

# LOCALISING THE EUROPEAN SEMESTER JOINT CEMR-EPSU PROJECT 2018 – 2020 FINAL REPORT

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## Abbreviations

AGS	Annual Growth Survey
CEMR	The Council of European Municipalities and Regions
COR	Committee of Regions
CSR	Country Specific Recommendations
EPL	Employment Protection Legislation
EPSU	European Public Service Union
ESO	European Semester Officer
JER	Joint Employment Report
LRG	Local and regional government
MIP	Macro-Economic Imbalance Procedure
MOU	Memorandum of Understanding
MPA	Modernising Public Administration
NRP	National Reform Programmes

# Aims of the final report

The focus of the final report of the joint CEMR – EPSU project “Localising the European Semester” is threefold:

- To present an overview of the development, content and process of the European Semester;
- To analyse the available evidence on the involvement of local and regional governments (LRG) and social partners of the local and regional government sector in the European Semester;
- And to highlight and the key issues arising for the joint sectoral social partner project.

This report presents the state of the art on this subject, taking into account the existing literature and reports produced by scholars and European institutions and bodies. The report also reflects the discussions held as part of the project, including three regional seminars in Copenhagen, Madrid and Vilnius in 2018 and 2019. An important element of this report is to establish the extent to which social partners in the LRG sector have the capacity and are able and already participating in the European semester process at the national level, as well as the impact that their inputs are having.

The report is structured as follows:

- Section 1 describes the key features of the European Semester in a succinct way;
- Section 2 reviews the role of social partners and local and regional government in the European Semester;
- Section 3 provides an overview of the involvement of LRG stakeholders and social partners in the European Semester process;
- Section 4 provides conclusions and pointers arising from the proceedings of the project.
- It is accompanied by three annexes summarising the outcomes of the three regional seminars of the joint project.

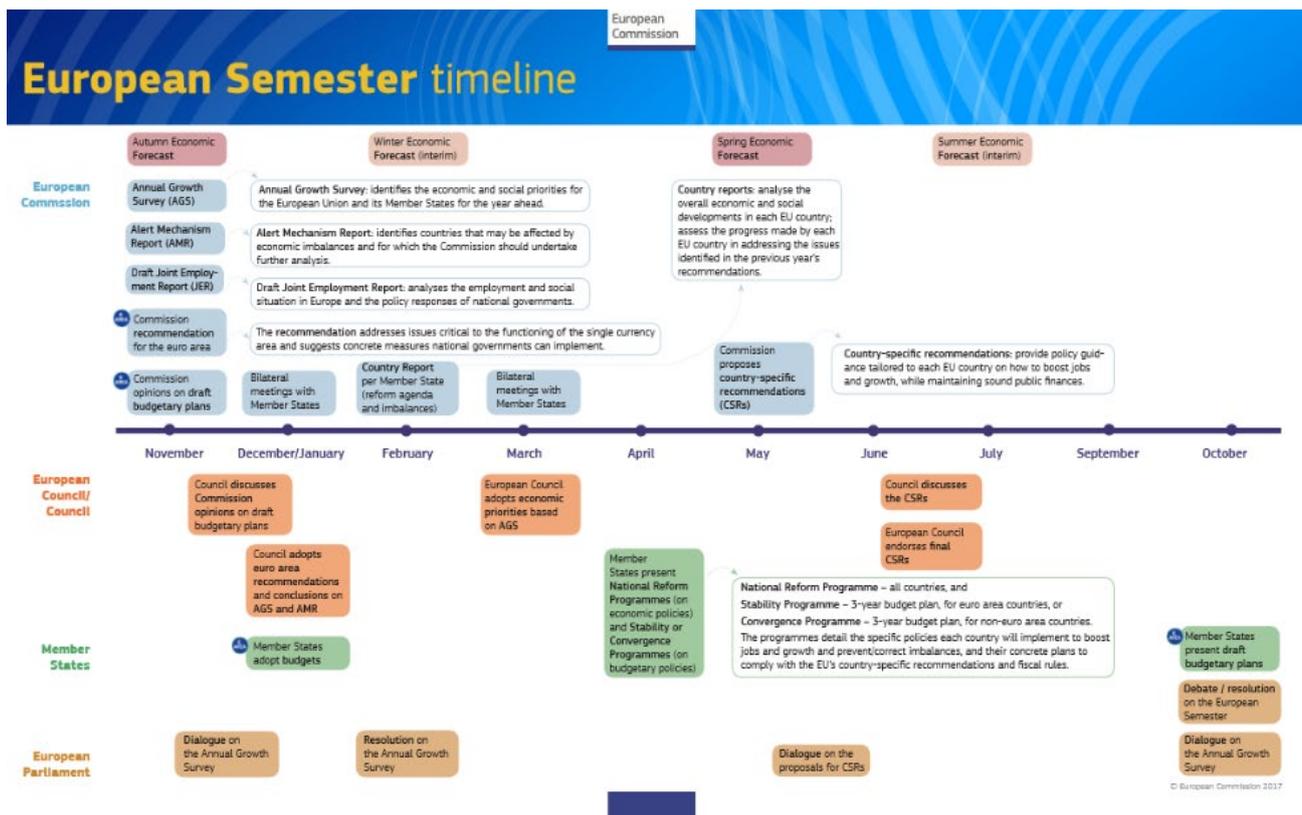
# 1. What is the European Semester?

The European Semester process was introduced in 2010 in the context of the 2008 economic crisis with the aim of ensuring that national economic, financial, employment and social policies are coordinated in an efficient and systematic manner to help achieve the Europe 2020 strategy goals to deliver smart, sustainable and inclusive growth, the aims of the Stability and Growth Pact (SGP) and the national reform priorities.

The Semester is an annual cycle of complex policy interactions, involving the European institutions, national governments, social partners and other stakeholders at the EU and national levels. The European Semester process aims to encourage Member States to align their budgetary, economic, social and employment policies with the objectives and rules agreed at EU level, within the targets of Europe 2020 and the SGP.

All the EU Member States participate in the policy coordination cycle of the European Semester<sup>1</sup>. However, euro area members, which have the Macro-economic Imbalance Procedure (MIP) in place, can also be subject to the sanctions under the corrective arm of the MIP and the SGP. In principle, there are no sanctions for not implementing the structural reforms which do not explicitly fall under MIP and SGP procedures in the European Semester process. The European semester is based on an annual coordination process with fixed calendar deadlines (see Figure 1).

Figure 1: The annual timetable of the European Semester process



Source: European Commission.<sup>2</sup>

<sup>1</sup> Member States which have signed a Memorandum of Understanding in the framework of SGP do not submit separate NRPs or receive specific CSRs, their policy coordination process is oriented towards the implementation of the agreements in the MoU.

<sup>2</sup> [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester_en)

The key milestones in the annual cycle of the European Semester are as follows:

In the **preparation phase**, the European Council sets the annual economic policy priorities on the basis of a European Commission proposal in the form of the **Annual Growth Survey**. This typically provides the foundation to derive Country Specific Recommendations (CSRs) on budget policy (to develop the national stability and convergence programmes) and economic, employment and social policy (to develop the National Reform Programmes). This is an annual document, prepared by the European Commission and released in November, launching the yearly European Semester by setting out the broad EU economic priorities for the year to come and for Europe 2020, and inviting Member States to take these into account when devising their National Reform Programmes (NRPs). The latest AGS in 2018<sup>3</sup> included the following thematic priorities (see Figure 2):

- Boosting investment to support recovery and increase the long-term growth
- Structural reforms for inclusive growth, upward convergence and competitiveness;
- Responsible fiscal policies to support the sustainability and convergence.



The Annual Growth Survey priorities are debated by the Council of Ministers and the various sub-committees before the European Council in March, which then sets the priorities for the national economic and budgetary decisions.

The draft **Joint Employment Report**, attached to the AGS, assesses the social and employment situation in the EU.<sup>4</sup> The JER has a legal basis in Article 148 TFEU and provides an annual overview of the main employment and social developments in the EU as a whole, as well as the Member States' reform actions in line with the Employment Guidelines. In addition, the Joint Employment Report 2018 for the first time monitors Member States' performance in relation to the European Pillar of Social Rights.

The Alert Mechanism Report (AMR) is a screening device, based on a scoreboard of indicators, which identifies countries that may be affected by economic imbalances and for which the Commission should undertake further in-depth reviews. The AMR launches the annual Macroeconomic Imbalances Procedure (MIP), which aims to prevent or address imbalances that hinder the smooth functioning of national economies, of the eurozone or of the EU as a whole.

In the **implementation phase**, Member State governments submit to the Commission their medium-term **NRPs**<sup>5</sup> along the lines of these target recommendations. These programmes detail how the targets of the EU 2020

<sup>3</sup> Available at [https://ec.europa.eu/info/sites/info/files/2017-comm-690\\_en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/2017-comm-690_en_0.pdf)

<sup>4</sup> Available at [https://ec.europa.eu/info/publications/2018-european-semester-draft-joint-employment-report\\_en](https://ec.europa.eu/info/publications/2018-european-semester-draft-joint-employment-report_en)

<sup>5</sup> Typically covering 2-3 years horizon, NRPs are available at [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/national-reform-programmes-and-stability-convergence-programmes\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/national-reform-programmes-and-stability-convergence-programmes_en)

Strategy are being reached, which national policies will be implemented and how EU guidance has been taken into account, also according to previous CSRs. The Member States present their National Reform Programme to the Commission<sup>6</sup>. In addition, Euro area countries present their Stability Programme, which is a three-year budget plan.<sup>7</sup> Non-euro area countries present their Convergence Programme which is also a three-year budget plan.<sup>8</sup> The Commission assesses the plans and proposes how the Council should vote on them.

The European Commission and the European Council provides country-specific policy advice on general economic policy and budget policy in the form **of CSRs** which should provide the focus for national level reforms.<sup>9</sup> The recommendations are a set of actions for each Member State to take, according to its economic and social performance during the previous year and to the delivery of priorities set out in the AGS. The CSRs are proposed by the Commission based on an assessment of the challenges, risks and policy gaps in the country concerned and are aimed to support the achievement of Europe 2020, Stability and Growth Pact and other strategic goals in the country. The recommendations are meant to focus on the structural reforms which can realistically be achieved by the Member States over the next 12-18 months. The recommendations proposed by the Commission are discussed among national governments in the Council, endorsed by EU leaders at a summit in June and formally adopted by the national finance ministers in July. This is intended to allow for sufficient time for national governments to incorporate the recommendations into their reform plans and national budgets for the following year. For eurozone countries, national governments must submit their Draft Budget Plans for the following year by 15 October. The Commission assesses these plans against the requirements of the Stability and Growth Pact. The Commission issues a formal opinion on each plan in November, so its guidance can be taken into account when the national budgets are finalised. Eurozone finance/economy ministers discuss the Commission's assessment of the plans in the ECOFIN Council.

In the analysis and follow-up phase, the **Commission's country reports** in the following year assess how well these CSRs have been implemented and what remaining / new reform priorities are emerging for each Member State<sup>10</sup>. In-depth assessments of each Member State's implementation progress against the previous year's CSRs have been an integral part of the Commission's European Semester work. The reports cover all areas of macroeconomic or social importance and take stock of the country's budgetary situation. The Commission's assessment is based on the joint analysis of an interdisciplinary team of country analysts of all relevant measures that the country has taken or announced, cross checked against a horizontal assessment framework per policy area. As the reform progress is often not directly measurable and the scope of challenges differs across countries, the progress assessment is mostly qualitative. They assess the progress made by each EU country in addressing the issues identified in the previous year's EU recommendations.

Although the impact of the European Semester process is subject to much debate and discussion, the process does influence the legislative and policy development at national level in a range of policy fields, including public expenditure, employment, education, and social care.

The European Semester has also undergone a number of significant reforms since 2010, both in terms of contents, approach and timing.

In 2015, the European Commission has introduced a number of innovations in the Semester process aimed at **'streamlining' the process, increasing its political ownership and improving the involvement of social partners in the procedure**. These include:

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<sup>6</sup> [https://ec.europa.eu/info/2017-european-semester-national-reform-programmes-and-stability-convergence-programmes\\_en](https://ec.europa.eu/info/2017-european-semester-national-reform-programmes-and-stability-convergence-programmes_en)

<sup>7</sup> [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/stability-and-convergence-programmes/assessment-programmes-2017\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/stability-and-convergence-programmes/assessment-programmes-2017_en)

<sup>8</sup> Ibid. Member States subject to the MoU do not present a separate NRP.

