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Employment Rates Report 1998

Employment Performance in the Member States

(presented by the Commission)

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EXECUTIVE SUMMARY

The employment rate is an effective measure of the performance of an economy in providing jobs for all those who are able to work. Using this rate focuses attention on employment and the employment potential of the non-employed, which includes both the 'economically inactive' and the unemployed. The aim of this Report is to present a brief analysis of employment performance in the Union in the recent past and to draw some conclusions about the potential contributions that individual Members States could make to achieve the desired significant increase in the employment rate.

At 60½%, the employment rate in Europe indicates a potential for employment expansion which is already used up in major trading partners such as the US and Japan. Twenty years ago employment rates in the EU and in the US were similar. In 1997 the spread was 14 percentage points, equivalent to some 34 million jobs. Reversing this trend would be beneficial for economic, demographic and social reasons.

The analysis of employment rates by age group shows where the differences between the EU and the US lie. Employment rates for prime age males (25-54) are broadly similar to those in the US. Conversely, employment rates for young people (15-24), for prime age women and for older people (55-64), especially men, are much lower in Europe. They also vary widely within the EU.

High overall employment rates depend on both demand as well as supply side factors:

- GDP growth is the primary determinant of employment growth but not necessarily of high employment rates.

- The gap in employment between the Europe and the US is not in agriculture, manufacturing, or the public sector, but in the services sector. The difference in employment rates is particularly marked in three sectors: communal services, business services and distribution, hotels and restaurants.

- The differences between the Member States with high and low employment rates is essentially in these same sectors. Performance in the Member States varies widely. In 3 Member States - Germany, France, Italy - that together represent 50% of total EU employment, growth in these sectors has been below average.

- High employment rates in Member States are associated with high rates of growth of employment of women. These could be improved by reforming the tax/benefit systems and childcare provisions.

- High overall employment rates are also associated with high youth employment rates. Combining education or training courses with part-time jobs could allow young people over 18 to remain in education or training beyond basic schooling and for them to start working.

- Employment rates in the older age groups are either low (women) or declining (men). Reversing trends towards early retirement will make an important contribution to raising the employment rate overall.

- Part-time work is an important factor behind high overall employment rates; a high degree of flexibility in working time improves the employment performance, both

from the demand side, as it is helpful for enterprises, and on the supply side, as it is easier for individuals to combine work and other responsibilities (family, education etc) .

- High overall employment rates are associated with high rates of educational attainment.

- Factors such as the taxation system, the way benefits operate, regulations on business and labour can be conducive to more employment or discourage it. They differ in each Member State and the particular way they interact is important in determining their overall impact.

This Report points to the areas where action could be taken to remedy this situation on the demand side and on the supply side of the economy. It suggests that the broader policy framework be constructed in such a way that it is conducive to the creation of jobs and that barriers which hinder employment be removed. The European Union has put in place an integrated strategy based on agreed Broad Economic Policy Guidelines and the Employment Guidelines. This strategy requires a continuation of sound macro-economic policies and structural reforms.

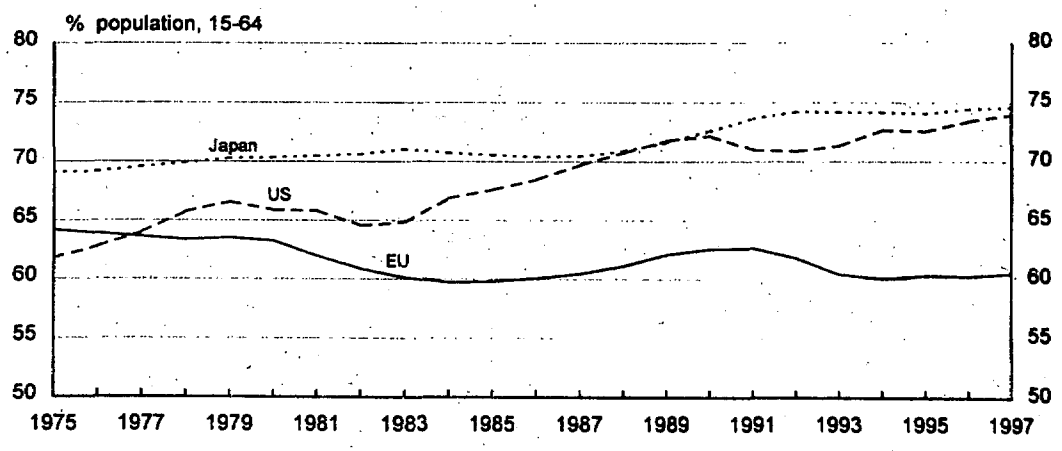
The Member States submitted their National Action Plans for implementing the Employment Guidelines by April 1998 and implementation reports by the end of July. These demonstrated clearly that the Member States are now responding to the employment challenge. The conclusions of this Report provide further elements which will be taken up in the Commission's proposal for the 1999 Employment Guidelines.

1. INTRODUCTION

In recent years greater attention has been given to the employment rate (the number employed relative to population of working-age) as an effective measure of the performance of an economy in providing jobs for all those who are able to work. Using this rate focuses attention on both employment and the employment potential of the non-employed, which includes both the 'economically inactive' and the unemployed. Unfortunately the EU employment rate has declined over the last 25 years from 65½% in 1973 to 60½% in 1997, and this is not just the consequence of high unemployment in Europe. If half of the people currently unemployed were in employment (bringing the EU unemployment rate to the level of the US), the employment rate would be 64%, still well below the levels of the US and Japan. However the European employment potential goes beyond the unemployed to include the economically inactive population. Reversing the downward trend would be beneficial for at least three reasons.

First, there is the economic reason. The low employment rate in Europe means that

1 Employment rates in the Union, US and Japan, 1975-97



there is a high level of unused potential labour stock, and this represents a sizeable economic growth potential for the EU beyond the growth resulting from labour productivity increases. Employing these under-utilised resources could help to significantly increase growth in the EU on a lasting basis[1]. This opportunity should now be seized.

The second reason is linked to demographic developments and the ageing of the workforce in the EU. In 1985 life expectancy for men aged 60 was 17½ years, and the employment rate of men aged 55-64 was 54%. Ten years later, life expectancy for men aged 60 had increased to 19 years, but employment rates for the 55-64 age group has fallen to 47%. Higher employment would, therefore, also help to greatly

[1] The Commission has already made this point in the Communication 'Growth and Employment in the Stability-oriented Framework of EMU', COM (98) 103 of 25.2.98.

alleviate difficulties in Member States' public finances and social security systems arising from an ageing population[2].

The third reason is linked to social cohesiveness. It is important for as many individuals as possible to have an attachment to the world of work and to contribute to, as well as participate in, active society, and enjoy the benefits of progress and prosperity. It is important also to close the gender gap: in 1997 the gap between male and female employment rates was 20%, although it has declined from 26% in 1990. Women and men should be able to participate in work on equal terms with equal responsibilities in order to develop the full growth capacities of our economies.

It was against this background that at the Extraordinary European Council in November 1997, the Heads of State and Government called upon the Commission "to submit every three years a Report on the evolution of employment rates in Europe."[3] The aim of this first Report is to present a brief analysis of employment performance in the Union in the recent past and to draw some conclusions about the potential contributions that individual Members States could make to achieve the desired significant increase in the employment rate[4]. Overall sustained economic growth is the main pre-requisite for increasing the employment rate, but the employment content of growth also needs to be improved.

2. IDENTIFYING THE EMPLOYMENT POTENTIAL

Taking the EU as a whole, twenty years ago the employment rate matched that in the US but by 1997 it was 14 percentage points lower. In 1997 the employment rate in the EU was 60.5% compared with 74% in the US, ranging from only 48.6% in Spain to 77.5% in Denmark (Table A1)[5]. Furthermore, there are also substantial regional variations in employment rates within Member States which sometimes exceed those between them. Both present levels and trends of employment rates need to be examined because in some countries low initial employment rates are marked by a positive upward trend, while the performance of other Member States which had above average employment rates in 1985 has deteriorated.

Over the period 1985-97, employment rates increased by more than the average in six Member States (Netherlands, Ireland, Spain, Portugal, Belgium and UK). They fell slightly in Italy, Germany and France, and sharply in Finland and Sweden. The

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[2] For further details see European Economy, n°56, 1994, Analytical Study n°5.

[3] Presidency conclusions, Extraordinary European Council Meeting on Employment, Luxembourg, 20 and 21 November 1997

[4] This report builds on previous work presented mainly in the *Employment in Europe* reports of previous years.

[5] All the figures presented in this report are based on Eurostat data, in particular the Employment Benchmark series, which allows to go back to the 1970s. The Expert Group on Indicators in the Employment and Labour Market Committee is currently examining different ways of calculating the employment rate. These are discussed in a box in Part I Section 1, in the 1998 Employment in Europe report.

employment rate therefore remained virtually unchanged overall, while in the US and Japan they increased significantly (Graph 1).

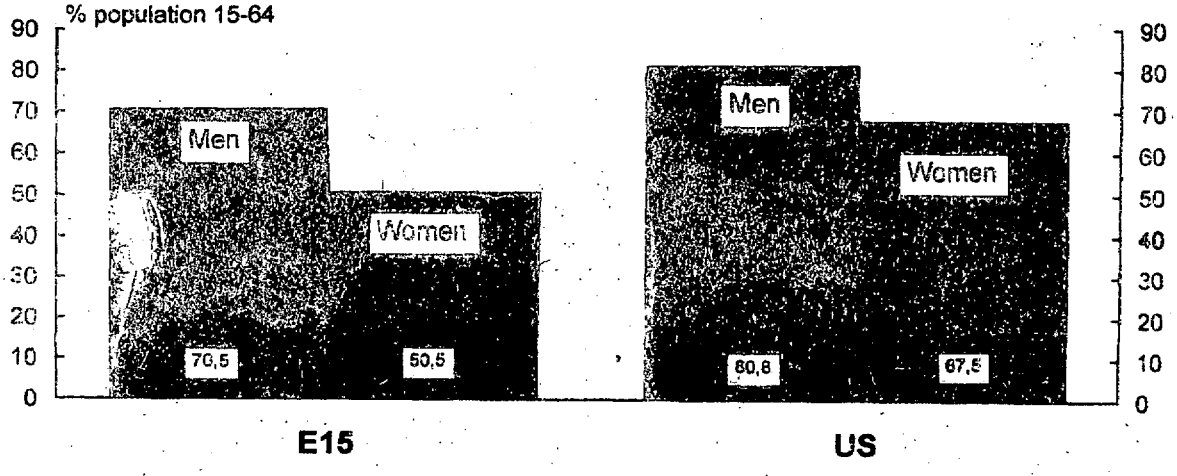
Increases in employment rates over this period were mostly in the employment rates of women, with the employment rates of men rising very little or falling.

An analysis of employment rates by age group shows where the differences between the EU and the US lie. Employment rates for prime age males (25-54) vary by much less than the total, with an average of 84% in the Union only slightly below the rate of 88% in the US. Conversely, employment rates for young people (15-24), for prime age women and for older people (55-64), especially men, are much lower in Europe than in the US and Japan. They also vary widely within Europe.

2.1. Employment potential of women

Standard employment rates for women are lower than for men by around 21% in both the 25-54 and 55-64 age groups, although this gap is decreasing for both groups. The employment rate for prime age women in the EU is 61.9%, much lower than the 73.6% in the US, and the difference is even greater for women aged 55-64 (25.9% in the EU against 49.5% in the US).

Employment rates of men and women in the Union US, 1997



Employment of prime age women increased everywhere in the period 1985-1997 except in Sweden and Finland where employment rates were already at around 85% in 1985[6]. Comparing the starting positions in 1985, different developments in employment rates of prime age women can be identified.

- In one group of countries (Greece, Luxembourg, Ireland) employment rates of prime age women were below the EU 15 average in 1985, and had not caught up by 1997. Spain remains below average although it had one of the biggest increases.

