Employment & European Social Fund

Employment Policies in the EU and in the Member States

Joint Report 1999

Employment & social affairs

European Commission

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European Commission
Directorate-General for Employment and Social Affairs
Unit A.2

Manuscript completed in December 1999

Document drawn up on the basis of Council documents 13607/99 and 13607/99 ADD 1.

This report has been jointly adopted the 29th of November 1999 by each Member State separately.

A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server (http://europa.eu.int).

Cataloguing data can be found at the end of this publication.

Luxembourg: Office for Official Publications of the European Communities, 2000

ISBN 92-828-9289-1

Printed in Italy

PRINTED ON WHITE CHLORINE-FREE PAPER

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EXECUTIVE SUMMARY

The present Joint Employment Report is the second elaborated since the launch of the Luxembourg Process. It is based on the Commission's analysis of the Member States' implementation reports on their 1998 National Action Plans (NAP) for Employment and on the examination of how the 1999 Employment Guidelines have been translated into revised NAPs for 1999. Its aim is to assess compliance by the Member States with commitments set by the Employment Guidelines, and to undertake a first evaluation of policy efforts and of their impact on labour markets. The present Report will form the basis of the Joint Employment Report that the Commission and the Council will jointly submit to the Helsinki Summit in December 1999.

The Report is structured in two parts. Part I offers a comparative overview of Member States' performance under each of the four pillars of the Employment Guidelines and a thematic assessment of whether policies implemented by Member States comply with the individual guidelines, and the role and degree of involvement of the various actors in this process. Part I also highlights some examples of good practice identified by the Member States, which will be subject to a more detailed evaluation, with the purpose of improving the quality of labour market policies.

Part II presents a description of the key employment challenges facing Member States, and an assessment of the policy measures implemented in each individual Member State in the light of its NAP 1998, as well as of new policies initiated in reference to the 1999 Employment Guidelines.

The analysis contained in this Report underpins the recommendations addressed to Member States which the Commission is proposing this year for the first time following the entry into force of the new Treaty on 1 May 1999. The Commission has been mindful of the need to ensure consistency between these recommendations and those set out in the Broad Economic Policy Guidelines drawn up under Article 103(2) of the Treaty. Furthermore, Member States are required to implement their employment policies in a way which is consistent with the Broad Economic Guidelines in accordance with Article 126 of the Treaty.

The following key messages emerge from this Report:

- **The employment performance of the EU as a whole is improving, but progress varies across individual Member States.** In 1998, the EU achieved an average growth rate of 2,9 % and generated 1.8 million jobs. For the first time since 1990, employment went up in all Member States, although in Germany this annual increase was only marginal. The growth of employment in the Union was accompanied by a continuing fall in unemployment to 9.9 % of the workforce in 1998. This trend has continued into 1999. The fall in unemployment has been much the same for women and men.

- **Major structural challenges persist in the Member States' labour markets.** The last four years of economic recovery have done little to improve the low employment rate in the Union, which, at 61 %, is still lagging considerably behind that or our main trading partners, the US and Japan. Low participation in employment concerns in particular prime-age women and older people. The employment rate of women, at around 51 %, is still 20 percentage points lower than that of men. For older people in the age bracket between 50 and 64 years, the employment rate amounted to only 47.6 %. Long-term unemployment remains a persistent and severe problem, affecting 5.2 million people in 1998. While unemployment of young people has continued to fall in 1998, more than 4.3 million young people are still unemployed, representing an average share of 9.3 % of youth population. Unemployment continues to affect women more than men, and the gender gap remains over 3 %.

- **The Member States are responding to the challenges by adopting more preventive and active strategies.** There is now a clear move towards a preventive approach in combating youth and adult long-term unemployment, but some Member States are more advanced than others in setting up the necessary framework for complying with the EU — level targets: to offer to all young and adult unemployed a new start before 6 or 12 months of unemployment. Four different situations emerge from the analysis: Sweden, UK, Austria, Denmark, Netherlands and Ireland, have complied or are about to comply with

at least one of the common targets. France, Spain, Portugal, Finland and Luxembourg have set in motion a reform process which is expected to bring about results in line with the guidelines and before the agreed deadline of 2002. More progress is expected from Germany, regarding the prevention of adult long term unemployment, while there are delays in implementation in the cases of Belgium, Greece and Italy.

As regards the activation of policies required by guideline 3, a majority of Member States reached, some even exceeded, the 20 % target on participation in active measures for the unemployed. Some Member States – France, Austria, Spain, Greece and Portugal – recognise that they have not yet reached the target but indicate that policy efforts are being taken with a view to reach it before 2002. Concerns are raised by the lack of comparable information from Italy, Netherlands and the UK. More generally, evidence shows that the training content of active measures vary widely across individual Member States, and that further efforts are required in order to evaluate the cost-effectiveness of some measures and ensure that they lead to integration in the labour market.

- **Tax and benefit systems are being reviewed, but progress is slow.** Reforms in the tax and benefit systems are a means to provide incentives for participation in working life, in particular for women and older workers. To meet this challenge, a number of Member States are in the process of reviewing, and to some extent reforming, their tax and benefit system. Given the high expectations, however, the overall response appears to be weak. Further efforts are warranted in order to move from passive income support to active measures supporting employability.

- **Member Sates are recognising the crucial role of lifelong learning.** Investment in education and training are key to developing the strength and flexibility of EU enterprises and the employability of the EU workforce in a context of fast technological changes affecting the nature and organisation of work. Participation in lifelong learning activities remains, however, inadequate and concrete targets are lacking in many Member States. Comprehensive strategies and concrete action by Member States and social partners are therefore required to raise the skill levels across the Union.

- **Member States report on a large number of initiatives to improve entrepreneurship, but the lack of precise targets and deadlines, as well as the scarcity of comparable indicators, make the assessment of achievements rather difficult, including as regards job creation in services.** Most Member States refer to measures associated with the promotion of the information society and care services. Overall, measures taken by the Member States in 1998 fail, however, to address in a comprehensive and adequate way the need to develop the services sector. Also, more needs to be done to enhance local development and the job creation at local level. The role of small businesses in providing the major impetus for economic growth and job creation is generally recognised, and Member States reported on some encouraging progress in reducing the administrative burdens which hamper their job creation potential. The need to make the taxation system more employment friendly was generally recognised in the implementation reports, but concrete initiatives are scarce and national targets for the reduction of fiscal pressure on labour have not been set by many Member States.

- **More progress is required in the promotion of adaptability through modernising the organisation of work, where the social partners have a particular responsibility.** Encouraging adaptability of businesses and their employees is key to enhancing the innovative capacity, productivity and competitiveness of businesses, on one hand, and the security of their workers, on the other. The response to this broad challenge has been rather disappointing and mostly focused on the issue of working time. With a few exceptions, the participation of social partners in promoting adaptability needs to be more proactive in all Member States and more concrete initiatives are called for.

- **Reinforced policy efforts should be directed to the persistent lack of equality between women and men in the labour market.** There is ample room for improvement, in particular for actions to close the gender gaps in employment, unemployment and pay, to redress the unbalanced representation of women and men across sectors and occupations, and to improve care for children and other dependants. The indicators presented in this Report tend to highlight women's persistently poor labour market position compared with men.

- **Progress made in defining and using common indicators for the European level commitments, needs to be pursued and developed.** The Luxembourg process is based on the setting of verifiable objectives and deadlines in employment-policy making both at European and at national level without which real progress cannot be measured and transparency ensured. This

requires the development of a comprehensive set of indicators for measuring and monitoring policy efforts and evaluating policy impact. Building on recent progress, further work needs to be done in 2000 to reach agreement on a comprehensive monitoring system.

- **The partnership approach must be further developed.** The social partners play a crucial role in the making and implementation of labour market policy, both nationally and locally. Their involvement at all levels throughout the employment process is central to channelling structural change into more and better jobs. Based on the traditions of partnership in the different national contexts, the social partners have participated in a variety of ways in the NAP process. However, concrete action initiated by social partners to transpose the Employment Guidelines into effective outcomes appears to be rather weak. Scope for the involvement of local and regional actors arises under all the pillars. Although partnership approaches are very varied across the Union, all Member States agree on the need to develop the territorial dimension of their employment policies, in particular through local partnerships.

Disseminating good practice

The exchange of good practice is an important aspect of the Luxembourg process. Good practices show how Employment Guidelines can be transposed into national or regional contexts. They are also meant to speed up the learning process at EU level by sharing experience, by building on success and learning from past failures. A peer review exercise is underway, which will produce a multilateral assessment of the best practices indicated in last year's Joint Employment Report.

The Member States presented 27 cases of good practice in their 1999 implementation reports, of which 7 are described in this Report. The selection was based on the availability of some monitoring and evaluation. The examples are, by pillar:

Employability:

- 'Inserjovem' and 'Reage' initiatives in Portugal
- Activation of benefits in Belgium
- Additional school support scheme in Greece
- Work place support for persons with disabilities in Sweden

Entrepreneurship:

- The Single Counter in the Catania Municipality in Italy

Adaptability:

- Labour foundation in the construction industry in Asturias (Spain)

Equal opportunities:

- Development of children's day care in Finland

INTRODUCTION

This Report is the first to be formally submitted in accordance with Article 128 of the Amsterdam Treaty. Its purpose is to present the conclusions drawn from the examination of the measures taken by Member States to implement the Employment Guidelines, in the light of their employment situation. It provides the basis for the Joint Employment Report that the Commission and the Council will jointly submit to the European Council meeting in Helsinki in December 1999.

The Report is structured in two parts. The first offers, for each of the four pillars of the Employment Guidelines, a comparative overview of Member States' performances, including a thematic assessment of the policies and measures undertaken under the National Action Plans. It also highlights some examples of good practice that Member States have identified in their implementation reports.

The second part presents, for each Member State, a detailed analysis of the policy measures implemented under the 1998 National Action Plan or announced in the revised 1999 NAPs, in the light of its employment situation. The Report includes, to the extent possible given the short time that has elapsed since the actual launch of the implementation of most new policies and measures, a first assessment of the outcome of each Member State's National Action Plan.

The policy measures considered in this report are those that were in force or planned by 31 May 1999, i.e., the date of submission of the national reports. In some cases, new policy initiatives or developments in implementation have been announced after that date. These have been referred to only insofar as it has been demonstrated that implementation has started, but no assessment can be made at this stage. The analysis and conclusions included in this Report provide the basis for the new Employment Guidelines for 2000 as well as for the Commission's Recommendation to the Council for recommendations addressed to Member States on the implementation of their employment policies.

1. The Employment Guidelines for 1999

With the adoption of the 1999 Employment Guidelines, the Luxembourg process entered in its second year of implementation. The 1999 Employment Guidelines [1] maintain the integrated and multi-annual approach and the four-pillar structure geared towards improving employability, entrepreneurship, adaptability and equal opportunities.

They have been strengthened in a number of areas, as a result of the examination of the National Action Plans undertaken in 1998.

- Particular emphasis has been put on achieving tangible progress in promoting equal opportunities between women and men, in particular by a gender mainstreaming approach across all pillars.
- The importance of lifelong learning in the development of a skilled and adaptable workforce is reinforced and Member States are called upon to set targets to achieve progressively higher participation rates in lifelong learning.
- A new guideline specifically addresses the need to fully exploit the jobs potential of the services sector, in particular in the area of information technologies and in the environmental sector.
- More emphasis is placed on the need for an examination of the tax-benefit systems in order to provide incentives for the unemployed and inactive individuals to take up work or training opportunities.
- Furthermore, supporting measures are sought for older workers to increase their participation in the labour force and for a labour market open to all, including disadvantaged groups and individuals.

2. The National Action Plans for 1999

The 1999 Employment Guidelines served as a basis for the preparation of the 1999 National Action Plans (NAPs).

[1] The 1999 employment guidelines were adopted by the Council resolution of 22 February 1999.

The Council Resolution requested Member States to submit by the end of May implementation reports describing in detail the main measures taken to implement the 1998 National Action Plans and the adjustments made to take into account the 1999 Employment Guidelines.

In the first quarter of 1999, a series of bilateral seminars were held with each of the fifteen Member States to discuss the preparation of the revised NAPs. A broad range of government departments, as well as the representatives of social partners and, in some Member States, also the regional authorities, participated in the seminars and subsequently were to varying extents involved in the actual revision of the NAPs. The bilateral seminars served to highlight the main strengths and weaknesses in the employment situation of each country and to launch a debate around the most significant policy issues arising from last year's assessment of the NAPs. Given their positive results, the bilateral seminars are likely to become a permanent feature of the process.

3. Progress in setting common indicators

The Luxembourg process requires the setting of verifiable objectives and deadlines in employment-policy making both at European and at national level. This in turn requires the development of a comprehensive set of indicators for measuring both policy efforts and outcomes as regards the Employment Guidelines.

In monitoring the Employment Guidelines, three objectives are pursued:

1. Assessing whether the policies implemented in the context of the Employment Guidelines are producing the desired impact. For this purpose, a set of basic *performance indicators* measuring trends in employment, unemployment and some key macroeconomic variables were developed and already used in the 1998 Joint Employment Report.

2. Measuring the policy efforts undertaken by the Member States in transposing the EU-level operational targets set in the first three guidelines on prevention and activation into national policy and evaluating their effectiveness. This calls for common *policy indicators* developed on the basis of administrative data on beneficiaries of employability policies and on stocks and flows into and out of unemployment.

3. Monitoring the progress achieved by Member States over the medium-term towards more structural goals as set by the Employment Guidelines. This needs to be done with the help of *structural* (performance) *indicators* for areas such as education and training, entrepreneurial activity, employment in services, taxation and equality of opportunities between women and men.

Significant progress has been achieved in 1999 with respect to common policy indicators. A set of indicators for the first three guidelines on prevention and activation was agreed in May by the Commission and the Member States under the auspices of the Employment and Labour Market Committee (ELC), and submitted to the Cologne Summit. The Member States were asked to step up the adaptation of their monitoring systems so as to provide data in accordance with the newly agreed indicators in their 1999 implementation reports, thus allowing for a more objective assessment of progress towards the common policy targets.

However, further work still needs to be done, with the aim of reaching an agreement on a comprehensive monitoring system. This will require both the further development of appropriate indicators and the improvement of data collection systems by expanding the capacities at national and European level.

4. Involvement of the Social Partners

The social partners have a crucial role to play in the making and implementation of labour market policy, both nationally and locally, and are called on to play an active role at European level in the implementation and assessment of the progress made under the Employment Guidelines.

At European level

The social partners are regularly invited to discuss employment and social matters with the Commission and other EU Institutions. The Standing Committee on Employment, which dates back to 1970, has served as a forum for discussion between the Council, the Commission and the two sides of industry. In March 1999, the Committee was reformed and streamlined in order to become an operational instrument for ensuring the consistency between the Employment Guidelines and the Broad Economic Policy Guidelines. The reformed Committee is composed of European social partners organisations [2], the Council and the Commission.

[2] UNICE,CEEP, UEAPME, COPA, EUROCOMMERCE, ETUC, EUROCADRES and CEC.

This reform underlines the importance given to the role of social partners within the European Employment Strategy since the launch of the Luxembourg process. They are represented in other fora, such as the different Social Dialogue committees, and since the Cologne Summit, the new structures created for the macroeconomic dialogue.

This institutional framework at the European level provides ample opportunities for the Commission to inform the Social Partners and involve them in the discussion of the Employment Strategy [3]. The present Report will certainly provide important inputs to such discussions.

At national level

The social partners have been better consulted and implicated in the process of establishing the NAPs than last year. The 1999 NAPs show that social partner action within a supportive framework is increasing and is proving to be an effective way forward both on life-long learning and on the modernisation of work organisation. This is the case when Member States take on commitments within their sphere of competence in order to support the process, leaving room and/or giving incentives for social partner action, e.g. in Netherlands and Luxembourg. This is also true to varying extent for Ireland, Finland, France and Belgium. Isolated calls on the social partners to take action are rarely effective.

In general, the social partners have participated in the preparation of the NAPs and implementation reports. In some Member States, specific bodies have been established for that purpose, e.g. in Denmark, France and Sweden. Furthermore, in Austria and Denmark the social partners have made their own joint contributions to the 1999 NAPs indicating clear commitments. In Belgium, the interprofessional agreement 1999-2000 tackles wages, employment and training in the perspective of the 1998 NAP. However, in most cases, the social partners' participation remains rather procedural and there is much room for improvement in establishing effective partnerships in support of national strategies.

The most comprehensive partnerships in the NAP process take the form of tripartite agreements between the social partners and governments or of bipartite social partner agreements covering a wide range of issues, such as wage moderation, the improvement of mechanisms for lifelong learning and work organisation. Most of these agreements were made during 1998 or before and are currently being consolidated and developed via concrete actions within the established framework.

Regarding the tripartite approach, in Luxembourg the 1998 NAP was the result of an employment pact between government and social partners. This pact included obligations for the social partners to address employment in all agreements and each of the employment guidelines in their collective bargaining. In Finland, the latest employment and income pact has been the result of a tripartite cooperation, where central components are moderate pay rises and a government promise to cut income tax for employees and payroll taxes for employers. In Italy, a comprehensive social pact between the social partners and the government was signed in December 1998 following similar agreements in 1993 and 1996, reinforcing social concertation structures. In Ireland, the Partnership 2000 agreement between the social partners constitutes a framework for consideration of a wide range of issues. In Germany, the new government has set up, together with the social partners, the Alliance for Jobs, Training and Competitiveness with the aim to reduce unemployment and increase the competitiveness of the economy.

Specific Contributions under the Guidelines

In some Member States, social partners have found common ground on issues under the employability pillar. The common positions by the Austrian social partners reflect their tradition of cooperation. The major part of it deals with improvement in education, vocational training and further training. The pact for older workers should also be mentioned. In the Netherlands, the social partners and the government have concluded an agreement in order to reinforce the apprentice system and in Germany the discussions in the context of the tripartite Job Alliance (*Bündnis für Arbeit*) have inter alia also been focused on the creation of more apprenticeship places. In Sweden, the social partners and the government concluded a tripartite agreement on upgrading of skills for employees.

In most Member States the social partners are increasingly involved in the administration of employment offices and the operational bodies of various programmes under the NAP, mostly within education and training. This is most evident in Denmark. In some Member States this cooperation has been widened to other fields, e.g. an entrepreneurship assessment agency in Sweden and the new employment centres in Finland.

[3] In this context, one should stress the Opinion approved by the Economic and Social Committee on the Employment Guidelines 1998.

On adaptability, a more significant contribution would be expected. In several Member States, the social partners have been closely involved in, or linked to, specific policies, either through consultation or through collective agreements. This has been the case for example in Belgium, Germany and France. Such policies however, almost exclusively concern working time issues.

Part-time work is another important issue addressed by the social partners. In Spain, the government and the trade unions concluded an agreement in 1998 with the view to strengthening the position of part-time workers. This issue has been discussed by the social partners in many Member States, including Netherlands and Germany.

5. Involvement of Actors at Local and Regional Levels

Overall, all NAPs stressed the need to develop the territorial dimension of employment policies. The involvement of local and regional actors concern all four pillars of the guidelines with, however and unsurprisingly, a stronger emphasis on guideline 12.

Generally speaking, almost all the Member States are in the process of decentralising, through local PES, the delivery of policies mainly decided and financed at national level. However, there is a strong tendency to build working partnership with different types of local actors.

As for federal Member States — Belgium, Germany, Austria — or Member States with strong regional institutional competencies — Italy, Spain — there is a sharing of competence under almost every guideline, and therefore, the regional authorities are involved in the preparatory phase of the NAPs as well as in their implementation.

In the Scandinavian countries, there are consolidated mechanisms such as the regional labour market council which promote a better taking into account of the regional and local specificities. In other Member States, such as UK, France and Portugal, the emphasis is on the development of partnerships with regional and local authorities, the voluntary sector and bodies representing small firms as well as on the building of new decentralisation tools, such as the Regional Development Agencies in England, the strategic local planning in Wales, or the social inclusion partnerships in Scotland. In this context Portugal also promotes the development of Regional Employment in Alentejo, Madeira, Azores, and Oporto Metropolitan area.

The role of the municipalities is also enhanced by several NAPs (Netherlands, Sweden, Denmark, Finland, Belgium and Portugal for the metropolitan area of Oporto). In the Netherlands, where the municipalities are responsible for the reintegration for people who only receive social security benefit, the Municipalities receive funds for the development of comprehensive inclusion approaches which can be freely allocated. In Belgium, regional and federal Authorities cooperate with the local authorities for the development of Local Employment Agencies and '*Maisons de l'Emploi*'.

Finally several Member States report on the importance of local partnership approaches, such as the ADM in Ireland, or the *Agences Locales pour l'Emploi* and *Maisons de l'Emploi* in Belgium. There are also some insights on the development of new type of partnership based on the EU experience of Territorial Employment Pacts. TEPs are designed in Austria to better pool the forces of active labour market policy in a designated area. Others – Italy, Greece, Spain, Portugal — promote a more global territorial dimension involving the participation of a whole range of local actors.

6. Equal opportunities bodies

Although specifically mentioned in the agreed format for the implementation reports, only three countries (Germany, France and Portugal) mention the involvement of equality bodies in the preparation of the NAP. Finland refers to 'interested groups', and the UK to 'wide consultation, including bodies representing disadvantaged groups'. In Luxembourg, the '*Comité de travail féminin*' (in the form of consultation) will be involved in the follow-up of the implementation of the NAP as will the 'Instituto de la Mujer' in Spain and the Equal Opportunities Department of the Italian government.

7. Budgetary commitments

Information on financial resources allocated to support the implementation of the 1998 NAPs varies greatly between Member States. In some cases, budgetary data are comprehensive but the information is not presented in a way that allows for any in-depth analysis. The request to present the data in a common systematic way has not been followed. In the absence of such data, a cross-country analysis is not possible and a comparable assessment is therefore restricted to whatever data is available for the individual country. The information and data supplied by the Member States is reviewed in Part II of the present Report.

8. Implications of the new Treaty

The Treaty of Amsterdam entered into force on 1 May 1999 and this means that the Title on employment is fully applicable this year for the first time. Its entry into force has implications at various levels:

- Firstly, the Treaty provides for a wide consultation of European institutions and bodies. The Employment Guidelines, drawn up every year on a proposal by the Commission, are subject to consultation of the European Parliament, the Economic and Social Committee, the Committee of the Regions and the Employment Committee, prior to their adoption by the Council.

- Secondly, Article 128 of the Treaty provides for the possibility that the Council, acting on a recommendation by the Commission, makes recommendations to Member States on the basis of the examination of the National Action Plans.

- Thirdly, Article 130 of the Treaty foresees the establishment of an Employment Committee with advisory status to promote coordination between Member States on employment and labour market policies. It will take over the work largely carried out so far by the Employment and Labour Market Committee and the latter Committee will be dissolved.

1. THE EMPLOYMENT SITUATION

1.1 THE EU MACROECONOMIC AND EMPLOYMENT CONTEXT

Growth

Taken as a whole, 1998 confirmed the continuing recovery in the EU economy, the rate of GDP growth going up from 2.7 % in 1997 to 2.9 % in 1998. However, from mid-year onwards, the recovery lost some momentum. This essentially reflects the direct and indirect impact of the sharp deterioration in the world economic situation on exports and investment in the Union. Given the underlying strength of the EU economy, some improvement of the external economic environment and confidence-building economic policies, economic activity is expected to improve again. GDP growth is now forecast to reach 2.1 % in 1999 and to accelerate further to 2.7 % in 2000.

