



## Content

|  |                              |
|--|------------------------------|
| <b>AUSTERTY WATCH #3</b> .....   | Error! Bookmark not defined. |
| <b>EUROPEAN UNION</b> .....  | <b>1</b>                     |
| European decision-makers may fail to remove austerity-driven provisions from the Stability and Growth Pact. ....       | 1                            |
| <b>ITALY</b> .....   | <b>2</b>                     |
| Reform of the tax system in Italy with the ultimate goal of imposing a flat tax. ....                                  | 2                            |
| Reform of the Code on Public Procurement (DL 36/2023).....   | 3                            |
| Minimum income reform: from universalism to a categorical measure.....   | 3                            |
| No just transition for Italian workers? .....  | 4                            |
| <b>GREECE</b> .....  | <b>4</b>                     |
| A biased transposition of Directive on Transparent and Predictable Working Conditions strongly penalises workers. .... | 4                            |
| Deterioration of working time arrangements .....   | 6                            |
| <b>SERBIA</b> .....  | <b>7</b>                     |
| Lack of social dialogue and lack of transparency leads to higher inequalities .....                                    | 7                            |

## EUROPEAN UNION

European decision-makers may fail to remove austerity-driven provisions from the Stability and Growth Pact.

Now that the EU co-legislators are defining their own proposals, the ETUC considers the emerging proposals far from satisfying European workers’ expectations.

At Council of the EU level, the Spanish Presidency of the EU, after extensive consultation member states and EU institutions (but not with social partners), has identified a “landing zone” in the attempt to gather wider consensus on issues that are today quite divisive. The Spanish Presidency clustered its proposals in 4 blocks:

- a. Common safeguards on debt and deficit trajectories: the document leaves very important issues open. These open questions concern the introduction (or not) of a benchmark that would oblige a member state to reduce debt (when above 60% of the GDP) by a minimum amount per year (not quantified yet). The second question mark is related to debt reduction, if it should start from day-one or at the end of the adjustment period (which means either in 2024 or in 4/7 years). The decision on these two issues will be key to understand how much fiscal space member states will be left for investment and social expenditure.
- b. The second block concerns the Fiscal space for investments and incentives for reform. Here there are no new reliable solutions at hand. The ETUC thinks that the extension of the fiscal adjustment period from 4 to 7 years (it is possible when the member state presents a solid plan of reforms and investments) can result in a pure illusion. As matter of fact, as explained in point a), cuts to public finances may incur already from day-one of the reform (as frugal countries ask for) so vanishing any attempt to protect investments under the reformed Stability and Growth Pact. Furthermore, the Council is ready to accept derogations and accept



- extra deficits to finance investments for defence while this would not apply to investments that help the green transition, the digital transformation or social progress.
- c. The third block concerns the institutional balance. Here the proposals are aimed at strengthening the rules-based nature of the framework and Reinforcing the role of the Council and enhance transparency. Unfortunately, this block disregards important factors of democratisation of the economic governance of the EU such as a stronger role for the European Parliament and a more structured involvement of social partners.
  - d. The fourth block concerns Credible enforcement and ownership. In reality this cluster has the aim of establishing mechanisms that would automatically trigger the Excessive Deficit Procedure when certain numerical parameters (that apply without distinctions to all countries) are exceeded. Even worse, it is not clear if relevant factors (such as future economic returns on investment, or eventual disruptive effects on people and workers) can or cannot be taken into consideration to avoid that a member state is submitted to an EDP when not actually necessary.

In the meantime on the European Parliament side, two rapporteurs from S&D and EPP are working shoulder to shoulder on a set of amendments. While the Report includes important elements of democratisation of the European Semester, it fails to ensure that any form of debt consolidation or fiscal effort to cut excessive deficits are always sustainable and start at the end of the adjustment period (4 to 7 years from the moment the reform enters into force). Still, the ETUC thinks that the European Parliament is not doing enough to protect investments, so undermining the attempt to rebalance fiscal and macroeconomic constraints with social and environmental requirements.