- In another group they rose significantly over the period: in the Netherlands from below average to average, and in Portugal from average to high

- Conversely, in several large countries (France, Germany and Italy) the increase in employment rates of prime age women has been low or at best average.

Women therefore represent a significant potential for increased employment in the Union given the right incentives and opportunities. Increased employment rates of women can, however, only be achieved over the long term by raising employment of women in the younger age groups and ensuring the conditions for them to stay in employment for a longer period of their working lives. From a comparison of employment rates for women and men, it emerges that differences are least marked in the youngest age group and reach only 7 percentage points at the EU level. In the Netherlands, Sweden and the UK women and men aged 15 to 24 have basically the same likelihood of being employed.

2.2. Employment potential of young people

In the period 1985-1997 the trend to lower employment for young people is evident: employment rates for the age group 15-24 declined by nearly 2 percent per year both for women and men at EU level. This is a welcome development in that young people stay longer in initial education and training.

Employment rates for young people (15-24 year olds) range from 24.4% in France to 69.4% in Denmark - a spread of 45 percentage points. The average for the Union as a whole, at 36%, is some 15 percentage points below that of the US at 52%.

The trend towards lower employment for young people was the same in all countries except in Denmark, where youth employment remained stable, and in the Netherlands, where it increased. In these two countries the proportion of young people in education and training was also among the highest in the Union (40% and 29% of this age group respectively combined education and employment in 1996.) Thus the possibility of combining education or

[6] In fact, they increased in 1990 and fell in the subsequent recession.

training courses with part-time jobs allows for relatively high numbers of young people over 18 to remain in education or training beyond basic schooling and for them to start working. The experience in Member States such as Germany and Austria suggests that combined systems of education, training and work facilitates and encourages the integration of young people into the labour market.

2.3. Employment potential of the over-55s

If employment rates for the over-55s were everywhere at the level of the three best performing Member States, i.e. at 50% rather than the present EU average of 36%, the overall EU employment rate would be 2½% points higher.

Above 55 years of age the decline in employment rates for men becomes marked in all countries. In Belgium less than 50% of the age group 55-59 are in employment. In the age group 60-64, early retirement becomes the norm. Only in Sweden, Portugal, Ireland, Greece and the UK does the employment rate approach 50%. Compared with 1985, employment in this age group decreased everywhere, with an average decline of 8 percentage points across the EU to 46½%.

As younger cohorts with higher participation rates have become older, the employment rate of women has increased in nearly all countries since 1985, although it is still at low levels: 23.6% in 1985 and 25.9% in 1997. Only in Sweden are more than 50% of women aged 55-64 in employment.

2.4. Full-Time Equivalent Employment Rates

The difference in employment rates between Member States tends to be reduced if full-time equivalent employment rates are taken into account, but there is still a difference of 23 percentage points between the Member States with the highest level of full-time equivalent employment (Austria and Denmark) and that with the lowest (Spain).

Full-time equivalent (FTE) employment rates take account of part-time working and the usual hours worked by part-time workers relative to full-time employees. They are adjusted by calculating the ratio of average hours worked (for each age group), relative to average hours of full-time workers, which allows the conversion of the standard employment rate into a full-time equivalent. Thus full-time equivalents measure the volume of employment, while standard employment rates measure how many people have a job.

Graph A1 shows a comparison of simple and full-time equivalent employment rates in Member States in 1986 and 1997. FTE employment rates are about 2% points below the normal employment rates for men in the EU, but 8% points lower for women, reflecting the higher part-time content of female employment.

Differences in employment rates are only partially explained by looking at full time equivalent rates. All of the countries with below average rates of employment also had below average levels of part-time working. Adjusting

to full-time equivalents, therefore, has comparatively little effect on the employment rate in these Member States. Conversely, most of the countries - the main exceptions being Austria and Portugal - with relatively high rates of employment also had higher than average proportions of people working relatively short hours.

3. FACTORS AFFECTING EMPLOYMENT RATES FROM THE DEMAND SIDE

The previous chapter explained the substantial potential which the labour supply could create for increased employment in Europe. Exploiting this potential would clearly bring economic and social benefits. The European Union has established an integrated framework for economic and employment policies designed to improve over time its capacity to create jobs in line with this employment potential. This chapter identifies where action would be appropriate on the demand side.

3.1. GDP Growth and employment

Employment creation is strongly related to GDP growth: in fact, over the last 20 years, and 3 economic cycles (peak-to-peak), there has been a very close relationship between the rate of GDP growth and the change in employment. According to this long-term trend, GDP growth of 2% (or over) a year is needed for job creation[7]. Economic policies, both macro-economic and structural measures on the demand side, encourage economic activity. At the same time, structural changes introduced by the supply-side measures (discussed below) influence the growth potential. The growth of productivity and improvement of living standards is directly linked to the capacity of the European economic and social structures to encourage and manage structural change.

This very stable 2% trend at the Union level does not reflect differences between Member States (Graph A2). Increases in long-term labour productivity vary from just under 3% in Luxembourg, Finland and Germany, and 4% in Ireland, to around 1% in the UK, Netherlands, Belgium and Greece (as in the US). Moreover, the rate of growth of productivity has increased in some countries over time and decreased in others.

High or low employment rates cannot be easily related to the level of per capita income of a country. Three of the countries with low employment rates, Spain, Ireland and Greece, are among the countries with below average per capita GDP in the Union. On the other hand, Belgium has a low employment rate and is among the most prosperous Member States, while three of the five countries with the highest employment rates, Portugal, UK and Sweden, have levels of income per head below or around the EU average.

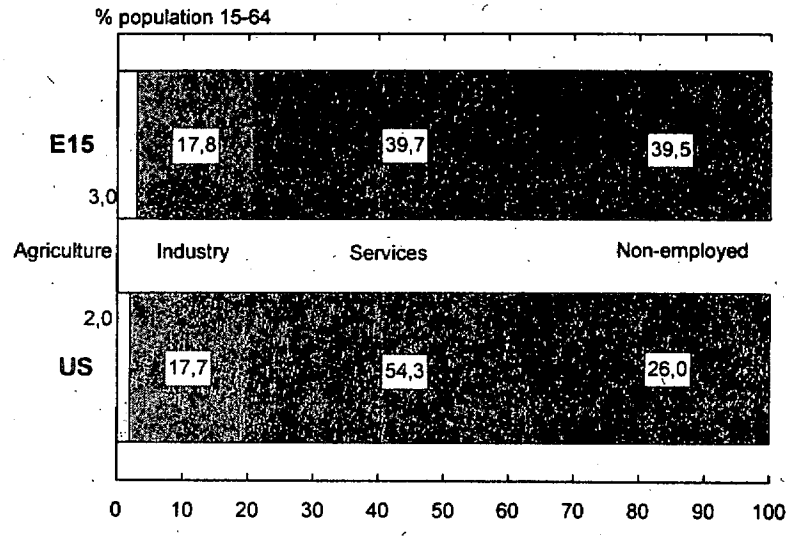
[7] See the Commission Communication 'Growth and Employment in the Stability-oriented Framework of EMU', COM (98) 103 of 25.2.98

3.2. Developing the Services Sector

Analysing employment rates by sector indicates the way in which the potential labour force in individual Member States could be utilised. Such sectoral analysis reflects the relative weight of these sectors in the economy taking into account productivity and value added.

Employment as a share of total employment in the EU is 5% in agriculture, 29.5% in industry and 65.6% in services, compared to 2.7%, 23.9% and 73.3% respectively in the US. However an analysis by employment rates shows that activity in agriculture and industry is roughly similar in the US and the EU, (3.1% and 18.2% respectively in the EU, 2.0% and 17.7% in the US). Conversely, employment in services accounts for only 39.2% of working age population in the EU in 1997, while it accounts for 54.2% in the US (Table A4)[8].

Employment rates by broad sector, 1997



Future increases in the overall employment rate will depend on an expansion of jobs in services. The scope for this seems substantial. In Denmark, Sweden and UK, employment in services already amounts to 50% or more of working-age population, and in several Member States it has increased substantially since 1985. In Italy, France and Germany, this percentage has hardly increased at all over this period.

[8] Within the EU, agriculture is still an important sector in Greece, Portugal and Ireland, with more than 6% of working age population in 1997. In Germany, Austria, Denmark and Portugal industry employs more than 20% of the working age population.

Employment in Europe is significantly lower than in the US in *all* services sectors. The evidence shows that this applies not only to low skilled jobs but also for highly skilled ones: there is a difference of around 3 percentage points for hotels and restaurants and distribution, but also for communal services and business services. Within 'communal services', the US employs relatively less people in public administration, but this is more than offset by employment in education, health and social work and even in recreational activities (Table A5). The spread of information technology will accelerate the number of jobs in high skilled service activities, and the trend towards more high-skilled occupations. Environment related jobs also show a potential for job expansion, particular in communal and business services[9].

Comparison between Member States shows that countries at a comparable level of development with high employment rates have high levels of employment in all services sectors. For example, the Netherlands and UK have a high level of employment both in distribution and in health and social work; Sweden and Denmark have a high level of employment not only in health and social work and education, but also in business services. Conversely, Germany and Italy fare relatively badly in employment in distribution, but also in business services, in education, health and social work. France performs relatively poorly in distribution and hotels and restaurants, but also in finance and insurance.

Some Member States already have levels of employment in some services sectors comparable with those in the US. But since employment in services as a whole tends to increase in importance as real income grows, it is important to analyse the trends over time in order to identify the potential for further increases. Communal services, financial and business services and distribution, hotels and restaurants are considered separately.

3.2.1. Communal services

This is the sector where there is the greatest difference in employment between the Member States and in comparison with the US. It includes education, health, social services, recreational services, public administration and consequently involves various levels of qualifications and skill levels. In 1997, the US and the EU each had 44 million workers employed in communal services. In the US, however, this represented an employment rate of 21.4%, in the EU an employment rate of 17.8%.

In 1985 employment in this sector was 15% of working age population in Germany and Austria, 18% in Belgium, France, Netherlands and UK, 21% in the US and 26% in Denmark. By 1997 it had increased everywhere except in Denmark, but only by 2 percent in the EU countries as a whole while it increased by nearly 5 percent in the US. This means that the US has reached

[9] See the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety - Environment Policy- Updated calculation of the impact of environmental protection on employment in Germany – September 1996

the level of employment of Denmark in these sectors, and this notwithstanding the very different ways these services are provided.

Demand for at least some of these services seems to be related to the level of female participation in the workforce, rather than on the ownership structure of these services (public or private). Higher employment of women also creates jobs to cater for activities such as child care or care for other dependants which were previously unpaid. In the same way, increasing the quantity and quality of the labour force also requires improvements in the supply of education, which creates employment in the sector. In this way demand and supply reinforce each other.

Public policy could contribute to such developments in two ways : on the one hand, a more determined transition from passive to active measures based on an employment-supportive restructuring of public expenditure; on the other hand, the development of various forms of public/private partnerships and the promotion of the 'social economy'.

3.2.2. Distribution, hotels and restaurants[10]

15% of working age population was employed in distribution, hotels and restaurants in the US in 1985, and 16% in 1997. In the EU in 1997, the average share of employment in these areas was 11.2%; in Austria and UK it was almost 15%. These are traditionally low wage sectors and higher employment in the US can be accounted for by greater possibilities of hiring at low wages, as well as by the more 'consumer oriented' nature of US society. Employment trends in these sectors have varied between countries with increases in Austria and the Netherlands, (in both countries by around 3 percent) the UK, Belgium and Denmark, but decreases in Germany and Italy and employment remaining stable in France. The solution could lie both in a liberalisation of product and service markets, as advocated by Community policy since the creation of the Single Market Programme[11], as well as in the reduction of non wage labour costs for relatively unskilled and low wage jobs[12].