Current economic conditions are favourable to growth and they provide the basis for higher growth and employment. It is essential that the currently favourable investment conditions, in terms of comparatively high profitability and low interest rates, are fully exploited. Investment in infrastructure, knowledge and skills should be enhanced to accelerate the transition to a high-technology, high-skilled and service-based economy. In particular, it is necessary to move quickly into new promising sectors, so that growth in the EU is accompanied by a satisfactory level of job creation.

As recommended in the Broad Economic Policy Guidelines, creating the conditions for high and sustainable growth and employment, which is primarily a matter for Member States, will require a comprehensive and coherent strategy that consists of three mutually-reinforcing key components:

- sound macroeconomic policies that are conducive to growth, employment and price stability, involving full respect of the Stability and Growth Pact and appropriate wage developments;
- policies to improve the overall functioning of labour markets and in particular to promote employability, entrepreneurship, adaptability and equal opportunities by means of a steadfast, prompt and transparent implementation of the Employment Guidelines, and
- economic reforms that enhance the efficiency and flexibility of goods, services and capital markets, reinforce private sector confidence, benefit consumers and favour an environmentally-sustainable growth path, involving a close monitoring of the Single Market, a vigorous competition policy, regulatory reforms and more efficient taxation and benefit systems. Given that economic reforms can imply adjustment costs, the reform agenda should attempt to reconcile efficiency and equity considerations.

Employment

The number employed in the Union increased by 1.8 million in 1998, or by 1.2 %, twice the rise in 1997 and the highest rate of growth since 1990. Moreover, also for the first time since 1990, employment went up in all Member States without exception, although in Germany the rise was marginal.

Despite the growth in employment, the number in work in 1998 was still over 600,000 below the peak reached in 1991. Four years of economic recovery and continuous expansion in employment, therefore, have not yet offset the three years of decline between 1991 and 1994.

As a result, the employment rate (the number employed relative to the population aged 15 to 64) in the EU in 1998 was 61 %, a rise of 1/2 percentage point on the 1997 level, but still 1 1/2 percentage points below the level at the onset of the recession in 1991. In terms of full-time equivalents, the employment rate rose by less than 1/2 percentage point to 55.7 % in 1998.

The four years of net job creation since 1994 have, therefore, done little to raise the low rate of participation in the Union, which is a particular problem for inactive prime-age women, and older people. In 1998, the employment rate of women was only around 51 % of women of working age, and still 20 percentage points below that for men. However, there is a rising trend for the Union as a whole (the female employment rate was only 49.5 % in 1994). For older people, the levels of participation in employment clearly decrease after 50 years of age (the employment rate for the age bracket

50-64 is now 47.6 %, one percentage point higher than in 1995 [4]) and particularly after 55 years (36.5 %).

In the EU in 1998, 17 % of those in employment worked part-time, 58 % of them voluntarily. In relation to 1994, both percentages increased, respectively by 1.4 and 2 percentage points. However, in 1998, for the first time during the present recovery, the number of full-time jobs in the Union increased by more than the number of part-time ones. In the Union as a whole, 54 % of the net additional jobs were full-time. Most of these were taken by men. For women, almost 75 % of the increased number of jobs in 1998 were part-time, leading to a further rise in the proportion of women working in such jobs, to 33 % of the total employed, or 2.2 percentage points higher than in 1994.

The number of people working in jobs with fixed-term contracts increased significantly in 1998, continuing the trend towards temporary employment which has been evident since the onset of recession in the early 1990s. Over a third of the increase in employment in the Union was accounted for by temporary jobs – 36 % in the case of men, 35 % for women — which now account for almost 13 % of all employment, up from less than 11 % in 1991.

Unemployment

The growth of employment in the EU was accompanied by a continuing fall in unemployment, from just over 10 1/2 % in 1997, and a peak of just over 11 % in 1994, to an average of 9.9 % of the workforce in 1998. Unemployment has continued to decline during the first six months of 1999, to reach 9.4 % of the work force in June 1999 (equivalent to 16 million people).

The fall in unemployment in the EU in 1998 amounted to a reduction of some 1 million over the year. Given the increase in the number in work, this implies that around 40 % (some 700 000) of the net addition to jobs was taken by new entrants to the labour force, or by those who previously were not actively looking for work and who had, therefore, not been recorded as being unemployed. This proportion is slightly lower than for the recovery period as a whole, largely reflecting an increase in rate of net job creation relative to the growth of population of working age. Of the 4.2 million net additional jobs created between 1994 and 1998, 60 % (almost 2.6 million) went to those who had not been in the labour force before.

The fall in unemployment in the EU during 1998 and the first few months of 1999 has been much the same for women as for men. Since the peak rates reached during 1994, unemployment of men has fallen by some 2 % of the work force, whereas for women, it has declined by 1 1/2 % and the gap between the two rates at the EU level, is now just over 3 percentage points (11 1/2 % for women, just under 8 1/2 % for men).

Unemployment of young people under 25 has continued to fall in 1998, although the relative level of youth unemployment still varies markedly across the Member States. The gap between youth and adult unemployment, however, remains wide and in relative terms has narrowed only slightly over the present recovery. At the last count, the average share of youth unemployment [5] in total population in the age bracket 15-24 was 9.3 % in the EU, down from 9.9 % in 1997. More than 4.3 million people young people were unemployed in 1998, of which 2.5 million (almost 60 %) had been without a job for at least 6 months.

The fall in the overall rate of unemployment in the EU in recent years has been accompanied by a slow decline in the number of long-term unemployed. The rate of long-term unemployment in 1998, at 4.9 % of the labour force, was not much lower than in 1994 (5.2 %) and the number affected, almost 8.4 million, was only 4 % less than four years earlier when unemployment was at its peak. The share of the unemployed who have been out of work for a year or more, at 49 1/2 %, was higher than in 1994 (47 %) and slightly above the level in 1997, indicating that the long-term unemployed have the greatest difficulty in finding a job even in a situation of falling unemployment.

The number of very long-term unemployed in the EU, those who had been looking for a job for two years or more, was actually higher in 1998 than in 1994 (5.2 million as against 4.8 million, an increase of over 7 %) and, in relation to the total unemployed, significantly higher (31 1/2 % as opposed to 26 1/2 %).

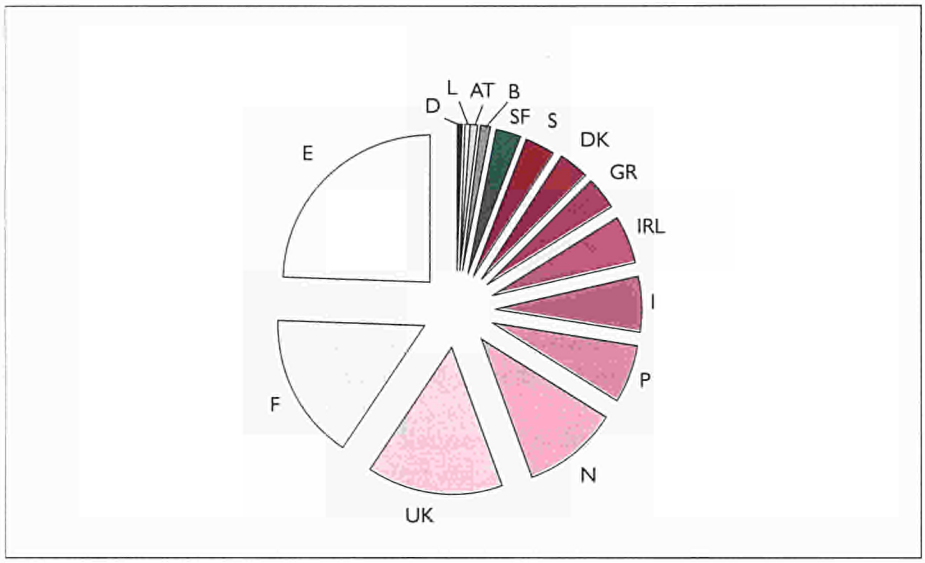
[4] Due to EU enlargement, there are no comparable data for periods before 1995.
[5] Harmonised unemployment series, Eurostat.

1.2 COMPARATIVE OVERVIEW OF LABOUR MARKET PERFORMANCE

1.2.1. Employment

In 1998, the European Union generated 1.8 million net jobs. Just three Member States (Spain, France and the UK) together created approximately 1 million of them (Chart 1). By adding three other Member States (Netherlands, Portugal and Italy), more than 75 % of the total net job creation in the EU in 1998 is accounted for.

Chart 1 - Employment growth 1997-98



Source: Eurostat, Benchmark series

Relative to 1997, all Member States increased the numbers in employment in 1998, Particularly strong employment growth (above 2 %) could be observed in Ireland, Greece, Luxembourg, Spain, Netherlands, Portugal, Finland and Denmark. By contrast, just a very slight increase was registered in Germany, and Italy.

Since the onset of the present economic recovery in 1994, all Member States with the exception of Germany have been able to take advantage of the overall improved economic conditions, and increase their employment levels (Chart 2). Six of them, however, have achieved particularly robust average growth of 2 % or more, comparable to that of the US: Ireland, Luxembourg, Netherlands, Spain, Denmark and Finland. Ireland in particular was able to reach an average employment growth rate of 5 %, thanks to average GDP growth exceeding 10 %.

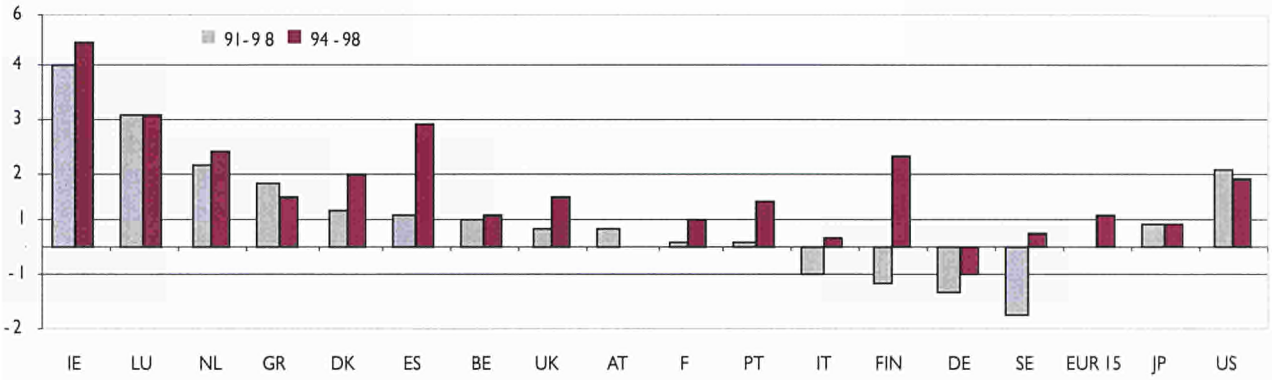
It is quite significant that none of the four major economies in the EU – France, Germany, Italy and the UK — can be counted among the Member States with more dynamic employment performance over the 1990s. The low or negative rate of net job creation in these economies, which together account for 70 % of employment in the Union, is the major reason why employment in the EU as a whole has been so modest. In two – Italy and Germany — the number in work in 1998 has not yet recovered to the level reached in 1991. In the case of Germany, this evolution reflects to some degree the consequences of the reunification process.

There are, however, signs of improvement in the four major economies. This is particularly the case in France, where the number employed increased by just under 1 1/2 % in 1998, the highest growth rate since 1989. In Italy, the number rose by 1/2 %, having not increased at all in 1997, while in Germany, it went up, even if marginally, for the first time since unification. As to the UK, the improvement started much earlier, and an average employment growth of 1.2 % has been achieved since 1994.

The employment rate

Given the overall sluggish employment performance and the continuing growth of working-age population, the employment rate in 1998, at 61 %, was 1 1/2 percent-

Chart 2 - Employment growth between 91/98 and 94/98



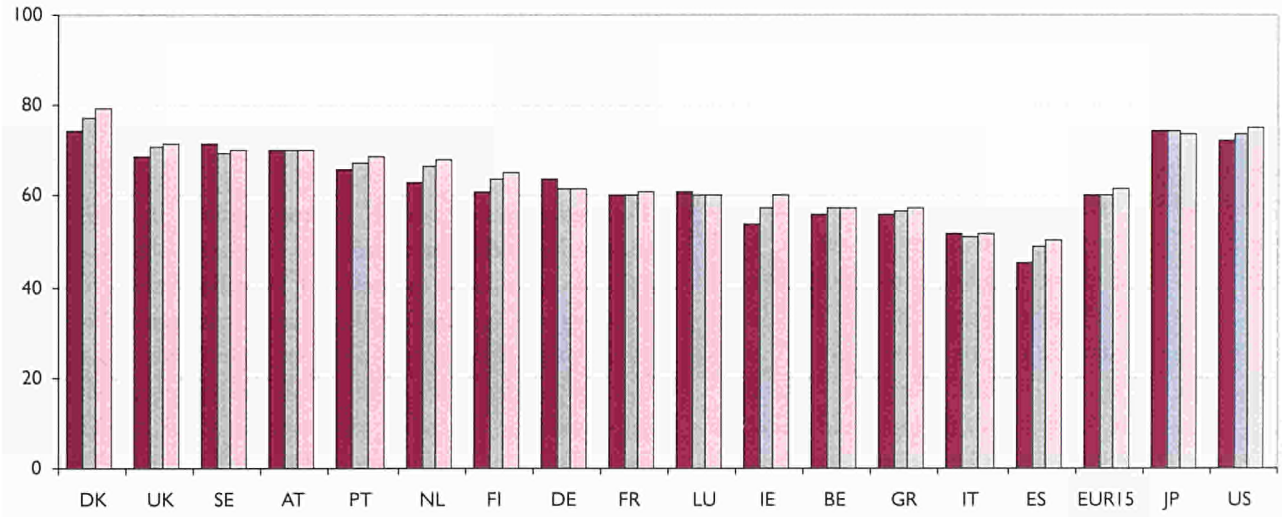
Source: Eurostat Benchmark

age points below the level before the onset of the recession in 1991, and just 1 % above the level at the end of the recession in 1994.

Across the Union, the employment rate was highest in Denmark (79 %), with those in the UK, Austria and Sweden also being over 70 % (Chart 3). The growth in employment rates was highest in economies which had a lower starting point in 1994: Ireland, Finland, Spain, Portugal and Netherlands, in all of which the overall employment rate increased by 3 percentage points or more. Conversely, in Germany, Italy, Luxembourg, Austria and Sweden the employment rate did not improve, and it improved only marginally in France, Greece and Belgium.

In terms of full-time equivalent employment [6], the highest rates in Europe are to be found in Denmark, Austria and Portugal, all of which have rates at or above 65 %. France, Ireland, Greece and Germany have rates close to the EU average of 55.7 %, whereas Italy and Spain (47.9 %) have the lowest rates. Since 1994, the average FTE employment rate in Europe has remained practically the same, suggesting that the average time worked has decreased proportionally to the increase in the total number of jobs.

Chart 3 - Employment rates, comparison of 1994, 1997, 1998



Source: Eurostat, Benchmark

[6] Full-time equivalent (FTE) employment, which equals the number of full-time equivalent jobs, is defined as total hours worked divided by the average annual number of hours worked in full-time jobs. The FTE employment rate is calculated by dividing the FTE employment as defined above by the total population in the relevant age group.

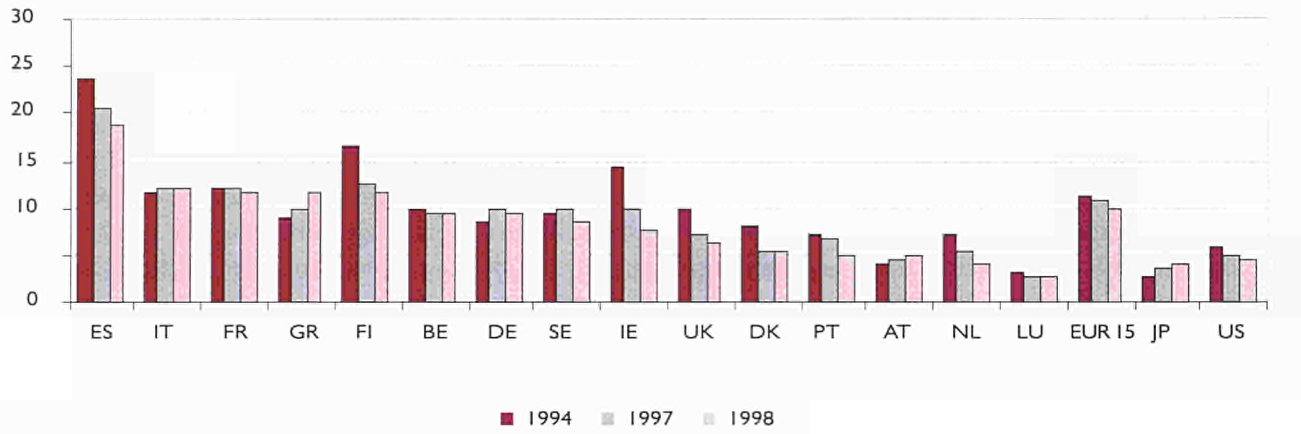
1.2.2. Unemployment

Between 1997 and 1998, unemployment fell in the EU as a whole and also in the majority of Member States (Chart 4). Improvements were especially significant in the two countries with highest unemployment in 1997 – Spain (from 20.8 % to 18.8 %) and Finland (from 13.1 % to 11.4 %) – but also in a few countries with low or average unemployment, like Ireland, Netherlands, Portugal and Sweden. In all these countries the unemployment rate (ILO definition) declined by more than one percentage point.

Exceptions to this overall positive trend are to be found in Greece, Italy, Belgium, Luxembourg and Austria. In Greece, where the increase in 1998 was of nearly 1 percentage point, the unemployment rate was brought above the EU average, while Italy has now the second highest unemployment rate in the EU. Part of the rising unemployment rates in these countries can be explained by the higher activity rates in 1998 compared with 1997.

While for the Union as a whole the improvement in 1998 appears as a continuation of a trend dating back to the onset of the economic recovery in 1994-95, this is by no means the case with all Member States. Six Member States — Ireland, Netherlands, UK, Denmark, Portugal and Finland — have succeeded in bringing their unemployment rate down from the level reached in the mid nineties. In these countries improvements in the labour markets are of a long-standing nature which suggests the effects of structural reforms, in addition to the positive impact of economic recovery.

Chart 4 - Employment rate



Source: Eurostat, Hamonised unemployment rates

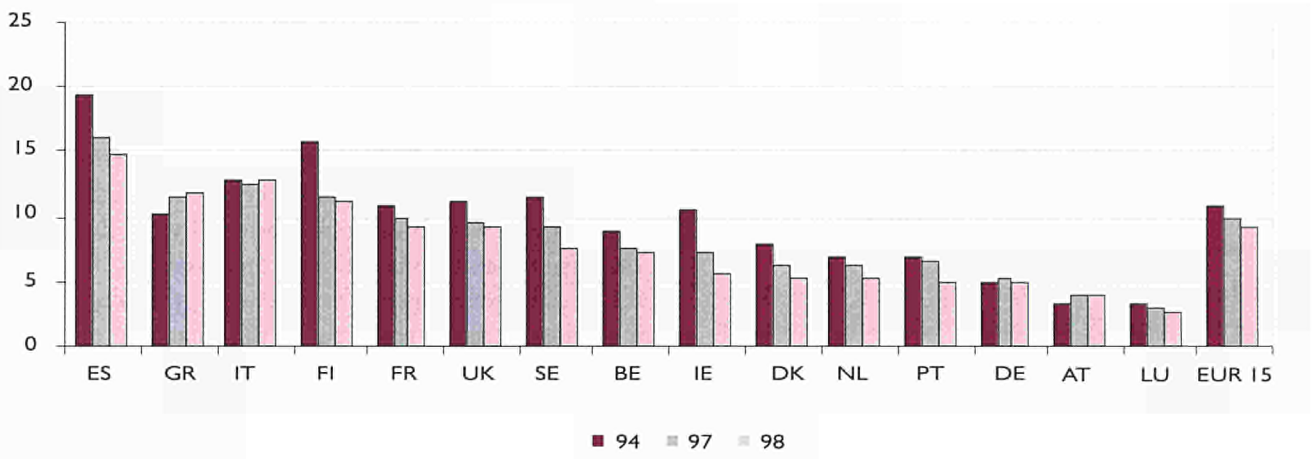
Youth unemployment

As measured by the ratio of youth unemployment to youth population [7] the improvement in 1998 was widely spread, with an average fall from 9.9 % to 9.3 % in the EU as a whole, and moderate to strong declines in the majority of Member States (Chart 5). Reductions of one percentage point or more were witnessed in France, Netherlands, Ireland, Portugal, Spain and Sweden, whereas in Austria, youth unemployment stabilised at the 1997 level and Greece was again the exception with a sharp increase similar to the rise in overall unemployment.

The reduction of youth unemployment in 1998 continues the declining trend that has been observed since 1994 for the large majority of Member States. The exceptions are Austria and Germany, where relatively low levels of youth unemployment have been maintained throughout the period, and Italy and Greece, where no improvement has been registered in their already high initial levels of youth unemployment.

[7] In relation to the more traditional youth unemployment rate (youth unemployment divided by youth labour force), this indicator has the advantage of taking into account the fact that a large share of the youth population is in education, and therefore reduces the risk of overestimating youth unemployment in those cases where school attendance rates are high.

Chart 5 - Youth unemployment ratio



Source: European LFS

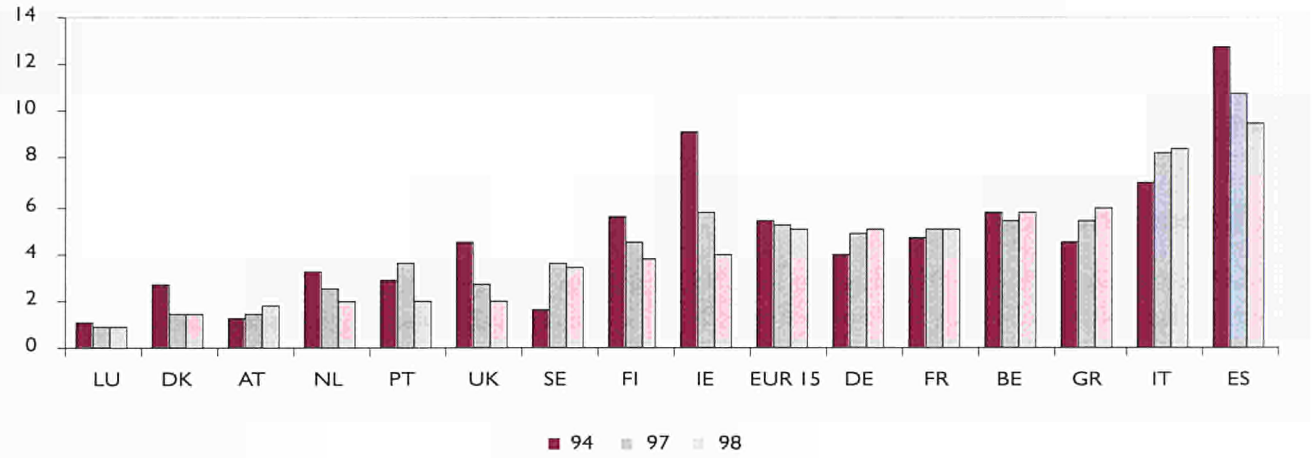
Long-term unemployment

In 1998, only a few Member States managed to reduce significantly long-term unemployment, as measured by the long-term unemployment rate [8]. In Portugal, Ireland [9] and Spain the LTU rate declined by more than one percentage point, and in Finland, the UK and Netherlands the reduction was still above half percentage point. Spain however still presents the highest level of long-term unemployment in the EU (Chart 6).