The ETUC has approached the proposed reform of the Stability and Growth Pact setting the following priorities:

1. avoid too quick and too ambitious debt and/or deficit adjustments or requiring an unsustainable initial fiscal efforts.
2. ensure that investments are protected under the next expenditure rule and under the excessive deficit procedure.
3. rebalancing macroeconomic boundaries with the achievement of the European Pillar of Social Rights building on article 148 TFEU.
4. democratisation of processes and role of social partners identified at milestones of the new processes introducing precise measures to mark the time of and quality criteria for the social partners' involvement.

The ETUC calls on the European Parliament and the Council of the EU to take in due consideration the following improvement of the Regulation replacing Regulation 1466/97 on preventive arm and ETUC has invited the Decision Makers to attend a public discussion on the 7th of November in Brussels.

## ITALY

Reform of the tax system in Italy with the ultimate goal of imposing a flat tax.

The measure has been approved in August 2023 and has set the guidelines for the awaited implementing decrees by the government. The announced intention is to reduce the number of



tax rates on income (called “IRPEF”) from 4 to 3 in the next Budget law, in order to impose a flat tax before the end of the legislature. At the same time, the corporate tax (IRES) will be reduced at certain conditions, along with the elimination of the tax on net production (IRAP).

Italy reports a tax wedge of 45.9% in 2022. But more than an indiscriminate tax reduction with regressive features, a progressive redistribution of the tax burden is needed. The 96% of the Income tax is paid by employees and retirees. At the same time, the tax rate on corporations will be reduced as in the past decades; favorable tax regimes are set for specific pressure groups and, in contrast with the government’s declarations, tax avoidance is being incentivized.

As a trade union, UIL asks for a substantial and progressive tax reduction for employees and retirees and a progressive and fair taxation of other forms of income, such as corporate profits, financial dividends and extra profits gained throughout the pandemic and inflationary crises.

UIL has not been involved in the preparative works for the reform. The hearings at which the trade unions have been invited proved meaningless and nothing more than a formality, their requests have not been taken into consideration.

#### [Reform of the Code on Public Procurement \(DL 36/2023\).](#)

The Reform affects all relevant legislation in an organic and widespread way, with strong criticalities from the point of view of workers' rights, transparency of tender assignments without ensuring effective speed and control over the quality of public works and services.

The New Code provides an opening for pirate collective bargaining by leaving excessive freedom for companies to enforce unrepresentative collective bargaining agreements that harm workers' protections.

UIL, CGIL and CISL have mobilized to demand legislative changes and have worked with The National Anticorruption Authority to prepare improved guidelines.

The government shows no intention to accept any of the proposals coming from the confederal unions (UIL, CGIL and CISL)

#### [Minimum income reform: from universalism to a categorical measure.](#)

The Law 85/2023 abolished the Italian minimum income scheme (Reddito di Cittadinanza - Rdc): a minimum income measure based on universalism. Two new measures have been established as a replacement: a specific allowance for social inclusion (Assegno di Inclusione - AdI), designed for households whose members are either over 60, minors, disabled or not self-sufficient, and a Support for training and work (Supporto per la formazione e il lavoro), accessible to people between 18 and 59 years old, considered “employable”.

Net of other measures, the budget for contrasting poverty has been reduced by over 1 billion euros. Almost half of the Rdc recipients are excluded. The instrument switches from universalistic to categorical. Employability based only on an age criterion. The issue of “working poors” is not tackled with adequate income integration. Single-income households are penalized without a corresponding increase for large families. The benefit is not indexed to inflation.



The reform fails to make the minimum income scheme universalistic as stated by the Principle 14 of the European Pillar of Social rights. It fails to establish a substantial in-work benefit to fight working poverty. It does not enhance the social services system providing sufficient resources.

Despite UIL's numerous requests to discuss the reform, the debate has stopped at hearings with the Parliament and the promises of a serious confrontation from the government have never been met.

#### No just transition for Italian workers?

The Ministry of Environment and Energy Security formally submitted the proposed update of the Integrated National Energy and Climate Plan (the Plan) to the European Commission. The latter sets national targets to 2030 on energy efficiency, renewables and CO2 emission reduction, as well as on energy security, interconnections, single energy market and competitiveness, development and sustainable mobility. With the updated Plan, Italy aims at meeting almost all of the EU's environment and climate targets by 2030, in some cases exceeding them. The final text is to be approved by June 2024.

