaria		1		1
Croatia	1			1
Cyprus		1		1
Czech Republic		1		1
Denmark	1			1
ECB	1			1
Estonia		1		1
Finland	1			1
France	1	1		2
Ireland		1		1
Latvia		1		1
Lithuania		3		3
North Cyprus		1		1
Romania		1		1
Spain		1		1
Sweden		1		1
<b>Total</b>	<b>5</b>	<b>15</b>	<b>1</b>	<b>21</b>

**[Other] 2. What is your main source of information about developments in the European Semester?**

	<i>empty</i>	<i>Confédération CGT</i>	<i>EPSU EFS and national info.</i>	<i>NHS - my national confederation</i>	<i>Own quick search on the Internet</i>	<i>several sources (above)</i>	<i>Total</i>
Austria	1						1
Belgium	1						1
Bulgaria	1						1
Croatia				1			1
Cyprus	1						1
Czech Republic	1						1
Denmark			1				1
ECB					1		1
Estonia	1						1
Finland						1	1
France	1	1					2
Ireland	1						1
Latvia	1						1
Lithuania	3						3
North Cyprus	1						1
Romania	1						1
Spain	1						1
Sweden	1						1
<b>Total</b>	<b>16</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>21</b>

**3. Are you aware of the presence of a 'European Semester Officer' in your country?**

	<i>Yes</i>	<i>No</i>	<i>No comment/I do not know</i>	<i>Total</i>
Austria		1		1
Belgium		1		1
Bulgaria	1			1
Croatia		1		1
Cyprus		1		1
Czech Republic		1		1
Denmark		1		1
ECB			1	1
Estonia		1		1
Finland	1			1
France	2			2
Ireland		1		1
Latvia		1		1
Lithuania		3		3
North Cyprus		1		1
Romania		1		1
Spain			1	1
Sweden	1			1
<b>Total</b>	<b>5</b>	<b>14</b>	<b>2</b>	<b>21</b>

**[Your Union] 3a. Have you (or your confederation) ever contacted the European Semester Officer in your country?**

	<i>empty</i>	<b>Yes</b>	<b>No</b>	<b>Total</b>
Austria	1			1
Belgium	1			1
Bulgaria		1		1
Croatia	1			1
Cyprus	1			1
Czech Republic	1			1
Denmark	1			1
ECB	1			1
Estonia	1			1
Finland			1	1
France		2		2
Ireland	1			1
Latvia	1			1
Lithuania	3			3
North Cyprus	1			1
Romania	1			1
Spain	1			1
Sweden			1	1
<b>Total</b>	<b>16</b>	<b>3</b>	<b>2</b>	<b>21</b>

**[Your confederation] 3a. Have you (or your confederation) ever contacted the European Semester Officer in your country?**

	<i>empty</i>	<b>Yes</b>	<b>No</b>	<b>No comment/I do not know</b>	<b>Total</b>
Austria	1				1
Belgium	1				1
Bulgaria		1			1
Croatia	1				1
Cyprus	1				1
Czech Republic	1				1
Denmark	1				1
ECB	1				1
Estonia	1				1
Finland		1			1
France			1	1	2
Ireland	1				1
Latvia	1				1
Lithuania	3				3
North Cyprus	1				1
Romania	1				1
Spain	1				1
Sweden		1			1
<b>Total</b>	<b>16</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>21</b>

**4. Were you satisfied about the quality of the information provided by the European Semester Officer?**

	<b>Satisfied</b>	<b>Neither satisfied nor dissatisfied</b>	<b>No comment/ I do not know</b>	<b>Dissatisfied</b>	<b>Total</b>
Austria			1		1
Belgium			1		1
Bulgaria	1				1
Croatia				1	1
Cyprus			1		1
Czech Republic			1		1
Denmark			1		1
ECB			1		1
Estonia			1		1
Finland				1	1
France	1			1	2
Ireland			1		1
Latvia			1		1
Lithuania			3		3
North Cyprus			1		1
Romania		1			1
Spain		1			1
Sweden		1			1
<b>Total</b>	<b>2</b>	<b>3</b>	<b>13</b>	<b>3</b>	<b>21</b>