<sup>9</sup> Available at [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/eu-country-specific-recommendations\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/eu-country-specific-recommendations_en)

<sup>10</sup> [https://ec.europa.eu/info/publications/2017-european-semester-country-reports\\_en](https://ec.europa.eu/info/publications/2017-european-semester-country-reports_en)

- The Commission now publishes the country analyses already at the beginning of the year, to give Member States more time for discussion, including with social partners;
- An invitation to Member States to 'refocus' their NRPs and to specifically involve national Parliaments and social partners in the elaboration of the NRPs, also allowing more time for this, and extending the timeline from six to 12 months<sup>11</sup>;
- The early presentation of the Country Reports, so as to allow more time for examining and discussing the EU level recommendations. The new timeline was adopted extending the six-month cycle to an annual process to allow the organisation of bilateral meetings with Member States and 'fact-finding missions' on the ground for the Commission as well as allowing more time for involvement of national parliaments and social partners at the national level;
- To increase the engagement with other important actors in the process, namely the European Parliament and the EU level social partners;
- The function of the European Semester Officers was introduced in each Member States, to provide a focal point at the national level for interactions between the Commission and the national level stakeholders;<sup>12</sup>
- Focussing the CSRs on fewer, key areas of action and structural reforms which resulted in the declining number of CSRs issued.

In 2017, after a wide consultation on the draft **European Pillar of Social Rights** held during 2016, the European Commission published the final version of the Pillar on the 26 April 2017.<sup>13</sup>

The publication of the Pillar is part of a wider set of initiatives concerning the future of the European Union and the strengthening of its social dimension, including the publication of a 'White paper on the Future of the European Union'<sup>14</sup> and of a 'Reflection paper on the Social Dimension of Europe'<sup>15</sup>. The Pillar primarily concerns the euro area but is applicable to all EU Member States wishing to take part, and consists of a list of 20 'key principles', framed as 'rights', organised around three chapters:

- 1) Equal opportunities and access to the labour market;
- 2) Fair working conditions;
- 3) Social protection and inclusion.

The Pillar is accompanied by a Social Scoreboard, made up of 14 headline indicators and a number of secondary indicators, serves as a reference framework to monitor social progress, in a tangible, holistic and objective way, which is intended to be easily accessible and understandable for citizens. It aims to identify the most significant employment and social challenges facing the Member States, the EU and the euro area, as well as progress achieved over time on implementation of the Pillar. The Pillar is a non-binding initiative to be mainly implemented through non-binding policy instruments, primarily the European Semester (e.g. the CSRs). Having said that, the Pillar has also been accompanied by a proposal for legislative measures on work-life balance and social protection for all types of jobs.

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<sup>11</sup> In its original design in 2010, the Semester was a six-month coordination cycle, ranging from March to September of each year, the period that corresponds to the preparatory phase of budget law in most countries. This was very much in line with the idea of a mechanism to coordinate the national budgetary policies ex-ante at the European level.

<sup>12</sup> See their list in the EC delegations, available at <https://www.eurodiaconia.org/wordpress/wp-content/uploads/2016/07/LIST-OF-EUROPEAN-SEMESTER-OFFICERS.pdf>

<sup>13</sup> [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en)

<sup>14</sup> Available at [https://europa.eu/european-union/sites/europaeu/files/whitepaper\\_en.pdf](https://europa.eu/european-union/sites/europaeu/files/whitepaper_en.pdf)

<sup>15</sup> Available at [https://ec.europa.eu/commission/publications/reflection-paper-social-dimension-europe\\_en](https://ec.europa.eu/commission/publications/reflection-paper-social-dimension-europe_en)

## 2. The role of social partners and local and regional government in the in the European Semester

The previous sections of this report described the development, content and component parts of the European semester process. Against this background, this section discusses:

- The rationale for the involvement of social partners and local and regional government in the European semester process (the 'why');
- The process for involving them in different Member States and its evolution (the 'how'); and
- The quality of this involvement, as well as some good practice lessons (the 'how well').

The concluding section of this report then discusses some key dimensions and questions discussed and elaborated further as part of the joint CEMR-EPSU project.

### 2.1. Rationale for the involvement of social partners

The rationale for the involvement of social partners in the European Semester process can be found both at European and national level. It is linked to the policy content decided as part of the Semester process and the role accorded to the social partners both at EU and national level in shaping policy in these areas.

Viewed from a specific policy perspective, the European Semester covers some issues closely related to the direct interests and remit of employer and trade union organisations. With regards to the core role of social partners of collective bargaining<sup>16</sup>, the Semester covers and has resulted in CSRs being issued with regard to policies and legislation governing working conditions, including – for example – employment protection legislation (EPL). Although the EU does not have a remit in relation to pay, in recent years CSRs pertaining to (minimum) wage setting and the interaction between wages, benefit systems and ensuring adequate living standards have not been uncommon. While such recommendations have most significantly affected countries subject to the Memoranda of Understanding (and thus, during those times, being located outside the European Semester process), recommendations directly or indirectly impacting on wage setting have not been limited to MoU countries. This has led to some criticisms of interference by the European institutions in the collective bargaining autonomy of the social partners.

Viewed from a wider policy perspective, the Semester regularly impacts on policy making in the employment and social policy sphere<sup>17</sup>, where social partners at the national level often make an important contribution<sup>18</sup> and where social partners at the European level have a specific role in policy making according to the EU Treaties<sup>19</sup>. Furthermore, as economic and social policies are increasingly recognised as being inextricably linked, there was – after the first few years of the formal European Semester process – a recognition that the

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<sup>16</sup> Clearly, the specific involvement of social partners in collective bargaining differs from country to country, with some partners involved in collective bargaining at national and/or sectoral level, while others mainly play a role in negotiations at company level. Depending on the nature of national industrial relations systems, such negotiations will cover different matters linked to pay and working conditions.

<sup>17</sup> Assessments as to the number and share of CSRs addressing social and employment policy issues differ depending on the definitions being used (see for example Clauwaert (2014) and Bekker (2015)) but are generally judged to be in a region close to 50% of CSRs.

<sup>18</sup> The level of involvement in policy making again differs depending on national industrial relations structures but can also be influenced by economic and political developments.

<sup>19</sup> This role is enshrined in Article 151 TFEU.

planning, implementation and monitoring of the whole of the European Semester Cycle was likely to be less successful without the strong involvement of the social partners at European and national level.

In 2013, ETUC, BusinessEurope, CEEP and UEAPME issued a joint declaration on social partner involvement in European economic governance and stated that

*“Involving social partners in the elaboration and implementation of policies affecting directly or indirectly employment and labour markets all along the different steps of the European Semester is essential with the view of taking into account their position. Social partner consultations should be timely and meaningful, allowing the necessary analysis and proposals fitting within decision making processes<sup>20</sup>.”*

In its *Communication on Strengthening the social dimension of Economic and Monetary Union<sup>21</sup>*, the European Commission also acknowledged that there was room for improvement in the involvement of the social partners in the European Semester. The Communication therefore proposed to take a number of practical steps to improve the involvement of social partners at European and national level by introducing more regular meetings prior and following the adoption of the AGS and Joint Employment Report, as well as encouraging Member States to discuss all the reforms linked to the CSRs with their national social partners.

Furthermore, in March 2015, in the context of the relaunch of the social dialogue process, Commission Vice-President Dombrovskis emphasised that yet more remained to be done at EU and national level to involve the social partners in the European Semester process, including more consultation both levels prior to the adoption of the AGS and CSRs. More effective involvement was also to be ensured by the earlier publication of country reports, allowing more time for preparation and consultation.

In 2016, a quadripartite statement on a ‘New Start for Social Dialogue’ was signed which further emphasised the role of the social partners in the European Semester process<sup>22</sup>. In this statement, the Commission commits itself to ‘enhance the involvement of Union level social partners in economic governance and the European Semester, whereas the Council asks all Member States to ‘ensure the timely and meaningful involvement of national social partners, while fully respecting national practices, including through the European Semester, in order to contribute to the successful implementation of Country Specific Recommendations’. The cross-industry social partners undertook to organise two seminars to exchange information and good practices to foster a stronger role of social partners in the European semester process. This importance of the role of the social partners in the Semester process was again re-stated in the European Pillar of Social Rights proclaimed at the European Council in Gothenburg on 17 November 2017<sup>23</sup>.

## 2.2. Rationale for the involvement of local and regional social partners

At the national level, local and regional social partners are also expected to play a significant role in the European Semester process, alongside the national parliaments. They are expected in particular to:

- Provide active inputs into the government’s development of the national reform programmes / national stability and convergence programmes by giving their views, advice, experiences and contributions to the national central government departments when they are developing a national response in the European Semester process; particularly focussing on how best the country-specific recommendations are best addressed at the national level (e.g. which policy levers should be changed, which stakeholders should be involved).

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<sup>20</sup> ETUC, BusinessEurope, CEEP, UEAPME (2013), Social partner involvement in European Economic Governance, Declaration of the European social partners, Brussels

<sup>21</sup> European Commission (2013), Strengthening the social dimension of Economic and Monetary Union, COM(2013) 690

<sup>22</sup> <https://ec.europa.eu/social/BlobServlet?docId=15738&langId=en>

<sup>23</sup> [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en)

- Reviewing and critically appraising the central government's proposed national reform programmes / national stability and convergence programmes in the existing dialogue structures, by giving a critical perspective on the choices of reforms, their contents and implementation arrangements so that the most appropriate and effective policy responses are articulated in the national responses in the European Semester process.
- Contributing to the implementation of the national reform programmes / national stability and convergence programmes as the local and regional authorities act as the key level of policy implementation in many national reform areas.

Crucially, the reasons for this expected involvement is that the local / regional dimension is present in the CSRs issued for each country, both in relation directly to the relationship between the central and local governments as well as the policy areas where the regional / local governments play a key role (such as public finance, taxation, health and social care, education, environment etc<sup>24</sup>). The number of CSRs relating both to the LRG sector itself and the policy areas covered by the LRG stakeholders has been relatively high.

An annual report prepared by the Committee of the Regions (CoR)<sup>25</sup> relating to the 2017 European Semester considers that 76% of CSRs are territory related as the highlight regionally differentiated challenges and their implementation relies on the activities of regional and local authorities. This is a significant increase from the 56% of CSRs considered to be territory related in 2015. These CSRs mainly relate to labour market, education and social policies, as well as public administration and the business environment.

In addition, recommendations directly addressed to LRG have also increased from 23% in 2015 to 62% in 2017.

For the purposes of this report, particular emphasis was placed on recommendations addressing LRG directly (in terms of public administration reforms) and focussed on policies at the heart of LRG responsibilities in many Member States (e.g. labour market policy, education and social policies). This leads to a somewhat lower estimation of CSRs relevant to LRG.

In the 2017-2018 period, eight out of 28 Member States received CSRs related directly to the relationship between the local and regional governments and the central governments or local and regional government sector directly. This includes a range of reforms called for, for example actions to improve the spending across various government levels, improve the coordination between the government levels and improve the efficiency across the government (see Table 1).

**Table 1: 2017-2017 CSRs directly relevant to the LRG stakeholders**

<b>MS</b>	<b>CSRs relevant to the LRG sector directly</b>
Germany	Accelerate public investment at all levels of government
Spain	Address regional disparities in education and income, and reinforce the coordination between regional employment services, social services and employers, to better respond to jobseekers' and employers' needs
Croatia	Reduce the fragmentation and improve the functional distribution of competencies in public administration, while enhancing the efficiency and reducing territorial disparities in the delivery of public services

<sup>24</sup> The roles and responsibilities of local and regional government differ in the Member States. For more information, see for example Council of European Municipalities and Regions, Local and Regional Government in Europe: Structures and Competences, 2016 [http://www.ccre.org/docs/Local\\_and\\_Regional\\_Government\\_in\\_Europe.EN.pdf](http://www.ccre.org/docs/Local_and_Regional_Government_in_Europe.EN.pdf)

<sup>25</sup> Committee of the Regions (2018), Territorial Analysis of the Country Specific Recommendations; Report of the Steering Committee of the Europe 2020 Monitoring Platform.

Cyprus	adopt key legislative reforms aiming to improve efficiency in the public sector, in particular on the functioning of public administration, governance of state-owned entities and local governments
Latvia	Increase efficiency and accountability in the public sector, in particular by simplifying administrative procedures and strengthening the conflict-of-interest prevention regime, including for insolvency administrators.
Malta	Expand the scope of the ongoing spending reviews to the broader public sector and introduce performance-based public spending.
Austria	Rationalise and streamline competencies across the various layers of government and align their financing and spending responsibilities.
Romania	Adopt legislation to ensure a professional and independent civil service, applying objective criteria. Strengthen project prioritisation and preparation in public investment. Ensure the timely full and sustainable implementation of the national public procurement strategy

Source: Own analysis of CSRs.