Worrying signs are shown by Greece but also by Belgium where the LTU rate increased in 1998, whilst in several Member States having high to average levels of long-term unemployment, like Italy, France, and Germany, no improvement could be observed in 1998.

When appraised over a longer period, long-term unemployment appears as a persistent problem. In six Member States, long-term unemployment is now even at higher levels than in 1994. In contrast, the UK, Denmark, Netherlands, Portugal, Ireland Finland and Spain have managed to decrease long-term unemployment steadily, and bring it below its 1994 level.

Chart 6 - Employment rates, comparison of 1994, 1997, 1998



Source: Eurostat, Benchmark

[8] Defined as the stock of long-term unemployed persons divided by the labour force.

[9] Due to the unavailability of Eurostat Labour Force Survey data for Ireland in 1998, a national estimate was used for the rate of long-term unemployment.

2. PILLAR I: EMPLOYABILITY

Member States are called on to undertake concrete action to attain the following objectives:

- Implementing a preventive approach so as to reduce significantly the inflow of young and adult unemployed persons into long-term unemployment (guidelines 1 and 2);
- Strengthening active labour market policies and reviewing tax and benefit systems so as to reduce the number of people dependent on benefits (guidelines 3 and 4);
- Developing partnership as a framework for the provision of training and the expansion of possibilities for lifelong learning (guidelines 5 and 6);
- Facilitating the transition from school to work, by reducing early school leaving and equipping young people with marketable skills (guidelines 7 and 8);
- Promoting a labour market open to all, by giving special attention to the needs of the disabled, ethnic minorities and other disadvantaged groups (guideline 9).

2.1 A COMPARATIVE OVERVIEW OF THE SITUATION IN MEMBER STATES

2.1.1. Labour market policies [10]

For the EU as a whole, 3 % of GDP was spent in 1998 on labour market policies, of which 38 % on active policies (mainly training, youth programmes, rehabilitation programmes, subsidised employment schemes addressed to the unemployed and the administration of public employment services). The remainder was spent on income support benefits for the unemployed and early retired workers.

As shown in Chart 7 this pattern has been remarkably stable over time. However, in recent years, and partly in response to widespread policy advice by the European Commission and international organisations like the OECD, EU governments have tended gradually to put proportionally more resources in the financing of active policies. Since 1992, when labour market policy spending per unemployed person reached its peak, the Union as a whole has spent less on income support policies, while maintaining average spending with active policies broadly constant.

Across Member States the situation is quite mixed, both in terms of the financial importance of labour market policy and in terms of tendency.

Six Member States spend 4 % of GDP or over on the labour market — Denmark (5.6 %), Netherlands, Ireland, Finland, Belgium and Sweden — of which only the last achieves a balanced distribution between active and passive policies. All the other five countries spend more than 2/3 in passive income support (see chart 8).

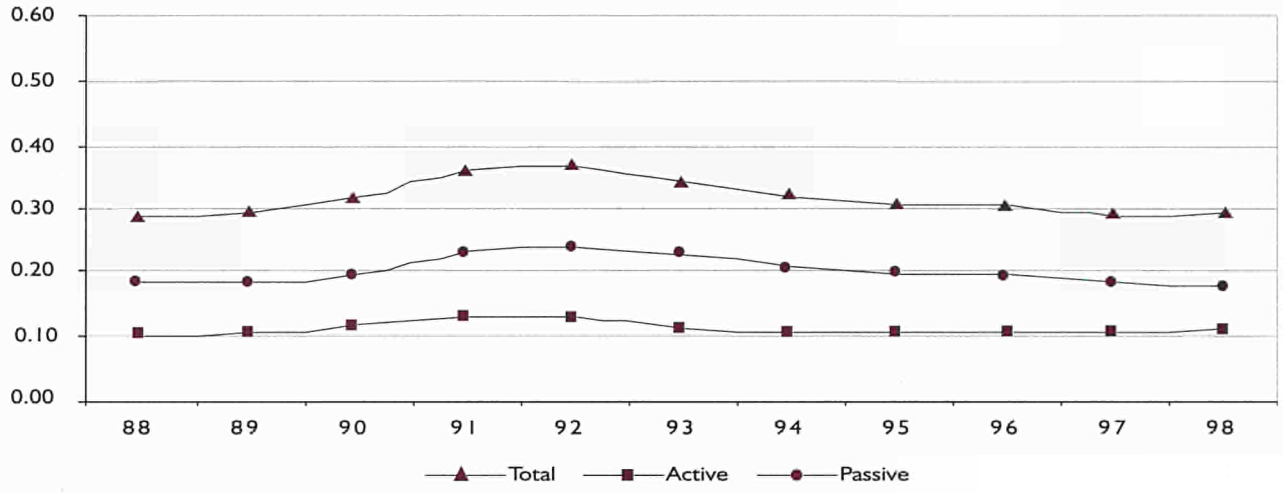
Six other Member States spend less than 2 % of GDP on labour market policies — Italy, Portugal, Austria, UK, Luxembourg and Greece — of which only the first two spend more or less the same on active and passive policies. Germany, France and Spain are close to the EU average.

However, the share of expenditure in GDP gives a distorted view of the real importance of active policies in the different Member States, since the number of unemployed people to which such policies are addressed varies substantially.

One way of standardising active spending is to express it as a ratio to the unemployment rate (see chart 9). The Member States that spend proportionally more with active policies in favour of the unemployed are Netherlands, Denmark, Sweden, Ireland and Portugal (all above or close to 0.2 % of GDP per percentage point of unemployment). The Member States who spend less are Spain, Greece and the UK (all below or close to 0.05 %).

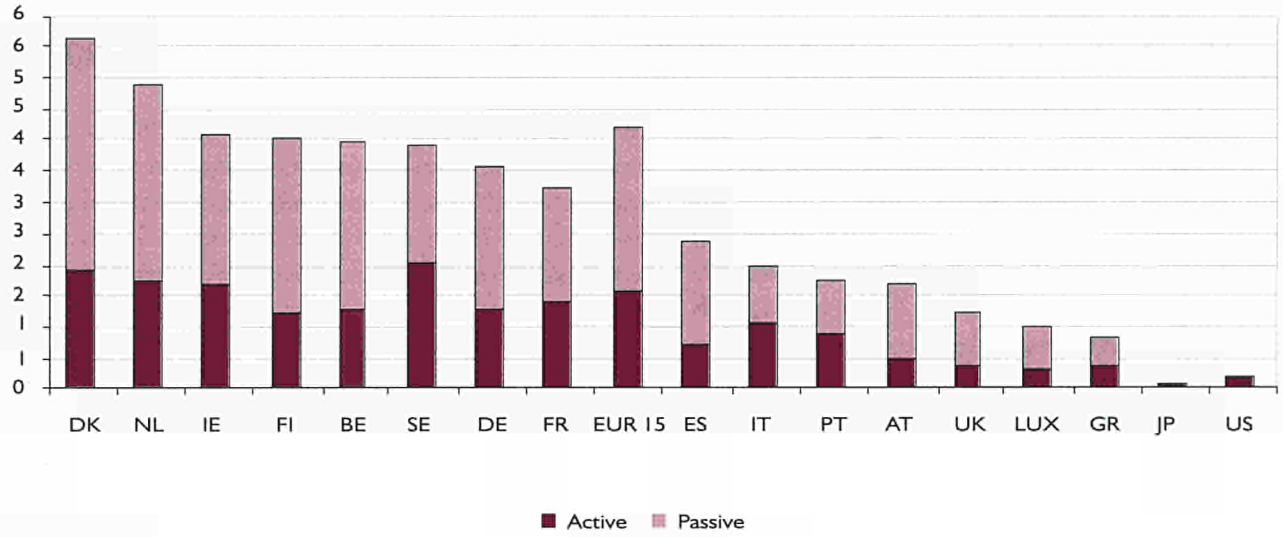
[10] Source: OECD Employment Outlook 1999. Eurostat is developing a new data base allowing for detailed information on expenditure, as well as beneficiaries.

Chart 7 - Eu Labour market expenditure as a % of GDP divided by total unemployment rate, 1988-1998



Source: OECD, EUR aggregates calculated by DG5

Chart 8 - Comparison of active and passive labour market expenditure as a % of GDP 1998

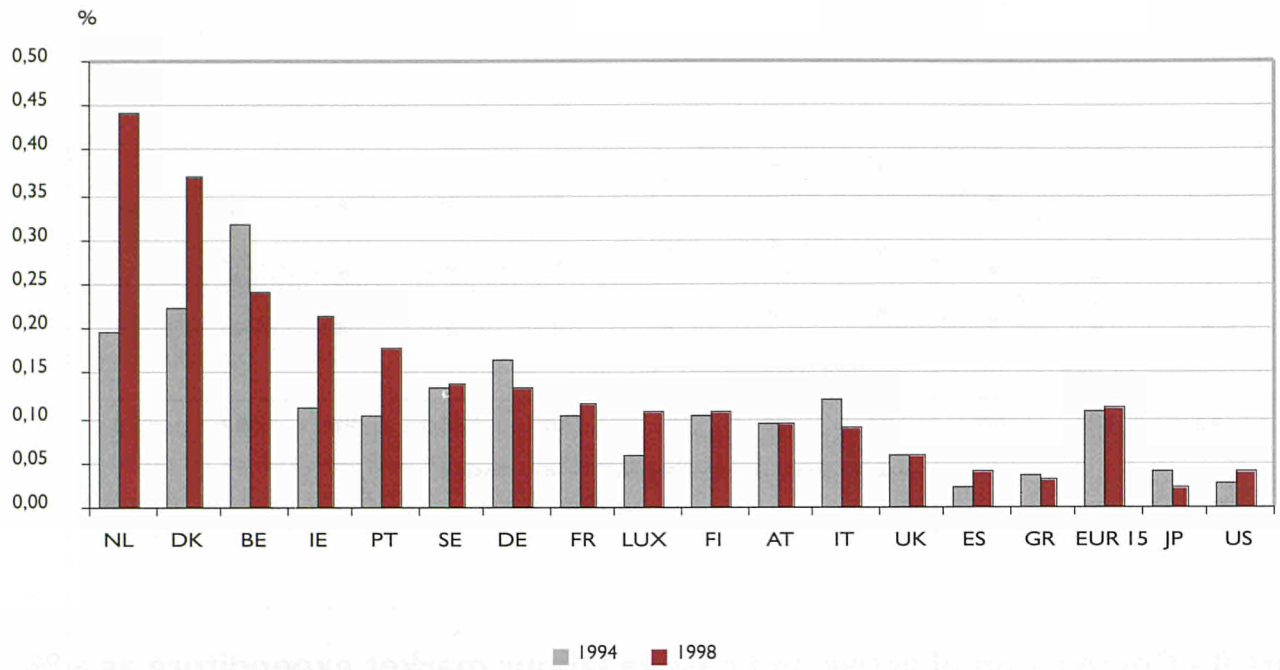


Source: OECD

While (standardised) expenditure on active policies in the EU as a whole has remained relatively stable since 1992/93, the evolution by Member States has been quite diverse. Sweden and Germany have reduced markedly their average expenditure on active policies, whereas Netherlands, Denmark and Ireland have increased theirs. The other Member States have shown smaller variations, with France, Austria and Spain showing an increasing trend, and Portugal, Belgium, Finland, Italy and Greece a decreasing one [11].

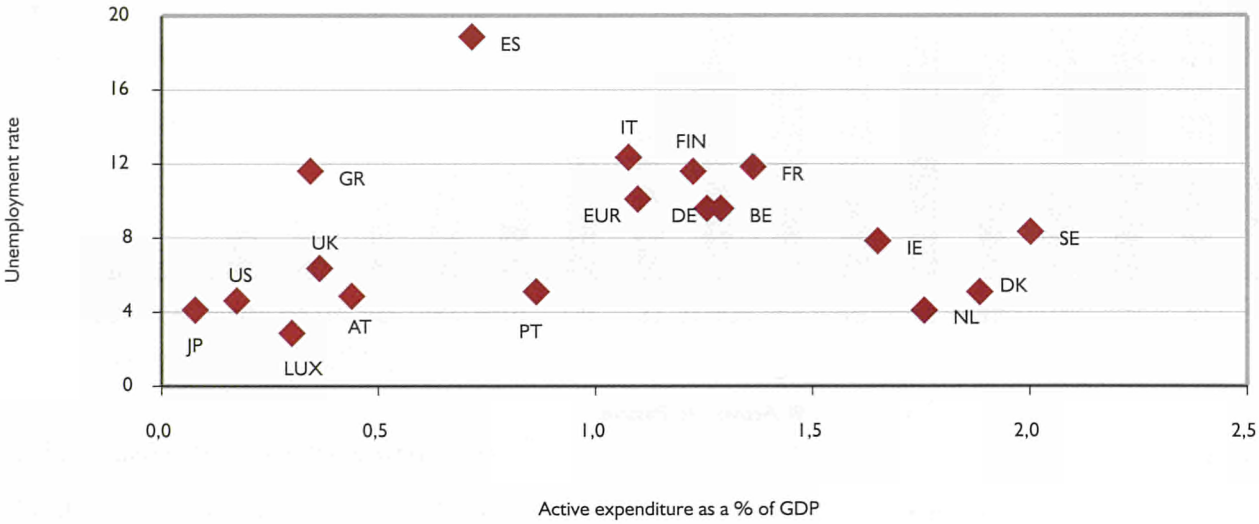
[11] On the basis of most recent data available (1996/1997).

Chart 9 - Ratio of active albour market expenditure, % share of GDP to unemployment rate, 1998, 1994



Source: OECD, Data for US and JP 92/98

Chart 10 - Active labour market expenditure and unemployment rates, 1998

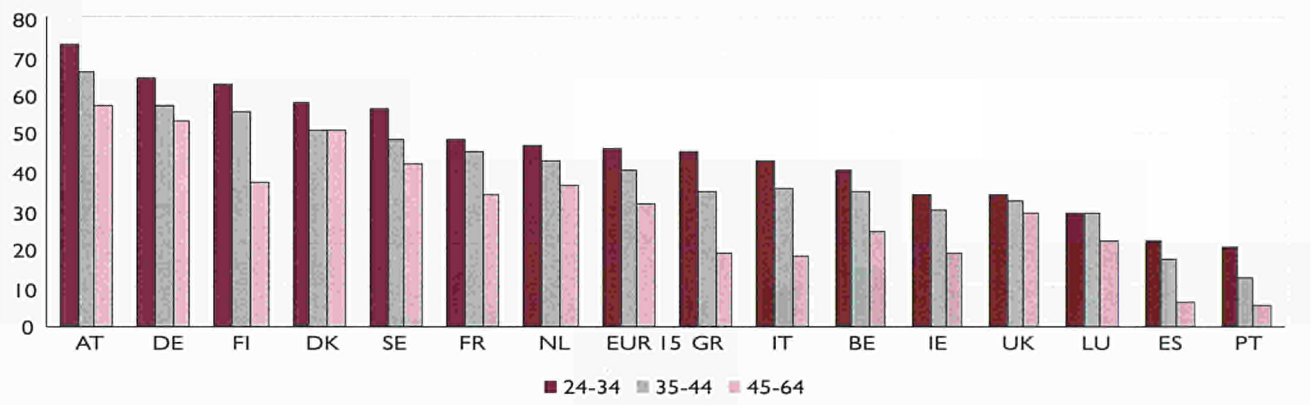


Source: OECD, and Eurostat, Harmonised unemployment rates

Expenditure on active policies in relation to unemployment may be seen as an indicator of the policy effort undertaken by national authorities in upgrading the skills of the unemployed and providing them with job opportunities. However, other factors, e.g., the quality of training, the relevance of training to labour market needs and the motivation of participants in training may all also have a strong impact on people's employability.

More broadly, active policies are not alone in bringing about low unemployment. This is also the outcome of other important institutional and economic factors, such as the tax-benefit system, and the way it is articulated with the provision of active policies, the strength of labour demand or the flexibility of the labour market.

Chart 11 - Attainment of upper secondary education level by age groups, 1997



Source: European LFS, calculation by DG5

Chart 10 presents standardised active policy expenditure and the unemployment rate plotted together. For the majority of Member States, spending in active policies is negatively correlated with unemployment. However, the same chart also suggests that the US and Japan and, in the EU, Austria, Luxembourg, UK, and to a lesser extent Portugal, have managed to reach low unemployment rates, with relatively low average spending in active policies per unemployed person.

While confirming the overall positive influence of active policies promoting employability in bringing down unemployment levels, these results also draw attention to the decisive role played by other policies, in support of the integrated approach contained in the Employment Guidelines.

2.1.2. Educational attainment levels and participation in lifelong learning

High levels of educational attainment are a key enabling factor for achieving performing and adaptable labour markets. They are also a facilitating factor for further learning in adulthood and an advantage, when it comes to upgrading skills and knowledge. Overall, EU Member States have invested heavily in initial education and as a result have a comparatively highly educated and productive workforce. Over several decades, a lengthening of school education has been observed, and on average, the time length of formal schooling varies between 14 and 16 years, whereas full-time compulsory education varies between 8 and 11 years.

Young people in all Member States reach today higher levels of education than did previous generations, as shown by the widening gap between levels of education among generations (see chart 11). In 1997, according to the Labour Force Survey, 46 % of people aged 24-34 had completed upper secondary education compared with 32 % in the 45-64 age group.

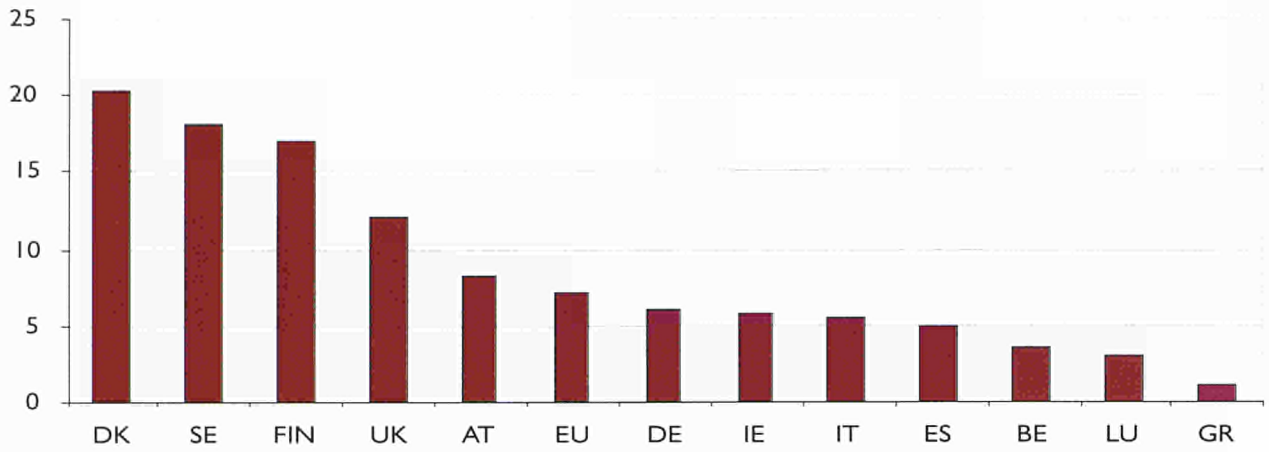
Although a catching-up effect has been observed in southern Member States, where growth rates in educational attainment have been higher than in northern ones, significant disparities remain. Four countries (Spain, Greece, Italy and Portugal) still have 60 % or more of their population at a low level of educational attainment [12], whereas in Austria, Denmark, Germany and Sweden only 25 % of the population or less are at that level. By contrast, a comparison across the European Union between male and female rates of educational attainment shows that in almost all countries young women are now coming close to, or even exceed, the educational levels attained by men.

Lifelong learning after initial formal education and training is crucial for maintaining a highly skilled and adaptable workforce in the EU. However, participation rates in further training and education are generally low and do not provide a uniform pattern. In 1997, only 7.5 % of the employees in the EU received training during the previous four weeks [13]. Participation rates vary from

[12] Low level of education is assimilated here to basic secondary level or less (ISCED 0-2).

[13] Source: Labour Force Survey 1997. For Portugal, France and the Netherlands, data are collected only if participation in education and training is ongoing at the moment of the survey (as against in the last four weeks for the remaining Member States). In-company training is not taken into account in France. Because the LFS data are not comparable in these 3 Member States, their data are ommitted in Chart 12.

Chart 12 - Participation in education or training of people aged 25-29 1997



Source: Eurostat, LFS

country to country from a few percentage points in roughly half the Member States to over 15 % in Denmark, Finland and Sweden. Countries which have well-developed systems of initial education and training, like Germany, Ireland, Italy and Austria, have participation rates below 10 %.

Participation rates of different age groups in the labour force are also very divergent. Older workers appear to participate less in training activities, with most training going to younger age groups, especially those around the early thirties. Whereas only 2.5 % of workers between 55-59 participate in training or education, for those aged between 25-29 and 30-34 the rates are 10 % and 8 % respectively.

Participation in lifelong learning activities also reflects strongly the initial levels of educational attainment. Those with higher qualification are four times more likely to participate in training than those with a low level of qualification. Overall, the above data point to the possibility of rising skill gaps, in the form of increasing demand arising from a rapidly developing information society for a better skilled and trained workforce.

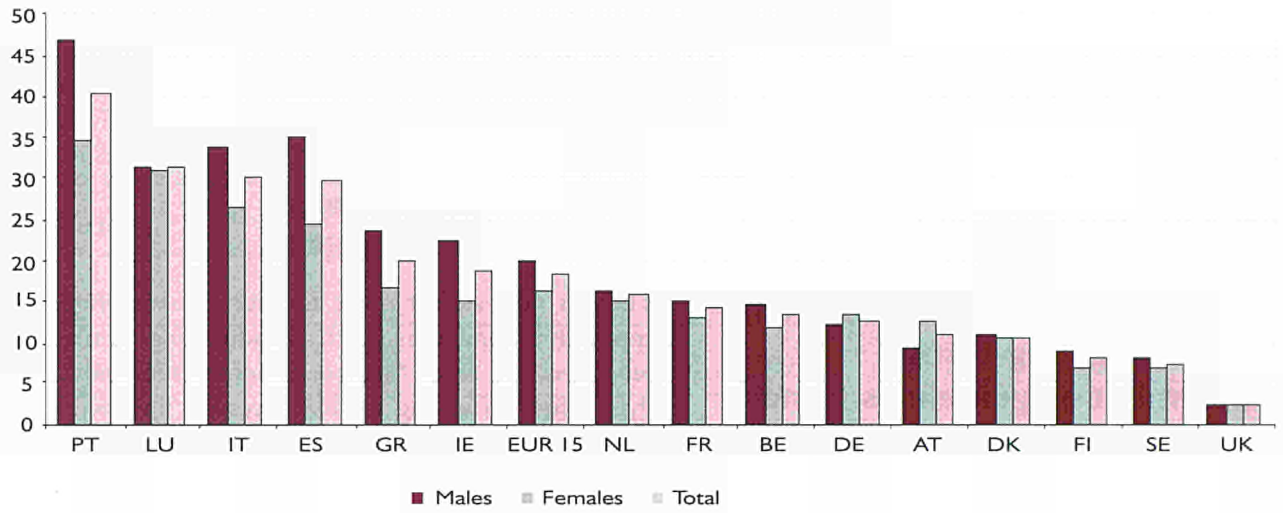
With an ageing population, the need to retrain and upskill to improve employability becomes crucial if the EU is to avoid skill shortages. According to the Commission report on job opportunities in the Information Society, skill shortages are already emerging and up to 500,000 jobs are currently vacant for lack of an appropriate supply of skilled labour.