3.2.3. Financial and business services

The relative lack of employment in services is not only in the 'low quality' sectors. Employment in financial and business services was 6.9% of working age population in the US in 1985, while in Member States with a similar level of development it was the highest in the UK at 6.2%, but only 3.7% in Austria. By 1997, however, in UK, Netherlands and Denmark it was higher than in the US, and Austria was also catching up, since in all these countries employment had increased by more than 3 percent in this sector. Conversely,

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[10] These sectors have to be taken together in order to allow comparability with the US figures.

[11] See also 'Economic Evaluation of the Internal Market', European Economy N° 4, 1996

[12] See also the Broad Economic Policy Guidelines 1998

in France and Germany the increase was only 1%, with the end result that their financial and business sectors are relatively smaller than in the other countries (6.3% and 5.7% respectively). Obviously this is not the result of restrictive budgetary policies as these services are largely in the private sector, but rather the consequence of various administrative and legislative obstacles to the creation of new enterprises, and rigidities in the services and products markets. These services are not only creators of employment in their own right, but also create value-added as inputs into industry and other services. This generates more economic activity and in turn creates new employment opportunities. Insofar as these sectors are major users of information technology, the further growth of employment also has implications for policies to deal with skill shortages.

The long-term trend is clearly to increasing employment in services, but policies and structural reforms could accelerate it by addressing structural weaknesses and by encouraging activities in areas of unmet demand (for example, through the social economy and local development policies).

3.3. Part-time Work

Availability to work part time on a voluntary basis is one of the determinants of high employment rates for some categories of people, such as mothers, young people still in education and people nearing retirement. Part-time employment is relatively limited among men and concentrated on the younger or older workers with the result that FTE employment rates differ most in these age groups. In contrast, for women the differences are largest among the prime-age group.

A comparison of the standard employment rate with the FTE rate by age group for 1996 shows that for prime age women the difference reaches over 20% points in the Netherlands, and over 10% points in Germany, UK, Sweden, Belgium and Austria (Table A6). For young and older people, the possibility of combining work and education has a positive effect. Those countries with high youth employment rates also show great differences between standard and full-time equivalent employment rates, and the same is true for countries with high levels of employment in the older age groups (Ireland, Greece and Portugal have high employment in older age groups without great use of part time because they still have a big agricultural sector, but this cannot be considered a model for other countries).

While part-time work suits many people because of the flexibility involved, it should also be noted that some of those working part-time do so because they have not been able to find a full time job. In the EU in 1997, 20% of those working part time say they do so because they could not find a full time job, ranging from under 10% in the Netherlands and Austria to nearly 40% in Greece, Italy and Finland.

This analysis suggests that the level of part-time working can have a significant impact on the number of jobs generated by a given volume of

work. This explains why many Member States are now promoting opportunities for part-time work[13].

4. FACTORS AFFECTING EMPLOYMENT RATES FROM THE SUPPLY SIDE

4.1. Making Childcare Available

Family circumstances is without doubt one of the main determinants of the overall lower employment rates for women than for men. The influence of family circumstances has changed noticeably since 1986. In 1986, marriage had a strong effect on employment rates in every country for which data is available, except Denmark and the UK (Table A2). In 1997 the EU employment rate for single women aged 30-39 is 83.5%, higher than that for married women without children at 75.6%; for married women with children under 5 the rate is much lower at 53.9%.

Performance is not uniform across the EU: in Belgium, Portugal, Sweden and Denmark the institutional and cultural context is such that family events do not influence labour market participation; in Italy, Greece and Spain marriage is still the main determinant of withdrawal of women from the labour market; in the remaining Member States the birth of a child is the major cause of withdrawal. The extent to which withdrawal from the labour market is a permanent or temporary phenomenon is not clear. In the EU as a whole, women with older children have slightly higher employment rates, indicating temporary withdrawal for some groups. In all cases, employment rates are lower than for women without children.

Over the last decade behavioural patterns have been changing very rapidly and women have continuously increased their participation in the labour market, whether the institutional arrangements available to deal with changing family circumstances were conducive to employment or not. Nevertheless it is clear that better provisions for childcare, and care for other dependants could further enhance the participation of women in the labour market by limiting the withdrawal effect for mothers with young children[14] and other dependants. A greater sharing of family responsibilities would also facilitate womens' participation but it does not appear to be evolving at a satisfactory pace. In 1997 in the Netherlands, one of the countries where childcare responsibility is most shared, men with young children spent an average of 14 hours a week looking after their children and women 30 hours

[13] They are supported by the Framework Agreement on part time work concluded by UNICE, CEEP and ETUC of 15.12 1997

[14] The communication Proposal for Guidelines for Member States Employment Policies 1998, COM (97) 497 of 1.10.97 mentioned the importance of increasing the provision of childcare. See also 'Reconciliation between work and family life in Europe', Document of the European Commission services, 1998

a week[15]. Without better childcare and a greater sharing of family responsibilities it will be impossible to close the gender gap.

4.2. Raising skill levels

More young people staying longer in initial education and training leads in time to an upgrading of the education level. This can be considered as an initial investment as in all countries higher education attainment levels imply higher employment rates, for all age groups, and for both women and men (Table A3).

The differences between Member States are also narrower when only high educational attainment levels are considered. Within the total population of prime age (25-54), employment rates are over 80% everywhere except Spain, while for the lower educated they range from about 54% in Spain and Ireland to 75% in Portugal.

The main effect of educational attainment is on employment rates of women. For prime age women, the average spread across the EU is 33 percentage points, as employment rates are 81.1% for highly educated women, and only 48% for lower educated women. Employment rates of women are higher for those with higher education levels for all age groups, single or married and with or without children. The effect, however, is more marked for women with children than without, particularly children under 5, reflecting perhaps the differential ability of women with high as opposed to low education levels to cover the cost of child care as well as to find a job and the different attitudes towards pursuing a working career.

The potential for raising the employment rate through raising skill levels across the labour force depend also on the availability of, and easier access to, education and training throughout working life and the development of positive attitudes to employment and self-employment in the school and university systems. The provision of education and training are key requirements for gaining and maintaining employment. This is becoming even more important in view of demographic trends as there will be less new entrants in the labour market.

Raising the level of skills is becoming more and more important in order to increase productivity and improve competitiveness. In this context, ICT literacy is vital. More than just learning technology, it is important to learn with technology, learning to use information and learning to work in the new organisational arrangements required by the information society.

4.3. Reversing early withdrawal from the labour market

The reversal of the trend towards early retirement has an important role to play in increasing employment rates, since exit from the labour market through early retirement or disability is usually a definitive choice, leaving

[15] Source: Maassen van den Brink & Groot (1997).

no possibility of returning to work afterwards. This requires a fundamental change both in employers' perceptions of the productivity of older workers as well as in the underlying labour market situation.

Declining participation among older men may be the result of a combination of job shortages, lower mobility and inadequate skills rather than the wish to retire early. A 1993 survey[16] revealed that nearly two-fifths of the retired in the then 12 Member States would have liked to have continued to work, and over half of them would have liked to have continued working in a part-time capacity. This is reinforced by the fact that those who retire early tend to have relatively low levels of educational attainment. There is also evidence of under-representation of older workers in training programmes. According to the Labour Force Survey, only 1.2% of 50-64 year olds in employment receive training compared to 3.4 % overall.

Declining participation has also been reinforced by policies which encourage retirement through a labour market use of disability schemes. These issues have been addressed by the Commission in its communication 'Modernising and Improving Social Protection'[17] Such policies are being reversed in Member States, and this may be beginning to have some effects. In 1996, the first year of significant job growth since 1990, the decline in the participation of older men slowed down.

5. INFLUENCES OF THE BROADER POLICY FRAMEWORK

Factors such as the taxation system, the way benefits operate, regulations on business and labour can be conducive to more employment or discourage it. They differ in each Member State and the particular way they interact is important in determining their overall impact.

5.1. Taxation

Taxation has important effects on the functioning of the labour market. Taxes on labour are often highlighted as one of the main culprits of high unemployment in Europe, as they increase labour costs and may also affect the composition of labour supply and demand.

Over the last 15 years the development of taxation systems (taxes and social security contributions) shows a fiscal bias unfavourable to employment-creation in most Member States. On average in the EU between 1980 and 1996 the burden of taxes and charges on labour has increased steadily (from 35% to almost 43%), whereas it has decreased for other factors of production, mainly capital (from 42% to 36%) and has remained stable for consumption (close to 14%).

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[16] Eurobarometer survey commissioned for the 1993 European Year of Older People and Solidarity Between the Generations

[17] COM (97)102. Commission Report 'Social Protection in Europe 1997 - Executive summary' COM (98) 243

The effect of taxes on labour demand takes place through increasing the relative cost of labour, thus inducing the substitution of labour by capital. Taxes also seem to affect the composition of labour demand: capital and skilled labour seem to be complementary, while unskilled labour shows a certain degree of substitution with capital. Consequently, high taxes on labour tends to reduce the demand for low-skilled labour.

The incidence of taxes can be magnified if the degree of competition is also low in product markets (since taxes can be easily shifted forward on product prices), and may also depends on the kind of wage negotiating mechanisms prevailing in labour markets.

Targeting the reductions of taxation of labour at the lower end of the wage scale is generally expected to be more effective in terms of employment, owing to the higher price elasticity of labour demand in this bracket. As the budgetary room for manoeuvre in most Member States is limited, a reduction of taxes on labour must be compensated for by increasing taxation on other factors. Studies on the potential impact on employment of various reductions in non-wage labour costs indicate, on the whole, that the most favourable results for employment are obtained if the reductions are targeted at the low-paid and directed at new hirings, which allows the reductions to be substantial.

The alternative tax bases to realise such a shift are taxes on consumption (VAT, excise duties or green taxes on consumption) and taxes on other factors of production (physical capital, financial capital, energy). The weakness of excise duties and green taxes on consumption (final or intermediate) is their presently narrow base. A shift to taxation of financial capital is also limited by its high mobility which can easily erode the tax base. Therefore, to have a substantial impact on employment, a taxation shift away from labour requires a set of measures covering all other tax bases.

It must be stressed that a reduction in labour taxation is not sufficient to create employment if it is implemented in isolation from other employment measures. But it is an important condition for the efficiency of these other measures.

Other considerations relating to the tax system concern female participation. It may be affected by whether the tax unit is the household or the individual. Moving towards the introduction of the principle of the individualisation of social security rights could facilitate womens' access to the labour market[18]. Finally, in addition to high indirect wage costs the administration of complex tax and social security schemes may also constitute an obstacle to employing people, especially for SMEs which are generally more labour intensive than larger companies.

[18] Bulletin on women and employment in the EU, n°9, October 1996

5.2. The Benefit System

A further argument is that unemployment benefits are so high that the unemployed are discouraged from looking for work. The evidence shows that benefit levels were around 50% in relation to previous earnings on average in 1993 (Graph A3). It is more relevant, however, to analyse net replacement rates, where taxation, family benefits and housing benefits have been taken into account, and their effect on work incentives.

Net replacement rates differ according to individual circumstances and family structures. While net replacement rates tend to be higher for couples with children compared to couples without children, they tend to be higher for low-wage workers for all family types, and this could be a disincentive to looking for work. Taking into account the variation of replacement rates over the unemployment spell, there is no general pattern. There is also no correlation between whether a country has high or low employment and whether net replacement rates increase or decrease over time. Indeed, it is not so much the level of benefits which determines the disincentive effects on employment, but rather their maximum duration and whether job search is combined with the strict application of the benefit rules . The functioning of benefit systems, especially means-tested ones, may also hinder female participation, if the receipt of a small wage makes the household ineligible for benefits[19].

5.3. Public Expenditure

Another view is that total public expenditure crowds out private investment and as such acts as an impediment to high employment. Graph A4, which relates total public expenditure to employment rate, does not confirm this view.