**5. Is there a forum in your country for discussing developments within the European Semester with trade unions)?**

	<b>Yes</b>	<b>No</b>	<b>No comment/I do not know</b>	<b>Total</b>
Austria		1		1
Belgium	1			1
Bulgaria	1			1
Croatia	1			1
Cyprus		1		1
Czech Republic			1	1
Denmark			1	1
ECB		1		1
Estonia		1		1
Finland	1			1
France	1		1	2
Ireland			1	1
Latvia		1		1
Lithuania			3	3
North Cyprus		1		1
Romania			1	1
Spain			1	1
Sweden	1			1
<b>Total</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>21</b>

**6. Is your national confederation consulted about the National Reform Programme?**

	<b>Yes</b>	<b>No</b>	<b>No comment/I do not know</b>	<b>Total</b>
Austria	1			1
Belgium	1			1
Bulgaria	1			1
Croatia	1			1
Cyprus	1			1
Czech Republic			1	1
Denmark			1	1
ECB		1		1
Estonia		1		1
Finland	1			1
France	2			2
Ireland			1	1
Latvia		1		1
Lithuania			3	3
North Cyprus		1		1
Romania			1	1
Spain			1	1
Sweden	1			1
<b>Total</b>	<b>9</b>	<b>4</b>	<b>8</b>	<b>21</b>

**6a. Do you think that the opinions expressed by your national confederation are adequately reflected in the National Reform Programme?**

	<b>empty</b>	<b>Yes</b>	<b>No</b>	<b>Total</b>
Austria		1		1
Belgium			1	1
Bulgaria		1		1
Croatia			1	1
Cyprus		1		1
Czech Republic	1			1
Denmark	1			1
ECB	1			1
Estonia	1			1
Finland			1	1
France			2	2
Ireland	1			1
Latvia	1			1
Lithuania	3			3
North Cyprus	1			1
Romania	1			1
Spain	1			1
Sweden			1	1
<b>Total</b>	<b>12</b>	<b>3</b>	<b>6</b>	<b>21</b>

**7. Is your national confederation consulted over implementation of the Country-Specific Recommendations?**

	<b>Yes</b>	<b>No</b>	<b>No comment/I do not know</b>	<b>Total</b>
Austria	1			1
Belgium	1			1
Bulgaria	1			1
Croatia		1		1
Cyprus		1		1
Czech Republic	1			1
Denmark			1	1
ECB		1		1
Estonia		1		1
Finland	1			1
France	1	1		2
Ireland			1	1
Latvia		1		1
Lithuania			3	3
North Cyprus			1	1
Romania			1	1
Spain			1	1
Sweden		1		1
<b>Total</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>21</b>

**8. Do you agree with the following statement: 'My national confederation is sufficiently involved in the developments within the European Semester'?**

	<b>Strongly agree</b>	<b>Agree</b>	<b>Neither agree nor disagree</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>No comment/I do not know</b>	<b>Total</b>
Austria		1					1
Belgium				1			1
Bulgaria	1						1
Croatia				1			1
Cyprus				1			1
Czech Republic			1				1
Denmark			1				1
ECB				1			1
Estonia					1		1
Finland				1			1
France		1	1				2
Ireland						1	1
Latvia					1		1
Lithuania			1			2	3
North Cyprus						1	1
Romania			1				1
Spain		1					1
Sweden			1				1
<b>Total</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>4</b>	<b>21</b>

9. Do you agree with the following statement: 'My national confederation takes account of public service issues in its involvement in the European Semester'

	<i>Strongly agree</i>	<i>Agree</i>	<i>Neither agree nor disagree</i>	<i>Disagree</i>	<i>Strongly disagree</i>	<i>No comment/ I do not know</i>	<i>Total</i>
Austria	1						1
Belgium		1					1
Bulgaria		1					1
Croatia		1					1
Cyprus				1			1
Czech Republic	1						1
Denmark			1				1
ECB					1		1
Estonia					1		1
Finland		1					1
France		1				1	2
Ireland						1	1
Latvia				1			1
Lithuania						3	3
North Cyprus		1					1
Romania			1				1
Spain			1				1
Sweden		1					1
<b>Total</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>21</b>