A high number of Member States also have received CSRs in the policy areas where the local / regional government plays a significant role. Improvements to the management of the public finance are called for in 15 Member States, including the Czech Republic, Germany, Estonia, Ireland, France, Croatia, Italy, Cyprus, Latvia, Hungary, Portugal, Romania, Slovenia, Slovakia, the UK.

- Improvements in employment and education policy were noted in 23 Member States, including Belgium, Bulgaria, Germany, Estonia, Ireland, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, the UK.
- Improvements in healthcare area in 10 Member States including Bulgaria, Cyprus, Latvia, Lithuania, Austria, Portugal, Romania, Slovakia, Slovenia and Finland.
- Infrastructure / housing in five Member States, including Belgium, Germany, Ireland, Poland, Portugal.

This means, with the exception of Denmark<sup>26</sup>, all Member States have in 2017 received CSRs which implementation involves the regional and local government stakeholders.

A similar picture emerges after the analysis of the CSRs in the last three annual cycles since 2014. In this period, almost half (or 13 out of 28) Member States received one or several CSRs which related directly to the changes in the LRG sector. This related to the following Member States (see Table 2).

**Table 2: CSRs since 2014 directly related to the LRG stakeholders**

MS	CSRs
Belgium in 2015 and 2016	To agree on an enforceable distribution of fiscal targets among all government levels.
Germany	In 2016 Improve the design of federal fiscal relations with a view to increasing public investment, especially at municipal level; in 2014 to Improve the design of fiscal relations between the federation, Länder and municipalities also with a view to ensuring adequate public investment at all levels of government.

<sup>26</sup> It received only one CSR to Foster competition in the domestically oriented services sector.

Estonia	In 2016: by adopting and implementing the proposed local government reform and in 2014: Better balance local government revenue against devolved responsibilities. Improve the efficiency of local governments and ensure the provision of quality public services at local level, especially social services complementing activation measures.
Spain	In 2016: coordination of procurement policies across government levels and in 2015: Strengthen transparency and accountability of regional public finances and in 2014: Implement at all government levels the recommendations of the committee for the reform of the public administration. Strengthen control mechanisms and increase the transparency of administrative decisions, in particular at regional and local levels.
France	In 2016: Reinforce independent public policy evaluations in order to identify efficiency gains across all sub-sectors of general government; in 2015: Step up efforts to make the spending review effective, continue public policy evaluations and identify savings opportunities across all sub-sectors of general government, including on social security and local government. Take steps to limit the rise in local authorities' administrative expenditure; in 2014: Set a clear timetable for the ongoing decentralisation process and take first steps by December 2014, with a view to eliminating administrative duplication, facilitating mergers between local governments and clarifying the responsibilities of each layer of local government. Reinforce incentives to streamline local government expenditure, by capping the annual increase in local government tax revenue while reducing grants from the central government as planned.
Croatia	in 2016: By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in public administration to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services; in 2015: Reduce the extent of fragmentation and overlap between levels of central and local government by putting forward a new model for functional distribution of competencies and by rationalising the system of state agencies.
Italy	in 2016: Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming publicly-owned enterprises, local public services and the management of human resources; in 2015: Adopt and implement the pending laws aimed at improving the institutional framework and modernising the public administration; in 2014: As part of a wider effort to improve the efficiency of public administration, clarify competences at all levels of Government.
Cyprus	In 2016: to implement the reform of local governments.
Austria	In 2016: to simplify, rationalise and streamline fiscal relations and responsibilities across the various layers of government and in 2014: to further streamline fiscal relations between layers of government, for example by simplifying the organisational setting and aligning spending and funding responsibilities.
Portugal	In 2016: a comprehensive expenditure review and strengthen expenditure control, cost effectiveness and adequate budgeting at all levels of public administration and in 2014: to maintain tight control of expenditure in central, regional and local administration and Continue to rationalise and modernise central, regional and local public administration.

Romania	In 2016: Strengthen the independence and transparency of human resources management in the public administration and Improve access to integrated public services, extend basic infrastructure and foster economic diversification, in particular in rural areas and in 2014: Step up efforts to strengthen the capacity of public administration, in particular by improving efficiency, human resource management, the decision-making tools and coordination within and between different levels of government; and by improving transparency, integrity and accountability.
Slovenia	In 2016: To take measures to modernise public administration and in 2014: to launch a comprehensive review of expenditure covering state and local government levels.

Source: Own analysis of CSRs.

Importantly, several Member States (e.g. Germany, Spain, Croatia, France, Portugal, Romania) received similar CSRs calling for reforms in the LRG sector over several areas, indicating the continuing importance attached to this area as well as the lack of progress to address the relevant challenges.

Finally, all Member States since 2014 have received one or several CSRs in the policy areas such as public finance, education, health and social care or employment policy where LRG stakeholders have a significant responsibility (see Annex 2).

Peña-Casas R.; Sabato S.; Lisi V. and Agostini C. (2015) have analysed the CSRs in the 2012-2015 period, issued with the view of modernising the public administration (MPA). They found that since 2012, the European Semester cycles have extensively addressed modernisation of public administration. Despite the overall decreasing number of CSRs issued over the years, the number of those directly related to modernisation of public administration has remained rather stable, thus showing an increasing trend in the importance given to the topic. The majority of Member States have repeatedly been the object of CSRs on MPA since 2012, or at least in three of the four years. Only a small group of countries have not received any CSR on MPA since 2012 (LU, NL, SE). Furthermore, CSRs moved from a broader notion of 'public services' in 2012 to a narrower concept of 'administrative modernisation' in 2015. However, the focus on '(smart) regulation' remains a constant feature of CSRs related to modernisation of public administration across the whole period.

Their more detailed overview of the CSRs issued in 2015 shows the highest concentration of recommendations on the modernisation of public administration related to the dimension 'governance organisation and institutions' (20 out of 37). Conversely, the number of CSRs concerning the 'reduction of the administrative burden on businesses' – usually extensively targeted over the years – declined steeply, despite being the dimension most closely related by far to competitiveness. As for the other categories of MPA, they have also been subject to CSRs to a substantially lesser extent than the dimension concerning governance.

No fewer than 16 EU countries are engaged in reforms aimed at improving the scope and efficiency, in economic terms, of the tax systems. This is a policy field of utmost importance within the European Semester, as it touches on the funding capacities of States, but also on potential budgetary savings. However, 'reducing the administrative burden on businesses' is the dimension of MPA for which the highest number of reforms has been identified in the 2015 NRPs. Reforms concerning this dimension (42 in total) were undertaken in all but 5 countries (DK, EE, LU, NL, PL).

### **3. Assessment of the current state of play: the involvement of local and regional authorities and social partners in the European Semester at national level**

This section discusses the available information on the involvement of social partners and local and regional authorities in the European Semester process at national level. It is important to note that there is a lack of literature regarding the involvement of sectoral social partners in the local and regional government sector in the Semester process. The following therefore focusses on the available evidence solely on the role of national level social partners (the peak level organisations) and the local and regional authorities. The latter can of course directly act as employers, but the comments on their involvement are not specifically relating to their role as employers or of local government employers' organisations.

#### **3.1. Involvement of the national social partner organisations in the European Semester process**

While academic literature is largely silent on the analysis of local and regional government involvement in the European semester process, studies and analyses are available on the role of the national parliaments (Hallerberg, M., Marzinotto, M.B. and Wolff, G.B. (2018), civil society organisations or the role of the social partners in the European Semester<sup>27</sup>.

Overall, available evidence appears to indicate a move towards increased involvement of social partners and other stakeholders as a means of decentralisation and to increase the level of domestic ownership of reforms (Darvas and Leandro (2015). But this tendency depends very much on the country context (EMCO 2016) and primarily on existing industrial relations traditions and the overall involvement of social partners in policy making in the national context.

Peña-Casas R.; Sabato S.; Lisi V. and Agostini C. (2015) found that during the 2010-2014 period of implementation of the European Semester, the social partner's participation (in particular, that of trade unions) has been weak. At national level, their analysis of the country case studies provided evidence of different degrees of trade union involvement in the European Semester, also very much related to the features of collective bargaining in the specific country. The procedures for the elaboration of the National Reform Programmes are considered to be inadequate and social partners generally do not succeed in having an impact on the contents of the NRPs. This said, in some cases (FI, FR) the process of involvement appears relatively better organised, while in other cases (notably, IE) peculiar economic situations and budgetary constraints have led to almost non-existent involvement of social partners in policymaking, particularly during the years during and immediately following the crisis. In most cases (CZ, FR, IT), the national economic and social committees are the key fora for the consultation of social partners. During these consultations, trade unions are often represented by confederal organisations.

Similarly, Sabato, S. and Vanhercke, B. with Spasova, S. (2017) also found an increasing tendency to involve social partners in the European Semester process at the national level. In most cases, national social partner involvement consists of information or consultation, even though sporadic cases of genuine participation (the ability to influence the Semester process) have been found. The features of national social dialogue have

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<sup>27</sup> E.g. EMCO 2016, ETUC 2015, Peña-Casas R.; Sabato S.; Lisi V. and Agostini C. (2015), Sabato, S. and Vanhercke, B. with Spasova, S. (2017), Vanhercke B. and Zeitlin J. with Zwinkels A. (2015), Hayward, W., Lara Montero, A., Merchán Paúles, L. (2018).

important implications for the characteristics of social partner involvement in the Semester, as do the differences in the resources of national organisations.

An ETUC (2015) report also noted the Semester decision-making process had not taken into account the inputs expressed by social partners. In other words, the semester was characterised by a lack (or insufficient) involvement of trade unions when the ETUC members were surveyed in 2014. Specifically, in many countries the social partners were not consulted at all (Slovenia, Bulgaria, Ireland and Cyprus) or the methodology for collecting their opinion was totally inadequate (Spain). In some cases, though social partners were involved, the consultation was either informal (Italy), or formal but ineffective/insufficient (Netherlands, Poland and Hungary). Only few countries had reported a well-structured social dialogue with regard to the European Semester (Germany, Denmark, Sweden, France and Belgium). However, even where there had been an organised dialogue, it was not necessarily effective. Indeed, it often did not adequately meet the criteria of timeliness and complete information. Especially in Germany, timeliness was inadequate. In Denmark the national economic performance was excluded from the discussion. In France the consultation took place after the passage through the parliament and so only when the decision was already taken.

A study carried out by Eurofound (2016) covering the period between 2011-2014, found that social partners are involved in the elaboration of NRPs in most Member States (Croatia, Hungary and Romania are considered to be the exceptions where there was seen to be no social partner involvement in the elaboration of the NRPs). However, the nature and quality of this involvement differs significantly. In terms of the nature of the involvement, the majority of countries organised tripartite meetings, with some Member States using other form of involvement (see Table 3).

**Table 3: Forms of social partner involvement in the preparation of NRPs**

Tripartite meetings			Other forms of involvement	
Standard tripartite body	Specific 'European Committee'	Tripartite ad hoc committees/meetings	Separate meetings with trade unions/employers' organisations	Written consultations only
CZ, LU, MT, NL, SI, SK	BG, DK, FI, FR, PL, SE	AT, BE, CY, ES, IT, LV, UK	DE, EE, IT, LU	ES (up to 2014), LT

Source: Eurofound (2016).

As shown above very few (6) Member States make specific provisions regulating the involvement of social partners in the European Semester (see Table 4).

**Table 4: Specific social dialogue structures for the European Semester/Europe 2020**

MS	Structure
Bulgaria	Europe 2020 Working Group
Denmark	Contact Committee for Europe 2020
Finland	Procedure for co-ordinating EU affairs
France	Committee on Social Dialogue and International Affairs
Poland	Inter-ministerial Committee for Europe 2020 Strategy
Sweden	Formal structure for matters regarding the Europe 2020 strategy

Source: Eurofound (2016).

In other countries, such consultations take place through existing social dialogue structures and frameworks. In and of itself, this is not a negative, as many countries have strong existing tripartite bodies or consultation

arrangements, in which the overall national reform processes are discussed, which includes reforms linked to CSRs.

The report found that regular consultations relating to the European semester only take place in 10 Member States, with enough time for information and consultation (see Table 5). In a further seven countries, while consultation is regular, it is considered that insufficient time is provided for meaningful consultation. In a further five countries, consultation is considered to be too irregular and unpredictable to be effective and meaningful.