As regards the composition of public expenditure, the Commission has called for a selective restructuring of public expenditure and the Broad Economic Guidelines have recommended a re-focusing of public expenditure to favour productive activities such as investment in infrastructure, in education and training and in active labour market measures to help people into employment.

However a number of Member States have had difficulties in achieving such a shift. Not only has the relative growth in active labour market measures been modest, but there has been a significant decline in public expenditure on fixed investment.

Since the Florence European Council in 1996, there has been a growing recognition of the need to enhance the role of public expenditure in promoting growth and employment, especially through investment in education and training. Shifting the focus of expenditure to these areas will be a critical element in the success of the strategy.

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[19] Bulletin on women and employment in the EU, n°9, October 1996 !

5.4. Labour Market Regulation

It is argued that excessive labour market regulation discourages employers from hiring workers. Labour market regulation is a multi-faceted concept including employment protection legislation, hiring and firing conditions, contractual relationships, working time and wages. There is no simple relationship between labour market regulation and employment. While some countries with less regulated labour markets have higher employment rates, others such as Austria and Sweden with more highly regulated labour markets perform well in terms of employment performance.

In the past twenty years, in general, regulations have been changed in many Member States. Most of such reforms have tackled the difficult challenge of finding an appropriate balance between the need for flexibility on the part of employers, and security on the part of employees. The role of appropriate labour market regulation to bring about greater flexibility in the functioning of the labour market is increasingly recognised.

6. THE WAY FORWARD.

This Report presents the main data on employment rates in the European Union.

The analysis shows that the current employment performance of the EU, as measured by the employment rate, is lagging significantly behind that of the US, and that there is, therefore, a considerable potential for expansion of employment in Europe.

This Report has clearly demonstrated that within the Union, existing performance varies widely, and that therefore the starting point, and the possible future performance of individual Member States is different. These positions are shown in Graphs A5-A8 which show the employment performance of Member States.

- One group of countries (UK, Austria, Portugal, Belgium) have a relatively flat employment performance –albeit at a high level, with the exception of Belgium – and some moderate increase in the employment rate is possible.

- The second group (Sweden, Finland, Denmark and Germany) have all suffered sharp declines from previously very high employment rates (except Germany), and could return to these high levels. In general, such a trend is already underway. In the case of Germany, the sharp fall in the employment rate after unification in 1990 is linked to the transition from a planned to a market economy in the new Länder.

- The third group (Spain, Ireland, Luxembourg, Netherlands) have all achieved a sharp upturn in their employment rates in recent years, albeit from generally low levels, and this trend is expected to continue.

- The final group of countries (France, Italy, Greece) are those where an upward change in the trend of employment rates is required.

The gap in employment between the EU and US is not in agriculture, manufacturing, or the public sector, but in the services sector. The difference in employment rates is particularly marked in three sectors: communal services, business services and distribution, hotels and restaurants. The differences between the Member States with high and low employment rates is essentially in these same sectors.

Performance in the Member States in creating jobs in the services sector generally, and these sectors in particular, varies widely. In 3 Member States - Germany, France, Italy - which together account for 50% of total EU employment, growth in these sectors has been below average.

This Report points to the areas where action could be taken to remedy this situation on the demand side and on the supply side of the economy. It suggests that the broader policy framework be constructed in such a way that it is conducive to the creation of jobs and that barriers which hinder employment be removed. The European Union has put in place an integrated strategy based on agreed Broad Economic Policy Guidelines and the Employment Guidelines. This strategy will require a continuation of sound macro-economic policies and structural reforms. The Union has also agreed on surveillance processes to monitor progress in implementing this strategy. Success in pursuing these reforms will lead to increased economic activity, in particular in the services sectors, and higher employment rates.

The Member States submitted their National Action Plans for implementing the Employment Guidelines by April 1998 and implementation reports by the end of July. These demonstrated clearly that the Member States are now responding to the employment challenge. The conclusions of this Report provide further elements which will be taken up in the Commission's proposal for the 1999 Employment Guidelines.

7. ANNEX : TABLES AND GRAPHS

EMPLOYMENT RATES BY AGE, 1985 AND 1997

Employment rates 1997

ALL	B	DK	D	GR	E	F	IRL	I	L - LFS	N	A	P	SF	S	UK	E15	US	J
15-24	25,2	69,4	42,6	24,5	24,9	24,4	38,4	25,2	31,3	55,8	55,7	37,9	31,8	32,1	55,7	35,9	52,0	45,1
25-54	74,8	84,4	73,6	69,8	61,8	77,1	67,8	65,5	74,3	76,3	82,5	78,8	78,3	80,6	78,5	73,2	80,9	79,6
55-64	22,0	52,2	36,8	40,7	33,7	29,1	40,2	27,4	21,4	30,7	29,3	46,9	36,6	61,8	48,5	35,9	57,2	63,6
total	57,3	77,5	61,8	56,8	48,6	60,1	57,9	51,3	58,8	66,7	70,0	67,6	63,9	69,5	70,8	60,5	74,0	74,7

MEN	B	DK	D	GR	E	F	IRL	I	L	N	A	P	SF	S	UK	E15	US	J
15-24	28,5	73,9	45,0	30,1	29,6	27,0	41,0	30,1	37,5	58,0	59,6	43,2	34,8	32,5	57,8	39,4	53,8	45,6
25-54	86,6	90,5	82,4	90,1	80,1	86,5	82,5	83,1	92,5	89,5	93,7	88,4	80,7	81,8	85,5	84,5	88,4	95,3
55-64	32,2	62,2	45,8	59,0	50,9	33,2	59,0	41,6	31,6	42,6	42,4	58,3	38,5	64,1	58,6	46,6	65,5	80,6
total	67,6	84,0	69,8	74,9	63,5	67,7	70,5	66,3	74,3	78,2	80,5	77,3	67,0	71,3	77,7	70,6	80,8	88,5

WOMEN	B	DK	D	GR	E	F	IRL	I	L	N	A	P	SF	S	UK	E15	US	J
15-24	21,8	64,8	40,3	19,3	20,1	22,0	35,8	20,3	26,1	53,3	51,8	32,6	28,9	31,5	53,5	32,4	50,1	44,4
25-54	62,8	78,5	64,6	50,8	43,6	67,9	53,5	48,0	53,8	62,6	71,4	70,3	76,3	79,6	71,3	61,9	73,6	63,7
55-64	12,4	42,0	27,8	24,3	18,1	25,2	21,3	14,4	4,8	19,0	17,4	37,0	34,4	60,0	38,8	25,9	49,5	47,7
total	47,0	71,2	53,6	40,1	33,9	52,7	45,3	36,7	41,5	55,0	59,6	58,7	60,9	67,9	63,9	50,5	67,5	60,7

Employment rates 1985

ALL	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK	E15	US	J
15-24	32,4	68,4	53,5	30,8	24,7	38,7	43,3	31,8	55,1	49,0	64,2	48,2	51,2	58,6	56,9	44,3	53,4	40,8
25-54	68,6	84,7	73,5	66,4	54,3	77,3	55,1	65,7	68,4	66,7	79,3	70,9	88,8	90,6	73,7	71,1	77,5	76,9
55-64	25,9	51,2	37,8	45,1	36,6	33,6	41,1	32,7	25,6	28,5	28,6	43,9	43,9	66,8	47,0	38,0	58	60,4
Total	53,1	77,4	63,4	57,3	44,1	62,0	51,4	53,1	59,0	57,7	67,3	63,5	74,3	80,1	66,2	60,0	69,2	70,5

MEN	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK	E15	US	J
15-24	35,6	72,5	55,3	39,7	29,7	43,3	45,9	38,5	55,6	52,3	67,7	57,9	50,4	56,9	60,5	48,4	56,6	40,6
25-54	88,5	90,4	89,7	90,5	78,7	91,6	79,0	90,7	94,4	89,0	98,3	98,4	91,9	94,4	86,3	88,7	89,2	94,9
55-64	43,1	63,4	55,4	65,6	56,1	42,1	65,9	52,6	40,8	45,7	47,7	62,7	48,7	75,6	62,3	54,3	71,4	78,9
Total	69,1	84,8	77,2	79,0	62,7	73,9	70,2	73,7	78,2	75,4	83,1	80,1	77,3	83,7	77,3	74,8	79,6	85,5

WOMEN	B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK	E15	US	J
15-24	29,2	64,1	52,2	23,1	19,6	34,6	41,0	25,2	54,9	44,8	60,4	38,5	52,7	60,3	53,1	40,2	50,3	41,2
25-54	48,5	78,8	57,0	43,6	30,2	63,1	30,6	41,6	42,0	43,7	60,5	54,9	85,4	86,5	61,1	53,4	66,3	58,9
55-64	10,4	40,7	23,8	26,0	18,1	26,0	17,3	14,6	13,8	13,2	14,1	27,9	39,8	58,8	32,7	23,6	45,9	44,4
Total	37,2	69,9	50,1	37,4	25,8	50,7	32,1	33,5	40,1	39,7	52,1	48,2	71,4	76,4	55,0	45,6	57,9	55,7

Note: for 1985, PO, GR and A are 1986, NL, FIN and S are 1987
D is all Germany even in 1985, so should be comparable
Japan is 1996

Table 2

Employment rates of women aged 30-39 by marital status and age of youngest child, 1986 and 1997

1986																	
30-39	B	DK	WG	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK	E12
Single																	
No child <15	79,4	84,7	86,5		82,7	82,6	86,9	84,2	88,0	96,2	75,9		86,2			82,0	85,0
at least one child <5	52,2	74,4	50,3		68,0	46,2	60,7	22,0	72,0	65,1	32,5		66,1			20,6	52,1
at least one child 5-9	57,8	81,0	61,0		56,9	47,7	75,2	22,9	70,6	66,6	28,7		79,5			42,5	61,7
at least one child 10-14	69,9	84,0	71,5		72,5	70,8	81,0	32,8	79,6	65,6	39,1		75,9			60,7	72,8
Married																	
No child <15	59,2	86,6	74,4		48,1	40,9	73,9	55,5	59,5	54,7	73,0		59,2			81,7	70,4
at least one child <5	51,3	79,7	35,0		45,2	29,5	53,1	19,4	44,8	34,2	31,4		62,0			37,6	41,5
at least one child 5-9	53,9	83,8	42,5		41,9	26,5	62,5	18,2	41,6	34,6	38,7		63,2			59,9	48,0
at least one child 10-14	55,4	86,5	53,8		44,9	25,9	68,2	26,1	45,0	35,5	49,2		58,6			74,8	56,7

1997																			
30-39	B	DK	WG	D	GR	E	F	IRL	I	L	NL	A	P	FIN	S	UK	12(WG)	E12	E15
Single																			
No child <15	83,4	76,6	87,1	85,8	80,6	77,1	83,1	84,5	81,5	88,7	88,2	91,1	87,5	77,0	75,7	84,8	84,5	84,1	83,5
at least one child <5	64,9	na	53,7	52,7	53,4	51,3	60,7	38,1	65,2	49,3	64,2	73,6	70,1	61,6	na	43,9	54,0	53,8	54,4
at least one child 5-9	59,7	na	66,2	68,6	62,9	61,7	71,1	52,9	69,9	75,7	61,5	75,4	90,8	72,0	na	52,9	63,0	63,8	64,3
at least one child 10-14	54,3	na	77,9	75,5	78,4	70,3	73,0	47,0	69,2	94,1	63,0	90,8	79,5	89,2	na	59,8	68,5	69,0	69,9
Married																			
No child <15	72,0	82,3	80,1	79,5	58,8	57,2	75,0	80,7	62,9	76,8	85,1	83,0	76,9	89,2	76,3	88,1	75,1	75,2	75,6
at least one child <5	71,6	na	46,5	47,5	54,4	42,5	56,5	49,8	49,1	45,4	58,6	63,4	74,4	65,9	na	61,6	53,4	53,5	53,9
at least one child 5-9	66,8	na	56,4	61,1	49,6	38,4	66,2	44,8	43,1	47,8	54,5	60,8	72,4	85,0	na	74,0	56,5	57,7	58,1
at least one child 10-14	67,1	na	68,1	73,0	50,6	41,3	72,1	47,9	40,7	54,1	60,7	67,8	75,6	85,9	na	79,9	61,2	63,3	63,6