2.1.3. Early school leaving

Despite the steady improvement of education systems, which has been responsible for the extension of initial education, a number of young people leave the education system too early, either on the completion of basic education or by dropping prematurely out of their studies. In either case, these young people enter active life with very inadequate skills and will remain throughout their entire working lives particularly vulnerable to unemployment or social exclusion. By adopting as a proxy [14] for school drop-outs the number of young people having left education with a low level of attainment, the average drop-out rate in the EU is 18 % in 1997 (see chart 13). The problem of dropping out of school early is more serious in Italy, Luxembourg, Spain and Portugal, where 30 % or more of the young cohorts leave school with only the most basic skills. Early school leaving among males tends to be more frequent with young men, except in Austria and Germany.

[14] Available statistics do not provide comparable international figures on 'early school leavers defined as people who leave school before attaining a certain level of education, however this is defined.

Chart 13 - Share of population 18-24 years old having achieved ISCED low levels and not attending education and training 1997



Source: Eurostat LFS, calculation by DG5

2.2 ASSESSMENT OF NATIONAL ACTION PLANS

2.2.1. Overview of policy developments

Progress in implementation is evident in respect of guidelines 1 to 3, where the establishment of clear targets and deadlines has helped to focus policy and to mobilise efforts. In several Member States, there is evidence that preventive policies have been put in place systematically or expanded since the beginning of 1998 in response to the commitments made at the Luxembourg Summit. Such is the case of Denmark, Ireland, Austria, France, Spain, Portugal, Finland, Netherlands and Luxembourg. Other Member States such as the UK and Sweden, had already policies in place complying broadly with the new requirements. Despite different points of departure, and a few cases of delayed or questionable implementation, there is now a clear move towards a more preventive approach in order to combat youth and long-term unemployment more effectively.

In a few cases, the implementation of new measures can be associated with positive outcomes in terms of lower inflows into long-term unemployment. However, a longer time span is necessary to assess the impact on the employment situation.

In contrast with this encouraging outcome, the implementation of policies in response to the guidelines where no quantified target has been set continues to offer reasons for disappointment. Most NAPs lack well defined objectives and time schedules, and innovative policies and initiatives are the exception rather than the rule. The positive examples to be highlighted are:

- the UK, Ireland, Netherlands, Austria and Finland for the reforms of tax-benefit systems,
- Belgium, Finland, Spain, Austria and Netherlands for partnership agreements on training;
- Ireland, UK and Portugal for policies to combat early-school leaving;
- Germany, Austria, Portugal for their efforts on apprenticeship.

Under the employability pillar, new or enhanced guidelines were introduced in 1999 with respect to lifelong learning and policies addressed to disadvantaged groups and individuals such as disabled persons and ethnic minorities. While the assessment has to concentrate on the measures announced rather than on achievement, the results are not particularly encouraging. On lifelong learning, most Member States did not present a comprehensive strategy or set a target in accordance with the definition agreed in 1999, as requested by the guideline. Particularly worrying is the fact that those Member States with less deficiencies in terms of participation of workers in education and training tended to be among the first in suggesting an articulate policy. There-

fore, the guideline is not promoting major policy change, as expected. The only Member State which has fully complied with the guideline is the UK.

The lack of comparable data describing the scale or nature of the needs of disabled people and ethnic minorities is a serious handicap for assessing policies addressed to these groups. The most articulate policy responses in the NAPs to the new guideline 9 are to be found in Sweden, UK, Denmark, Netherlands and Germany.

2.2.2. Tackling youth unemployment and preventing long-term unemployment — guidelines 1 and 2

The assessment of implementation of guidelines 1 and 2 has been undertaken with the help of qualitative information and policy descriptions, as well as quantitative indicators wherever these are available, on the basis of the two following criteria:

- Implementation — Have new policies and programmes incorporating the preventive approach been fully or partially implemented (i.e. made operational, in terms of concrete provision of individual offers)?

- Compliance — Can the common targets be realistically achieved in the given deadline so as to fulfil the objective of reducing significantly the inflow into long-term unemployment?

In addition, the information provided by Member States on the rate of inflow into long-term unemployment (as presented in Table 1) has been used in order to establish a relationship with the outcome. This aspect is further explored in Part II of the Report.

Progress in operational implementation

Not all Member States are at the same stage of implementation. For most, 1999 is the year of take-off or of implementation of the new programmes initiated last year. Some Member States however seem to have taken a more gradual approach. Due to the specific institutional arrangements adopted for the whole process of implementation in Belgium and Luxembourg, despite some first steps already taken in 1998, the new preventive approach is just being launched. In Greece and Italy, the effective implementation of the preventive approach necessitates the reform of their respective employment services. Other Member States are now in the process of extending the coverage of the new preventive policies in accordance with pre-defined plans: Spain, Finland, Austria, France and Portugal.

All these Member States have launched the preventive approach simultaneously for the young and the adult unemployed. Others have opted for a two-stage process, where priority was given to the programmes addressed to the young unemployed. That is the case of the UK, Ireland, — Netherlands Germany –and Denmark, which find themselves in different stages of implementation.

Assessment of compliance with the common targets

There is now a clear move towards a more preventive approach in combating youth and adult long-term unemployment, but some Member States are more advanced than others in setting up the necessary framework for complying with the common targets: to offer to all young and adult unemployed a new start before 6 or 12 months of unemployment, respectively. Four situations can be distinguished in this regard. Sweden, Austria, the UK, Denmark, Ireland and Netherlands have complied or are about to comply with at least one of the targets. Other Member States — France, Spain, Portugal, Finland and Luxembourg — have set in motion a reform process which is expected to bring about results in line with the guidelines before or by the agreed deadline of 2002. More concrete progress is expected from Germany regarding the prevention of adult long-term unemployment. Finally, concerns can be raised in respect of the delays in implementation in the cases of Belgium, Greece and Italy.

On the basis of the information provided in the National Action Plan reports, Sweden, Austria and the UK seem to fulfil the EU-wide targets, despite very different policy mixes:

- **Sweden** makes intensive use of education and training, in addition to job search assistance, from the early stages of unemployment. Only 3.9 % of the young unemployed and 5.3 % of adults are not offered jobs or employability measures of some kind before 6 or 12 months(non-compliance rate). Sweden scores well in terms of output with rates of inflow into long-term unemployment of 3.5 % and 5.4 % respectively for young unemployed and adults, among the lowest in the Union.

- In **Austria**, implementation of new preventive measures has been undertaken in a satisfactory way. Very few unemployed cross the 6 or 12 month threshold without being offered a new start. Measurable efforts have also been undertaken to increase attendance of apprenticeship, support training and other programmes of vocational training for the young unemployed. Austria displays one of the best perfor-

Table 1 - Output indicator: inflows into long-term unemployment

	Young unemployed			Adult unemployed		
	M	W	Total	M	W	Total
Denmark	8.8	11.7	10.2	3.2	3.3	3.3
Sweden	3.9	3.9	3.9	5.1	5.6	5.4
Austria (a)	5.6	12.3	8.2	4.2	7.8	5.4
Finland (b)	11.0	8.9	9.9	14.1	9.8	11.6
Netherlands (c)	12	12	12	na	na	na
Ireland (d)	na	na	12.3	na	na	na
UK	19.6	16.0	18.4	13.3	8.4	12.1
Luxembourg	18.9	21.4	20.2	13.5	13.7	13.6
Spain	15.5	24.2	21.5	12.7	19.1	15.5
Portugal (f)	15.0	18.8	17.3	16.8	15.3	15.9
France (e)	16.8	22.8	19.7	16.4	19.8	18.0
Belgium (g)	43.5	44.0	43.7	34.9	39.1	37.1

Inflows into long-term unemployment measure the flow of young and adult unemployed reaching the 6th/12th month unemployment without any break. The data originate in national unemployment registers and therefore are not strictly comparable. The period covered is either 1998 or the period since the implementation of new measures up to Spring 1999, except for Belgium (Oct. 1997/Sept. 1998 for young people; Apr. 1997/March 1998 for adults).

(a) for 1st quarter 1998
(b) calculated in terms of unemployment periods
(c) estimates on a quarterly basis; partecipants in some active measures remain registered as unemployed
(d) Calculation on raw data provided
(e) Complement to the output indicator provided
(f) for the areas presently covered
(g) Unemployement breaks of less than 3 months are not counted as exits. For this reason, the Belgian data are not comparable with those for other Member States.

mances in the EU regarding the inflow into long-term unemployment and is on good track to achieve its national target of halving this rate.

- The **UK** concentrates on job search assistance to help the unemployed back to the labour market before they cross the 6/12 month threshold through the JSA scheme. The New Deal programmes for young and adult unemployed persons intervene respectively at 6 and 24 months, consisting of a range of measures including intensive counselling, training and subsidised jobs. Earlier access to such programmes is provided to a small share of adult unemployed, either because they are at higher risk or in the context of new pilot schemes. The UK claims a non compliance rate of zero both for young and adult unemployed, which is linked to strict benefit sanctions. In the UK, 18 % of the young unemployed

and 12 % of the adult unemployed crossed the 6/12 months threshold.

In all other Member States, progress is being made at different rates, but given the scarce information provided on policy input indicators, assessment in terms of whether it is sufficient to address the problem and meet the common targets, has to be done mainly on the basis of interpretation of the qualitative information supplied.

Denmark, Ireland and Netherlands have operationalised the delivery of active programmes for all young unemployed before the 6 month threshold, but are still short of the common targets in respect of adult long-term unemployed:

- **Denmark** can be considered as fulfilling the target of the guidelines on the basis of the description of the existing preventive policies addressed to the young unemployed. However, no data are supplied to confirm compliance. As to the adult unemployed, the anticipation of activation from 24 to 12 months will be implemented in full in 2000.

- **Ireland** is implementing the preventive strategy in a phased approach, with the initial focus being given to the young unemployed. The individual process starts with a vocational guidance interview carried out just before the end of the 6 month unemployment period, and is followed by referral to training, job or personalised job search assistance. Therefore, the majority of intensive employability measures take place only after the 6 or 12 month periods. From the recorded data for the first 4 months of implementation, it is possible to infer an average non-compliance rate of 7.5 % that is the share of the cohort of young unemployed which crosses the 6/7 months threshold without having been offered any action.

- **Netherlands** has implemented a preventive policy in regard of young people, that builds on earlier experience with the WIW scheme. However, no data are supplied to confirm compliance. A supplementary effort is presently being made to individually address jobless young people presenting specific difficulties. The implementation of the approach intended for the prevention of adult unemployment has started in several areas and is gradually extended to be fully in place by 2002.

Five Member States have started the operational delivery of preventive policies for young and adult unemployed persons based on individual job action plans, in accordance with the principles laid down in the guidelines:

- Last year **Portugal** implemented a thorough reform of the labour market policy on the basis of the preventive approach, which has yielded promising results as only 5.8 % of young people and 1.8 % of adults becoming unemployed were not offered actions before reaching 6 or 12 months unemployment (non-compliance rate) in the regions covered by the new policies (representing about one third of all unemployed). However, the number of those who did not come to the interview triggering individualised prevention remains quite high and more substantial progress is still required to achieve lower inflows into long-term unemployment (17.3 % and 15.9 % for young and adult unemployed respectively).. The National Action Plan 1999 foresees the extension of the new policies to 75 % of the total population in 1999, and 100 % in 2000.

- In 1998, **Spain** achieved and even exceeded by 7 to 10 % its target defined in terms of offers of 'actions' but no sound relation can be established with the number of unemployed to address in each of the target groups. The objective for 1999 will demand a stronger progression (by 15 to 17 % depending on the type of action) but considering the increase in the budget allocated to the whole first pillar for 1999, sufficient means should be available to back this progression. In 1998, 25 % of the actions were offered to young unemployed before they reached the 6 months threshold, 42 % to adults before the 12 months threshold and 30 % to long-term unemployed, a distribution which is expected to remain the same in 1999.

- On the basis of the progression observed since the launching of the preventive approach in October 1998 (increase of 68 % between the last quarter 1998 and the first quarter 1999) **France** seems set to meet its objectives in terms of number of beneficiaries of offers of a new start (850000 for the whole year 1999). In accordance with its policy orientations, France, like Spain, includes the long-term unemployed (and people at risk of exclusion) in its target group for the 'new start'. However, in contrast to Spain, these represented the bulk of the beneficiaries during the 6 first months of implementation (75 %). A much better balance between preventive and active measures is necessary in order to block inflows into long-term unemployment. The share of beneficiaries of preventive measures is expected at least to increase gradually to 60 % in 1999. In 1999, the new start should cover half of the young target group, and a third of the adult target group.

- In January 1998, **Finland** launched an activation policy centred around the offer of a job seeking plan to all unemployed before the 6 or 12 months threshold, which is planned to be fully implemented by the end of 1999.Based on interviews with the unemployed job-seeker, an individual job-seeking plan is worked out jointly. This plan offers various active programmes and progress is to be assessed at regular fixed-term interviews.

- In **Luxembourg**, where unemployment levels are low, new initiatives resulting from the adoption of the law on implementation of the NAP are being launched. These initiatives strengthen the preventive approach embedded in current measures. Presently only 6.4 % of the young unemployed and 11.2 % of adults reach the six and twelve months threshold respectively without being offered a job or unemployability measure. However, the current level of inflow into long-term unemployment still offers scope for improvement.

Table 2 – Compliance table

	Guideline 1			Guideline 2		
	Compliance		Non compliance	Compliance		Non compliance
	Full implem	To be fully implemented by...		Full implem	To be fully implemented by...	
Austria	X			X		
Belgium			X			X
Denmark	X*				end 2000	
Finland		end 1999			end 1999	
France		2002			2002	
Germany		NA				X
Greece			X			X
Ireland	X				mid 2000	
Italy			X			X
Luxembourg		End 2000			End 2000	
Netherlands	X				2002	
Portugal		End 2000			End 2000	
Spain		2002			2002	
Sweden	X			X		
UK	X			X		

Notes:
* No policy input indicators have been supplied to confirm implementation

Germany is expected to carry out in 1999 and 2000 significant progress so as to comply with the two common targets. Priority has been given to the prevention of youth unemployment in its wider sense, mainly through the extension of apprenticeship. Progress has been registered with the creation of additional apprenticeship places. The new programme to fight youth unemployment reflects an additional step towards a preventive approach more in line with the first guideline and early results are encouraging. As regards the prevention of adult long-term unemployment, early activation is being implemented more forcefully. A national target has been set in terms of reducing the inflow rate into long-term unemployment by 10 %, which looks relatively modest by comparison with the common target set in the guidelines.

Finally, three Member States present both delays in the implementation of the new preventive policies and policy specifications that fall short of the requirements.

- The target population chosen by **Belgium** for the preventive actions seems insufficiently large to meet the objectives of guidelines 1 and 2. Priority has been given to interventions towards the less qualified persons and, in some regions, adult unemployed persons aged 45 and more are excluded. Therefore, at this stage, not all young and adult unemployed are benefiting from preventive policies. The moment of intervention for adult unemployed is set at 12 months, which may be insufficient given the high initial rate of inflow into long-term unemployment. Also, a date for the launching of the new policies addressing guideline 2 has not yet been set.

- **Italy** has started implementing its new preventive policy. However, in terms of both individual guidance interviews and beneficiaries of employability measures, the annual targets have only been partially met (40 % to 55 %). This seems mainly accountable for difficulties encountered in the decentralisation of the public employment services. Already half of the new regional agencies are operational for the implementation of the preventive approach and the effective completion of the reform of the employment services was scheduled for July 1999. However, Italy must also cope with the inefficiency of some of the measures offered to adult unemployed and the overall reform of the benefit system envisaged to back the preventive approach.

- **Greece** is now starting to implement individual guidance interviews. The targets in terms of personalised interviews and beneficiaries of employability measures were only partially met (30 % to 40 % take-ups in one of the main measures offered in the preventive approach). Decisive progress can only be achieved with the effective reform of the employment services. This is ongoing but no precise deadline has been put forward. The challenge is therefore considerable, especially when account is taken of the intention to strengthen the activation of long-term unemployed.

Common policy indicators

A crucial factor for the assessment of progress is the provision of administrative data in accordance with the common policy indicators agreed between the Commission and the Member States. While many Member States have made a noticeable effort in improving their monitoring systems, so as to provide the data with the required level of detail, the situation is still far from satisfactory, as it does not allow for a thorough evaluation of compliance with the common targets. Table 3 summarises the situation.

In most cases, the absence of sufficient quantified data is due to the lack of an appropriate monitoring system. This seems to be especially the case with Italy, Greece, Netherlands and Germany. The challenge is all the greater as the present deficiencies of the monitoring systems reflect the late implementation of the preventive approach. In other cases, the time elapsed since the launch of the new programmes was considered insufficient (France), or simply no explanation was given for the absence of data (Denmark). In many cases also, the consistency of the data remains questionable.

There is clearly scope for improvement in this respect, particularly the provision of flow data for assessing compliance with the targets set in guidelines 1 and 2. Despite the clear improvement in quantified information on active measures for guideline 3, difficulties of interpretation still persist. Some Member States have not yet provided data in accordance with the agreed indicators, and others have interpreted these in a way that limits comparison with other Member States. It is expected that next year all Member States provide information on the basis of common definitions.

Table 3 – Provision of common policy indicators

	Guidelines 1 and 2			Guideline 3	
	Indicators of effort	Input indicator	Output indicator	Input indicator (activation)	Output indicator
Belgium	*	*	*	*	
Denmark			*	*	*
Germany	*			*	*
Greece				* (1)	
Spain	*		*	*	
France	*		*(2)		
Ireland	*(1)	*(1)	*(1)	*	
Italy	*(1)				
Luxembourg	*	*	*	*	
Netherlands			* (1)		
Austria	*	*	*	*	
Portugal	*	*	*	* (1)	
Finland	*(3)		*(3)	*	*
Sweden		*	*	*	*
UK		*	*(1)		

Effort and input indicators enable the measurement of efforts undertaken in implementing the policies recommended under the first three guidelines and progress towards compliance with the common targets **Output indicators** give indication about the effectiveness of the policies.
1. Incomplete data
2. Indicator is based on exit flows from unemployment.
3. Indicators are based on employment spells and not persons.

2.2.3. Increasing activation – guideline 3

Guideline 3 establishes a benchmark for the use of training and other similar active measures in upgrading the skills of the unemployed. The benchmark has been defined as the average of the best performing Member States. On the basis of the statistical data available by the time the first guidelines were drafted [15] the benchmark has been set at 20 %.

[15] The percentage of unemployed workers having participated in training actions during the last four weeks. Source: Labour Force Survey, Eurostat.

Table 4 – Activation rate – 1998

Member State	Partecipants in all measures		Partecipants in training	
	Number	Schare of the unemployed	Number	Share of the unemployed
Sweden	266,494	93.3%	136,774	47.8%
Belgium	350,311	64.8%	32,740	6%
Denmark	100,500	55%	54,700	30%
Germany	1,616,000	37.2%	954,000	22%
Ireland	82,000	36%	17,904	7,9%
Luxembourg	1,718	31%	717	12.7%
Finland	113,234	30.4%	63,992	17%
Spain (a)	520,440	27.2%	434,315	22.7%
Portugal (b)	71,245	18.4%	30,349	7.8%
Greece (c)	NA	18%	NA	14%
Austria	38,402	18.7%	20,930	8%

(a) Figures include formal training of unemployed persons provided by education institution
(b) Figures do not include beneficiaries of exemption from compulsory social security contributions to promote recruitment of LTU and young people
(c) Own countri estimates.

The activation ratio has been agreed as input indicator for this guideline. It is defined as the annual average number of previously unemployed participants in active measures divided by the number of registered unemployed persons. Measures include training (including facilities to return to the regular education system or adult education), as well as 'similar measures' defined so as to include subsidised work experience, job schemes as well as start-up incentives for unemployed. On the basis of the given data, three groups can be distinguished (Table 4):

- Eight Member States — **Sweden, Belgium, Denmark, Germany, Ireland, Spain, Luxembourg, Finland, and Spain** — indicate that the 20 % goal has been exceeded. The data provided look plausible and broadly comparable in the light of the above described input indicator. The average for these Member States is about 45 %.

- **Italy, Netherlands and the UK** likewise indicate that they have exceeded the 20 % goal. However, these claims fail to be supported by convincing data, as Netherlands does not provide information on the input indicator while Italy and UK base their estimates mainly on sums of flow data instead of yearly averages of participants. In addition, for the calculation of the activation rate, the UK includes programmes with components of vocational counselling and job search assistance, which the Commission could not consider for the sake of comparison with other Member States.

- **France, Austria, Greece and Portugal** recognise that the 20 % goal has not yet been reached. These Mem-

ber States indicate how they want to reach this goal and which steps have been taken; Whilst Greece intends to use the whole range of activation measures to reach the target, Portugal focuses on training measures.

These figures confirm that Member States have quite different points of departure as regards the level of participation in active measures. More interestingly, they show a huge discrepancy between participation in training and other types of activation, like subsidised employment and temporary work schemes for the unemployed. This discrepancy is especially huge in Belgium, and Ireland.

Although some temporary work schemes may contain some elements of in-the-job training and contribute therefore to raising skills, many can be considered as promoting employment in 'secondary' or 'intermediate' labour markets, often for beneficiaries of social protection previously out of the labour force, rather than seeking an effective re-insertion of the unemployed into the open labour market. It is therefore open to question whether such measures, however justified they may be to tackle high numbers of long-term unemployed or inactive people at national or regional problems, do effectively address the European guideline.

The role of Public Employment Services in implementing preventive and active policies

Public Employment Services play a key role in the implementation of the employability pillar of the Employment Guidelines. They act both as important service providers themselves and a focal point in a wider system of service providers combining services of different organisations into one package, tuned to the individual needs of unemployed job-seekers. The implementation reports clearly indicate that the European employment strategy is contributing positively to the ongoing modernisation of national delivery systems for employment services.

Whereas some Member States had already initiated reforms during the 1990s, in others, and especially in the Southern Member States this reform process has just recently taken off. Greece is establishing a nation-wide network of Employment Promotion Centres for providing active services to unemployed job-seekers. The regional devolution and de-monopolisation of the Italian Public Employment Service is now underway and seems to be approaching a decisive stage. For Spain a similar process has been reported.

In many Member States new employability policies oriented towards an individualised approach of unemployed job-seekers and prevention of long-term unemployment are triggering major changes in the service model operated by Public Employment Services. Several Member States describe how PES services become more explicitly articulated into successive stages, starting shortly after registration with an interview in order to diagnose needs and prospects and to formulate an individual action plan, subsequently providing more intensive assistance to those at risk of long-term unemployment, and thereafter monitoring continuously the progress made towards (re-)integration into employment.

In a large number of Member States additional resources have been made available for achieving the targets of the employability pillar. These give more opportunities to the PES to refer unemployed job-seekers to special employment measures. Often the PES themselves are also given additional staff for implementing the individualised service model (as in France, Germany, Ireland, Luxembourg, Portugal and Finland). Also more elaborate use of modern information and communication technology has been mentioned as a key factor of modernisation by Germany, Greece and Italy.