**Table 5: Frequency and time allotted for consultation of social partners and involvement in NRPs**

Frequency of consultation		Time allotted for information and consultation (social partner perception) and number of meetings				Balance of consultation	
Regular and predictable	Irregular/ad hoc	Enough time for information and consultation	Insufficient time for I&C	Only one meeting	More than one meeting	On an equal footing	Unbalanced
AT, BE, BG, DE, DK, EE, FR, LT, VL, MT, NL, PL, SE (since 2013), SI, SK	CY, CZ, ES, FI, IT, LU, UK	AT, BE, CY, CZ, DE (EO), DK, EE, FI, LT, MT, NL, PL, SE, SK, UK	BG, DE (TU), ES, FR, IT, LU, LV, SI	BG, DE, ES, FI, FR, LU, VL, MT, NL, SI, UK	AT, BE, CY, CZ, DK, EE, IT, LT, PL, SE, SK	AT, BE, CZ, DE, DK, EE, ES, FI, FR, IT, LT, LU, LV, MT, NL, PL, SE, SI, SK, UK	BG, CY

Source: Eurofound (2016).

As a result of this information collection, the report attempts an assessment of the level of influence wielded by social partners over the content of the NRPs and found the following:

- In five countries, social partners have a strong influence over the content of the NRPs;
- In 13 countries they have limited or very limited influence;
- In six countries they have no influence.

The Eurofound study also showed that in only 10 countries are social partners involved in some way in the definition or implementation of CSRs (BE, BG, CZ, FI, FR, LU, MT, NL, SI, SE). Due to the specific autonomous role of the social partners in Sweden, this has even allowed for the modification of CSRs drafted by the European Commission by the social partners (this related to the level of initial salaries and the EPL). In general, the role of social partners in the implementation of CSRs relates to areas of their specific competence, such as involvement and consultation regarding the drafting or revision of labour legislation. In France, for example, a CSR urging increased adult participation in lifelong learning, led to an inter-professional social partner agreement on lifelong learning in 2013.

In all other countries it is considered that important labour market and economic reforms have been implemented without the involvement of the social partners, where CSRs have been directed at areas of competence or involvement of social partners.

## 3.2. Involvement of local and regional authorities in the European Semester process

The Committee of the Regions (CoR) adopted a Code of Conduct for the involvement of the local and regional authorities in the European Semester in May 2017.<sup>28</sup> Against this backdrop, the CoR has been assessing the involvement of LRG in the national European Semester process<sup>29</sup>.

The analysis by the Committee of Regions<sup>30</sup> found that in 2019, 137 sub-recommendations were either directly/indirectly addressed to LRAs or had a territorial impact, up from 120 in 2018. These territory-related, represent CSRs 62% of all CSRs and are geared as follows:

- 112 addressed obstacles to investment, up from 79 in 2018, as a consequence of the European Semester's stronger focus on investment this year,
- 26 were about improving administrative capacity of local and regional authorities, mostly focusing on far-reaching challenges, and were addressed to 17 Member States,
- 55 supported the implementation of the European Pillar of Social Rights.

These findings confirm the key role of EU cities and regions in delivering on the CSRs, and the need to involve them as partners in designing the National Reform Programmes.

Figure 2 summarises the assessment of the scale of involvement of LRG in the European Semester process. This shows a significant diversity with some countries among the Northern and Central European EU15 characterised by strong and relatively high-quality involvement of LRG the process. This includes countries with strong traditions of regional self-government, including federal states such as Austria, Belgium and Germany, as well as Italy and Spain, which also have strong regional government responsibilities. Other countries considered to have strong LRG involvement in the preparation, implementation and assessment of NRPs are the Netherlands, Sweden and Latvia.

Responsibilities of LRG in the implementation of NRPs are most frequently cited in relation to policies to tackle social inclusion. Other frequently mentioned territorial topics are education, health care, employment, housing and social policy initiatives (as already highlighted above) and improvements to the business environment. In summary:

- 15 NRPs make specific reference to the involvement of LRGs in the development of NRPs, with the most detailed descriptions provided in the Germany, Danish, French, Dutch and Swedish NRPs;
- All NRPs reference the role of LRG in the implementation of NRPs, primarily in relation to social inclusion measures (14), budgetary, fiscal and administrative issues (13), employment policy (10), economic/business development policy (8) and education (7).
- Only nine NRPs make specific reference to the role of LRG in the evaluation of previous NRPs (BG, CZ, EE, ES, HR, HU, LU, PT, SI, SK).

Another report prepared by the CoR highlights some examples of good practice regarding LRG involvement in the European Semester<sup>31</sup>. These experiences are drawn from a sample of in-depth case studies in six Member States and are therefore not exhaustive or intended to be representative of existing practices. The boxes below summarise relevant examples from three countries showing diverse experiences.

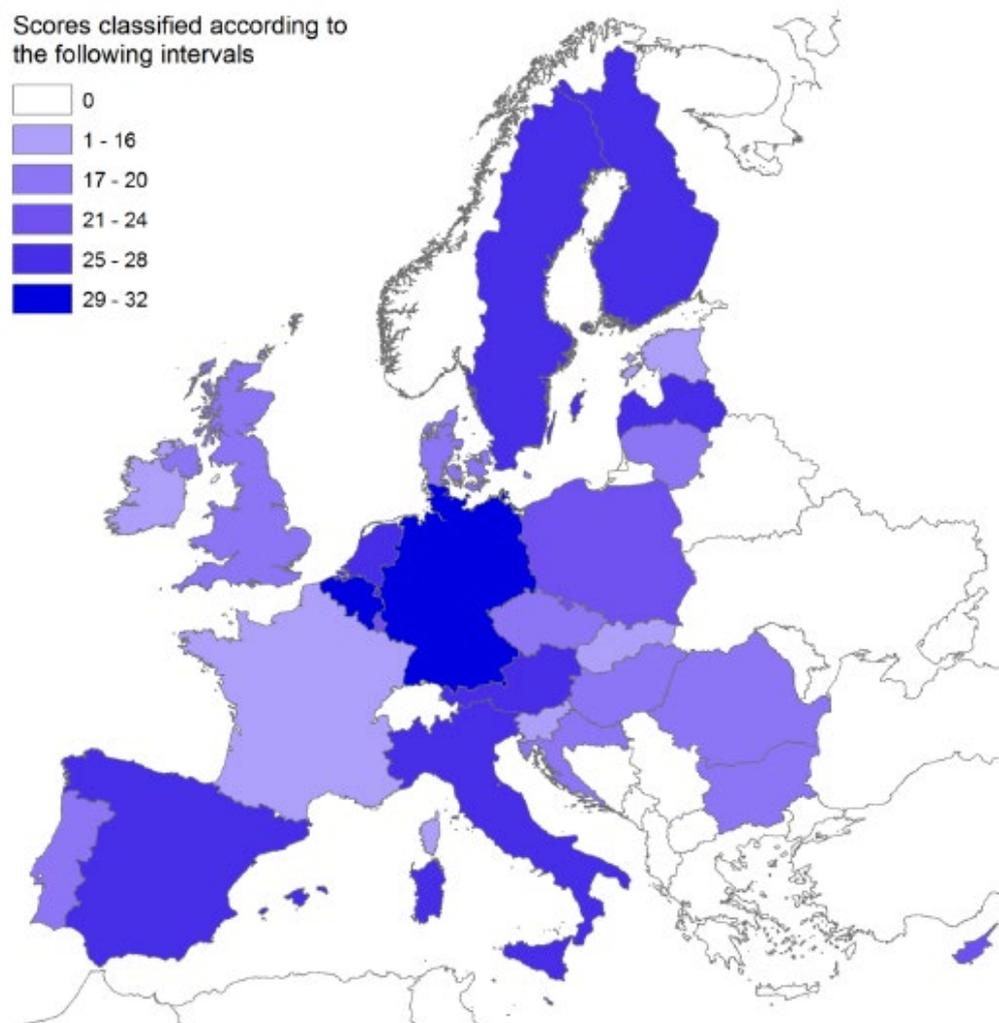
<sup>28</sup> Available in all EU official languages, <http://cor.europa.eu/en/activities/opinions/Pages/opinion-factsheet.aspx?OpinionNumber=CDR%205386/2016>

<sup>29</sup> The methodology seeks to assess the presence at national level of various elements included in the Code of Conduct, for instance, whether NRPs reflect territorial discrepancies and challenges and the impact of various policy measure at territorial level; the involvement of LRG in the preparation, implementation and evaluation of NRPs; institutional capacity of LRG and partnership and multi-level governance models.

<sup>30</sup> <https://cor.europa.eu/en/news/Pages/2019-CSRs.aspx>

<sup>31</sup> Committee of the Regions (2017), Improving the European Semester by involving local and regional authorities: Overview of good practices

**Figure 2: The scale of LRG involvement in the European Semester in 2017**



In **Sweden**, LRG are treated as a full partner in the Semester process and are afforded a range of opportunities to contribute throughout the Semester cycle. They are underpinned by a written agreement between the social partners on the scope, format and timing of the consultation process.

A high number of examples of relevant practices in the implementation of NRP priorities are also showcased in the annex of the NRP, highlighting the close involvement of LRG across the process.

The co-ordination process has now been stable for a number of years and is considered by stakeholder to function well.

In **France**, LRG have an official status and are recognised as partners in the European Semester process. They are involved to briefings and informal meetings organised across the cycle, both by the national government and the Commission's European Semester Officers.

In **Italy**, the involvement of LRG in the process has also been stable for some time and LRG representatives see themselves as important partners.

However, in both countries LRG actors have suggestions for improvements to these processes and while in Italy is considered that many of the elements included in the CoR Code of Practice are already included in

the process, in France it is considered that more work is to be done in this regard and LRG argue that their have limited impact on the preparation of NRPs.

Source: Committee of the Regions (2017), The involvement of the local and regional authorities in the European Semester: Analysis of the 2017 National Reform Programmes

Academic studies generally agree that, at the national level, the European Semester process is tightly controlled within the central government, typically a ministry of finance or prime minister's office or other ministry charged with the overall responsibility for the file. Involvement of actors outside the central government varies depending on the country context.

Sabato, S. and Vanhercke, B. with Spasova, S. (2017) identified several changes for the effective involvement in the European Semester of the national social partners:

- the multiplication of mechanisms for involving a variety of players sometimes makes it difficult for the social partners to understand who does what and when.
- the key players have differing expectations as to the kind of contributions social partners are expected to provide and the impact these should have on decision-making.
- business and trade union representatives hold different views on the next steps to increase social partner involvement in the Semester, which decreases its effectiveness.
- the link between the Semester and regular (national and European) social dialogue is still unclear and sometimes contested: trade unions and employers have different views on how to link the two dynamics.

## 4. Conclusions

A substantial strand of academic research focusses on the extent to which the European Semester has an influence on the national policies and reforms. A number of sources focus on the degree and reasons for the variation in the national implementation of CSRs (Alcidi and Gross 2015, European Parliament reports, Darvas and Leandro (2015), Deroose and Griesse 2014) but none investigate whether the CSRs and structural reforms suggested to countries in the process of the European Semester are more likely to be implemented where the social partners and LRGs have been involved, although this is clearly implied as a rationale for strengthening this involvement in statements of the social partners and in the Code of Practice by the CoR. This is an element which could be assessed further as part of the project to build the case for stronger LRG and LRG social partner involvement in the European Semester process.

An interesting body of literature exists analysing when countries are likely to follow the Semester directions and change policies as recommended (Deroose and Griesse 2014). Academic experts found this to be the case when:

- Countries are in the electoral cycle and looking for new ideas / support to the political programmes
- Smaller countries are more likely to take heed of the European advice as large countries are too self-centred to pay attention
- Market pressures are so great as to require imminent policy response (examples of banking reform)
- CSRs are backed with EU regulation powers (on public finances).

One clear gap in the existing literature relates to the assessment of the role of social partners in the LRG sector in the European semester. While employers can be directly represented by LRG, particularly in countries where specific employers' organisations for the sector exist, this involvement may not be particularly with a view to the role of LRG as employers. It also means that little is known about the involvement of trade unions in the sector. From the available evidence it appears clear that the social partners involved in such processes at the national level tend to be peak social partner organisations. The extent to which these organisations consult with their membership when feeding into the European semester process is largely unknown. It was therefore of particular interest for the project to establish a) to what extent sectoral LRG trade unions and employers' organisations are directly involved in European Semester processes and b) if they are not directly involved, to what extent there are consulted by their peak organisations to be able to feed into national consultation processes.