Table 3

Employment rates by age group and level of education, 1997 (% total population)

		B	DK	D	GR	E	F	IRL	I	L	NL	A	P	FI	S	UK	E15
Total																	
25-54	H	89,0	90,4	87,9	84,3	77,3	85,4	86,5	83,1	87,0	88,6	90,2	93,6	87,8	86,8	89,8	86,5
	M	79,0	83,4	76,7	68,7	66,9	80,4	71,9	72,8	79,6	81,9	82,2	82,1	76,0	80,3	81,2	77,6
	L	59,2	69,9	59,0	64,5	54,4	66,4	54,8	57,6	66,3	63,9	69,2	75,4	66,0	71,5	69,8	62,5
	Total	74,5	82,7	76,5	69,6	61,3	76,5	67,5	65,4	74,4	77,7	79,9	78,6	76,2	80,3	78,3	73,6
55-64	H	41,2	69,0	57,9	49,1	62,2	51,2	62,4	64,2	62,9	50,9	65,2	55,1	55,3	75,1	70,4	58,8
	M	30,7	53,0	38,6	31,5	43,1	32,9	41,4	43,6	27,9	36,1	30,6	48,6	38,6	63,3	66,8	40,6
	L	15,0	38,8	25,7	41,7	30,7	23,6	36,1	22,8	15,7	21,8	21,7	46,2	29,2	54,2	52,7	29,6
	Total	22,0	51,4	38,2	40,7	33,5	28,9	40,3	27,4	23,8	31,4	28,5	46,8	35,7	61,6	59,4	36,3
Men																	
25-54	H	94,0	93,0	92,4	90,7	84,8	90,2	93,1	89,1	94,6	92,9	94,2	95,1	90,8	86,3	93,1	91,2
	M	89,7	89,3	84,8	89,1	82,2	88,4	89,5	84,3	94,3	92,5	89,7	87,0	78,5	81,8	86,7	86,3
	L	76,6	78,9	73,3	89,6	76,7	78,9	72,8	80,8	88,6	82,9	82,8	87,1	67,3	76,0	78,3	79,0
	Total	86,1	88,5	85,5	89,7	79,4	85,7	81,9	82,9	91,8	89,8	89,0	87,9	78,2	81,6	85,2	84,7
55-64	H	54,0	72,2	61,3	56,8	68,7	57,2	71,0	74,4	71,7	56,7	75,9	65,1	52,0	72,6	65,8	63,1
	M	41,1	58,4	44,6	48,9	53,9	36,5	63,4	53,6	33,7	43,9	39,5	52,3	38,9	65,6	61,5	47,5
	L	22,5	57,3	36,8	61,6	48,1	26,1	55,3	36,7	24,1	34,7	33,5	58,0	33,1	59,0	54,0	41,6
	Total	32,2	61,0	47,6	59,0	50,6	33,0	58,6	41,6	35,6	43,0	40,5	58,2	37,9	64,0	58,6	47,0
Women																	
25-54	H	84,2	87,9	80,8	77,1	69,3	80,9	79,9	76,7	76,8	83,2	85,3	92,5	84,9	87,1	85,9	81,1
	M	66,8	77,0	68,7	49,9	51,4	71,1	58,7	60,9	61,2	70,4	73,1	76,7	73,6	78,8	74,0	68,3
	L	41,7	62,5	49,8	42,2	32,8	56,0	33,7	35,3	47,6	47,8	61,5	64,6	64,4	65,5	63,0	48,0
	Total	62,6	77,0	67,2	50,7	43,4	67,4	53,1	47,9	56,3	65,1	70,7	69,9	74,1	78,9	71,3	62,4
55-64	H	23,6	64,7	49,0	29,0	48,6	43,4	51,7	46,1	32,6	40,3	35,3	45,9	59,7	77,5	73,1	50,9
	M	18,5	45,9	31,8	12,4	27,0	28,5	25,9	30,7	16,8	24,8	18,5	42,8	38,3	61,0	64,7	32,0
	L	8,8	26,6	20,8	26,1	16,2	21,7	15,5	11,3	10,4	13,8	15,5	36,3	25,6	49,3	56,0	20,9
	Total	12,4	41,2	28,9	24,4	18,0	25,1	21,7	14,4	12,5	19,8	17,3	37,0	33,6	59,3	60,2	26,1

TOTAL EMPLOYMENT BY SECTOR AS A SHARE OF TOTAL WORKING AGE POPULATION

1985	B	DK	D	GR	E	F	IRL	I	NL	A	P	FIN	S	UK	E15	US	Japan
											1986						
Population aged 15-64 (000s)	6610	3357	42002	6259	24102	34825	2079	38048	9744	5042	6562	3266	5295	36706	223897	158811	82310
1 Agriculture	1,7	5,1	2,9	18,1	8,1	4,7	8,3	6,0	2,8	6,1	13,8	8,6	3,9	1,6	5,0	2,1	6,2
2 Mining	0,4	0,1	0,5	0,5	0,4	0,3	0,5	0,3	0,1	0,3	0,4	0,3	0,3	1,0	0,5	0,6	0,1
3 Manufacturing	12,3	15,6	20,3	11,8	10,1	14,4	10,0	12,1	11,1	19,0	15,5	17,1	18,3	16,3	14,9	13,1	17,7
4 Energy	0,5	0,5	0,6	0,6	0,4	0,6	0,7	0,5	0,5	0,9	0,5	1,0	0,8	0,9	0,6	0,8	0,4
5 Construction	3,1	5,2	4,4	4,2	3,2	4,5	3,8	5,0	4,4	5,5	5,2	5,5	4,9	5,0	4,5	4,4	6,5
Industry	16,2	21,5	25,9	17,1	14,0	19,9	15,1	17,9	16,2	25,7	21,5	23,9	24,2	23,2	20,5	18,9	24,7
6 Distribution & HoReCa	9,0	11,9	10,2	4,7	8,2	10,2	9,4	11,3	9,8	12,1	9,3	10,9	11,2	13,4	10,6	15,0	16,1
7 Transport	4,0	5,5	3,7	4,4	2,6	4,1	3,3	2,8	3,7	4,3	2,7	5,7	5,7	4,0	3,6	3,7	4,2
8 Finance & Business Services	3,9	5,8	4,5	2,3	1,9	5,1	3,8	1,9	6,1	3,7	2,0	4,8	6,1	6,2	4,1	6,9	4,8
9 Communal Services	18,3	26,3	15,8	10,7	9,4	18,1	12,0	13,3	18,9	15,4	13,8	20,7	30,1	18,0	16,0	20,9	14,6
Total services	35,2	49,5	34,3	22,1	22,0	37,5	28,6	29,3	38,5	35,5	27,8	42,1	53,0	41,6	34,3	46,4	39,6
TOTAL	53,1	76,0	63,1	57,3	44,2	62,0	51,9	53,1	57,5	67,3	63,1	74,6	81,2	66,3	59,8	67,5	70,6
1997	B	DK	D	GR	E	F	IRL	I	NL	A	P	FIN	S	UK	E15	US	Japan
Population aged 15-64 (000s)	6701	3510	54942	6791	26280	37125	2376	39070	10551	5319	6705	3398	5645	37571	245984	175108	87180
1 Agriculture	1,3	3,0	2,1	11,4	4,1	2,7	6,0	3,5	2,6	4,8	9,0	4,5	2,0	1,3	3,1	2,0	4,1
2 Mining	0,1	0,1	0,5	0,2	0,3	0,1	0,3	0,2	0,1	0,2	0,2	0,1	0,2	0,3	0,3	0,4	0,1
3 Manufacturing	11,1	15,3	16,6	8,4	9,2	11,9	11,6	11,4	10,3	14,3	14,3	13,1	13,3	13,4	12,8	11,9	16,6
4 Energy	0,5	0,5	0,6	0,6	0,3	0,5	0,5	0,5	0,4	0,7	0,6	0,6	0,7	0,5	0,5	0,7	0,4
5 Construction	3,6	5,0	5,1	3,7	4,9	4,0	4,1	4,1	4,2	5,4	5,8	4,3	3,8	5,0	4,6	4,7	7,7
Industry	15,3	20,8	22,8	12,9	14,7	16,4	16,5	16,2	15,1	20,6	21,0	18,1	17,9	19,2	18,2	17,7	24,9
6 Distribution & HoReCa	9,6	12,8	9,4	12,9	10,3	10,0	11,4	10,7	13,6	14,9	12,7	9,4	10,7	14,4	11,2	16,1	16,9
7 Transport	4,3	5,6	3,7	3,6	2,9	3,8	3,7	2,8	3,9	4,4	2,6	5,2	4,4	4,6	3,7	4,1	4,7
8 Finance & Business Services	5,7	8,9	5,7	3,7	3,5	6,3	5,0	4,5	9,7	7,3	5,3	6,4	8,8	10,2	6,3	8,4	6,5
9 Communal Services	20,9	26,2	18,0	12,3	13,1	20,8	15,3	13,5	21,7	17,5	16,9	20,8	25,7	21,2	18,0	25,6	17,4
Total services	40,6	53,5	36,8	32,4	29,8	40,9	35,4	31,6	48,9	44,2	37,6	41,8	49,6	50,4	39,2	54,2	45,4
TOTAL	57,3	77,5	61,8	56,7	48,6	60,1	57,8	51,3	66,7	69,6	67,5	63,9	69,5	70,8	60,5	74,0	74,4

Notes: Sectoral composition of employment from OECD LFS 1974-96 (96 data for B, F & A is ISIC adjusted for 96 LFS; 97 data is LFS adjusted for ISIC); Total employment adjusted for Eurostat Benchmark series.
Luxembourg no consistent data. Japan's data is 1996
Minor inconsistencies between Table 4 and 5 are caused by the two different systems of classification (ISIC and NACE)

Table 5

Employment by NACE 2-digit sector as % working-age population in US and E15, 1997