The percentage share of training is an important aspect to consider in the assessment of the quality of activation efforts. In recognition of this aspect, some Member States have defined the national target in terms of the participation rate in training measures only.

The indications left by the analysis of expenditure in active labour market policy suggest that, at least for some Member States, more resources have been spent in active policies. This is the case in Denmark, Netherlands and Spain, and, to a lesser extent, Germany.

2.2.4. Reviewing tax and benefit systems – guideline 4

Improving the incentive structure of the tax and benefit system is a common concern among Member States. Several countries are in the process of reviewing and to some extent reforming their tax and benefit system based on medium-term strategies spanning several years. However, given the growing importance given to this issue in the Broad Economic Policy Guidelines and in the 1999 Employment Guidelines, the overall response has been weak. Policies in this field need to be strengthened and further efforts are warranted in order to improve the employability of the work force and encourage employers to recruit. A thorough evaluation of performance on the basis of actual implementation of policies adopted will be carried out in next year's report.

In general terms, the policy orientation is towards strengthening the economic incentives for work, bringing elements of activation into the tax and benefit systems, in combination with measures aiming to raise labour demand for marginalised groups of the labour market. While only a limited number of Member States have made modifications in the benefit system, affecting *inter alia* duration and eligibility rules, almost all have initiated reductions in income tax or employee's social contributions in order to make work pay for all segments of the labour market.

UK and Ireland have adopted a policy based on in-work benefits, and plan to strengthen this policy as one of the key instruments to provide incentives for unemployed or inactive people to seek and take up work. France, Austria, the Netherlands and Portugal have introduced or reinforced the possibility for all unemployed or specific target groups to receive in-work benefits.

Furthermore, work incentives may be increased by an extension of the work-related social protection system. Elements connected to work such as contributory (social insurance) benefits and income security may influence the decision to seek and take up a job. Several Member States have taken steps to build in work incentives within the social protection system. For example, the UK has extended certain rights to workers that were previously excluded, such as those on low paid or with short-term contracts, and a minimum income guarantee for lone parents who take up work. The Netherlands has improved the protection for workers taking up flexible contracts.

The importance of strengthening work incentives by reforming unemployment benefit systems has been highlighted by several Member States, which over recent years have been moving in the direction of reduced replacement rates, tightened eligibility rules and a strengthening of job availability requirements. However, major policy changes are scarce. Only the UK, Italy, Luxembourg, Belgium and Spain have announced changes, albeit in most cases of limited scope. The majority of Member States seems to prefer to reduce real net replacement rates, and thereby increase the incentive to take up jobs, by targeted tax reductions, tax credits or other in-work benefits, instead of extensive reforms of the unemployment benefit system.

The initiative of Netherlands and Sweden to set national targets concerning benefit dependency rates for the working-age population and the share of social security spending are welcome.

To tackle the problems of low participation and early retirement of older workers, Denmark, the Netherlands, Finland and Austria have adopted comprehensive programmes based on a clear strategy considering both the demand and the supply sides of the labour market. In Sweden, where the share of older workers in long-term unemployment has been rising, a public temporary employment scheme for unemployed over 55 has been introduced, and in Germany, where a similar scheme is already in force, the duration of support has been increased from 3 to 5 years.

European Social Fund (ESF)

Few Member States provide detailed financial and other information on how the ESF supports the Employment Guidelines and the NAPs.

Some Member States mention the ESF contribution under each appropriate guideline while others provide a summary of the ESF support. Only Finland provides information at all levels, and gives sufficient detail on how the ESF is supporting the guidelines and the NAPs. Therefore, a horizontal assessment of the priorities supported by the ESF is not possible.

The NAP exercise only started in 1998, in the middle of the current ESF programming period, when most of the financial commitments in the Member States had been made. Against this background, the room for manoeuvre to provide strategic support for the Guidelines was limited. As to the forthcoming programming period 2000-2006, some Member States express their intentions to focus the Fund interventions more strategically on the Guidelines and the respective NAP.

Among the Structural Funds, it is the operations of the ESF that are more directly and explicitly aimed at underpinning the Employment Guidelines and the National Action Plans. It is the main EU-level financial instrument for supporting human resources development and labour market policy and hence, for helping Member States to develop and implement the Employment Guidelines.

The Structural Funds Regulations for the period 2000-2006, and the Guidelines for their operation, require Member States to integrate the programming of the Structural Funds interventions, in particular ESF-supported programmes, with the implementation of the Employment Guidelines and more generally, the European employment strategy. Thereby, they will contribute to the overall objective of economic and social cohesion.

The five policy fields of ESF intervention in the coming period are: promoting employment through active labour market policies; promoting an inclusive society, open to all; promoting lifelong learning; developing adaptability and entrepreneurship; and promoting positive action for women.

For the next programming period 2000-2006, the ESF resources allocated to Objective 3, EQUAL and innovative measures will amount to about 1/2 27 bn, to which must be added the ESF participation in Objectives 1 and 2 programmes. The EQUAL Community initiative will be geared towards supporting employment and social cohesion, but the other initiatives — URBAN, LEADER and Interreg — will also help create a positive framework for job creation.

2.2.5. Encouraging a partnership approach to employability and promoting lifelong learning – guidelines 5 and 6

Guideline 5 urges the social partners to conclude agreements in order to increase the possibilities for training, work experience, traineeships or other measures to promote employability.

While a majority of Member States report on **agreements concluded by the social partners**, most of these relate to very specific sectors and/or specific activities aimed at improving employability. In only a few cases, information has been provided as to whether these agreements are new.

The most concrete agreements are provided by Belgium, Finland, Spain, Austria, the Netherlands – and to a lesser extent – Germany and Italy. Since these plans not only describe general joint targets, but refer to real agreements between the social partners, they best meet the intentions of the guideline.

Three countries presented this year broad based agreements aimed at increasing possibilities for training and

Table 5 – Member States' compliance with guideline 5

	B	D	DK	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Agreements concluded	√	√			√	√	√	√	√	√	√		√	√	
Of wich on employab. measures	√ √	√			√ √			√		√ √	√ √		√ √		
Indicators proposed	√		√												
New initiatives											√				

√ Indicates completion
√ √ Indicats concrete agreements

other employability measures. They are Belgium, Ireland and Italy, However, no details on measures already taken or to be taken in future as a result of these agreements are mentioned.

Ongoing negotiations or intentions in specific areas with or between social partners are mentioned by Austria, Belgium, Spain, France, Germany, Netherlands, Luxembourg and UK.

A few quantitative and binding **targets and indicators** are reported under this guideline. Belgium will increase the percentage of total salary spent for training purposes, while Denmark will increase private training places and create more jobs on special termsew **initiatives** under this guideline were mentioned only by Austria. Among the new measures mentioned are: training leave, increased use of social partners institutes for further training and development apprenticeships and vocational training schools. *Guideline 6* calls on Member States and Social Partners to develop possibilities for lifelong learning, in particular in the area of information and communication technologies. The availability of training for all workers, and in particular for older workers is also highlighted.

Lifelong learning has been defined by the Member States and the Commission as encompassing all purposeful learning activity, whether formal or informal, undertaken on an ongoing basis with the aim to improve skills, knowledge and competence. However, most Member States still tend to define lifelong learning in a rather narrow sense. Netherlands, Ireland and Greece are the only countries embracing the broadest concept of lifelong learning, which is the closest to the definition agreed with the Member States.

This is reflected in the **lifelong learning strategies** proposed by the Member States. Although some Member States explain why lifelong learning is important or indicate specific target groups or areas for development,

Table 6 – Member States' compliance with guideline 5

	B	D	DK	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Definition				√			√			√					
Strategy							√			√			√		
Target	√		√	√		√		√			√	√		√	√

a clear strategy is presented only by the United Kingdom, Netherlands and Finland. These countries also underpin their strategy with broad-based learning measures. Ireland has also defined a comprehensive lifelong learning strategy and implementation measures are in the planning phase. A strategy for lifelong learning appears to appeal mostly to those Member States who already have high rates of participation in lifelong learning activities and high levels of educational attainment. The remaining majority of Member States choose to list a number of activities or new initiatives which are mostly unrelated to each other and rather correspond to particular needs in some areas.

Examples of such initiatives are:

- Certification of skills: a priority in France, Ireland, Nether"inland, the UK and Austria.

Member States remain generally quite vague on how a **partnership approach** plays or could play a role in furthering continuing education and training. Only Netherlands, Austria, Italy and Denmark specify the role the social partners are playing in implementing lifelong learning.

Besides the definition of a concept and a strategy for lifelong learning, the guideline asks Member States to set a **national target** for participation in lifelong learning. A quantitative target is set by nine Member States: Austria, Sweden, Italy, Belgium, Denmark, France, Greece, Portugal and the United Kingdom. Except for Greece, these Member States also commit themselves to reaching precise quantitative goals. Targets are defined in terms of:

- achieving a certain level of educational attainment (Sweden, UK, Greece),
- participation in adult learning (UK, Austria, Italy, Denmark, Portugal, France, Greece); and
- funding to be earmarked for lifelong learning (Austria, Greece, Belgium).

Information Society

The vast majority of Member States present or mention a strategy for promoting the Information Society. In some cases comprehensive strategies are already implemented and are fully coordinated with the NAP. Other Member States are still at the planning stage, and in a third group, strategies exist but have yet to be coordinated with the NAP. All Member States acknowledge that there is an increasing shortage of 'Information Society' professionals in all sectors. This problem is being tackled from two main perspectives: specific efforts in the education and training systems; and the creation of new business — with support from public authorities. However, the implications of the new technology for the adaptability of enterprises and workers are hardly addressed.

Seven Member States are creating task forces or observatories to identify the sectors with skill shortages and to adapt the education system. Increasing the proportion of female students in new technologies is identified as a priority by some Member States. Basic training in information technology is underlined by all. The majority of Member States are increasing school connections to the Internet with accompanying training of teachers (Sweden, Finland, France) and incorporation of information technology into the school curriculum (Ireland, Portugal, Denmark). The opportunities for technical training, both for school leavers and in conversion courses for older workers, are less evident in the actions mentioned.

As far as new jobs are concerned, most plans stress the need for a simplification of procedures and the reduction of red tape for business start-ups. They see the use of information technology as an important tool to achieve this. The French (NET enterprise) and UK (Access Business Initiative) systems are already in place.

2.2.6. Reducing early school leaving – guideline 7

Depending on their situation regarding participation in education, Member States have set different priorities in relation to the issue of early school leavers. Most Member States address the reduction of school failure at all the levels of their education and training system and seek to ensure the provision of a minimum level of educational qualification to all young people. They are therefore developing comprehensive strategies in which a better preparation and adaptation to working life is

seen as a means to achieve the overall improvement of educational achievements, the clearer illustration of this approach being the UK. In addition, a few Member States, like Portugal, Ireland but also the UK have yet to overcome a significant problem of dropping out before the end of compulsory schooling [16].

Due to the scarcity of quantitative targets and indicators (only Belgium and Sweden provide comparable quantitative information and France, Portugal and Greece present a rather comprehensive set of indicators for monitoring purposes) and the absence of a clear definition of the problem to address, it is extremely difficult to make an assessment of the efforts undertaken in relation with the priorities.

Examples of initiatives taken to reduce early school leaving are:

- targeted intervention against early school leaving and school failure in economically and socially disadvantaged areas (Portugal, UK, France, Italy, Ireland) or in big cities (Netherlands);
- alternative curricula or special classes (Greece, Ireland, Portugal, France), with the provision of specific individual support to pupils and students encountering learning difficulties;
- strengthened orientation and guidance at different levels of the education system (Greece, Spain, Austria), notably through more individualised approaches (Netherlands, Denmark);
- early identification of pupils at risk of failure (Sweden, Italy);
- actions targeted to the most disadvantaged groups, including ethnic minorities (UK) and young people with disabilities (UK, Germany, Spain, Austria).

Most Member States are increasing the flexibility of their education system through the creation of new bridges between the different components in view to facilitating 're-routing' and providing an appropriate educational achievement to all young people. In some cases, this goes together with the extension of practical training in working situation to address those young people at risk of failure. Portugal, Sweden and the UK are developing measures to enable the return to education of those young people already at work, despite a low level of educational qualification, so as to prepare them better for their future careers and minimise the risk of unemployment.

2.2.7. Equipping young people with better skills – guideline 8

Moving from school to work can be facilitated by such objective factors as a high quality and level of initial education, the existence of a flexible labour market that incorporates outsiders and a strong overall demand for labour. It is therefore difficult to assess how the accession to the labour market, and in particular the ability to find a job within a reasonable delay after leaving school, is influenced by the type of training or the nature of the skills provided during such training.

In the absence of longitudinal data on the transition process allowing for such clarification [17], it is possible however to measure the employment probabilities of new school leavers. In the EU, 62 % of school leavers find a job within a year after leaving education. Female school leavers have however only a 59 % chance to find a job, compared to 64 % of their male counterparts. This figure hides further wider divergences among Member States: employment probabilities for school leavers are as low as 36 % and 31 % in Finland and Italy respectively and as high as 80 % and 86 % in Denmark and Germany.

The strategies developed to improve the preparation and adaptation of young people to working life give a key role to the **improvement of the technical and vocational training systems**. Sweden is the only Member State which also put emphasis on the increase of higher education graduates to answer its labour shortages.

All the Member States tend to favour the development of in-house training. Luxembourg, Austria and Germany are pursuing the modernisation and expansion of their apprenticeship systems (through the addition of new trades, a better anticipation and adaptation to the changes of existing qualifications). Germany increased public support to the SMEs and the New Länder and met the quantitative target it had set for 1998 whilst Austria has both extended the offer of apprenticeship places in new trades and implemented its special aid programme to accommodate young people who fail to find an ap-

[16] However, regarding the UK, the importance given to this problem in the NAP is not reflected in the statistical data available on the situation of that country presented in Chart 13.

[17] The new Labour Force Survey module on transition to be implemented by year 2000 is expected to provide longitudinal data on transition from school to work by types and levels of education.

prenticeship place. In Denmark, thought is being given to countering the persisting decrease of apprenticeship places registered over the last years.

The participation in apprenticeship has also progressed in several Member States where it is not the main component of vocational training, like in Portugal which has met its quantitative target, the UK, Ireland, Belgium and Luxembourg. Spain and Italy mainly focus on the development of labour-training contracts.

Several initiatives are being taken to improve the provision of technical and vocational training:

- Revision of curricula at upper-secondary levels in view to include the acquisition of 'key social qualifications' (Austria);
- Introduction of practical training at post-secondary level (Sweden, Netherlands, Austria, Finland, France, Greece);
- Reform of technical and vocational programmes either to facilitate and extend access or to up-date and adapt their content (Denmark, Luxembourg, Spain and Portugal);
- Italy intends to implement its new system of quality standards to improve the quality of its vocational training and has recently introduced by law, provisions ensuring that all young people, up to the age of 18 take part in vocational training programmes.

France and Spain are also acting to reinforce the **links between education and the business world** by setting up new structures to better follow and anticipate the changes in occupations and qualifications and adjust accordingly their education and training curricula.

Nearly all Member States are giving priority to preparing young people for the use of **new information and communication technologies** and have accordingly launched or prepared schemes to equip schools with these technologies, including in some cases (Sweden, Germany) special provision for the appropriate training of teachers. New measures have been launched in the case of Denmark and Netherlands.

2.2.8. Promoting a labour market open to all – guideline 9

This new guideline for 1999 requires Member States to give special attention to the needs of the disabled, ethnic minorities and other groups and individuals who may be disadvantaged, and develop appropriate forms of preventive and active policies to promote their integration into the labour market. The present assessment is based on measures already implemented or announced. Next year's report should contain a more developed assessment. However, policy development and analysis are severely hampered by a lack of data describing the scale or nature of the needs of disabled people, ethnic minorities and other groups and individuals in the labour market. Only Sweden, UK, Germany, Netherlands and Denmark collect comprehensive data on one or both of the two main groups.

Overall, responses have been poor and lacking focus. A coherent set of policies combining integration and non-discrimination is called for. The majority of Member States, which has failed to address the need for measures to combat discrimination, should consider how to deal with this in future. Equally, most Member States need to take steps to ensure that disadvantaged groups and individuals benefit effectively from mainstream active and preventive labour market measures, in addition to providing specific, tailored programmes linked, for example, to language skills. In addition to a better identification of needs as mentioned above, this requires, as a first step, effective monitoring of the participation of disadvantaged groups in such measures in relation to, for example, their share in the workforce or in unemployment (as is done in the UK and the Netherlands) and the setting of targets to be achieved by the PES and other agencies.

Disabled People

Disabled people are among the target-groups that benefit most from labour-market spending. In 1998 Swedish unemployed disabled people accounted for 15 % of the participants in active labour market measures. Greece has stated that 10 % of places under the first three guidelines will be earmarked for disabled people.

Notwithstanding some impressive measures, the mostly piecemeal initiatives listed are unlikely to adequately translate the political commitment taken by Member States to move from a dependency-oriented approach to more active and preventive employment and labour-market policies. These call for a comprehensive and multi-faceted approach. In that context, one should acknowledge the commitment made by some Member States (Germany, UK, Spain, Italy and Luxembourg) to better target employment and labour market policies, within the mainstream approach, to make them more tailored to the specificities of disabled people.

The fresh priority given by UK and Luxembourg to health and safety policies to prevent the occurrence of occupational accidents and diseases — along the same lines as the Netherlands continues to implement – is welcome Supported employment aimed at helping disabled people find and retain a job on the open labour market is also being given more and more attention. However, in the absence of evaluation results, it is premature to draw any conclusions as to whether or not employment policies for disabled people meet their objectives.

Ethnic minorities and other disadvantaged groups and individuals

Member States have interpreted the reference to ethnic minorities in different ways, with some (UK, Netherlands) using a broad definition to encompass 'visible minorities' (i.e. people who appear to be of foreign origin, irrespective of their nationality), while others restrict the scope either to non-nationals or non-EU nationals (Germany, Sweden) or to national minorities (Ireland, Finland, Austria). While this heterogeneity may, to some extent, reflect the different ethnic mixes of the Member States (though little monitoring data is provided to support this), it also leads to a lack of comparability between the NAPs.

Member States have also variously interpreted the introduction to the Guideline, with only Sweden, the UK, Netherlands, Belgium and Denmark responding to the call for a coherent set of policies combining measures to both promote integration and combat discrimination. In these cases important actions include: anti-discrimination legislation, marketing the value of diversity to business and ensuring ethnic minorities have access to mainstream active labour market measures in proportion of their share of unemployment.

In many cases, it is not possible to judge the scale of the effort in Member States as no data is provided on the financial or other resources devoted to the integration effort. Examples of employability measures delivered by PES or training institutions in this area include:

- language training (Finland, France, Denmark, UK, Germany, Belgium, Sweden);
- targeted counselling (Germany, Sweden, Austria);
- enhanced education for young people (Ireland, Denmark, Sweden, Greece, Finland);
- start-up grant for immigrant entrepreneurs (Sweden);
- validating foreign qualifications so they can be used on the domestic labour market Sweden).

The plans of Member States to improve the labour market position of 'other disadvantaged groups and individuals' are, in general, most unsatisfactory. A number of countries refer to a number of such groups (former prisoners, homeless, drug or alcohol addicts, juvenile offenders, individuals with AIDS, single parents etc) No programmes individually tailored to the needs of the particular groups have been presented — except for some groups in Ireland and the UK.

3. PILLAR II – DEVELOPING ENTREPRENEURSHIP

Member States are called on to undertake concrete action to attain the following objectives:

- To make it easier to start up and run businesses (guidelines 10 and 11);
- To exploit new opportunities for job creation (guidelines 12 and 13);
- To make the taxation system more employment friendly (guidelines 14 and 15).

3.1 A COMPARATIVE OVERVIEW OF THE SITUATION IN MEMBER STATES

3.1.1 Business structure – the importance of SMEs and self-employment

There is a widespread recognition of the role of SMEs as the main generators of new employment. In the European Union, over 99 % of business employ fewer than 250 people and represent 66 % of total employment [18]. The contribution of SMEs to employment is significant in every Member State, but it tends to vary with economic structure. In Greece 86 % of jobs are provided by SMEs whereas the corresponding percentage is 56 % in Denmark, Finland and the UK. The development of employment between 1988 and 1997 has shown that employment in large enterprises is more vulnerable to business cycle fluctuations than is employment in SMEs [19]. In addition, there is a general agreement that small businesses have substantially increased their share of total employment in developed economies in recent years [20].

In the EU as a whole the importance of SMEs in employment varies widely between sectors, being more important in catering, personal services, construction and retailing. Three sectors with the highest growth in the recent past (business services, personal services, hotels and restaurants) are characterised by a large share of SMEs. Future job growth in these sectors is likely to be associated with the growth of SMEs [21].

Self-employment

In 1997 some 15 % of all those in employment in the Union were self-employed. About one third of these have employees which represent 5 % of total employment in the EU. High levels of self-employment, however, should not be taken as an index for a developed entrepreneurship culture or of a dynamic business structure, made possible by high flexibility in product and service markets. Rather it may simply reflect the weight of traditional agriculture or retail trade activities, or in certain cases represents hidden forms of employment.

The importance of self-employment varies widely across the EU, with some Member States — Spain, Ireland, Italy and Portugal — having rates above 20 % and Greece over 30 %. However, the self-employed with employees do not represent more than 5 % of total employment.

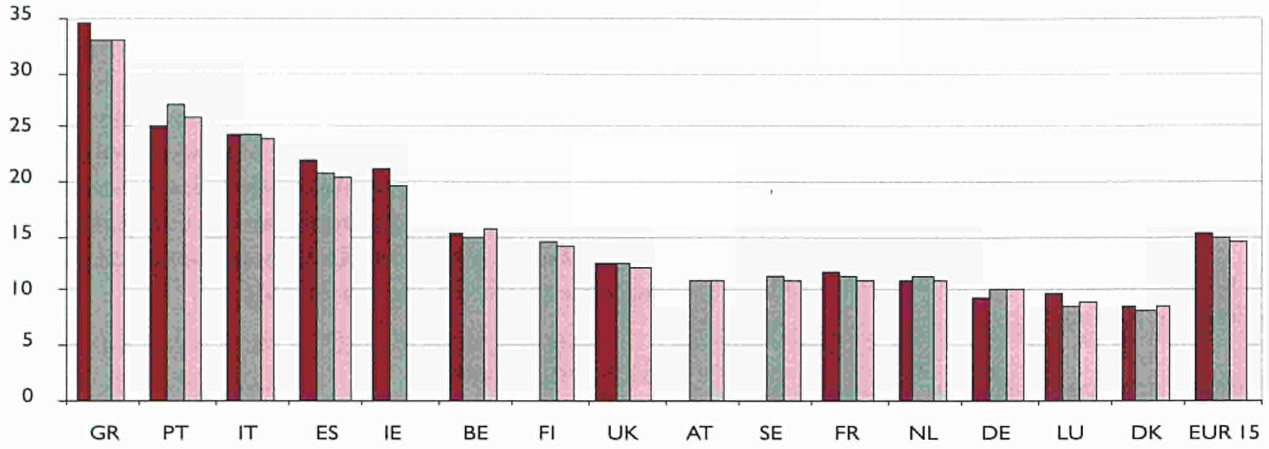
The idea that self-employment tends to increase as a response to a difficult situation in the labour market does not seem confirmed by the evidence. No evident correlation can be established between the levels or growth of self-employment and unemployment. Variations in the rate of self-employment across Member States should be primarily attributed to differences in economic structure, legislation, openness to trade, skills, tax-benefit systems, as well as the entrepreneurial climate.