Overall, the picture regarding the involvement of LRG generally appears to be more positive than the picture on the involvement of social partner organisations. However, as part of the project, it was attempted to review the extent to which experiences in this area are purely or mainly linked to existing dialogue structures and the degree of decision making autonomy accorded to LRG. Furthermore, it was assessed whether specific measures have been taken at national level to improve the involvement of relevant actors in Semester processes. This encouraged learning from good practices and provided lessons on whether the frequent re-iterations of the importance of such involvement from European level had an impact in more recent years. Of particular interest are the lessons regarding the structure, timing, frequency and stability of this involvement and its actual impact on the drafting and implementation of NRPs.

# ANNEX 1: Assessment of the current state of play: the involvement of local and regional authorities and social partners in the European Semester at national level in Denmark, Finland and Sweden

This section discusses the available information on the involvement of social partners and local and regional authorities in the European Semester process at national level in Denmark, Finland and Sweden. Due to the above-mentioned lack of literature regarding the involvement of sectoral social partners in the local and regional government sector in the Semester process, the initial analysis below focusses on the available evidence regarding the role of national level social partners (the peak level organisations) and the local and regional authorities. Survey responses and interview findings, as well as the proceedings of the regional seminar were used to describe the involvement of the social partners in the LRG sector.

## Involvement of the national social partner organisations in the European Semester process

In Denmark, Finland and Sweden, social dialogue is traditionally a key bedrock of decision-making structures, with collective bargaining also playing an important role in the implementation of rules and standards, particularly with regard to employment regulations and labour market issues. The importance of the role of social partners and the value of their contribution to decision-making are generally well recognised.

As a result, it is probably not surprising, that the nature and quality of involvement in the European Semester process overall is rated as being positive by social partner organisations. In all countries, specific structures and processes (e.g. EU2020 Committee, EU sub-committees etc.) are in place to orchestrate the process of consultation around the European semester process (see also individual country presentations).

It is also worth noting that in these countries, although such specific structures and committees exist, these are not the only fora where policy issues pertaining to the European Semester are discussed with social partners. Given the ongoing dialogue process between employers’ organisations, trade unions (and representatives of LRG) and central government (whether this is on a formal or ad hoc basis), policy matters which are also touched on as part of the European Semester process are regularly discussed as part of ongoing national policy making. This means that the additional Semester specific consultations are ‘grafted on’ to an already well functioning dialogue process.

In addition to this ongoing dialogue process, specific consultations pertaining to the Semester also take place on a regular basis (see also table below). These are generally perceived to provide sufficient time to deliver inputs.

**Table 1: Frequency and time allotted for consultation of social partners and involvement in NRPs**

Frequency of consultation		Time allotted for information and consultation (social partner perception) and number of meetings				Balance of consultation	
Regular and predictable	Irregular/ad hoc	Enough time for information and consultation	Insufficient time for I&C	Only one meeting	More than one meeting	On an equal footing	Unbalanced
DK, SE	FI	DK, FI, SE		FI	DK, SE	DK, FI, SE	

Source: Eurofound (2016).

The Eurofound study (2016) considers that social partners are in some way involved in the definition or implementation of CSRs in Finland and Sweden. Due to the specific autonomous role of the social partners in Sweden, this has even allowed for the modification of CSRs drafted by the European Commission by the social partners (this related to the level of initial salaries and the EPL).

The Eurofound report from 2018, which charts the involvement of social partners in the 2017 European semester process indicates that in Denmark, Finland and Sweden, social partners had sight of draft NRPs with the possibility to input with comments, with time considered to be sufficient to provide such inputs. In Sweden, the social partners provide a joint document highlighting key relevant initiatives which is annexed to the NPR. In Denmark, separate contribution by trade union and employers' organisations are also provided in writing. This latest report highlights for social partners in Sweden and employers' organisations in Denmark that while the process is considered to be well structured, actual influence on decision making is seen to be limited.

## Involvement of social partners in local and regional government in the European Semester process

Overall, the involvement of social partners in the LRG sector in the European Semester process is more limited, with this role considered to be primarily taken by the national trade union and employer confederations. The sections below provide a separate overview of the level of involvement of the sectoral social partners in the three countries.

### Denmark

In Denmark, social partners (including in the LRG sector) are always consulted when the country report is issued and government provides the opportunity for social partners to comment. The social partners are also consulted by the European Semester Officer in DK who gets in touch with everyone in October for discussions. Subsequent to this, all stakeholders are invited to a joint meeting. In November, representatives of the Commission come to Denmark for a field visit, as part of which they always visit KL (the employers' organisation in the LRG sector).

The Commission then prepares a draft report highlighting the key items which will be included in the country report. This report is shared with social partners by the DK government with a request for comments. The main issues discussed with social partners in the sector usually relate to education, employment, growth and health (the key responsibilities of LRG). It is also possible for the social partners to comment on the Danish government's draft NRP.

The semester is discussed in the EU2020 Committee which meets 3-4 times per year and which has representation from all stakeholders (at the level of the confederations). In addition, the government has special committees dedicated to addressing EU issues in all ministries. Due to the active dialogue between government and social partners in Denmark, there is an ongoing dialogue on all relevant EU matters (even outside the EU2020 Committee).

CSRs are discussed as part of these consultation processes and meetings take place between ministries and social partners before each Council meeting (e.g. on potential changes to labour law before each EPSCO council).

It is considered that in recent years, CSRs have not been very relevant to LRG. The general perception is that sometimes ongoing emphasis on the need for reform is not helpful. However, in other instances CSRs can help to speed up the process of reform. In Denmark it is also considered that social partners and government can also take pre-emptive action to ensure that no CSRs are issued on items which would be difficult or controversial. This is usually done at the level of the confederations, but in consultation with sectoral organisations.

The extent to which the government takes on board the view of different social partners depends on the 'colour' of the particular government and the issue under discussion.

In relation to the issue of gender equality, Denmark has no CSRs relating to this matter. The gender employment gap is well below the EU average at of 11.5% in 2017 and stands at 6.5% (down from 8.5% in 2007). The gender part-time gap is also below the EU average (of 23%) at 19% (down from 22.6% in 2007 and charting a more

significant improvement than the EU average). The gender pay gap is now below the EU average of 16.2% at 15%, having previously exceeded the EU average in 2007. The 'motherhood penalty' in terms of employment rates is negligible and Denmark is one of the best performers in the EU with regard to the availability and accessibility of childcare facilities.

## **Finland**

In Finland, trade unions in the LRG sector are not very involved in the European semester process. This is an issue generally covered by the confederations. At present, there is little consultation between the trade union confederation and trade unions in the local government sector. It is considered that it would be beneficial if collaboration in this area was extended.

Until recently, the European Semester process has not been high on the agenda for trade unions in LRG sector – partly as this has been perceived as an issue being dealt with at the confederal level.

The Finnish European Semester officer organises open seminars and the sectoral trade unions has been attending these, but in general there is little time to look at European Semester issues more closely. It is considered to be very time consuming to develop good expertise in this area. However, more efforts are now being made to organise more regular meetings.

The government also organises a consultation event on the NRP. This event is addressed not only to social partner but also civil society organisations. In its structure it is more of an information giving rather than an consultation event.

However, for sectoral trade unions, not being directive involved in discussions around the European Semester does not mean that no consultation is taking place at all. Trade unions are very much involved in decision making in areas which are of interest to their members (e.g. employment, regional and local development, education, health etc.) and policy discussion on these issues are ongoing with government on a structured as well as an ad hoc basis.

In relation to the issue of gender equality, Finland has no CSRs relating to this matter. The gender employment gap is well below the EU average at 3.5% (down from 4.7% in 2007, but slightly up from 2016). The gender part-time gap is also below the EU average at 9.9% (but up from 2007 when it stood at 9.7%). The gender pay gap is above the EU average 17.4%. The 'motherhood penalty' in terms of employment rates is around 15% and Finland is considered not to perform as well as Denmark and Sweden with regard to the availability and accessibility of childcare facilities.

## **Sweden**

In Sweden, on the trade union side, it is also primarily the peak confederations which are involved in the European Semester process with government. There is a long tradition of social dialogue in Sweden and this process generally functions well. At this level, it is mainly SALAR on the employers' side at sector level which is more actively involved. Having said that, in each sector there is a dialogue about the impact of CSRs and Semester process. At national level, the confederations co-ordinate the dialogue with sectoral trade unions.

Over the years the European semester process has become more and more structured with around 3-4 meetings being held each year at different levels (with the prime minister, ministers and peak organisations and at more operational level). Although specific committees and bodies exist for this purpose discussions on relevant policies are ongoing on the permanent basis as part of the active social dialogue process.

The unions in the local government sector have been debating for a number of years how they could get more directly involved in the European Semester process. This is considered important as it would allow for the competences of affiliates to be used more effectively. A meeting has been held with SACO (a trade union confederation organising 23 trade unions) to discuss how sectoral involvement could be enhanced.

So far, the trade unions in the sector have not made contact with the European semester officer at the national level but there are plans to do so. The only difficulty is that the timescales of the consultation process mean that it is challenging to involve more organisations.

Among the trade unions at sectoral level, however, it is fair to say that overall the European semester is currently not considered to be very policy relevant for LRG, as the CSRs only have a limited impact on the sector and issues which are of concern (such as increasing skill shortages and the needs to enhance the integration of migrants) are not at the focus of CSRs. In recent years, these have focussed on issues such as household debt and the housing market.

Furthermore, another reason why the European Semester is not considered to be such a critical issue by Swedish trade unions in the sector is because it is not one of the countries facing very controversial CSRs. As government finances are generally in good order and the country is not in the Euro zone, in recent years there not been much debate with the unions on the CSRs. The only time there was a significant controversial issue related to the CSR which included the suggestion to further differentiate wage levels (see also above). As this is considered to be a matter for social partners, employers and trade unions jointly worked with the government to block this CSR from being approved in Council. Since then, it is considered that most CSRs have been uncontroversial and have in some cases been helpful to highlight issues that need to be addressed (e.g. housing costs and household debt).

In addition, it is important to consider that the NRP process does not fit well with the Swedish cycle of policy making (e.g. budget setting etc.). The budget is usually agreed before the NRP which means that the NRP involves a re-statement of existing priorities.

At national level, social partners deliver a joint contribution to an Annex of the NRP which sets out their activities in relevant areas. SALAR is particularly active in preparing relevant contributions to the NRP. The Annex provides examples of relevant practice by LRG and social partners in areas emphasised by the European semester.

In relation to the issue of gender equality, Sweden has no CSRs relating to this matter. The gender employment gap is well below the EU average at 4% (down from 6% in 2007). The gender part-time gap is also below the EU average at 21%, having previously exceeded the EU average in 2007. The gender pay gap is below the EU average at 13.3%, down from 16.5% in 2007. There is no 'motherhood penalty' in terms of employment rates and Sweden is one of the best performers in the EU with regard to the availability and accessibility of childcare facilities.

## Involvement of local and regional authorities in the European Semester process

The Committee of the Regions (COR) adopted a Code of Conduct for the involvement of the local and regional authorities in the European Semester in May 2017.<sup>32</sup> Against this backdrop, the CoR has been assessing the involvement of LRG in the national European Semester process<sup>33</sup>. It is important to note that this report is based on how this role is described in the NRPs and is not on a survey of representatives of LRG regarding their own perception of the nature and quality of their involvement.

In relation to the involvement of LRG in Denmark, Finland and Sweden, these reports find that:

- LRG are involved in the development of the NRP in all through countries, with the most detailed descriptions provided in the Danish and Swedish NRPs;
- All NRPs reference the role of LRG in the implementation of NRPs, primarily in relation to social inclusion measures, budgetary, fiscal and administrative issues, employment policy, economic/business development policy and education.

In Sweden, LRG are treated as a full partner in the Semester process and are afforded a range of opportunities to contribute throughout the Semester cycle. They are underpinned by a written agreement between the social partners on the scope, format and timing of the consultation process.

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<sup>32</sup> Available in all EU official languages, <http://cor.europa.eu/en/activities/opinions/Pages/opinion-factsheet.aspx?OpinionNumber=CDR%205386/2016>

<sup>33</sup> The methodology seeks to assess the presence at national level of various elements included in the Code of Conduct, for instance, whether NRPs reflect territorial discrepancies and challenges and the impact of various policy measure at territorial level; the involvement of LRG in the preparation, implementation and evaluation of NRPs; institutional capacity of LRG and partnership and multi-level governance models.