Sector	B	DK	D	GR	E	F	IR	I	L	N	O	P	FIN	S	UK	E15	US	E15-US
Agriculture, forestry, fishing	1,5	2,9	1,8	11,3	4,0	2,8	6,3	3,3	1,4	2,5	4,8	9,0	5,0	2,3	1,3	3,0	2,0	1,0
Mining, including oil+gas+petrol	**0,2**	**0,1**	**0,4**	**0,4**	**0,3**	**0,2**	**0,3**	**0,3**	**0,1**	**0,2**	**0,2**	**0,3**	**0,2**	**0,2**	**0,4**	**0,3**	**0,5**	**-0,1**
Food, drink, tobacco	1,4	2,5	1,5	1,6	1,4	1,8	1,9	0,9	0,9	1,7	1,6	1,6	1,3	1,1	1,3	1,4	1,0	0,4
Textiles, clothing, footwear	1,0	0,5	0,7	2,0	1,3	0,9	1,0	2,4	0,2	0,4	1,1	4,7	0,7	0,4	1,2	1,3	1,0	0,3
Printing, publishing, paper	1,0	1,7	1,1	0,7	0,7	0,9	1,0	0,7	0,6	1,5	1,2	0,9	2,2	1,8	1,5	1,1	1,4	-0,4
Chemicals, rubber, plastics	1,8	1,4	1,7	0,6	0,8	1,4	1,3	1,1	1,8	1,3	1,2	0,8	1,0	1,1	1,7	1,3	1,3	0,1
Iron+steel+metal products	1,7	2,0	2,4	0,8	1,1	1,6	0,9	1,9	2,8	1,3	2,9	1,7	1,8	1,9	1,6	1,8	1,2	0,6
Machinery and computing equipment	0,9	2,3	2,3	0,4	0,7	0,9	1,6	1,4	0,6	1,0	1,5	0,5	1,6	1,9	1,6	1,5	1,5	0,0
Electrical machinery, equipment	0,7	1,1	1,2	0,2	0,4	0,8	0,9	0,8	0,1	0,8	0,7	0,6	1,3	1,3	1,1	0,9	1,1	-0,2
Instrument engineering	0,2	0,4	0,5	0,1	0,1	0,4	0,6	0,2	0,2	0,3	0,8	0,1	0,3	0,4	0,4	0,3	0,4	-0,1
Transport equipment	1,1	0,6	1,6	0,3	0,9	1,3	0,3	0,7	0,1	0,6	0,7	0,7	0,6	1,7	1,4	1,1	1,3	-0,2
Wood, furniture, misc manufs	1,4	2,2	1,7	1,6	1,6	1,2	1,6	1,3	0,7	1,7	2,6	2,6	1,9	1,6	1,4	1,5	1,6	-0,1
Total manufacturing	**11,2**	**14,6**	**14,6**	**8,1**	**9,1**	**11,1**	**11,0**	**11,4**	**7,8**	**10,5**	**14,3**	**14,1**	**12,7**	**13,3**	**13,2**	**12,2**	**11,8**	**0,5**
Electricity, gas and water	**0,5**	**0,6**	**0,6**	**0,6**	**0,3**	**0,6**	**0,5**	**0,5**	**0,4**	**0,4**	**0,8**	**0,6**	**0,7**	**0,6**	**0,5**	**0,5**	**0,7**	**-0,2**
Construction	**3,8**	**5,1**	**5,7**	**3,7**	**4,8**	**4,0**	**4,7**	**4,0**	**5,8**	**4,1**	**5,4**	**6,0**	**3,9**	**3,6**	**5,0**	**4,7**	**4,7**	**0,0**
Sale & repair of motor vehicles	1,1	2,0	1,3	1,4	1,1	1,2	1,2	1,3	1,3	1,2	1,6	1,8	1,3	1,3	1,5	1,3	1,9	-0,6
Wholesale trade	2,0	3,3	1,9	1,7	2,0	2,6	2,0	1,6	2,2	3,9	2,6	1,8	2,2	3,4	2,1	2,1	2,7	-0,5
Retail trade	5,0	5,1	5,7	6,3	5,0	4,3	4,9	5,7	4,8	5,9	6,8	6,1	3,9	3,8	7,4	5,6	7,5	-1,8
Distribution	**8,2**	**10,4**	**8,8**	**9,5**	**8,1**	**8,1**	**8,2**	**8,6**	**8,3**	**11,0**	**11,0**	**9,7**	**7,4**	**8,6**	**11,0**	**9,1**	**12,1**	**-2,9**
Hotels and restaurants	**1,9**	**2,3**	**2,0**	**3,4**	**3,0**	**2,0**	**3,2**	**2,3**	**3,1**	**2,2**	**4,0**	**3,3**	**1,8**	**1,8**	**3,3**	**2,5**	**5,4**	**-2,9**
Land transport	1,9	1,9	1,1	1,6	1,7	1,8	1,4	1,5	2,2	1,9	2,3	1,1	2,4	1,9	1,7	1,5	1,9	-0,4
Water transport	0,1	0,5	0,1	0,4	0,1	0,0	0,1	0,1	0,0	0,1	0,0	0,1	0,3	0,2	0,1	0,1	0,1	0,0
Air transport	0,2	0,2	0,1	0,2	0,1	0,2	0,3	0,1	0,7	0,3	0,1	0,2	0,2	0,2	0,1	0,1	0,5	-0,3
Travel agents, etc.	0,7	1,1	1,1	0,9	0,4	0,6	0,2	0,3	0,3	0,7	0,8	0,6	0,7	0,8	1,2	0,7	0,3	0,4
Post and telecomms	1,3	1,8	1,0	0,7	0,6	1,3	0,8	0,8	1,1	1,1	1,2	0,6	1,2	1,4	1,5	1,1	1,2	-0,2
Transport and communications	**4,3**	**5,5**	**3,3**	**3,6**	**2,8**	**3,8**	**2,7**	**2,8**	**4,2**	**4,0**	**4,4**	**2,6**	**4,8**	**4,5**	**4,6**	**3,6**	**4,1**	**-0,5**
Banking	1,5	1,8	1,4	1,0	0,9	1,1	1,3	1,2	5,3	1,3	1,8	1,4	1,1	1,1	1,7	1,3	1,3	0,0
Insurance	0,7	0,7	0,6	0,4	0,4	0,4	0,6	0,5	0,5	0,6	0,9	0,4	0,6	0,4	0,3	0,5	1,5	-1,0
Auxiliary financial services	0,1	0,1	0,2	0,0	0,0	0,3	0,3	0,1	0,4	0,5	0,0	0,0	0,0	0,1	1,1	0,3	0,5	-0,2
Finance and insurance	**2,3**	**2,6**	**2,2**	**1,4**	**1,3**	**1,9**	**2,1**	**1,7**	**6,2**	**2,4**	**2,7**	**1,8**	**1,7**	**1,6**	**3,1**	**2,1**	**3,3**	**-1,2**
Real estate, renting (incl car hire)	0,3	0,9	0,5	0,1	0,2	0,9	0,3	0,2	0,2	0,6	0,8	0,2	0,9	1,3	1,3	0,6	1,5	-0,9
Computing and data processing	0,5	1,0	0,4	0,1	0,2	0,5	0,5	0,4	0,2	0,8	0,3	0,2	0,7	1,0	0,8	0,5	0,9	-0,4
Research and development	0,1	0,3	0,3	0,1	0,1	0,4	0,1	0,1	0,1	0,3	0,2	0,2	0,3	0,4	0,3	0,2	0,4	-0,1
Business activities, nes	2,8	4,1	3,0	2,1	2,5	3,4	2,6	2,1	3,2	5,3	3,4	2,7	3,2	4,3	4,7	3,2	5,1	-1,8
Business services	**3,7**	**6,2**	**4,3**	**2,4**	**3,0**	**5,2**	**3,6**	**2,8**	**3,8**	**7,0**	**4,6**	**3,3**	**5,1**	**7,0**	**7,0**	**4,6**	**7,8**	**-3,2**
Public administration	5,8	4,8	5,5	4,1	3,2	5,6	3,1	3,9	8,4	5,3	4,8	4,5	3,4	3,8	4,3	4,7	3,3	1,4
Education	5,2	5,8	3,3	3,4	2,9	4,5	3,8	3,9	3,9	4,3	4,1	4,6	4,5	5,1	5,3	4,1	5,7	-1,6
Health and social work	6,2	13,0	5,7	2,5	2,7	6,3	5,0	3,0	4,4	9,5	5,5	3,1	9,3	13,6	7,8	5,7	8,4	-2,7
Sanitary services	0,2	0,1	0,2	0,2	0,1	0,1	0,1	0,3	0,2	0,2	0,3	0,3	0,2	0,2	0,3	0,2	0,2	0,0
Membership organsiations	0,4	1,0	0,7	0,2	0,2	0,8	0,5	0,3	0,3	0,6	0,7	0,3	0,8	1,1	0,6	0,6	0,5	0,0
Recreational activities	0,9	1,7	0,9	0,9	0,9	1,0	1,3	0,4	0,7	1,4	1,0	0,8	1,6	1,6	1,9	1,1	1,9	-0,8
Personal+other services	0,8	0,7	1,2	0,6	0,5	0,6	1,4	1,2	0,7	0,7	1,0	1,6	0,6	0,5	0,9	0,9	0,9	0,0
Private households	0,1	0,1	0,2	0,6	1,3	1,4	0,0	0,5	0,9	0,3	0,3	1,6	0,1	0,0	0,4	0,6	0,5	0,1
Communal services	**19,5**	**27,3**	**17,8**	**12,5**	**11,8**	**20,4**	**15,2**	**13,5**	**19,4**	**22,3**	**17,6**	**16,9**	**20,5**	**26,0**	**21,4**	**17,8**	**21,4**	**-3,4**
Total	**57,3**	**77,5**	**61,8**	**56,7**	**48,6**	**60,1**	**57,8**	**51,3**	**60,6**	**66,7**	**69,9**	**67,5**	**63,9**	**69,5**	**70,8**	**60,5**	**74,0**	**-12,9**

Source. US Bureau of Labour Statistics (data aggregated to a NACE 2-digit basis) and Community LFS (data converted to a benchmark employment basis)
Minor inconsistencies between Table 4 and 5 are caused by the two different systems of classification (ISIC and NACE)