3.1.2. Obstacles to entrepreneurial activity

In many Member States, the creation of new firms faces considerable difficulties, such as complex and multiple regulations, imposed at different layers of the administration (central, regional, local) and by different depart-

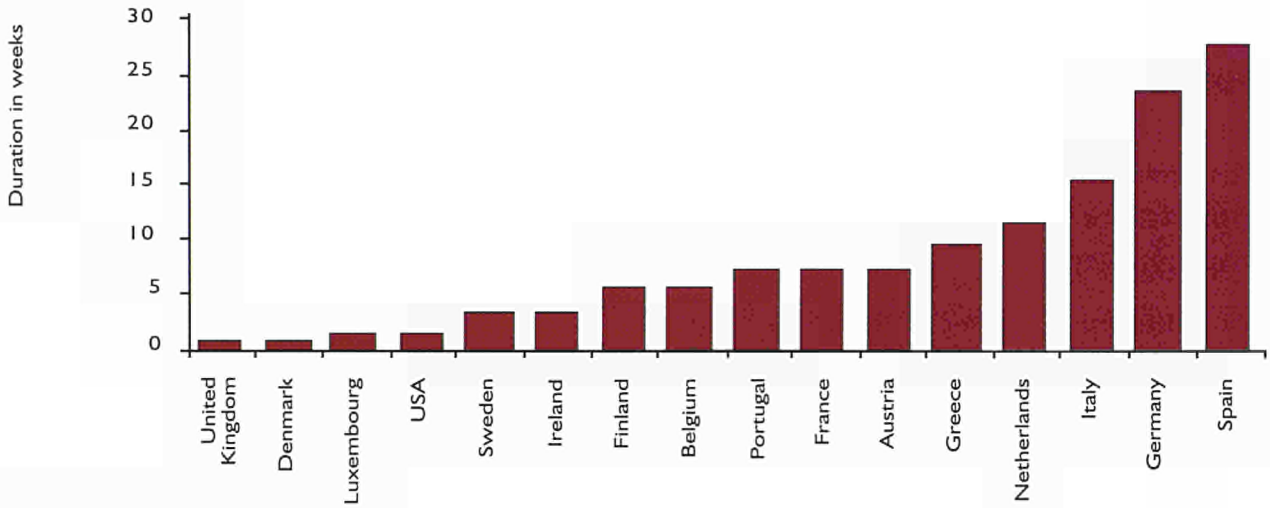
[18] Enterprises in Europe, Fourth report, SME project, Eurostat 1996 p.26.
[19] Ibid. p.15.
[20] Fostering Entrepreneurship, OECD, 1998, p.46.
[21] Employment in Europe 1998, European Commission 1999, p.19.

Chart 14 - Share of selfemployed in total employment 1994-1998



Source: Eurostat, European LFS, NO data for IE 97, AT, SE and FIN 94

Chart 15 - Delays for company registration



Source: Logotech study, 1997

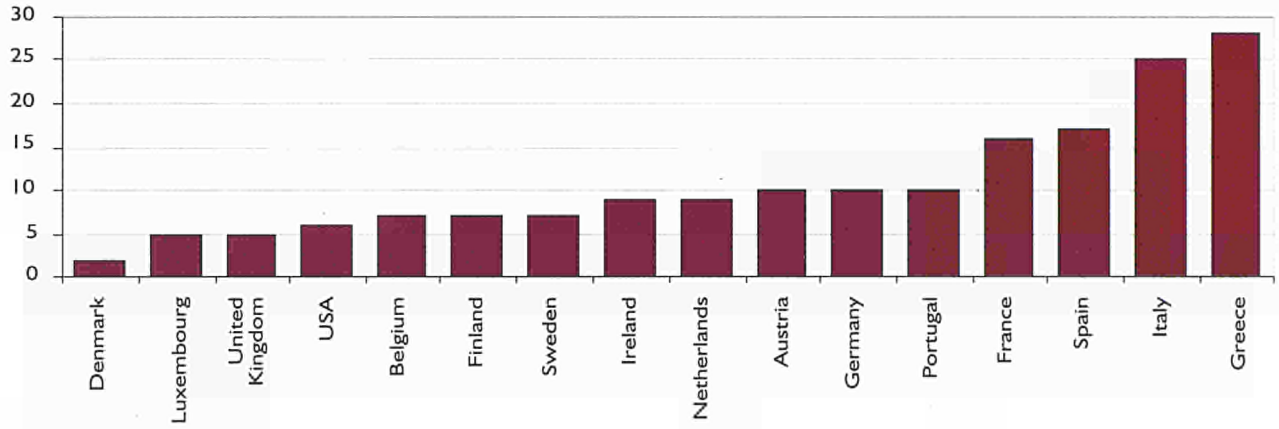
ments (health, labour, tax, etc.), often with very little coordination among them. Other factors play an inhibiting role for the creation and further development of business and particularly of SMEs, such as inadequate access to financing, limited availability of information and advice, insufficient training or the high marginal cost of contributions to social security. Also, the majority of self-employed persons never create further jobs due to various constraints and difficulties they face.

A recent study, commissioned by the European Commission to fill some of the gaps in comparable data on obstacles to entrepreneurial activity [22], has provided information about the total number of procedures needed for company registration as well as the average time delays for company registration in all Member States and the US.

Charts 15 and 16, drawn on the basis of information from this study, show that there is real scope for improvement in the majority of Member States as regards company registration procedures, and that further efforts are needed in order to promote the creation and development of business.

[22] LOGOTECH, European Commission 1997.

Chart 16 - Total number of procedures for company registration



Source: Logotech study, 1997

Excluding the UK, Luxembourg and Denmark, which seem to have a very effective business registration system, enterprise creation in other Member States has to go through more lengthy administrative procedures compared to the US.

As regards the number of procedures for company registration, the differences between Member States are striking, as it ranges from 28 in Greece to only one in Denmark.

The seriousness of obstacles to business creation in certain countries becomes more evident if charts 15 and 16 are examined together. The situation in Greece, Italy and Spain calls for an intensive effort on the part of policy makers to reduce obstacles associated with the creation of new business. Apart from the three best performing Member States (Denmark, UK, Luxembourg) in all others more than 5 weeks of delay or more than 5 different procedures are needed for a new company to start-up.

3.1.3. The job potential in the service sector

Low overall employment rates are associated with low employment rates in service sectors. In modern economies, such as EU Members States or the US, employment in agriculture and industry is stagnating or declining, while new jobs are mainly created in the tertiary sector. Therefore, future increases in the overall employment rate in the EU will be driven by an expansion of jobs in services. The scope for this seems substantial. 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 (see chart 17). This difference alone accounts for more than 36 million jobs.

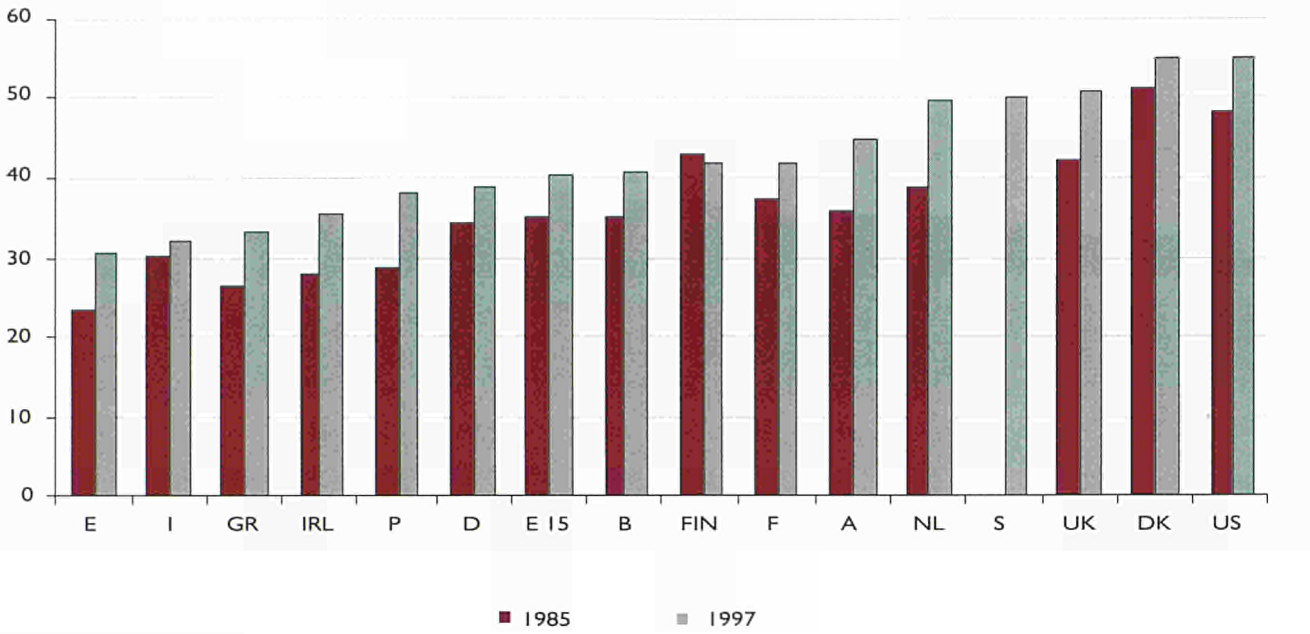
In Denmark, Sweden and UK, employment in services already amounts to 50 % or more of working-age population, while in the southern European countries and in Germany, this percentage remains below 40 %. Over time, there has been a clear trend towards increasing employment in services in the majority of Member States, but progress since the mid-eighties has been more modest in Italy, Germany and France. In Sweden and Finland, where the service sector employment rate fell by more than 3 percentage points, employment rates also went down in all sectors and, particularly, in industry.

Expansion of jobs in services is often associated with the working-poor phenomenon or, in other words, to the expansion of low productivity, low skill jobs. The reality is more complex, however. A close inspection of the employment gap between the EU and the US [23] reveals that both low-productivity, low-pay sectors — such as hotels and restaurants, retail trade — and high-productivity, high-pay sectors — such as business services, education — contribute to this gap.

Countries with high employment rates tend to have high levels of employment in all service sectors. In the context of increasing overall employment rates, there is particular scope for increasing job creation in services in many Member States.

[23] Employment rates Report, 1999.

Chart 17 - Employment rate in services 1985 and 1997



Source: Eurostat LFS

Chart 18 shows the skill structure of employment in services in 1997, defined by the employment rate, subdivided by skill levels [24]. High employment in the services sector in the EU is not matched by an overrepresentation of low skill workers.

Countries with high employment rates also have high employment in occupations requiring a low level of skills: Denmark has 18 % of working age population employed in low skill services occupations, and the three best performers (Denmark, Sweden, UK) an average of 16 %. In Belgium, Germany and Greece, only 10 % of working age population is employed in low skill services.

On the other hand, there is a wide margin of manoeuvre for improving the employment rate for people with high skills. Within Europe, the three best performers in high skilled services (Denmark, Sweden, Netherlands) employ an average of 24 % of working age population in high skilled service occupation: the corresponding figure for the EU as a whole is 17 %, and for Germany 18 %, France 17.4 % and Italy 13.4 %.

3.1.4. Taxation levels in the EU

The level of total taxation in relation to GDP varies between Member States. Taxes account for a little under 50 per cent of GDP in Belgium, France, Finland and Austria, and significantly more than 50 per cent in Sweden and Denmark. In Spain, Portugal and Greece overall taxation amounts to less than 40 per cent of GDP, while only Ireland, at 32 per cent, has a rate comparable to that of the US.

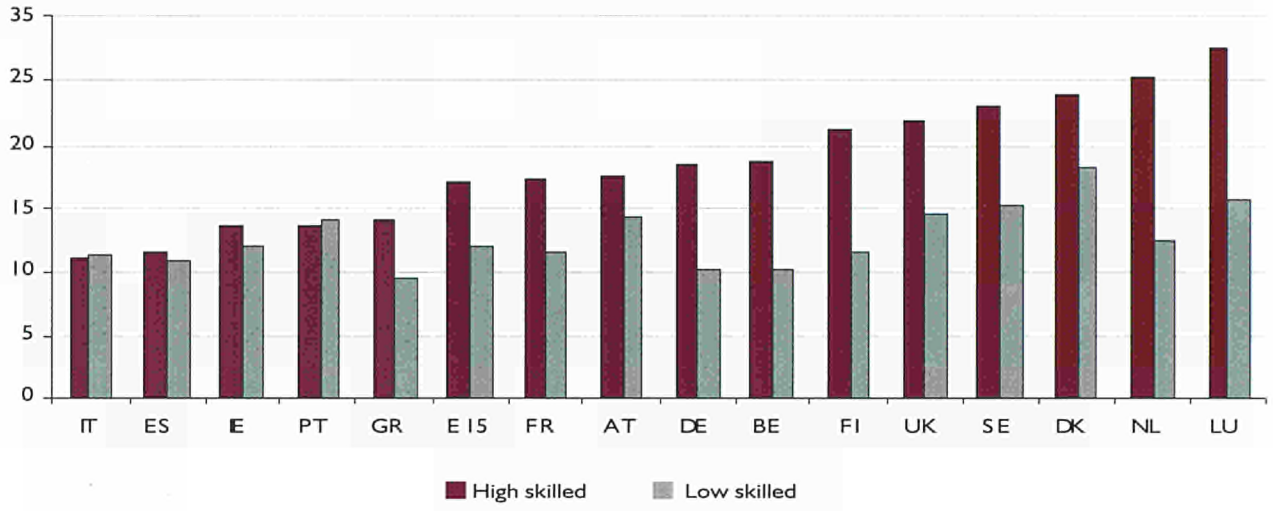
Between 1994 and 1998 the ratio of total taxes dropped significantly in Ireland, Luxembourg and the Netherlands while total taxation has increased in Sweden, the UK, Portugal, Greece and France. In the rest of the Community total taxation has remained fairly stable.

Chart 19 shows total taxation in Member States in 1994 and changes in tax levels between 1994 and 1998. Except for Ireland, tax reductions in recent years have taken place primarily in Member States that in 1994 had a level of overall taxation at or above the EU-average. Nevertheless, major differences still remain.

The level and composition of the overall tax burden has a fundamental bearing on economic activity. It is generally the case that the higher the level of taxation, the higher

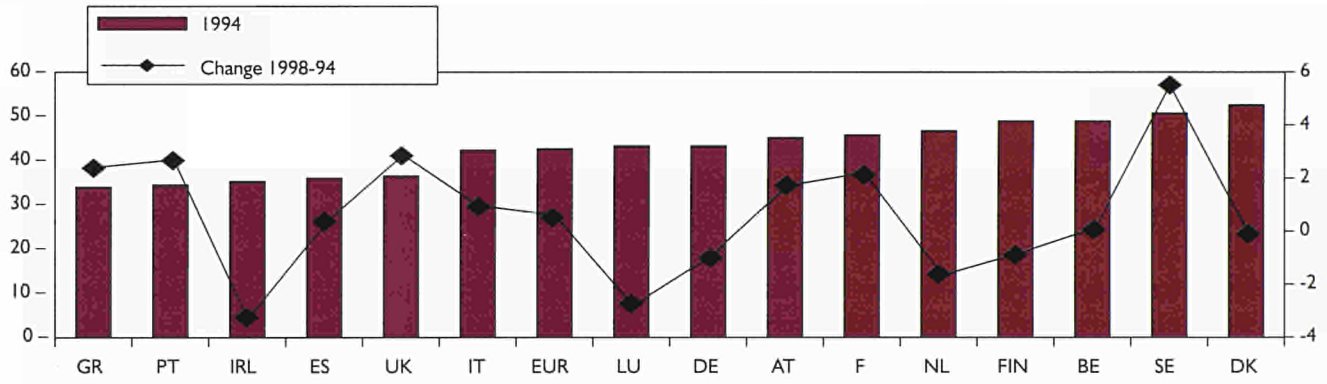
[24] Employment levels and changes by skill level, taking the ISCO classification and aggregating it into 3 classes: high skilled non manual; medium skilled non manual and skilled manual, and low skilled both manual and non manual.

Chart 18 - Employment in the service sector as a ercentage of working age population, 1997



Source: Eurostat LFS calculations by DG V

Chart 19 - Total taxation in 1994 and changes in total taxation between 1994/1998



Source: DG II

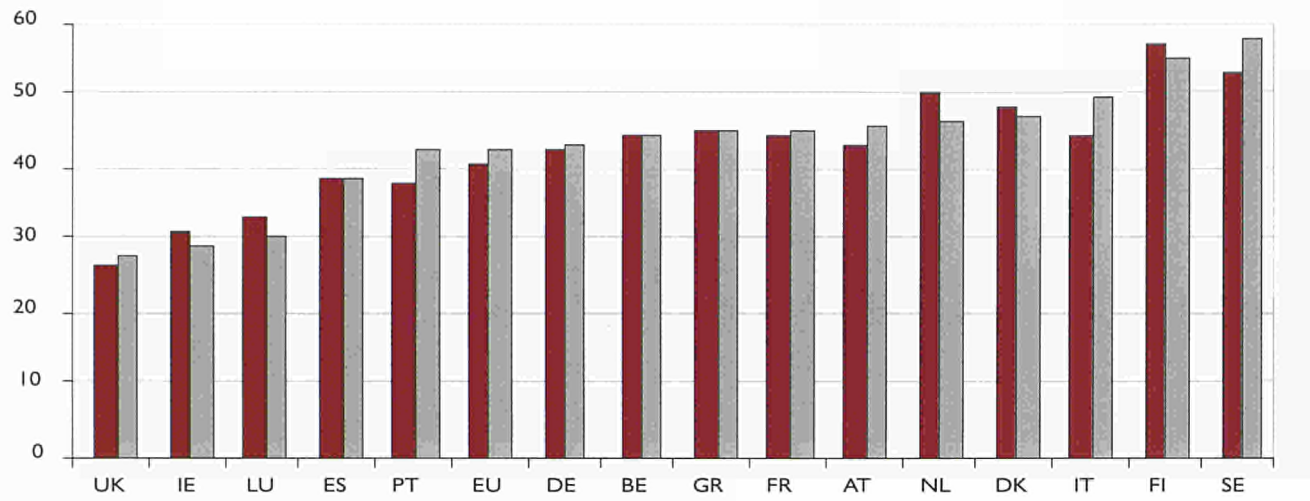
is the risk of distortive effects in the functioning of economies. However, high tax levels are mostly linked to high levels of current and previous public spending on transfers, investments and services. The impact of taxation must therefore be seen in relation not only to the level and composition of taxation, but also to the composition of spending. Some countries with high levels of employment may well have high levels of taxation on account of the need to finance high levels of public investment and services, as for instance in some Scandinavian countries.

3.1.5. Fiscal pressure on labour

If overall taxation is high in the EU, taxes on labour are especially so. The implicit tax rate [25] on employed labour measures the share in total gross wages of taxes on employed labour, including employers' and employees' social security contributions and income taxes. The implicit tax rate is high on average, although the situation varies among Member States. Recent developments in most Member States show a gradual increase in the implicit tax rate.

[25] Eurostat, Structures of the taxation systems in the European Union, 1970-1996.

Chart 20 - Implicit tax rate on employed labour 1994-1996



Source: Structures of the taxation systems in the EU, Eurostat

On average in the EU, the implicit tax rate on labour in 1996 amounted to 43 per cent, which is 8 percentage points higher than in 1980. Between 1994 and 1996 only four Member States managed to reverse the long-term trend toward higher taxes on labour. The Netherlands has lowered taxation on labour substantially, although from a high starting point, while minor reductions have been witnessed in Ireland, Denmark and Finland. Between 1996 and 1998 a number of other Member States, including France and Italy, have made efforts to reduce labour taxation, although the burden has been largely shifted to consumption taxes.

The general rise in labour taxation may be partly due to increased expenditure on welfare payments; indeed, there is often a formal link between the two. Another explanation may lie in increased market integration and the attendant risk of a gradual shift in the tax burden from mobile to less mobile tax bases via harmful tax competition.

The relationship between labour taxes and employment is a complex one. The final incidence of labour taxes, and hence their effect on employment and unemployment, depends on a large array of institutional and behavioural factors, including the reactions of the Social Partners and the monetary authorities.

Taxes on labour drive a wedge between what workers receive and what firms pay. The effect on labour supply is ambiguous in theory. Higher marginal tax rates reduce the benefit from working extra hours (the 'substitution' effect), but may make it necessary to do so in order to maintain a reasonable income (the 'income' effect). High *average* labour taxes affect the decision as to whether work at all, and will tend to encourage inactivity and participation in the informal economy. Empirical evidence suggests that, while taxes are not the main factor determining labour supply, they may have a significant negative effect in the case of some groups, particularly women.

The effect on labour demand is clearer: in relatively rigid labour markets where there is real wage resistance, higher taxes will increase labour costs, thereby directly reducing the demand for labour and reducing it further by inducing substitution of capital for labour. Thus, in the short term, the effect of taxes on labour is clearly to reduce employment and to increase unemployment, other things being equal. In the longer term, however, the tax burden will fall increasingly on employees, limiting the growth of take-home pay over time. The long-run impact on unemployment is therefore less certain.

In general, there is some empirical evidence, although it is not conclusive, that the tax burden is partly passed on to firms in the form of higher labour costs, and hence lower profitability, investment and employment. But in the case of low-skilled, low-paid individuals, the evidence is much stronger. There is widespread agreement that, in relatively rigid labour markets, high labour taxation leads to higher structural unemployment for workers in this category.

Thus, on the whole, cuts in labour taxes would be expected to increase the demand for and possibly the supply of labour, and to reduce structural unemployment among low-skilled workers. This effect will be magnified if tax cuts are targeted at the lower end of the wage

scale, which would also make them much easier to finance than across-the-board reductions.

In order to maximise the beneficial employment effects, reductions in labour taxes should preferably be financed by reduced expenditure. An alternative would be to shift the tax burden away from labour towards other tax bases, such as environmental or consumption taxes. However, shifting the tax burden limits the impact on employment because taxes on consumption also form part of the tax wedge on labour, albeit less directly. In addition, of course, the inflationary impact of higher indirect taxes must be taken into account.

3.2 ASSESSMENT OF THE NATIONAL ACTION PLANS

3.2.1. An overview of policy developments

This pillar is about promoting an enterprise culture and an environment supportive of entrepreneurship in the EU. Such improved conditions will foster business start-ups and allow enterprises to create more jobs.

Overall, the 1999 implementation reports build on the general recognition that small businesses provide the major impetus for economic growth and job creation. Therefore, the reports illustrate where Member States stand with regards to the adaptation of their business environment to entrepreneurial initiative and to the needs of SMEs. Most are limited to developing strategies adopted earlier and shifts in priorities have been the exception.

Many plans — in particular those of Ireland, Italy, and Sweden — include a description of the economic and employment context, underpinning their choice of individual measures.

In comparison to 1998, more Member States seem to have made an effort to involve various **stakeholders** in identifying new activities and formulating policy. Social partners were involved in particular in relation to territorial/employment pacts in Greece and Italy, as well as chambers of commerce or other private sector representatives in Greece, Netherlands and the UK.

Quantitative information provided in the implementation reports is generally poor and does not allow for comparative analysis of outcomes of existing activities. Exceptions are France and to some extent Ireland. Austria, lists particular indicators under each guideline. In general, the presentation of measures lacks an analytical background, or an indication of the priorities being addressed.