A high number of examples of relevant practices in the implementation of NRP priorities are also showcased in the annex of the NRP, highlighting the close involvement of LRG across the process.

The co-ordination process has now been stable for a number of years and is considered by stakeholder to function well.

### Conclusions and areas for discussion and improvements

Overall, the involvement of social partners in Denmark, Finland and Sweden in the European Semester process is considered to be positive, pro-active and well structured, even if some question marks remain over the level of influence of social partners on final decisions. It would be important to establish further in what regard and how such influence might be enhanced in future.

The direct involvement of employers in the LRG sector in Denmark and Sweden can be considered to be more significant than the direct involvement of LRG employers in Finland and trade unions in the LRG sector in all three countries, which tend to be represented in the dialogue process through their confederations. In recent years the interest in more direct involvement has increased and efforts have been taken to engage in a more active dialogue on the European Semester with European Semester Officers and trade union confederations.

Greater involvement is considered to require significant time and knowledge as well as change in established procedures. Capacity development and capacity building would make an important contribution in this area. In general, the extent to which recent CSRs have been of relevance to the LRG sector has been limited.

At the same time, there are some issues (e.g. drop out from education, skill shortages, integration of migrants), which have not been part of CSRs which social partners considered would be important to be included in discussions on the European Semester.

## ANNEX 2: Assessment of the current state of play: the involvement of local and regional authorities and social partners in the European Semester at national level in Spain, Italy and France

This Annex discusses the available information on the involvement of social partners and local and regional authorities in the European Semester process at national level in Spain, Italy and France. Due to the above mentioned lack of literature regarding the involvement of sectoral social partners in the local and regional government sector in the Semester process, the initial analysis below focusses on the available evidence regarding the role of national level social partners (the peak level organisations) and the local and regional authorities. Survey responses and interview findings, as well as the proceedings of the regional seminar were used to describe the involvement of the social partners in the LRG sector.

### Involvement of the national social partner organisations in the European Semester process

In Spain, Italy and France, the traditions of social dialogue are different. Spain has a high collective bargaining coverage rate (around 90%). Most workers are covered by multi-employer collective agreements concluded at national, regional and provincial level. In 2017, social dialogue on employment policies in Spain has been revitalised with the creation of different tripartite bodies. Through discussions within these bodies, it has been possible to incorporate some of the social partners' proposals in policy reforms. However, the trade unions stress that the main change is related to the fact that the government has started to take into consideration some of their proposals and contributions (due to the change of the government more favourable to the trade unions). In France, collective bargaining is predominantly conducted at a sectoral level. Collective bargaining coverage is also very high in France. The social dialogue mechanisms and procedures in France work well. In general, all representative social partner organisations are consulted within the framework of tripartite bodies in the National Council of Collective Bargaining or within the social security bodies and also through bilateral and informal discussions with the government on almost all policies. In Italy, trade unions, employers' organisations and public institutions play a key role in the governance of the employment relationship, working conditions and industrial relations structures. In Italy, although the social partner involvement takes place in a number of informal occasional channels (and not in a systematic way), there are also more formal and institutional procedures for exchanges. However, it seems that the opinions of the existing institutional body for exchange between social partners, the National Council for Economics and Labour (CNEL),<sup>34</sup> are not duly taken into consideration by the current government, due to its reluctance to engage more fully with the social partners.

The involvement of social partners in the European Semester process is reflective of the overall national social dialogue processes and their customs and tradition, as well as being embedded in pre-established tripartite bodies. For this reason, it is often difficult to separate the involvement of social partners in the EU Semester process from other processes of national social dialogue.

In this context, a report by Eurofound (2017) considers that France is one of the countries where the involvement of the social partners in the European Semester process can be characterised as having a medium degree of institutionalisation, with consultation taking place in a regular, predictable and balanced way. However, the social partners in France did also report that they do not have enough time for information and consultation. In contrast, Italy and Spain have been identified as having a low degree of institutionalisation with regard to European

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<sup>34</sup> The existence of CNEL is set out in the Italian Constitution (Article 99). It does not have power to conduct collective bargaining, as it is a consultative body supporting the government and the Parliament. Also, CNEL members are nominated individually and not as representatives of employers/employees' organisations.

Semester consultation procedures. Here, the consultation is irregular and time for information and consultation is considered insufficient, either lasting only one day (Spain) or consisting of a few, sporadic meetings (Italy).

As a result, it is probably not surprising, that the nature and quality of involvement in the European Semester process overall is rated as requiring further improvement by social partner organisations. Only in France, specific structures and processes (e.g. the Committee on Social Dialogue in European and International Affairs (CDSEI), which is under the authority of the Ministry of Employment) are in place to orchestrate the process of consultation around the European semester process (see also individual country presentations below).

The Eurofound study (2017) considers that social partners are in some way involved in the definition or implementation of CSRs with significant differences between Italy / Spain and France on the other hand. In countries such as Italy, this involvement has been subject to political will – consequently, in some years, the social partners were not involved. In Spain, ad-hoc meetings were held annually and the involvement of the social partners was limited to information sessions with no real consultation. In France, the involvement of the social partners is found to be regular and predictable.

With regard to the number of meetings to discuss the Semester process, there are important variations between the countries. In France, only one meeting of about half a day or less was held. Bearing this in mind, it is worth noting that the social partners in France, Italy, and Spain consider that the time allocated to information and consultation is not sufficient. Opinions on the time allotted for consultation also depend on the importance of the NRP in the national context.

In contrast, in Spain, where the NRP was an important tool for introducing controversial structural reforms recommended by the European institutions (such as a more decentralised collective bargaining system, and pension reforms), the social partners, especially the trade unions, complained about the lack of time for discussion as they received the NRP on the same day that it was submitted to the European Commission. Moreover, the trade unions made the comment that, from 2011 to 2014, they were informed only on the general content of the NRP. In France, the social partners also criticised the time allotted to information and consultation as being insufficient. In addition, they commented that there was no real exchange of information, due to the fact that most of the time the documents were transmitted at the last minute and were only available in English. Although some improvements have been made during the last two years in France, the social partners still consider that consultations for the process of defining and adopting the national NRP are held too late.

**Table 1: Frequency and time allotted for consultation of social partners and involvement in NRPs**

Frequency of consultation		Time allotted for information and consultation (social partner perception) and number of meetings				Balance of consultation	
Regular and predictable	Irregular/ad hoc	Enough time for information and consultation	Insufficient time for I&C	Only one meeting	More than one meeting	On an equal footing	Unbalanced
FR	ES, IT		ES, FR, IT	ES, FR	IT	ES, FR, IT	

Source: Eurofound (2016).

The Eurofound report from 2018, which charts the involvement of social partners in the 2017 European semester process indicates that in Italy, there is no government coordination of activities that involve the social partners, as there are different agencies and institutes involved in the process: the National Agency for Active Labour Market Policies (ANPAL), the National Institute for Social Security (INPS), and the Ministry of Labour and Social Policies. In Spain, the social partners deemed the current structures and practices as being not appropriate for an effective involvement in the elaboration of the NRP. The main criticism levelled by the Spanish trade unions related to the lack of information shared, as only a superficial outline of the structure of the programme was given. Thus, the

specific measures to be included could not be discussed in the meeting. In contrast, in France national authorities, trade unions and employers' organisations declare themselves satisfied with regard to the appropriateness of specific ad hoc structures. Only in France did all parties concerned in the process of involvement agree that there was sufficient time in 2017 to participate efficiently in the assessment of the NRP.

## Involvement of social partners in local and regional government in the European Semester process

Overall, the involvement of social partners in the LRG sector in the European Semester process is more limited, with this role considered to be primarily taken by the national trade union and employer confederations. The sections below provide a separate overview of the level of involvement of the sectoral social partners in the three countries.

### Spain

In Spain, the government's initial intention was to limit the involvement of social partners to a written consultation. Thus, in 2013, the social partners received a letter requesting that they forward their proposals on the NRP to the government. However, in 2014, the trade unions rejected the idea of sending their proposals in writing, unless the government first called a meeting. Consequently, the government organised a tripartite meeting in which it informed the social partners about the general content of the NRP. The Economic and Social Council, in which both the peak level trade unions and employer organisations participate among other stakeholders, stated that social partners considered their involvement in the production, monitoring and assessment of the NRP to be insufficient. The Economic and Social Council argues that 'the procedure for the democratic implementation of the NRP set up in the 2020 strategy has not been respected'.

Interviews conducted for the regional workshop also showed that social partners in the LRG sector consider that their participation is not well structured and not clearly delineated with specific timelines, opportunities or meetings set up (e.g. to provide comments and inputs into the NRP drafting process). In theory, the regional governments have a significant role to play within the current institutional framework. However, in practice, the European Semester process is tightly controlled by the central government, with even less participation allowed for local authorities (compared to the regional administrations). In parallel, depending on the policy area concerned, the social partners have different opportunities to influence the central government and regional administrations.

In relation to the issue of gender equality, Spain has no CSRs relating to this matter. The gender employment gap is similar to the EU average at of 11.5% in 2017 and stands at 11% (down from 19% in 2008). The gender part-time gap is below the EU average (of 23%) at 17% (down from 19% in 2007 and charting a similar improvement to the EU average). The gender pay gap is below the EU average of 16.2% at 14%. The 'motherhood penalty' in terms of employment rates is not significant and Spain is above the EU average with regard to the availability and accessibility of childcare facilities.

### France

France has approved specific provisions, rules and/or memoranda establishing formal structures for consultation between social partners and government on matters associated with the Europe 2020 strategy. In France, the social partners are consulted in the Committee on Social Dialogue in European and International Affairs (CDSEI), which is under the authority of the Ministry of Employment. Created in 1998 by the French Government within the framework of the European Employment Strategy (EES), this tripartite committee comprises representatives of the Ministries in charge of Labour, Economy and External Affairs, and representatives of the employer and

employee organisations.<sup>35</sup> The peak level social partners are consulted on the contents of the NRP by the national government, and can send their written contributions which are then annexed to the NRP.

Social partners are also involved in the European Semester process undertaken at the national level in France by the EC delegation in the country. Regular annual meetings with the social partners are organised, also within the framework of the annual mission of the EC representatives from Brussels headquarters<sup>36</sup>. Also, social partners submit regular contributions in writing and undertake other exchanges with the EC representatives. In general, cooperation and interactions with the EC delegation and European Semester officers is very active, with meetings arranged 2-3 times a year to discuss the country report, inform about the CSRs, discuss the major economic and social challenges, as well as a regular flow and exchange of information.

Starting with 2019 Semester cycle, its regional dimension will be reinforced with an added focus on the analysis of regional problems and disparities in the country report. It will also include an annex specifying how the investment of the Cohesion Funds could be better linked to address the key regional investment needs.

In relation to the issue of gender equality, France has an indirect current CSR relating to this matter.<sup>37</sup> The gender employment gap is well below the EU average at of 11.5% in 2017 and stands at 8.7% (down from 10.2% in 2008). The gender part-time gap is also below the EU average (of 23%) at 22% (down from 25% in 2007 and charting a more significant improvement than the EU average). The gender pay gap is however similar to the EU average of 16.2% at 15%. The 'motherhood penalty' in terms of employment rates is negligible and France is one of the best performers in the EU with regard to the availability and accessibility of childcare facilities.

## Italy

In Italy, from 2011 to 2014, the NRP incorporated the views of the social partners only with reference to social partners' agreements which were in line with governmental policies. For instance, the 2012 NRP included the 'Inter-confederal Agreement on the Structure of Collective Bargaining (28 June 2011) for the decentralisation of collective bargaining'. The 2013 NRP explicitly refers to the 'Guidelines to increase productivity and competitiveness in Italy' signed on 21 November 2012. However, the enactment of the labour market reform, the so-called Jobs Act, was supported only by the employer organisations and not by the trade unions. The extent to which the government takes on board the view of different social partners depends on the 'colour' of the particular government and the issue under discussion. The so-called Monti government had an organised and structured process of consultation on Semester issues with the Conference of Regions. The relationships with the current government are more complicated as the coordination structures are no longer in place and the previous experience is no longer applied.

Still, the social partners coordinate their reactions to the European Semester process. On the trade union side, for example, CGIL confederation ensures a coordinated response from its members on AGS, NRP and CSRs. However, the level of engagement from the national government is very low. In contrast, cooperation and interactions with the EC delegation and European Semester officers are much more active, with meetings arranged 2-3 times a year to discuss the country report, inform about the CSRs, discuss the major economic and social challenges, as well as a regular flow and exchange of information.