There is a need to combine the decarbonization of our economies with the protection of workers and prepare them for the world of work. In this transition phase there is the need that no worker is left behind, since the ecological transition must push toward greater equity and social justice. Therefore, training is a key pillar in the implementation of the Italian Plan, as it helps to create a society that is informed and ready to face environmental challenges, promotes innovation and ensures that there are the skills needed for a successful transition to a low-carbon economy.

As UIL, we ask to be involved in the discussions with the government over this matter and on other strategically important environmental issues, from the outset of reforms and during project implementation and monitoring. We also call for regular comparisons at all levels, through structured and planned discussions on individual missions.

Therefore, we have long been calling for a constructive dialogue with the relevant ministry on issues that will affect the future of our country. We believe that it is essential to immediately start discussions with the social partners regarding the goals of the Plan, focusing on the specific sectors and aspects that affect the world of work and environmental protection. To date, however, a serious method of working with the government is lacking.

## GREECE

A biased transposition of Directive on Transparent and Predictable Working Conditions strongly penalises workers.

Greece suffered from terrible disaster this summer (fires and floods), and is suffering again with new floods and storms, which made the government to deciding for fiscal measures necessary to react to such emergencies. While no austerity measures are envisaged on the fiscal/economic side, other reforms may result quite harmful to workers, Greek workers still suffer from past austerity measures which today also limit their capacity to afford trade union actions that imply losses of wage, especially in the private sector.



This contribution will in particular refer to the case of transposition of Directive 2019/1152 on Transparent and Predictable Working Conditions which is creating huge problems to Greek workers. A new law transposing the EU Directive, that should be meant for the exclusive advantage of workers, includes grey areas and inconsistencies. Furthermore, there is little clarity, which the government commit to fix in the implementation stage.

What is at stake (also based on GSEE detailed proposals submitted to the Labour minister):

The new law presents a mixed set of measures attempting to bring rudimentary order on some aspects of informal and atypical work. In substance such mix of measures is assumed to circumvent the objectives of the EU Directive so that the trade union confederation, GSEE, is calling for an accurate and not flawed transposition of the Directive, demanding for the largest scope possible in order to extend protection to the highest number of workers and services by eliminating the exceptions and shady areas that the transposition law introduces.

Particularly harmful is Article 31 of the law that tend to criminalise the obstruction of an employee's work during a strike to the points that the GSEE is urgently asking to remove article 31 as it is contrary to the core of the constitutional provision on the protection of the right to strike.

GSEE also asks that arrangement of work time and conditions remain on sectoral or collective agreements opposing the law that gives this prerogative to individual contracts. More in general, the GSEE is opposing the attempt of the law to set constraints to free exercise of collective bargaining.

Below, 10 GSEE complains about the new Law:

- i) GSEE argues that in fact the maximum limit of 12 to 6 months of the probationary period is not reduced from 12 to 6 months as provided by the Directive as Article 19 of the Bill maintains in force the national legislation that stipulates that that an employment contract of indefinite duration can be terminated without notice and without compensation, during the first 12 months.
- ii) With regard to the possibility of parallel employment, GSEE proposed an explicit provision which prohibits to work for several employers belonging to the same group as the original employer. GSEE asks for the provision of penalties which would be explicitly mentioned in the Law and the relevant Ministry of Labour regulation protocol.
- iii) GSEE calls for intensive controls on working time to guarantee actual respect of workers right concerning working time in particular that maximum working time limits are respected for both daily and weekly hours, which cannot exceed a maximum period of four months or 48 hours on average—including overtime.
- iv) GSEE also wants that flexible working contracts could only be used to cover exceptional needs, so as not to undermine access to permanent jobs. They should not exceed 10% of the employees in a company and set a maximum time reference of 15 days.
- v) The working hours within the reference period should be limited to a minimum of 24 hours per week with the parties only being able to specify a greater number of working hours than the



minimum hours specified by law or any additional hours specified by the parties. 1/2 of these hours should be paid even if in case the employers does not call for. No derogations to the law provisions should be admitted. Any agreement between the parties that establish a lower number of paid hours than the ½ specified by law should be considered null and void by law.