In summary, the NAPs presented by Finland, UK, Netherlands and Sweden are of high quality. In particular, Finland, with the *Decade of Entrepreneurship* has made an effort to present the strategies in a coherent and integrated way. However, Germany, Greece, and Portugal will require improvements next year: Germany fails to adequately address guideline 10, Greece should further adapt the Structural Fund Programme priorities to the guidelines, and Portugal should convey a more complete and integrated overview of policies under this pillar.

3.2.2. Reducing administrative formalities and overhead costs – guideline 10

In the majority of Member States the excessive number of registration procedures and other formalities creates difficulties for the creation and the running of businesses. Overall the EU lags behind the US in this respect and most Member States need to cut red-tape in order to succeed in developing SMEs.

There are, however, signs of encouraging progress. Some NAPs include quantified indicators and fixed targets with regard to the administrative burdens on business. The idea of establishing '**one-stop shops**' for enterprises represents an improvement in the practical arrangements, and a clear majority of Member States have already established or intend to establish such centres. The concrete structure and tasks of these establishments differ in the individual Member States, and even have different objectives, some aiming to simplify administrative procedures, others providing advice and information. The common expectation is that they make it easier for those who want to start a business to establish themselves. Some Member States go beyond this and, like the United Kingdom, try to accompany businesses after the start-up phase. In Greece, the country with the largest number of procedures for new businesses, no concrete measures are reported, to address this problem although there is a general commitment to supporting small business. Concrete examples of simplification measures are:

- The 'Single Business Windows', in Spain, shortening the average time for the formalities involved in establishing a company as a legal entity from 81 to 25 days.
- The Enterprise Formality Centres (CFE) in Portugal, reducing the time necessary for the incorporation of a company from about 6 months to 20 days.

- The 'guichets uniques' in France enable entrepreneurs to create a business in only one day and may even do this at a distance by using 'minitel'.
- The single counter in the Catania Municipality in Italy.

In general, the use of **electronic reporting**, which makes life easier both for SMEs and authorities, is included in the vast majority of the NAPs. Examples are to be found in Denmark and Finland.

Denmark, Sweden, Spain, Netherlands and Italy have set particular targets for the **reduction of administrative costs** to enterprises. Portugal and France refer to the fulfilling of the objectives set in the1998 NAPs.

Table 7 – Helping business start-ups and SMEs survival

	one-stop shops/simple rules	Less costs hiring new	easing access to finance	support and advince services	easing path to self employment	Fostering entrapreneuri al awareness
BE	X	X		X	X	
DEN	X		X	X		X
DEU			X	X	X	X
EL		X	X	X	X	
ES	X		X		X	X
FR	X		X	X	X	
IRL	X		X	X	X	X
IT	X				X	
LUX	X	X	X		X	
NL	X	X			X	
AUS	X			X	X	X
FIN	X			X	X	X
SW	X		X	X	X	X
UK	X		X	X	X	X

Note/ Only adequately documented initiatives are recorded. Measures taken by each MS differ both in terms of Their Specific objectives as well as in terms of results achieved by each measure.

The **costs of hiring employees**, to which guideline 10 makes reference, is referred to by only a few Member States: Belgium, Netherlands, Luxembourg and Greece intend to change their taxation systems in order to promote recruitment.

As regards the incorporation of SME-needs into the law-making procedures, a number of Member States have introduced **Business Impact Assessments** into their legislative procedures. Regrettably, the NAPs do not give indications of the effects of such impact assessments on the legislative process, despite the fact that some of these schemes have now been in existence for a number of years. Examples are to be found in Austria, Germany and United Kingdom, (Small Business Service).

As regards **access to finance**, Member States have reported on recent actions taken in the field of equity and loan finance for small businesses:

- Ireland launched Seed and Venture Capital measures, which also encourage new venture capital players to enter the Irish Venture Capital market.
- Denmark supports a network of consultants assisting SMEs in using financial instruments.
- Greece set up mutual guarantee societies and Venture Capital funds to make access to loan and equity finance easier for small businesses.
- Finland supports the creation of new businesses through start-up grants at favourable interest rates, with a particular attention for requests from women entrepreneurs.
- A new Enterprise Fund in the United Kingdom increases the offer of Venture Capital and loan guarantees for new and young SMEs and also cooperates with private Business Angels.
- Germany emphasises the fund raising of Venture Capital Funds for investments in technology based SMEs.
- Funds are available in France for venture capital investors supporting business start-ups.

3.2.3. Encouraging self employment and SMEs start-ups – guideline 11

Member States increasingly recognise the importance of self-employment as a solution for insertion into working life, particularly of individuals with the required skills and motivation. For individuals, a 'self-employment break' can act either as useful experience to his previous 'employee' status or as the first step to the formation of a new business. A supportive environment, including social protection and technical assistance and guidance, is necessary.

Several Member States refer to specific programmes aiming to **promote self-employment**. Most of these programmes address various target groups such as women, young people, the unemployed or immigrants who in some countries have considerable difficulties in entering, or in returning into, the labour market and help them to establish themselves as entrepreneurs. In order to offer incentives for the 'emergence' of undeclared enterprises and workers, Italy has introduced 'wage realignment contracts' providing for a gradual alignment of economic, social security and contributory treatment to the level which is usual in formal contracts.

Undeclared work

Undeclared work has been considered by all Member States. The focus varies in the different Member States in line with the particular level of undeclared work and the extent of existing approaches. Some Member States consider undeclared work as a separate horizontal issue, while others deal with it in the context of the pillars on entrepreneurship or employability. In the Communication on Undeclared Work (COM(98)219), the Commission identified good practices in the integrated approach of Denmark, France and Netherlands. Italy and Portugal report innovations, again using an integrated approach.

Some Member States concentrate on repressive measures, such as increasing the inspection of worksites (Germany, France, Luxembourg), increasing sanctions (Germany, France and Portugal), changing legislation, in particular to allow better monitoring of so called contractual chains (Germany, France, Austria) and in general, ensuring more effective enforcement (France, Portugal, UK). The promotion of better cooperation between different branches of the administration is considered important — in particular greater data exchange.

Others adopt preventive measures and measures favouring the emergence of undeclared activities, such as the reduction of marginal tax rates or non wage labour costs (Denmark, UK, Spain) and adjusting regulations with regard to telework, fixed term contracts, etc. (Portugal, UK). Some Member States mention help for self-employment and creation of enterprises (Spain, Portugal), reducing the administrative burden on employers (UK, Belgium), promotion of local development initiatives (Italy, Spain), introducing the system of service vouchers (Belgium) or new 'realignment contracts' (Italy). An active role for professional organisations and the social partners is mentioned by France, Italy and Finland.

Equipping future entrepreneurs and business owners with the skills required for managing their business is of crucial importance for their success, but it appears that this aspect is not prominent. The adjustment of government policies includes, however, **support and advice services** which are offered to enterprises. Interesting examples are the network of Business Support Teams which helps new employers in dealing with tax and social insurance matters and the Employers Helpline, provides the same service to the self-employed. Both initiatives are provided in the United Kingdom. The French 'Net enterprise project' will allow businesses to make their declarations relating to employment by using the Internet. In Finland also, the administration takes care of all the employers contributions in return for a fee. A project for an Integral Plan for the Business Promotion of the self-employed, with the aim to offering business information and expert advice from specialised consultants over the period of a year is reported by Spain.

The majority of Member States have launched particular measures to **encourage women to become entrepreneurs**. Some have targeted schemes such as the promotion of start-up advice for women in Austria, Sweden and Finland, and the concept 'Women on the Net' in Germany.

Guideline 11 also provides for the **reduction of obstacles to moving to self-employment**. One such obstacle is the insecurity of income levels, especially in the first few years. Improving social protection for the newly self-employed, by maintaining income security for individuals who make the transition from unemployment into self-employment, provides an incentive to take up an entrepreneurial activity because it reduces the risk of the newly self-employed in the case that his activity fails.

Several Member States have introduced adjustments to social security systems with this objective: Belgium, Greece, Netherlands Germany, and Luxembourg indicate that they maintain unemployment benefits during the initial stages of self-employment in order to sustain income provision to the unemployed who want to start up their own businesses. France and Greece are also considering ways to reduce the levels of social security contributions in the early years of the operation of a new business. Countries such as Finland and the UK offer one-off payments to the unemployed who want to start their own businesses.

Only a few countries consider taxation issues to improve financial aspects of the set-up and early phases. France offers VAT exemptions and tax relief for micro firms. Sweden is still considering a rather wide range of possible changes.

The guidelines urge Member States to take a wide approach and to encourage **entrepreneurial awareness** across society, but concrete measures in this regard are still the exception. A strategic approach has been developed in Austria and Germany. In order to increase the business start-up rate in this country and to boost the public status of self-employment, the Austrian Government plans to carry out a range of measures. Among other measures, it is planned to offer more business training in schools and universities. Virtual start-up centres and entrepreneurial colleges should help to prepare for business plan competitions. Germany is attempting to incorporate entrepreneurship aspects into university curricula. Other measures in this field are being planned in Spain, Italy, Ireland and Sweden.

3.2.4. Promoting the emergence of new activities – guideline 12

Member States have committed themselves to exploring new possibilities for job creation, notably at the local level and in new sectors.

One of the most interesting messages from the 1999 NAPs is that a considerable number of countries have embarked on a **devolution process**, which also affects enterprise policies and the regional development strategies. The United Kingdom is a well-known example of such a change, but devolution — the transfer of responsibilities from the national to lower levels — is also taking place in Sweden, Spain and Italy. By bringing policy decisions closer to businesses and individuals, devolution is expected to play a positive role in promoting new activities at the local level. It is also expected to promote the importance of territorial employment pacts or other varieties of social partnerships at regional or local level aiming at job creation and development of business.

While territorial employment pacts, in principle, are implemented at a regional level, the Netherlands is presenting the most explicit local policy. There, the national Government and the cities cooperage in a 'Cities Policy'. Its main aim is to restore the balance in urban development and to revitalise the relationships between the various urban functions. It includes a partnership between the local authority, employers and the employment authority. In Germany, in almost all Länder, regional development concepts are drawn up as a starting point of structural policies at the initiative of the regional actors.

The concept of social entrepreneurship is acquiring greater importance and several Member States report on activi-

ties in this field. Spain mentions the expected approval of the new cooperative law in 1999 and provides indicators. Italy has enhanced the use of the social cooperatives, the volunteer-service organisations and the associations in the fight again social exclusion. Italy also mentions the different legal, fiscal and financial measures of its specific Social Economy support policy. Belgium quotes specific initiatives like the legal definition of specific Social Economy enterprises for reintegrating people ('entreprises d'insertion'), the improved access of Social Economy enterprises to public procurement, etc. Ireland will introduce in the latter half of 1999 a dedicated Social Economy programme involving the social partners.

A subsidy scheme which supports the employment of long-term unemployed by municipalities is at present being implemented in the Netherlands, and by 1 January 1999, had led to the employment of about 34,500 people. Similar schemes continue to be activated in Germany. Another example is the Danish Home Services scheme, which covers an estimated 10-12,000 part-time employment, corresponding to 4,000 full-time jobs. In France, the first results of the programme 'Nouveaux services-emplois jeunes' look very promising as it has already created 160,000 jobs in different areas (i.e. associations, local authorities, schools and security police). The target for 1999 is to create another 90,000 jobs at the cost of 2.13 bn Euro. The estimated employment effect of the Finnish National Forest Programme, which aims to increase the annual use of domestic roundwood by the Finnish wood-processing industry and has been adopted in 1999, is 35-40,000 work-years. These examples show that initiatives at the local level and the social economy can play an important role in providing jobs which help certain groups to enter or to return into the labour market.

3.2.5. Exploiting new opportunities for job creation – guideline 13

In this guideline Member States are called on to provide framework conditions which allow for the full exploitation of the employment potential of the services sector. The response of Member States to this new guideline has been largely disappointing. Policy approaches are piecemeal and only countries like the Netherlands present interesting ideas and approaches.

Regional and local action

All the Member States recognise the importance of action at the local level — and local and regional issues are playing a growing role in the plans of several Member States. The determination of employment policies remains mainly a national prerogative; local and regional authorities are, however, to differing degrees, involved in the planning phase of the NAPs in the majority of Member States. Some Member States have announced the development of local and regional plans based on the Employment Guidelines, and in Spain plans have already been approved.

All Member States have structures in place to implement employment policy measures at the local level. In some cases the implementation is carried out by the local public employment service (France, Greece, Germany, Belgium), in other cases the implementation is delegated to local and regional authorities – or is in the course of being delegated (Finland, Sweden, Netherlands, Italy). In Finland and Sweden, local partnerships also have a responsibility for implementation.

New forms of territorial organisations are also emerging, to ensure that employment measures are implemented in the way most appropriate to the potential and needs of the particular area.

In general, Member States have shown a willingness to develop specific policies for supporting the services sector. An exception is the United Kingdom which aims at providing a positive framework for all sectors and does not target one particular sector.

The Member States tend to associate the services sector, on one hand, with the promotion of high skilled jobs in the information society, and on the other with the promotion of jobs in the health care sector. Ireland, Finland and Austria refer to ongoing or recently finished work to identify future growth areas. A distinction is also made between **public services and private services**.

One practice which links training for entrepreneurship with the services sector is being reported by Spain. There,

training measures to promote the entrepreneurial spirit and business skills are being adopted to encourage the entry of young people into the enterprise world and the setting up of small businesses in the service and environment sectors.

Italy, and Austria consider **specific deregulation** in order to increase both supply and demand in the services sector. The approach differs slightly but the main areas are addressing opening hours for shops/business and ease of access to and licence requirements within various – professional and crafts – fields.

Many Member States confirmed the job creating potential of the **Information Society** and hence focussed their NAP on availability of funding for start-ups. However, the framework conditions favourable to job growth have only been touched upon – competitive infrastructure, legal clarity (e.g. electronic signatures), equal treatment of delivery systems (paper and electronic) and availability of skills. While some Member States use ICTs in order to enhance efficiency and simplify administrative procedures particularly for SMEs, the potential role of the public sector as a driving force for e-commerce has not been taken up. France has launched a new strategy with predetermined targets, while Spain and Germany are finalising theirs.

In taking account of the employment potential of **the environmental sector**, Sweden and France seem to be significantly in front as the issue is part of several activities. Germany has reported a major rise in employment in environmental services and has launched particular programmes. Greece mentions environment as an issue under the Territorial Pacts, but is vague on details. Despite a strong wish from Member States to include the potential of this sector a lot do not mention the issue under this guideline (e.g. Denmark, Ireland, Netherlands, Luxembourg, United Kingdom).

3.2.6. Reducing taxation and the fiscal pressure on labour – guideline 14

In line with the Guidelines, Denmark and Germany have set national targets aiming at gradually reducing the **overall tax burden** in the years to come. The main objective is to make the taxation system more employment and environmentally friendly and to promote entrepreneurship. Greece alone raises reservations on the positive effects that a shift in taxation away from labour to other tax bases would have on employment growth.

Sustainable development

In the 1997 Communication on Environment and Employment (COM(97)592) the Commission argued that an improved environment and better employment performance can go together because greener production creates new job opportunities in the environmental sector. In addition, increasing taxes on pollution may allow for lower taxes on labour. The 1999 Employment Guidelines included orientations to encourage the potential for employment in the environmental sector and to examine the possibility of using pollution taxes to lower taxes on labour.

Overall, it is encouraging that Member States generally recognise that employment and environment are linked by the need to encourage and adapt to structural change. A move towards implementing labour market measures that integrate environmental concerns is evident from experience within a number of Member States. This is usually linked to ecological tax reform. However, there is uneven support for increases in energy taxation and Greece explicitly rules this out. In general, better quantification of the size of shifts in the tax burden and on how the revenues are used would be useful.

Few Member States aim for additional employment through environmental measures, but a growing number of Member States are starting to exploit synergies between their environmental policies and the promotion of employment opportunities. Measures such as subsidy schemes or market incentive programmes that target directly the creation of jobs or the provision of training towards jobs in connection with improvements in the environment have been introduced in a few Member States.

The environmental industry in Member States, in particular with regard to renewable energy, energy saving measures and innovative environmental technologies is increasingly recognised as offering employment potential and attractive export opportunities, not only for clean products, but also for services and clean production processes.

Tax reforms in recent years within the EU have primarily involved reductions in the **tax burden on labour**. The scope and pace of these reforms in Member States vary greatly. Considering the amount of calls for review of the tax system, the extent of reform has been modest. However, several Member States are in the process of compensating reductions in taxes and charges on labour by raising taxes on energy in line with the employment guidelines.

Finland has reduced income tax from 1996 and plans to make further cuts. Italy and Denmark will continue pursuing a policy towards lower income taxes. UK has introduced a cut in income tax from 1999 and plans further reductions to be implemented next year. Austria, the Netherlands, Germany, Ireland, Luxembourg, Spain and Sweden either have recently taken steps to reduce income tax or are in the process of reviewing the tax system.

The Netherlands, Germany, France, Italy, and Spain have in recent years gradually reduced social charges and plan to make further cuts in the coming years. Other Member States — UK and Finland intend to introduce reductions in social charges in the near future.

In Belgium social charges has been cut gradually for several years and the national objective is to align, within 6 years, the burden of employer's charges to the average of the three main neighbouring countries.

Labour tax cuts may have an impact on employment growth, in particular if **targeted at low-paid and unskilled workers**.

Unemployment particularly hits workers with low professional skills. In most Member States, social security contributions and payroll taxes are proportional or even regressive with respect to the gross wage, since they may have sizeable fixed components, which decrease as gross wages increase. As a result, the relative cost of low-skilled workers is high in the EU, thereby hampering the demand for unskilled workers. A re-structuring of the system of social contributions would encourage employers to hire unskilled workers, while maintaining or even increasing net wages.

In general terms, targeted cuts in income taxation introduced by Member States have been motivated by supply-side problems like unemployment- and poverty traps while Member States have applied targeted reductions in social contributions in order to help low-skilled labour and the long-term unemployed to regain employment.

Several Member States – Belgium, Denmark, France, Austria, Finland, Germany, Netherlands, Greece and Sweden – have already or plan to lower tax on labour in favour of low-paid and unskilled workers. A range of labour market programmes involving a reduction of labour costs, like the tax credit in France, is being adopted in Member States, targeted at low-skilled workers promoting low productivity jobs primarily in the social economy. Moreover, some countries — Italy and the Netherlands — have applied additional targeted measures such as rebates for employers if recruiting long-term unemployed.

3.2.7. Reducing VAT on labour-intensive services – guideline 15

The Netherlands, France, Finland and Italy support a targeted reduction of VAT on labour-intensive services as a means to promote employment. Furthermore, it is expected to help combating undeclared work.

France has already adopted small-scale programmes in order to exploit the employment opportunities in the labour-intensive services sector by offering tax credits or exemptions of social contributions. Finland is undertaking experimental projects in different regions, providing tax reductions for private households or subsidising companies which offer services for private households. Denmark is opposed to introducing a lower VAT-rate on labour-intensive services but favours subsidies targeted to certain services performed for private households.

A majority of Member States are reluctant to introduce a reduction in VAT, as it may not entail a proportionate fall in prices, leading to tax revenue losses but no job creation. Furthermore, the problem of properly defining labour-intensive services is highlighted.

4. PILLAR III — ENCOURAGING ADAPTABILITY OF BUSINESS AND THEIR EMPLOYEES

Member States and Social Partners are called on to undertake concrete action to attain the following objectives:

- To modernise work organisation (guidelines 16 and 17)
- To support adaptability in enterprises (guideline 18)

4.1 AN OVERVIEW OF THE NATIONAL ACTION PLANS

The response to this pillar remains disappointing. There is little evidence to suggest that the Social Partners have taken initiatives to the extent required in response to the invitation in Guideline 16 *'to negotiate at all appropriate levels agreements to modernise the organisation of work'*. One explanation for this may be that action taken at levels other than national has not been reported and modernisation of work organisation is, in any event, an on-going process which is difficult to quantify.

While implementation of this pillar is underpinned by partnerships in Austria, Finland, Ireland, Italy and Netherlands, there is little evidence that a comprehensive strategy embracing a partnership approach with the social partners and developing efforts to modernise the regulatory framework has been undertaken by any Member State. Luxembourg has taken a horizontal approach modifying its collective agreements legislation; these must mention, or otherwise considered non valid, the results on training and work organisation of the negotiations. Despite the lack of an overall approach, there has been some progress in individual areas. For example, measures have been taken to adjust the balance between flexibility and security, particularly in Netherlands. In Germany, Greece and Italy, the tendency is towards increased flexibility whereas in the United Kingdom the tendency is towards improvements in worker's protection. In the case of Spain, notwithstanding efforts to reverse the trend, temporary contracts still represent a significant share of the total. Although in a few countries, measures have been taken with regard to the reduction of working time, voluntary part-time work tends to be featured more strongly.

Little progress can be seen in relation to the introduction of more adaptable forms of contracts and modernising the regulatory framework except for the interesting developments in Italy, where employment rights are being extended to 'para-subordinate' workers. In the UK, steps are being taken to extend employment rights to workers who are not normally covered by employment legislation. In Finland the legislation covering Contracts of Employment is being substantially revised. There are also examples of developments in relation to telework.

Regarding human resources, the Member States do not demonstrate systematic approaches to re-examining obstacles to investment in human resources, and only a few Member States provide for new incentives. Netherlands and Spain have introduced additional tax exemptions linked to specific targets for continuing training. The more common approach of Member States consists of a re-orientation of public training and consultancy support.

While Netherlands, Ireland, Finland and Denmark have established an overall approach to the modernisation of work, France has focused on work reorganisation mainly through working time reduction and a strong involvement of social partners.

In the UK, Portugal and Greece initiatives and actions are limited and social partners do not appear to be playing the role devoted to them by the Employment Guidelines.

4.2 MODERNISING WORK ORGANISATION — NATIONAL FRAMEWORKS FOR SOCIAL PARTNERSHIP

Development of a better organisation of work through social partnership frameworks has been pursued in a number of Member States. Concrete outcomes of these initiatives are reported in a fragmentary manner:

- The most established of these is the MOC (Management Organisation and Competence) in Denmark which aims to promote organisational innovation by

facilitating access to support services, continued training programmes and interaction with higher education institutions.

- In Finland, the National Workplace Development Programme which aims at promoting coordination and networking of workplace research and development now covers 460 enterprises and is being extended to the period 2000-2003.

- 'Partnership in Action at Enterprise Level' in Ireland which includes 'New Work Organisation' is jointly managed by the Social Partners, with the National Centre for Partnership, and is partly funded by the European Social Fund.

- In the United Kingdom, the Social Partners i.e. the Confederation of British Industry (CBI) and the Trades Union Council (TUC) have both become members of the UK Work Organisation Network which was set up in May 1999 with the aim of supporting the development of new forms of work organisation and initiating awareness raising activities.

4.3 MODERNISING WORK ORGANISATION – GUIDELINE 16

As previously stated, social partners negotiations at levels other than national are not systematically reported by the Member States in the NAPs. This hinders any comprehensive overview of developments in this area.

Working time

The establishment of collectively agreed frameworks on working time, within which Social Partners at the local/enterprise level negotiate specific implementation provisions, seems to be a growing trend and is most evident in Finland, Austria and Italy.