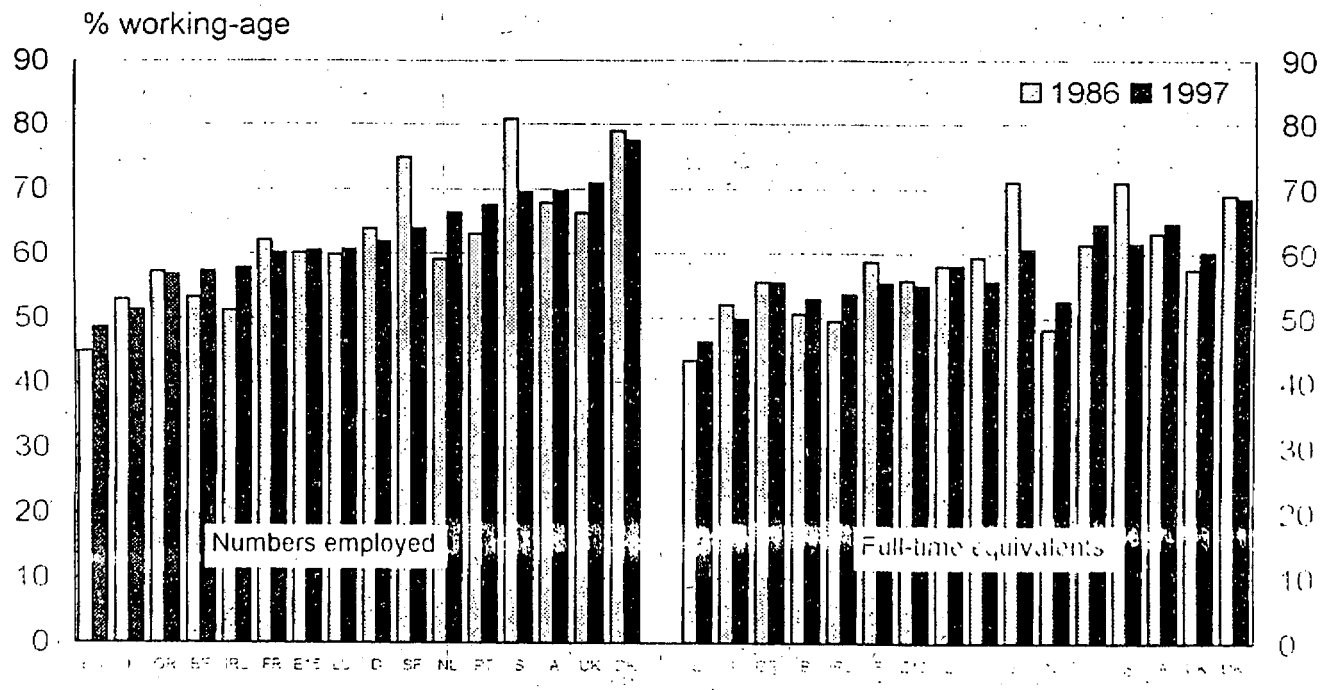
Table 6

DIFFERENCES BETWEEN NORMAL AND FULL-TIME EQUIVALENT EMPLOYMENT RATES BY AGE, 1996

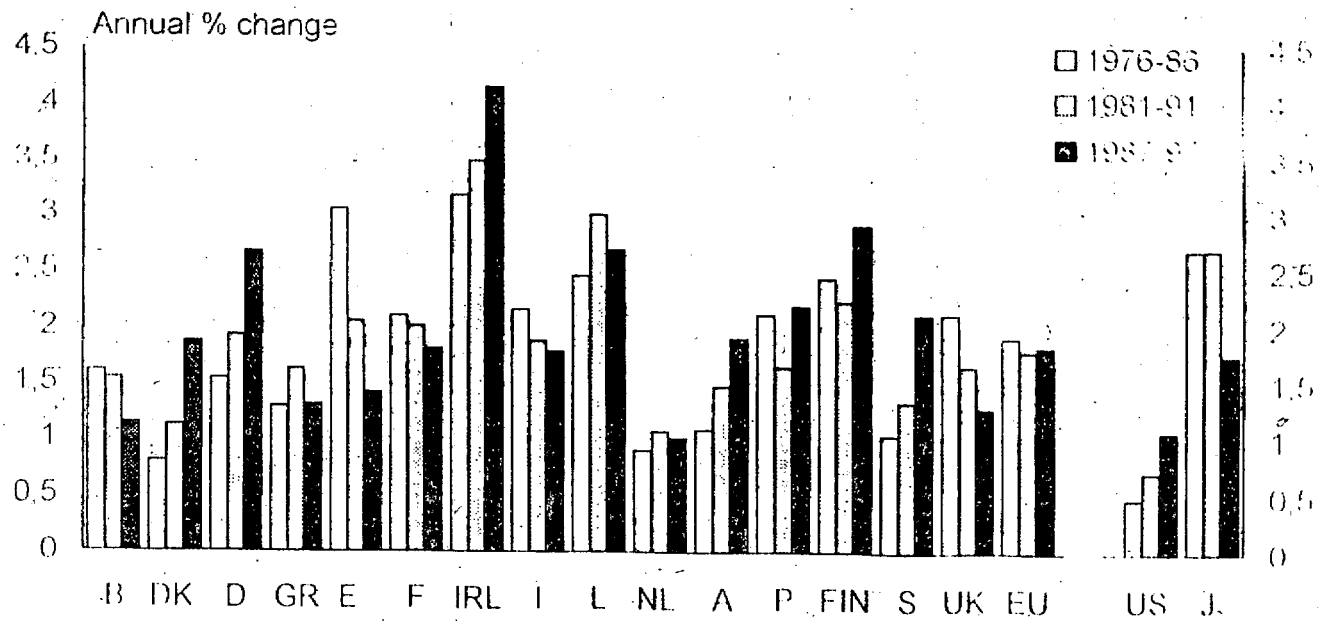
Men	BE	DK	DE	GR	ES	FR	IE	IT	LU	NL	A	PT	SF	S	UK	E15	E12
15-19	0,7	27,1	1,0	0,6	0,8	0,5	2,5	0,2	0,2	23,5	0,4	0,6	5,7	7,9	13,2	4,0	4,0
20-24	1,7	10,8	2,3	1,4	1,7	2,6	1,9	0,7	0,3	14,7	1,6	1,1	6,7	5,4	4,7	3,0	3,0
25-29	1,4	5,3	2,8	1,2	1,7	2,0	1,5	0,8	0,6	3,9	1,8	1,0	2,8	2,9	1,7	2,0	2,0
30-39	1,0	2,1	1,4	0,7	0,8	1,4	1,5	0,7	0,2	2,9	1,2	0,2	0,9	1,9	1,2	1,2	1,2
40-49	0,7	1,4	0,9	0,5	0,7	1,1	1,5	0,4	0,3	3,3	0,9	0,6	1,1	1,9	1,5	1,1	1,0
50-54	0,8	1,1	1,0	0,6	0,5	1,3	1,5	0,6	0,2	3,7	0,9	0,7	0,9	2,2	2,1	1,2	1,2
55-59	0,9	2,0	1,2	0,8	0,9	3,1	1,4	0,7	0,2	6,1	1,5	1,5	1,6	4,1	3,5	1,9	1,8
60-64	0,7	3,8	1,5	0,7	0,8	1,1	1,2	0,6	0,1	4,4	2,9	1,7	3,3	8,6	4,8	2,0	1,8
Total	1,1	5,9	1,6	1,0	1,1	1,6	1,8	0,7	0,3	6,9	1,6	1,3	2,4	4,3	3,9	2,1	2,0

Women	BE	DK	DE	GR	ES	FR	IE	IT	LU	NL	A	PT	SF	S	UK	E15	E12
15-19	0,7	33,5	1,0	0,5	0,8	0,6	2,5	0,4	0,1	23,3	0,8	0,8	6,4	11,1	17,4	4,7	4,7
20-24	4,3	12,9	4,4	1,6	3,5	6,6	3,2	1,8	2,1	19,6	4,7	1,3	8,6	11,2	8,4	5,5	5,4
25-29	8,0	6,0	7,3	1,9	4,1	6,6	3,7	2,6	3,6	15,6	8,6	2,3	5,1	9,1	10,3	6,7	6,6
30-39	10,7	7,0	13,0	1,6	4,1	8,4	5,9	3,2	5,4	24,3	12,2	2,9	3,0	12,6	18,2	10,3	10,3
40-49	8,9	8,9	13,4	1,3	3,6	8,4	7,3	2,0	5,2	24,4	10,0	3,0	2,9	12,2	18,7	10,1	10,1
50-54	6,5	8,4	12,0	1,6	3,1	7,6	5,9	1,6	4,4	19,9	7,8	3,0	3,6	10,2	18,5	9,1	9,2
55-59	3,4	8,8	9,6	1,4	2,3	7,2	5,0	0,8	2,2	13,4	4,1	3,9	2,5	13,8	15,9	7,5	7,5
60-64	1,0	5,0	3,7	1,4	1,4	2,6	2,2	0,3	1,8	5,2	2,3	4,0	2,6	12,8	10,4	3,7	3,5
Total	6,7	10,6	9,7	1,6	3,1	6,7	4,9	1,9	3,9	20,2	8,0	3,1	4,0	12,1	16,1	8,1	8,0

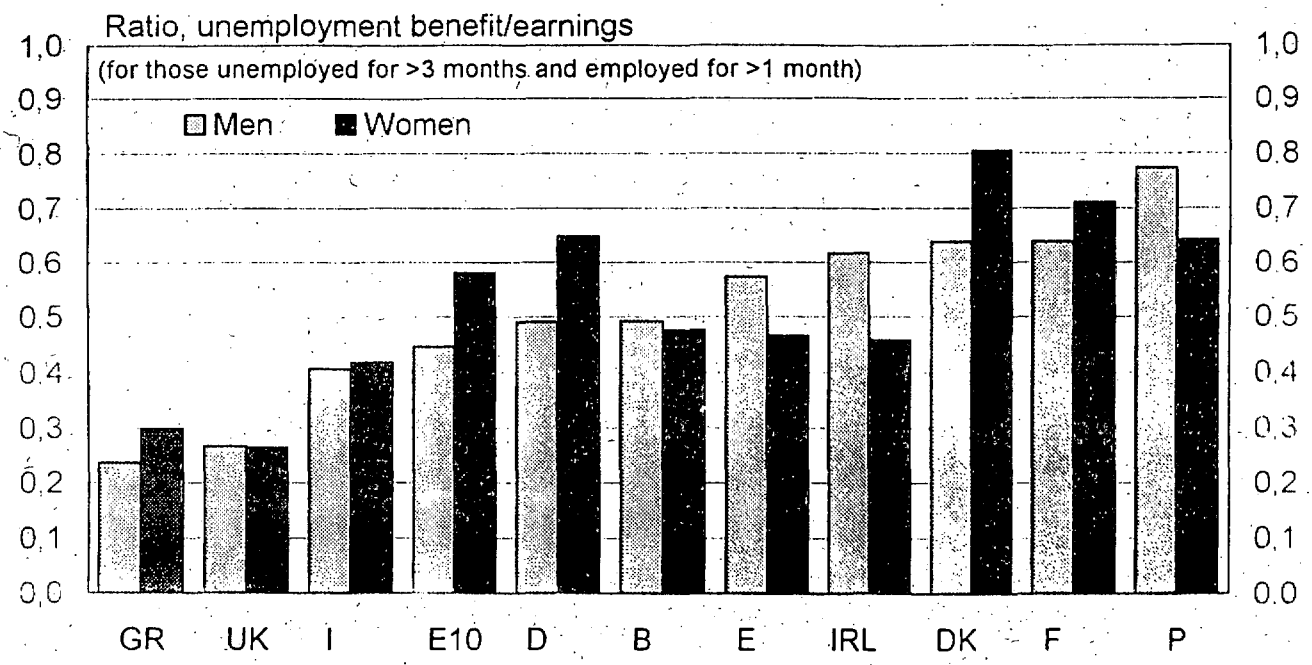
A1 **Simple and full-time equivalent employment rates in Member States, 1986 and 1997**



A2 **Growth in GDP per person employed in Member States, US and Japan, 1976-86, 1981-91 and 1987-97**

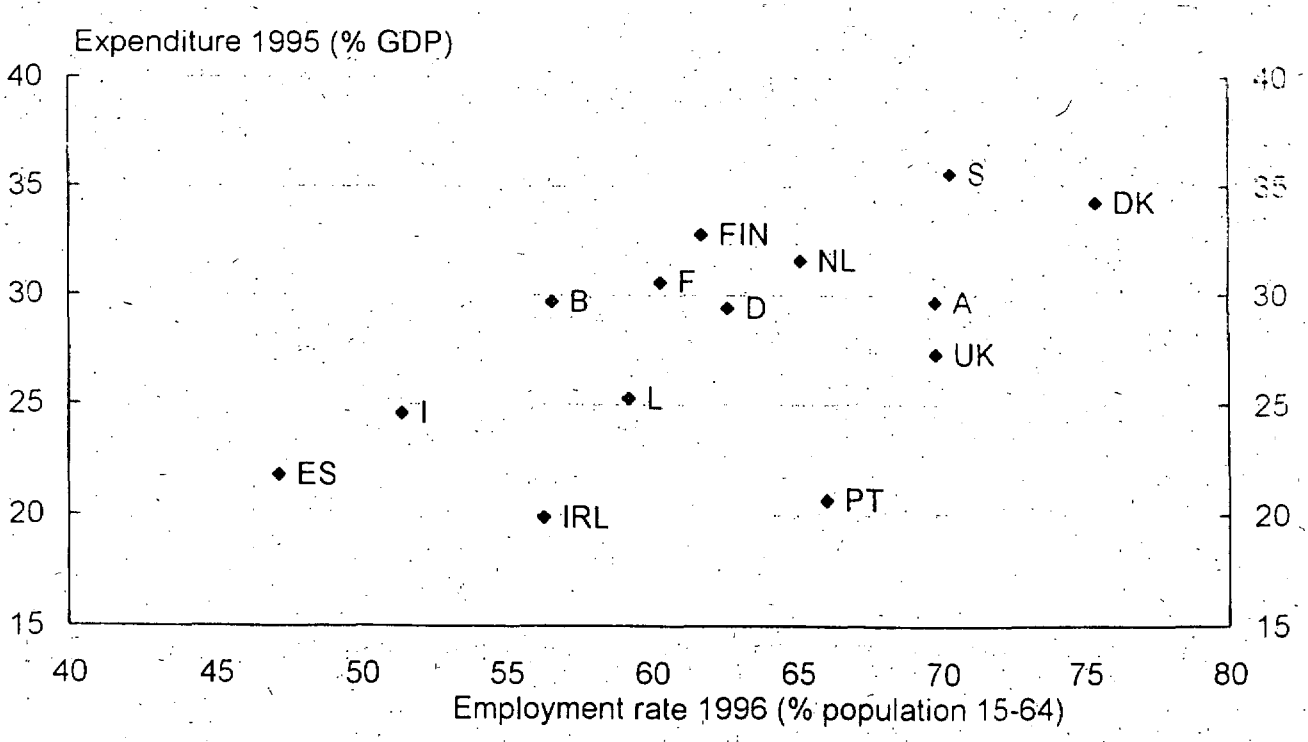


A3 Average unemployment compensation relative to earnings for men and women aged 25-64 in Member States, 1993