In relation to the issue of gender equality, Italy has a current CSR relating to this matter.<sup>38</sup> The gender employment gap is well above the EU average at of 11.5% in 2017 and stands at 20.8% (down from 24.4% in 2008). The

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<sup>35</sup> [https://www.eurofound.europa.eu/sites/default/files/ef\\_publication/field\\_ef\\_document/ef1570en.pdf](https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1570en.pdf)

<sup>36</sup> For example, in November 2018, a formal meeting was organised, including the trade unions (three out of the five trade-unions came to our meeting) - CFDT (Confédération française démocratique du travail), FO (Force Ouvrière) and CFE-CGC (Confédération française de l'encadrement – Confédération générale des Cadres) and employers' organisations (Medef (Mouvement des Entreprises de France), CPME (Confédération des petites et moyennes entreprises (SMEs) and U2P (Union des Entreprises de Proximité (Very small businesses).

<sup>37</sup> Foster equal opportunities and access to the labour market, including for people with a migrant background.

<sup>38</sup> Encourage labour market participation of women through a comprehensive strategy, rationalising family-support policies and increasing the coverage of childcare facilities.

gender part-time gap is also above the EU average (of 23%) at 25% (down from 22% in 2007 and charting a slightly better improvement than the EU average). The gender pay gap is however significantly below the EU average of 16.2% at 5%. The 'motherhood penalty' in terms of employment rates exists and Italy is below the EU average with regard to the availability and accessibility of childcare facilities.

## Involvement of local and regional authorities in the European Semester process

The Committee of the Regions (COR) adopted a Code of Conduct for the involvement of the local and regional authorities in the European Semester in May 2017.<sup>39</sup> Against this backdrop, the CoR has been assessing the involvement of LRG in the national European Semester process<sup>40</sup>. It is important to note that this report is based on how this role is described in the NRPs and is not on a survey of representatives of LRG regarding their own perception of the nature and quality of their involvement.

In relation to the involvement of LRG in Spain, France and Italy, these reports find that:

- LRGs are involved to some extent in the development of the NRP in all three countries, with the more detailed descriptions provided in the NRPs. In Italy, Regions and Autonomous Provinces were included in the process of preparing the NRP. In France, the representations of the LRAs have been part of the consultation process which done in writing in March 2018. In Spain, several Autonomous communities have contributed to the preparation of the NRP with presenting list of measures they want to implement.
- All NRPs reference the role of LRG in the implementation of NRPs, primarily in relation to Fiscal policy: state budget and financing of LRGs, SME/Business support, Transport & Transport Infrastructure, Employment, Social Inclusion, Education and RTDI (Research, Technological Development and Innovation).

Some examples of relevant practices in the implementation of NRP priorities are also showcased in the annex of the NRPs, highlighting a certain involvement of LRG across the process.

## Conclusions and areas for discussion and improvements

Overall, the involvement of social partners in Spain, Italy and France in the European Semester process is different, with more and better structured involvement in France and Spain, compared to Italy. Overall, question marks remain over the level of influence of social partners on the final decisions. It would be important to establish further in what regard and how such influence might be enhanced in future.

In recent years the interest in more direct involvement has increased and efforts have been taken to engage in a more active dialogue on the European Semester with European Semester Officers and the peak level social partners. One idea voiced by a social partner from Spain was to establish a pan-European Working Group of LRGs. This Group could follow up the European Semester process on an annual basis, mirroring the currently available mechanisms which do not strongly support LRG involvement. The Group could prepare a more coordinated LRG response to the key issues affecting the LRG partners across the Union, exchange more effectively information about both the process and contents of the Semester and the opportunities for LRG partners, ensure a more coordinated and joined up monitoring process and thus provide a stronger voice for LRG. The Group could also be composed of several sub-groups following the key topics more closely and ensuring a

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<sup>39</sup> Available in all EU official languages, <http://cor.europa.eu/en/activities/opinions/Pages/opinion-factsheet.aspx?OpinionNumber=CDR%205386/2016>

<sup>40</sup> Available at <https://cor.europa.eu/en/engage/studies/Documents/NRP2018/NRP2018.pdf> The methodology seeks to assess the presence at national level of various elements included in the Code of Conduct, for instance, whether NRPs reflect territorial discrepancies and challenges and the impact of various policy measure at territorial level; the involvement of LRG in the preparation, implementation and evaluation of NRPs; institutional capacity of LRG and partnership and multi-level governance models.

closer follow up and influence than is currently the case. This could provide a coordination of LRG agenda so that LRG issues are more consistently reflected across more many Member States than is currently the case.

Greater involvement is considered to require significant time and knowledge as well as change in established procedures. Capacity development and capacity building would make an important contribution in this area, as well as a more structured and open approach from the national governments to engage the LRG social partners and LRGs into the European Semester process. There is room for developing more structured and operational measures to increase the LRG social partner involvement. In general, the social partners would like to be more actively involved because they believe their current participation is rather formal and that there are limited possibilities for them to have any real influence over the Semester outcomes. Hence, there is room for improvement and further fine-tuning of the mechanisms and involvement procedures.

In general, the extent to which recent CSRs have been of relevance to the LRG sector has been limited. At the same time, there are a number of critical issues (e.g. strengthening the social dimension of the Semester, creating employment and promote decent work agenda at the local level, helping young and long term unemployed, addressing the labour market changes, improving childcare, elderly care, health care facilities), which have not been part of CSRs which social partners considered would be important to be included in the discussions on the European Semester.

## ANNEX 3: Assessment of the current state of play: the involvement of local and regional authorities and social partners in the European Semester at national level in the Czech Republic, Estonia, Latvia and Lithuania

This section discusses the available information on the involvement of social partners and local and regional authorities in the European Semester process at national level in the Czech Republic, Estonia, Latvia and Lithuania. Due to the above-mentioned lack of literature regarding the involvement of sectoral social partners in the local and regional government sector in the Semester process, the analysis below focusses on the available evidence regarding the role of national level social partners (the peak level organisations) and the local and regional authorities. Survey responses and interview findings, as well as the proceedings of the regional seminar were used to describe the involvement of the social partners in the LRG sector.

### Involvement of the national social partner organisations in the European Semester process

The Czech Republic, Estonia, Latvia and Lithuania show similar characteristics in terms of the traditions of social dialogue. In all four countries, the collective bargaining takes place mostly at the company level, with the weaker sectoral and cross-sectoral bargaining structures. The proportion of the workforce covered by the collective agreements is low in the four countries, below 30%. Trade union membership is low and in decline in all four countries. Apart from Estonia, the countries have a tripartite consultation body where social dialogue and consultations with the representative social partners take place.

In the Czech Republic, collective bargaining takes place mostly at the company level, with this type of collective bargaining reaching around 30% of the workforce.<sup>41</sup> Another prominent trend is the continuous decrease in trade union membership. Between 2004 to 2016, trade union density has decreased from 20.6% to 11.9%; between 2011 and 2016, it dropped from 16% to 11.9%, i.e. circa four percentage points. Tripartite negotiations between the social partners and the government take place at the national level in the Council for Economic and Social Agreement (Rada hospodářské a sociální dohody České republiky, RHSD ČR). There are four recognised social partners represented in the Council.<sup>42</sup>

In Estonia, collective bargaining is very decentralised, and the dominant level of collective bargaining in Estonia has been and still is the enterprise level. In 2015, around 20% of employees reported being covered by a collective agreement.<sup>43</sup> Both trade union membership and density have been decreasing over the last 10 years, from the density decreasing from 10.7% in 2009 to 7.2% 2015.<sup>44</sup> The system of tripartite social dialogue at the national level is not specifically regulated. Social partners usually take part in the consultation phase of drafting legislation and are members of the supervisory boards of some key labour market and social institutions (e.g. the Unemployment Insurance Board). In recent years social partners have quite often expressed their dissatisfaction for not being included in the political decision-making process as often as they would like, or being included only

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<sup>41</sup> The company-level collective agreements (CLCAs) concluded in 2016 applied to 1,291 million employees, 30.4% of the 4.244 million registered employees. See <https://www.eurofound.europa.eu/country/czech-republic#actors-and-institutions>

<sup>42</sup> Employer organisations - Confederation of Industry of the Czech Republic (Svaz průmyslu a dopravy ČR, SP ČR); Confederation of Employer and Entrepreneur Associations of the Czech Republic (Konfederace zaměstnavatelských a podnikatelských svazů České republiky, KZPS ČR); Trade unions - Czech-Moravian Confederation of Trade Unions (Českomoravská konfederace odborových svazů, ČMKOS); Association of Autonomous Trade Unions of the Czech Republic (Asociace samostatných odborů České republiky, ASO ČR)

<sup>43</sup> <https://www.eurofound.europa.eu/country/estonia#collective-bargaining>

<sup>44</sup> <https://www.eurofound.europa.eu/country/estonia#actors-and-institutions>

in later stages of the processes. There have also been cases where a tripartite agreement was reached but later changed unilaterally by the state, regardless of the social partners' opinions.<sup>45</sup>

In Latvia, the main level of collective bargaining is company level, whilst sectoral and cross-sectoral level bargaining is weak. The coverage of the agreements is considered to be low, between 7% and 15% of the workforce.<sup>46</sup> Trade union density in Latvia is in decline. Trade union density, calculated as the proportion of the total number employees who are union members, was 46% in 1992, had declined to 27% in 1994, and declined further to 10.7% in 2016. At national level, employers are represented by a single employers' organisation, the Latvian Employers' Confederation (LDDK) and employees are represented by a single trade union organisation, the Free Trade Union Confederation of Latvia (LBAS). The tripartite social dialogue at the national level takes place through the National Tripartite Cooperation Council (NTSP). NTSP examines policy planning documents and drafts on normative acts and sets out proposals for their improvement in the following areas: social security; guidelines of the state budget; strategy of economic and regional development; health; development of general and vocational education; employment, classification of occupations; implementation of international commitments.

In Lithuania, collective bargaining takes place mostly at the company level (with the exception of a few sectors). According to expert evaluations, the overall collective (wage) bargaining coverage in Lithuania might be less than 15–20%.<sup>47</sup> Trade union membership in Lithuania in general is quite low and during the last decade it has been steadily decreasing. According to Lithuanian Statistics, between 2011 and 2016 the number of trade union members in Lithuania fell from 108.9 to 91.5, with trade union density thus falling from 9.7 % to 7.7 %.<sup>48</sup> There are several tripartite councils and commissions in Lithuania. Most are specialised and operate at national level, while some are also active at regional level. The main tripartite organisation, the LRTT, was established in 1995. Legislative drafts that are submitted to the government on relevant labour, social and economic issues should be agreed in advance with the LRTT.

The involvement of social partners in the European Semester process is reflective of the overall national social dialogue processes and their customs and tradition, as well as being embedded in pre-established tripartite bodies. For this reason, it is often difficult to separate the involvement of social partners in the EU Semester process from other processes of national social dialogue.

In this context, a report by Eurofound (2017)<sup>49</sup> considers that in Estonia, Latvia, Lithuania institutional participation in the European semester process takes place through tripartite consultative bodies, following standard mechanisms that allow for formal consultation of social partners. However, the social partners would like to be more actively involved because they believe their current participation is rather formal and that there are limited possibilities for them to have any real influence over the outcomes. As a result, it is probably not surprising, that the nature and quality of involvement in the European Semester process overall is rated as requiring further improvement by social partner organisations. This situation was confirmed in the Eurofound report from 2018<sup>50</sup>, which charts the involvement of social partners in the 2017 European semester process.

The Eurofound study considers that social partners are in some way involved in the definition or implementation of CSRs and NRPs (see Table 1), with some differences between the countries. The frequency of consultation is considered to be regular and predictable in Estonia, Latvia and Lithuania, and less so in the Czech Republic.

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<sup>45</sup> See <https://www.eurofound.europa.eu/country/estonia#actors-and-institutions>

<sup>46</sup> <https://www.eurofound.europa.eu/country/latvia#collective-bargaining>

<sup>47</sup> <https://www.eurofound.europa.eu/country/lithuania#collective-bargaining>

<sup>48</sup> <https://www.eurofound.europa.eu/country/lithuania#actors-and-institutions>

<sup>49</sup> Eurofound (2016), Role of the social partners in the European Semester, Publications Office of the European Union, Luxembourg.

<sup>50</sup> Eurofound (2018), Involvement of the national social partners in the European Semester 2017: Social dialogue practices, Publications Office of the European Union, Luxembourg.