vii) In case the employee request amending the working contract, according to a GSEE demand, the bill should provide that the employer, in case of refusal, uniformly for all enterprises, should provide a reasoned response in writing within 15.

viii) On the pre-declaration of modification of working hours in enterprises that have joined the electronic work card system, the rule of pre-declaration of work before the start of the modification should be maintained as this is the only way for effective control by labour inspectors.

ix) On the withdrawal of Article 21 which allows the employer to terminate an employment contract unilaterally if it exceeds 50 days, GSEE proposed for the decision to be taken after a court decision in case of justified absence of an employee.

x) The proposal of the GSEE aims to is to organically bring the Labour Inspectorate back under the control of the Ministry of Labour. The possibility of a sixth day of work, should be determined be done by a decision of the Supreme Labour Council, which will decide if there is an inability to find qualified personnel or an unforeseen workload.

#### Deterioration of working time arrangements

The new law brings about significant changes to working time, promoting greater and legitimizing deviations from standard working hours. These include:

- Allowing multiple or parallel employment, even under the same employer
- Adding a sixth workday for companies operating on a five-day system, with a prohibition on additional work (overtime) on that day and a 40% increase in pay for the 6th day.
- Extending exceptions to the Sunday work rule and permitting employers to individually arrange an employee's working hours.
- Granting companies using the digital working card system, exemption from declaring changes in staff working hours, provided changes are recorded on the employee's digital card. Failure to identify changes during inspections results in a fine of EUR 10,500 per employee, although the cross-checking method is unspecified.

For GSEE, the reference point for full-time work remains the 40-hour workweek, established by the 1975 Collective Agreement. Meanwhile, the definition of working time should be aligned with Directive 93/104/EC and its subsequent amendments, which serve as the basis for working time regulations. The Revised European Social Charter, ratified in Greece by Law 4359/2016, links the adoption of reasonable working hours to increased productivity and enterprise profit rates. According to GSEE:

- The new provisions do not align with the Directive at all and are tools for further labor flexibility, individualisation of labour relations and avoiding overtime pay.
- They expand of managerial prerogatives in individual employment contracts, allowing deviation from legal norms, which is a contentious issue.



- Working time and conditions should be determined through sectoral or collective agreements, respecting existing legal provisions, rather than relying on individual contracts.
- The concept of worker "consent" is problematic due to the unequal power dynamics between workers and employers, particularly in precarious work situations.

While strongly opposing the new Bill, GSEE is undertaking all legal supervisory avenues available at the national, European and International levels, including the ILO to settle the dispute.

## SERBIA

### Lack of social dialogue and lack of transparency leads to higher inequalities

The non-existence of genuine social dialogue, makes impossible for the Confederation of Autonomous Trade Unions of Serbia to present its view on the content of key laws and their influence on the employees' financial position such as the drafts laws determining economic policy (Law on Budget of the Republic of Serbia). They are not even being considered at the sessions of the Social-Economic Council.

According to the Confederation of Autonomous Trade Unions of Serbia, if systematic laws do propose any austerity measures, they primarily seek for savings from employees' salaries and rights stemming from compulsory social insurance system, such as the right to old-age and disability pension, right to the unemployment benefits, right to financial aid for families with children, social protection rights and other fees.

A concrete example of an area where the state makes savings, which negatively affects the standard of around 1.7 million of pensioners, is the method of pension adjustment – the indexation method. Since the Law on Pension and Disability Insurance was passed in 2003, it has passed through numerous phases, starting with 'Swiss formula', through gradual departure from it, to the point where there hasn't been a single formula for defining pensions. In 2023 the so-called modified 'Swiss formula', which takes into consideration the percentage of costs spent on pensions within the GDP, was introduced. The pension adjustment method does not ensure adequacy of pensions any longer, i.e. the average pension is far below 50% of the average wage in the Republic, not including taxes and contributions.