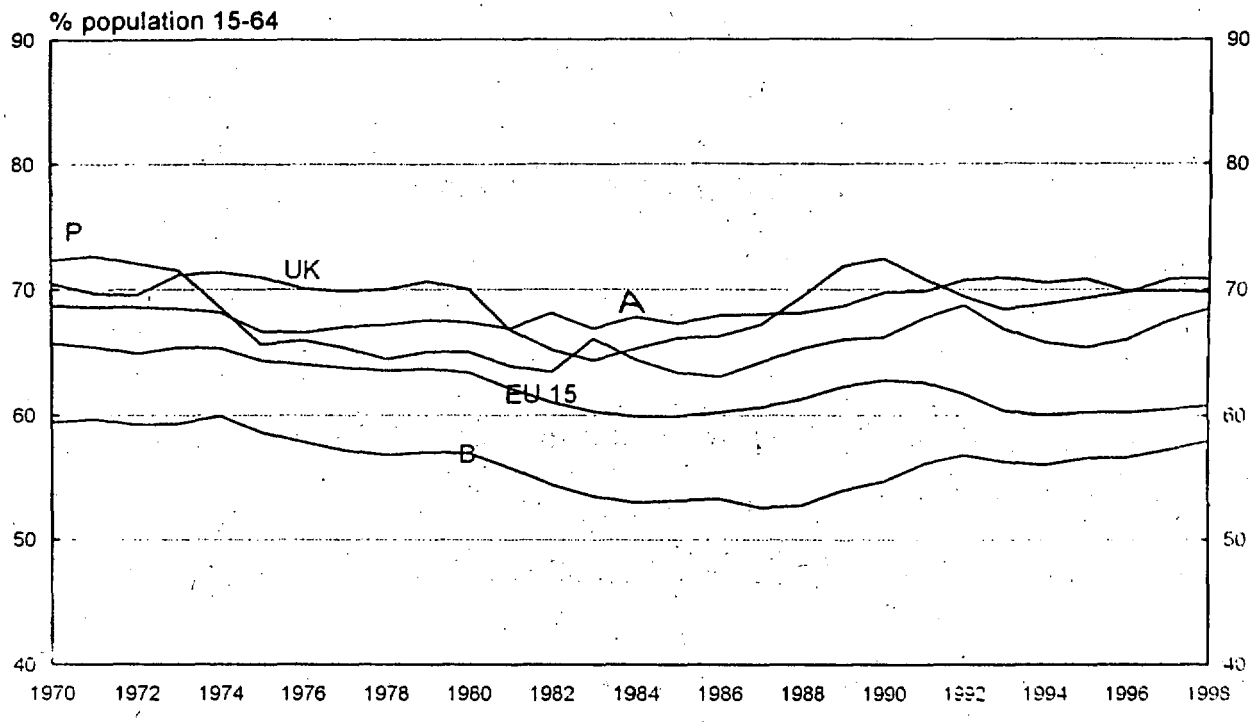


Source: Social Protection in Europe 1997

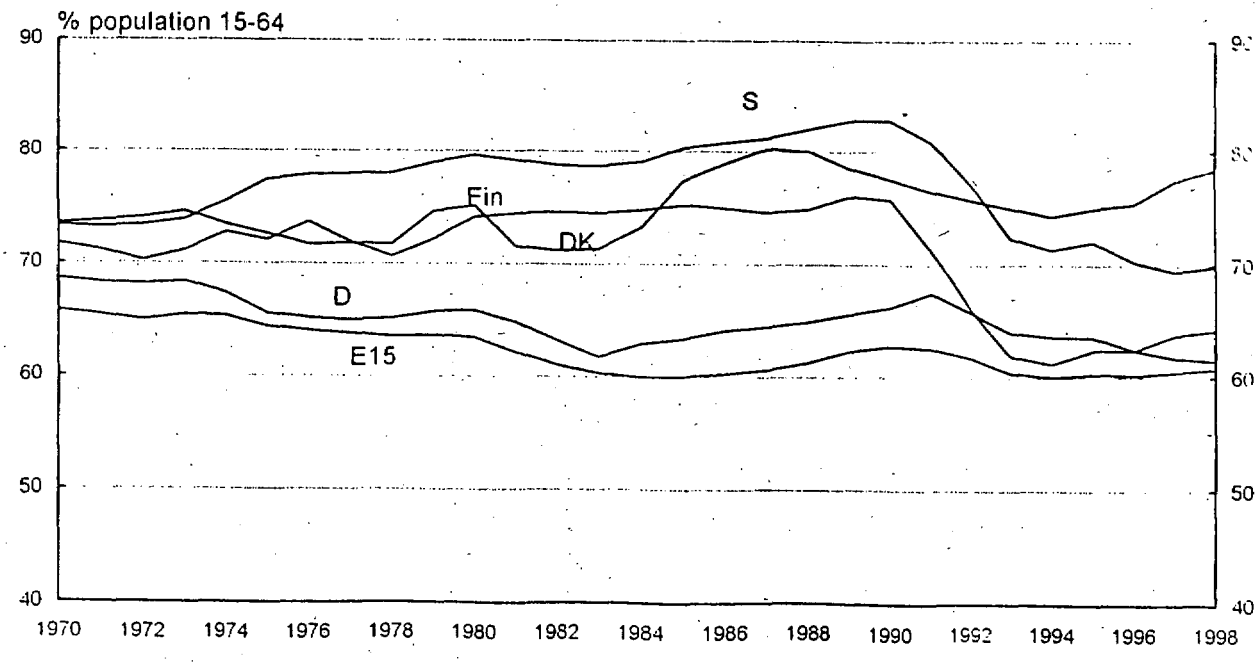
A4 Total expenditure as a percentage of GDP and Employment rates



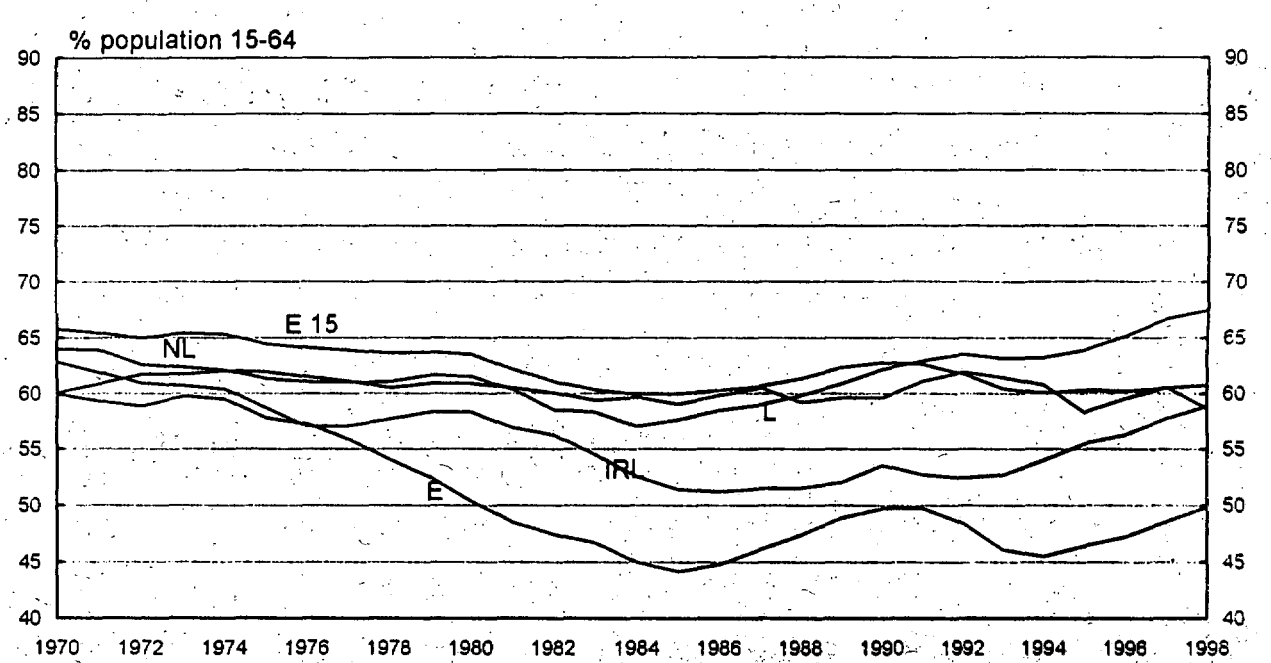
A5 Employment rates 1970-1997 in Belgium, Austria, Portugal and the UK



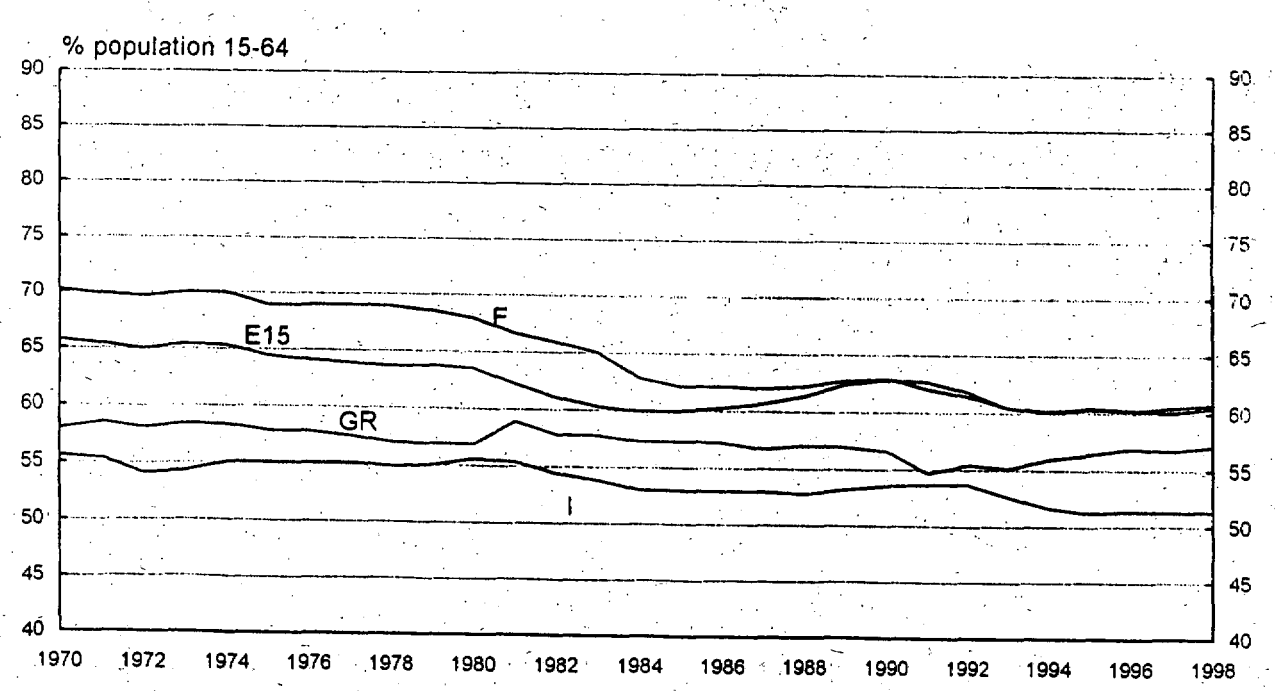
A6 Employment rates 1970-1997 in Germany, Denmark, Finland and Sweden



A7 **Employment rates in 1970-1997 Spain, Ireland, Luxembourg and the Netherlands**



A8 **Employment rates 1970-1997 for Greece, France and Italy**



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