With regard to the time allocated and the number of meetings to discuss the Semester process, there are important variations between the countries. In Latvia, only one meeting of about half a day or less was held. Bearing this in mind, it is worth noting that the social partners in Latvia consider that the time allocated to information and consultation is not sufficient. In contrast, the situation was more positive in the Czech Republic, Estonia and Lithuania. Opinions on the time allotted for consultation also depend on the importance of the NRP in the national context.

**Table 1: Frequency and time allotted for consultation of social partners and involvement in NRPs**

Frequency of consultation		Time allotted for information and consultation (social partner perception) and number of meetings				Balance of consultation	
Regular and predictable	Irregular / ad hoc	Enough time for information and consultation	Insufficient time for I&C	Only one meeting	More than one meeting	On an equal footing	Unbalanced
EE, LT, LV	CZ	CZ, EE, LT	LV	LV	CZ, EE, LT	CZ, EE, LV, LT	

Source: Eurofound (2016)

## Involvement of social partners in the local and regional government in the European Semester process

Overall, the involvement of social partners in the LRG sector in the European Semester process is more limited, with this role considered to be primarily taken by the national trade union confederations and national level employer organisations. The sections below provide a separate overview of the level of involvement of the sectoral social partners in the three countries.

### Czech Republic

In the Czech Republic, the social partners especially at the peak level are generally satisfied with the degree of participation throughout the European Semester process. The social partners were involved in discussing the 2016 CSRs through the Council of Economic and Social Agreement, specifically in the context of Council working groups. Employer organisations also reported that some feedback was received by the social partners (in writing) from the government to their submitted contributions.

Interviews conducted for the regional workshop also showed that the peak level social partners are well involved in the Semester processes. The extent to which the local and regional social partners are involved is more limited, as they tend to be represented by their confederations (especially at the trade union side). From the perspective of the dialogue with the central government, the social partners are invited officially and participate in twice-yearly round tables on the preparation and discussion of the NRPS as well as providing official comments to the draft proposal of this document. From the perspective of the dialogue with the European Commission, the social partners are part of the meetings organised during the EC missions usually in November each year. In 2019, the key development has been the adoption of the Annex D of Country report for Czech Republic which contains investment guidance on cohesion policy funding for 2021-2027. As a consequence, the local and regional government association is preparing a table of concrete investments (types of investments) from local government's point of view that in accordance with these recommendations and with policy objectives of the future cohesion policy 2021+.

In relation to the issue of gender equality, the country has one CSR relating to this matter (to foster the employment of women with young children, including by improving access to affordable childcare). The gender employment gap is higher than the EU average at of 12.1% in 2017 and stands at 15.2% (down from 18.8% in 2008). The gender part-time employment gap is below the EU average (23%) at 8%. The gender pay gap is above the EU average of 16.2% at 22%. The 'motherhood penalty' in terms of employment rates is significant and the Czech Republic is below the EU average with regard to the availability and accessibility of childcare facilities.

## **Estonia**

In Estonia, the social partners are normally consulted and engaged in working groups when different draft acts and development plans are elaborated. However, the social partners find that this engagement is formal, as all the processes are held separately and do not represent the full view of the reforms, with the different activities dispersed between different institutions. In fact, the social partners say they are not sure if they have been involved in activities related to the aims set out in the NRP. They state that their organisations are too small and their capacity to participate in all relevant developments is limited. Ideally, they would like to see the creation of a suitable platform that would allow for discussion and negotiation on different reforms, also to understand what changes and initiatives are necessary, and how they influence each other.

Interviews conducted for the regional workshop also showed that the LRG social partners are involved in the discussions with the central government on a continuous basis through the national processes. In this context, the Semester process is (in a way or another) discussed in the different working groups and contexts, but there is no separate meeting in order to discuss the involvement of the local authorities in the European Semester process. Formally, the local authorities in Estonia are not involved and have not directly discussed the European Semester with the representatives of the ministries. In contrast, the peak level social partners are well involved in the Semester processes. The extent to which the local and regional social partners are involved is more limited, as they tend to be represented by their confederations (especially at the trade union side).

In relation to the issue of gender equality, Estonia has one CSR relating to this matter (Take measures to reduce the gender pay gap, including by improving wage transparency). The gender employment gap is below the EU average of 11.5% in 2017 and stands at 8% (down from 9% in 2008). The gender part-time employment gap is below the EU average (of 23%) at 7%. The gender pay gap is above the EU average of 16.2% at 25% (which is the highest rate amongst the EU Member States). The 'motherhood penalty' in terms of employment rates is significant and Estonia is below the EU average with regard to the availability and accessibility of childcare facilities.

## **Latvia**

In Latvia, the legislation provides that the social partners are involved in the elaboration and implementation of economic and social policies and reforms, as well as in other important reforms. In relation to the Semester process, they contribute through the general tripartite social dialogue body as well as impromptu tripartite meetings. The lack of sufficient time for consultation is still an issue acknowledged by both social partners and national authorities. Direct participation in the European Semester in Latvia is limited to a debate on the near-completed NRP, with insufficient time for discussion and internal capacity problems identified as the main obstacles for better participation.

Interviews conducted for the regional workshop also showed that the social partners consider their participation in the European Semester processes as meaningful and contributing to the development of the National Reform Programmes, discussion of CSRs and their implementation to a high extent. The interaction occurs through direct negotiations with the central government where the social partners provide directly their opinions on the particular aspects discussed. The interviewees also highlighted the capacity issues in the social partner organisations, which in the context of a small country mean a limited number of organisations' staff have to cover a large number of policy briefs. Semester related interactions with the European Commission are conducted on a regular basis, with social partners being consulted in the framework of annual EC missions to the country, events organised to present and discuss the Semester outcomes in the country and other channels (e.g. study visits to Brussels).

In relation to the issue of gender equality, Latvia has no CSRs relating to this matter. The gender employment gap is below to the EU average at of 11.5% in 2017 and stands at 6% (down from 19% in 2008). The gender part-time employment gap is below the EU average (of 23%) at 6%. The gender pay gap is slightly above the EU average of 16.2% at 17%. The 'motherhood penalty' in terms of employment rates is not significant and Latvia is above the EU average with regard to the availability and accessibility of childcare facilities.

## Lithuania

In Lithuania, social partners' involvement is reported as being rather formal. As all reforms included in the NRP (or reforms implementing the CSRs) are previously discussed and approved by the social partners at the Tripartite Council, so they are able to indirectly influence most reforms planned in the state. In Lithuania, there is no specific system of information exchange during the process of elaboration of the NRP. Nevertheless, it should be noted that the positions and views of the social partners are in some way reflected in the NRP, as large reforms related to the new social model, actively debated by the social partners at the sittings of the Tripartite Council (TCLR) in 2016 –2017 were included. The NRP 2017 in Lithuania was drafted and approved exclusively by the government, after the arrangement for NRP drafting was changed in 2016. Following this institutional amendment, the social partners are no longer directly informed and/or consulted during the drafting of the NRPs, although they do participate in all processes (indirectly) through the discussions taking place at the tripartite Council.

Interviews conducted for the regional workshop also showed that the social partners are involved in the Semester processes more indirectly through the discussion of ongoing reforms which are also covered in the Semester framework. In this context, the national legislative framework is helpful as it stipulates that the municipalities and association of local authorities must to be involved in all processes/reforms related to the local level. In this context, the Association of Local Authorities in Lithuania for example submits the position and remarks to all drafts of legal documents, which is related to the municipalities responsibilities and functions. Semester related interactions with the European Commission are conducted on a regular basis, with social partners being consulted in the framework of annual EC missions to the country, events organised to present and discuss the Semester outcomes in the country and other channels (e.g. study visits to Brussels).

In relation to the issue of gender equality, Lithuania has no CSRs relating to this matter. The gender employment gap is below the EU average at of 11.5% in 2017 and stands at 3%, which is the best position amongst the EU Member States (down from 7% in 2008). The gender part-time employment gap is below the EU average (of 23%) at 4%. The gender pay gap is below the EU average of 16.2% at 14%. The 'motherhood penalty' in terms of employment rates is not significant and Lithuania is above the EU average with regard to the availability and accessibility of childcare facilities.

## Involvement of local and regional authorities in the European Semester process

Local and regional authorities have a stake in the European Semester process. The Committee of the Regions (CoR) adopted a Code of Conduct for the involvement of the local and regional authorities in the European Semester in May 2017.<sup>51</sup> Against this backdrop, the CoR has been assessing the involvement of LRG in the national European Semester process<sup>52</sup>. It is important to note that this report is based on how this role is described in the NRPs and is not on a survey of representatives of LRG regarding their own perception of the nature and quality of their involvement. In relation to the involvement of LRG in the Czech Republic, Estonia, Latvia and Lithuania, these reports find that:

<sup>51</sup> Available in all EU official languages, [https://portal.cor.europa.eu/europe2020/news/Pages/code\\_of\\_conduct\\_econ.aspx](https://portal.cor.europa.eu/europe2020/news/Pages/code_of_conduct_econ.aspx)

<sup>52</sup> Available at <https://cor.europa.eu/en/engage/studies/Documents/NRP2018/NRP2018.pdf> The methodology seeks to assess the presence at national level of various elements included in the Code of Conduct, for instance, whether NRPs reflect territorial discrepancies and challenges and the impact of various policy measure at territorial level; the involvement of LRG in the preparation, implementation and evaluation of NRPs; institutional capacity of LRG and partnership and multi-level governance models.

- LRGs are involved to some extent in the development of the NRP in Lithuania and Latvia, with the more detailed descriptions provided in the NRPs. In Lithuania, the NRP references this role of LRGs only in a general and minor way. In contrast, in Latvia, the role of LRGs has a specific reference in the NRP. However, the NRPs from the Czech Republic and Estonia contain no reference to the involvement of the LRGs in its drafting process.
- The NRPs from the Czech Republic, Estonia and Latvia (but not in Lithuania) reference the role of LRG in the implementation of NRPs, however, the roles described for LRGs differ significantly between the countries:
  - CZ: Social Inclusion, Housing, Climate measures, Energy Efficiency, Transport;
  - EE: Education (Prevention dropouts – “Youth Guarantee support system”, “Youth Prop Up” programme), Employment, Administration, Health Care, Social Inclusion (People with special needs, Social Services), Childcare, Transport & Transport Infrastructure, Spatial Planning/Regional Development, Energy Efficiency, Environment, Public Sector Reform;
  - LV: Education (Extending the range of implementers of work-based learning), Administration, Fiscal Policy, SME/Business Support, Transport & Transport Infrastructure.

Some examples of relevant practices in the implementation of NRP priorities are also showcased in the annex of the NRPs, highlighting a certain involvement of LRG across the Semester process.

## Conclusions and areas for discussion and improvements

Overall, the involvement of social partners in the European Semester process is varied across the countries covered in the regional workshop. Overall, question marks remain over the level of influence of social partners on the final decisions. It would be important to establish further in what regard and how such influence might be enhanced in future. In recent years the interest in more direct involvement has increased and efforts have been taken to engage in a more active dialogue on the European Semester with European Semester Officers and the peak level social partners.

Greater involvement is considered to require significant time and knowledge as well as change in established procedures. Capacity development and capacity building would make an important contribution in this area, as well as a more structured and open approach from the national governments to engage the LRG social partners and LRGs into the European Semester process. There is room for developing more structured and operational measures to increase the LRG social partner involvement. In general, the social partners would like to be more actively involved and increase their possibilities to have an enhanced influence over the Semester outcomes. A further aspect for improvement is to ensure more information about the Semester reaches the local and regional level stakeholders, who should have more information concerning the European Semester process. The process could be more publicized and discussed more actively at national level. Hence, there is room for improvement and further fine-tuning of the mechanisms and involvement procedures.

In general, the extent to which recent CSRs have been of relevance to the LRG sector has been significant. At the same time, there are a number of critical issues (e.g. further action to address regional disparities) which social partners considered would be important to be included in the discussions on the European Semester.

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*The CEMR-ESPU joint project “Localising the European Semester” looks at new ways to establish or reinforce existing channels that allow the involvement of social partners in the yearly mechanism of the European Semester.*

*The overall goal of this project is to strengthen the role of European and national social partners of local and regional governments in the decision-making process of the European Semester and to increase their involvement in the discussion concerning different outcomes of the Semester – Annual Growth Survey, Country Reports, National Reform Programmes, and Country Specific Recommendations – more homogenous across Member States, while respecting national practices and features.*

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