Trade union proposes the introduction of the institute of an extraordinary pension adjustment in case average pension turns out to be lower than the average wage, not including taxes and contributions in the Republic of Serbia.

Also, a significant part of **public procurements** that are being financed through the national budget are being handled without due transparency, i.e. contrary to the procedure envisaged by the Law on Public Procurement, which causes justified suspicion of corruption in this area. In its position on the 2024 Revised Fiscal Strategy with the projections for 2025 and 2026, the Fiscal Council states that there are numerous aspects of public policies which haven't been done correctly: employment and salaries in the public sector; social policy; public and state enterprises; selection and management of public investments; excessive environmental pollution; education; health and others. At the same time, the fiscal strategy of Serbia does not recognize these problems adequately nor does it envisage concrete reforms in those areas in order to considerably improve the quality of life for Serbian citizens.

For the past several years, a big part of **fiscal policy** in Serbia was not managed in a predictable and strategically thought-out way. Instead, important measures are being implemented





without necessary analyses, even without standard budget procedures (and their funds are being taken from the existing budget reserves).

In a short period, between two fiscal strategies, the Government adopted a whole set of measures, which were envisaged neither by the Law on Budget nor by the adopted Draft of Strategy – for example extraordinary increase of pensions and agricultural subsidies, increase of duty taxes in order to compensate for new expenses. For an extensive period of time only the broad fiscal goals were planned (for example, the size of budget deficit). However, economic policy which is managed within this scope is considerably susceptible to powerful changes ‘on the go’, which makes it unpredictable. This leads to the reduction in the quality of economic policy.

Ad hoc measures can only be a rare exception in the fiscal policy, not the rule (which is currently happening in Serbia). Such measures are usually inefficient and expensive and do not offer permanent solutions.

Increasing social challenges are supposed to be solved systematically in a permanent and fiscally responsible way. High inflation which is present in the **increase of food prices and energy** strongly affects the most vulnerable citizens of Serbia – who spend the largest part of their income on these products.

In practice non-selective payments to broad categories of citizens were made (pensioners, children, youth). On several occasions, the Fiscal Council underlined that the payment of financial aid to citizens, which doesn’t measure their actual needs, is not a justified social policy measure and this kind of practice should cease. Not only because these funds are paid to those who don’t need them, but because short-term measures cannot permanently improve the living standard of socially vulnerable citizens (which is supposed to be the primary goal of good social policy).

Unfortunately, not even the new Strategy brings systematic solutions to the current problems in the sphere of **social protection**. Also, the Strategy doesn’t make plans for systematic reforms of income taxation which would gradually become progressive and lead to tax relief for the supported members of the household. If this were included in the Government program, it would contribute to the reduction of inequality.

The Strategy doesn’t mention the lack of experts in the public sector which threatens the quality of **public services**. It has been more than ten years since the Strategy (for 2013) included the regulation of the salary and employment system in the public sector – by the inclusion of a unique and objective salary system and adequate systematization of work places. Deadline for its realization was extended. Such an approach now becomes particularly dangerous because a badly regulated salary and employment system started to affect the quality of public services in a very bad way. The decrease in the efficiency of VAT payment in 2023 is perceptible. The realization of public investments in the environmental protection is extremely low. In many other activities low efficiency is evident.

In the Strategy there is only the total amount of planned public investments for the future and the rest is not known. The biggest investment projects of the state, the criteria by which they are selected and the amount of allocated resources for each of them are not disclosed.

Short-term macroeconomic estimations are overly optimistic. Quantitative forecast of the employment and salary developments in the next years are not explicitly reported. However, this is





immensely important for the assessment of the quality of fiscal projections (primarily contributions, which are the biggest part of the state budget).

The biggest part of the Fiscal strategy relates to the measures that have already been taken while little was said about concrete future plans (even though this should be the essence of a strategic document). The majority of mentioned reforms was presented only in general terms, without concrete, detailed measures and deadlines for their adoption.

According to the aforementioned, we may conclude that there is a necessity for the trade union to affect economic policy, which is not possible under the current procedures and practices.