In 1998 in Sweden, the Social Partners agreed on a number of collective agreements at sectorial level which provide that wage increases could alternatively be exchanged for shorter working time (to be agreed at company level). Such agreements were particularly common in the manufacturing sector where they have contributed to more flexibility.

Legislative initiatives, on the other hand, have been reported by a number of Member States — Belgium, France and Luxembourg- in respect of working time. In France following a legislative initiative, weekly working hours will be reduced by negociation to 35 hours/week. By Spring 1999, an important number of companies and sectors have reached agreements on the way to proceed with reduction in working time before enforcement of the law. Many of these agreements include other aspects related to the organisation of work; forms of contracts, family responsibilities, company flexibility and distribution of working time throughout the year.

Part-time working

In many Member States, the promotion of part-time work has been the subject of agreements by the Social Partners or government legislation. This is the case in Spain where, in November 1998, the Agreement on Promoting Stable Part-time Employment was signed by the government and the main trade unions (but not the employers). The agreement came into force in 1999 and the number of permanent part-time contracts is expected to reach 200,000 in 1999 (165,000 in 1998). This new part-time contract allows for up to 77 % working hours of normal contracts plus the possibility of 'complementary hours'. Social protection and retirement provisions for these workers are enhanced and there is a reduction for the employer in social security contributions.

In the Netherlands, with almost 40 % of the labour market working part-time, this is a significant labour market policy instrument. A recent survey showed that 19 % of over 100 agreements analysed by the Labour Inspectorate included provisions for part-time work and changes in working hours.

In Germany the amended law on part-time employment for older workers aims at softening the transition into retirement.

In Italy, a 1999 ministerial decree provides for financial incentives in the form of a reduction in social security to promote part-time work. The government target is set at 8 % of total employment (7.3 % in 1998). Intensified efforts to make part-time work attractive have also been taken up in a number of other Member States, in particular Austria and Portugal.

Flexibility and security

Governments and the Social Partners continue to make efforts, often in a fragmented way, to improve both flexibility and security. Building on earlier developments, the Netherlands has implemented employers and trade unions proposals in a new Flexibility and Security Act

The UK implementation report refers to progress towards establishing a new balance between flexibility and security. Measures taken include the introduction of a National Minimum Wage, changes in unfair dismissal rules and the implementation, or planned implementation, of Community legislation, including the Working Time Directive and the agreements on part-time work and parental leave. The Employment Relations Bill contains proposals for new rights and changes in family-related rights, aimed at making it easier for workers to balance the demands of work and the family.

In a number of Member States — Germany, Greece and Italy — greater flexibility is being introduced.

In Italy, the Pact of December 1998 between the government and the Social Partners gives continuity to previous agreements, with the overall objective of making the Italian labour market more flexible. De facto, according to the implementation report more than 50 % of new entrants in large firms are on fixed term contracts or part-time work.

However this trend towards increased flexibility might have reached an excessive proportion in Spain, where more than 90 % of new contracts are temporary with a high rate of turn over. A law has been passed, based on a social partners agreement in 1997, to support an increase in the number of permanent contracts, which represent two-thirds of the total.

Telework

In Sweden, a report of the telework committee was submitted to the Government in autumn 1998 which identified positive initiatives to be taken without any legislative change. In Italy, legislation permitting telework in the public sector was adopted in 1998. In Denmark, new collective agreements on telework have been signed and now cover more than 1 million employees.

4.4 INCORPORATING MORE ADAPTABLE TYPES OF CONTRACT – GUIDELINE 17

Few Member States responded in any detail to Guideline 17 which may be interpreted as a sign of lack of progress. The most interesting developments were the following:

- Italy intends to adopt legislation which aims at guaranteeing a minimum protection with respect to regular contract payments, continuing training, health and safety, and trade union rights to those para-subordinate workers who, although formally bound by self-employment schemes, have a relationship of continuing collaboration with a single principal contractor.
- The UK is planning to extend statutory employment rights to categories of workers without traditional contracts of employment who are not at present covered e.g. agency workers, homeworkers and labour-only subcontractors.
- Spain, as already mentioned, adopted a new type of part-time contract providing more flexibility for the employer and a better social protection for the employee.

4.5 SUPPORTING ADAPTABILITY THROUGH IN-COMPANY TRAINING – GUIDELINE 18

As regards in-company training, six Member States address **tax measures**. Germany and United Kingdom refer to the full tax deductibility of all training costs incurred by enterprises and therefore consider that no further action is necessary at tax level.

Other Member States — Austria, Netherlands, Spain and Portugal — plan an increase in exemptions for training expenses in order to stimulate training. Netherlands and Spain link such incentives to specific targets for vocational training in the enterprise, including apprenticeship training, access to higher vocational training, training for older workers and in the non-profit sector — Netherlands) or additional exemption for enterprises that increase their training expenses -Spain.

The United Kingdom and Belgium have recently introduced **other financial (non-tax) incentives** for in-house training. In the UK enterprises have access to *Small Firm Training Loans* for vocational training and consultancy advice for training. Belgium has recently introduced alternative funding mechanisms (levy-credit schemes, training vouchers), which are already traditional in other Member States. Luxembourg has recently adopted a law foreseeing fiscal support and subventions to encourage in-house training.

Various member States — Portugal, Italy, Sweden, Spain and Greece — plan to foster the renewal of skill levels through restructuring and re-orienting existing **public infrastructure** to provide continuous training. Spain has linked the publicly financed and collectively managed

provision of continuous training to systematic and tailored planning of training at the enterprise level. Similarly, Greece has restructured state-run training offers in accordance with the needs of an economy principally based on SME's.

Other Member States have strengthened **information and guidance for enterprises** as well as the exchange of valuable practice. Ireland has created a *Training Networks Programme* in order to assist companies in identifying and addressing their human resources development needs through the exchange of experience and best practice. In addition, a quality standard called *Excellence Through People* for high performing enterprises has been established. In Finland, the Ministry of Trade and Industry has developed models for personal training plans appropriate for SME.

Five Member States refer to budget commitments for implementing this guideline (Spain, Finland, Ireland, Italy and Sweden), whereas only Belgium and Spain foresee indicators to assess the success of the action taken.

5. PILLAR IV — STRENGTHENING EQUAL OPPORTUNITIES POLICIES FOR WOMEN AND MEN

The guidelines in this pillar call Member States to undertake concrete action to undertake the following objectives:

- To implement a gender mainstreaming approach (guideline 19);
- To tackle gender gaps in employment, unemployment, pay and representation in certain sectors and occupations (guideline 20);
- To reconcile work and family life (guideline 21);
- To facilitate reintegration into the labour market (guideline 22).

5.1 AN OVERVIEW OF THE SITUATION IN MEMBER STATES

Gender problems in the labour market remain serious. A particular cause for concern is the very low employment rates for women in Spain, Italy and Greece. In these cases, the employment potential of women is considerable. Unemployment gaps have been increasing across the EU, and they are relatively higher in Greece, Italy, Netherlands, Belgium, Spain, Luxembourg and Denmark. Sectoral and occupational imbalances in the distribution of jobs are striking across the EU particularly in Finland, Sweden, Denmark and Spain. The gender pay gap is a problem in most Member States. The indicators presented below tend to highlight women's rather poor labour market position compared with men. There are very few cases where women in Member States have, on average, achieved parity with men.

5.1.1. Gender gaps in employment

In 1998 the proportion of women employed in the EU was still only around 51 % of women of working age, some 20 percentage points below the rate for men in the European Union. However, women have accounted for 2.6 million (62 %) of the net increase in jobs since 1994 but, in 1998 employment of men in the Union increased slightly more than that of women.

Changes in employment rates for women should be seen in the context of the level of overall employment, so it is encouraging that two countries — Spain and Ireland — that were among the bottom four in a ranking of women's employment rates in 1994, have enjoyed the fastest growth in women's employment rates since then (see chart 21) — although they started from a very low base. That focuses particular attention on those other countries with very low employment rates for women who have not been able to achieve much growth i.e. Luxembourg and Italy. However it is worth remembering that only Denmark and Sweden can make a favourable comparison with the employment of women in the USA — the majority of Member States fall well below that level.

Chart 22 shows the gap between the employment rates of men and women standardised by the male employment rate. As a result of higher employment growth for women, most countries are making significant progress in reducing the gap. The progress made by three Member States with large gaps (Spain, Greece, Ireland) is noteworthy.

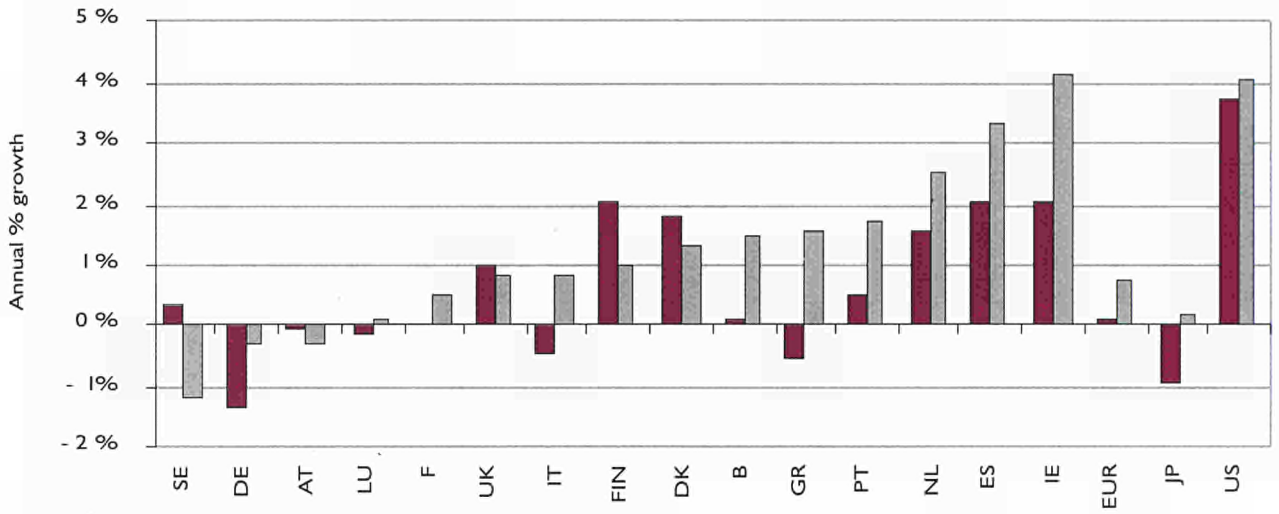
5.1.2. Unemployment gender-gap

Developments in women's employment tend to be linked more to trends in inactivity rather than in unemployment. Particular national unemployment-benefit policies and cultural differences seem to play a large role in explaining women's' unemployment rates. They generally tend to encourage women to remain outside the labour market. However, the increased female labour supply cannot be absorbed by the increased females job opportunities.

Chart 23 [26] shows the share of unemployment for the under-represented gender compared with the experience

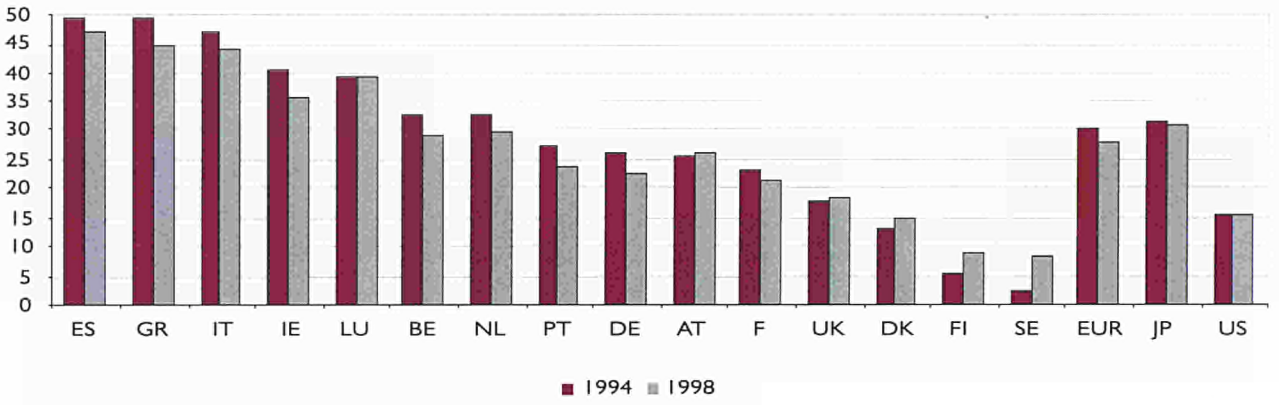
[26] Data from Eurostat Harmonised Unemployment series

Chart 21 - Growth in Employment Rates 94 to 98



Source: Employment Benchmark Series, US and JP 98 are estimates

Chart 22 - Employment Gender Gap



Source: Eurostat LFS, calculation by DG5, US and JP 98 are estimates

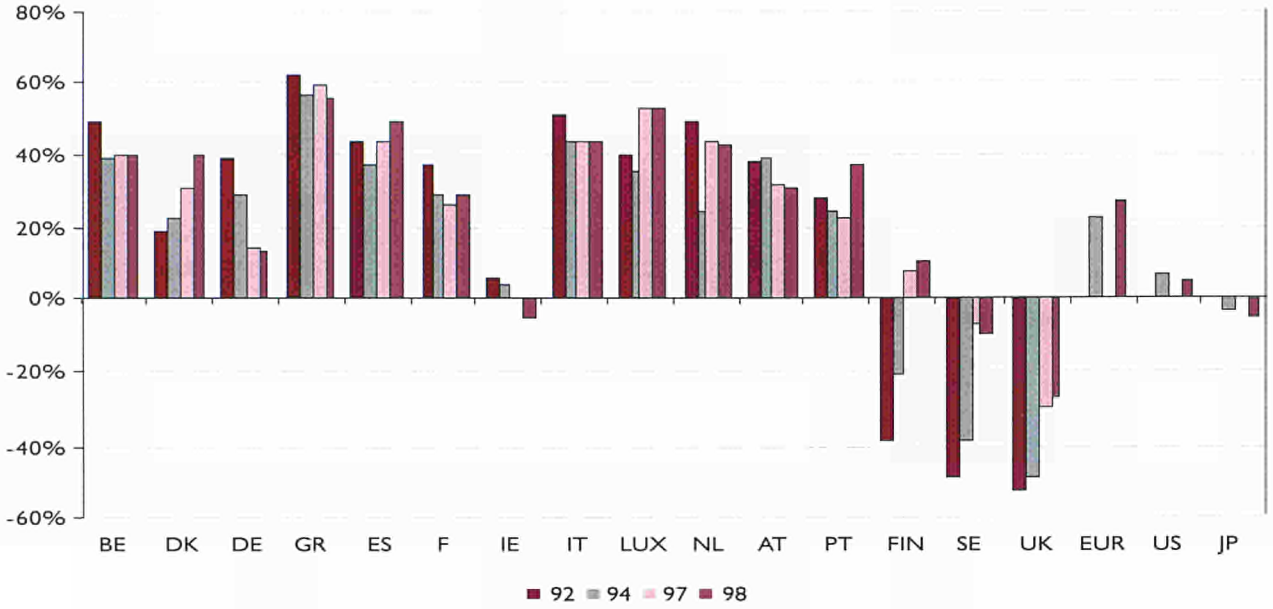
of the over-represented gender e.g. Dutch men in 1998 were 40 percent less likely to be unemployed than Dutch women. The gap remains worrying in a number of countries: particularly in Greece, Italy, Netherlands, Belgium, Spain, Luxembourg, and Denmark. Three countries have succeeded in reducing both employment and unemployment gaps: Greece, Ireland and Germany.

5.1.3. Gender segregation of the labour market

Although getting women and men into the labour market is the main priority of the employment strategy the segregation of genders in employment remains a major concern. High levels of segregation represent a limitation in the scope for applying the full range of women and men's talents to the labour market.

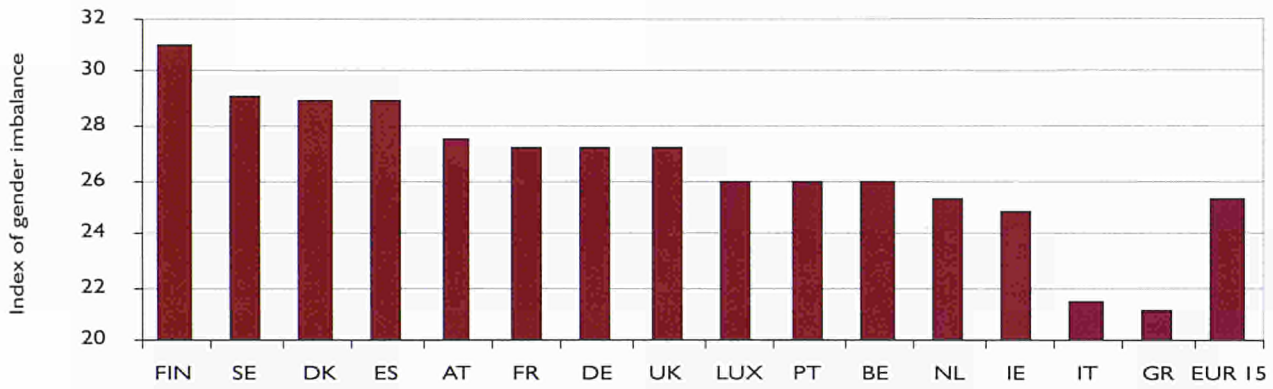
An important distinction exists between vertical and horizontal segregation, in the former women and men are segregated into hierarchical layers, in the latter into distinct sectors. An index of segregation into occupations has been derived, and this picks up elements of both horizontal and vertical segregation. It shows that across the European Union gender-imbalance in individual occupations (ISCO three digit occupations — 1998) accounts for around one quarter of all European Union workers — see chart 24.

Chart 23 - Unemployment gap



Source: Eurostat Harmonised Unemployment

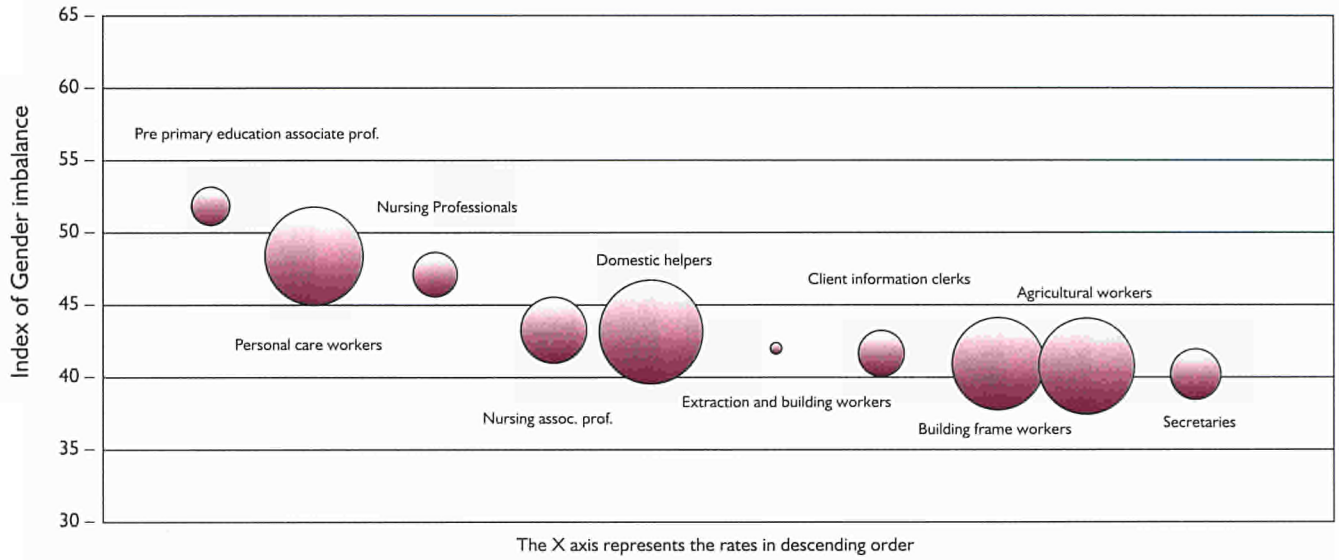
Chart 24 - Gender imblance in occupations (ISCO) 1998, Ireland data for 1997



The index of gender imbalance [27] shows that three countries (Finland, Sweden and Denmark) with relatively high employment rates for women also have relatively highly segregated occupational structures. Similarly, countries characterised by low female employment tend to have a more favourable gender segregation situation, with the exception of Spain. This evidence suggests a structural trade-off between achieving high rates of demand for female workers and ensuring that all types of job are accessible to both women and men. However, it should be recognised that a segregated labour market with high employment rates for women is preferable to one with less segregation but low employment rates for women.

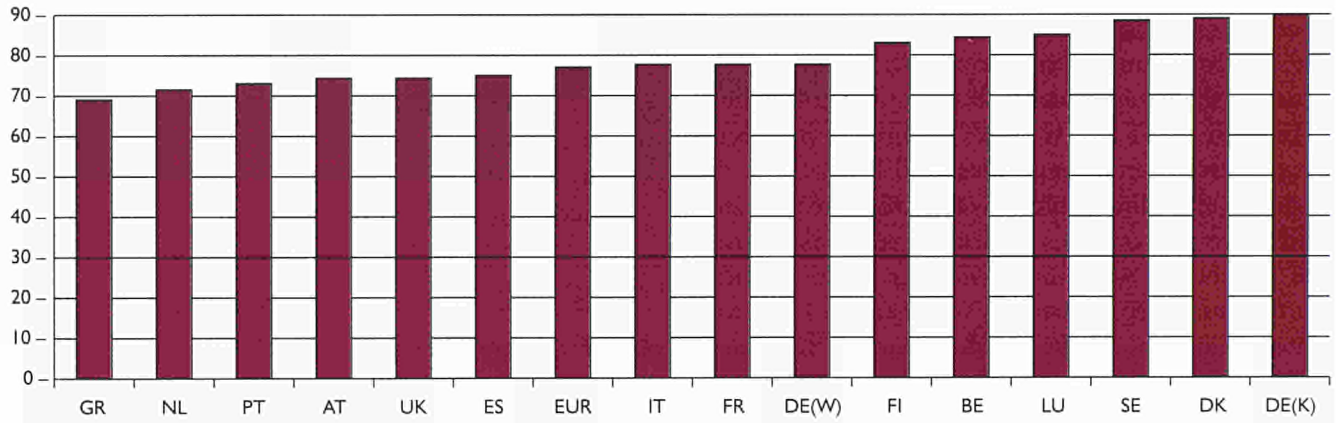
[27] Segregation index: A national share of employment for women and men is calculated, that average rate is then applied to each occupation. The applied national-average represents the number of women (or men) who would work in that occupation if the total of female/male workers was evenly spread across all sectors, e.g. if women make up 40 percent of the total employed in a particular country then the comparison in each sector would be between the observed rate and the 40 percent national-average-rate. If all these differences are added up (ignoring positive or negative signs) across the economy we can then produce a total proportion of people who are employed beyond the balance suggested by the national-average shares of employment, i.e. a total amount of gender imbalance. This gender imbalance is then presented as a proportion of total employment to generate an indicator of gender imbalance or segregation.

Chart 25 - Top ten occupations with highest rates o Gender Imbalance 1998



Source: Eurostat, European LFS, ISCO 30, calculations by DOG5, Eur15 does not include Irland

Chart 26 - Gross hourly wages of women as a % of men's, 1995



Source: Eurostat Structure of Earnings Survey

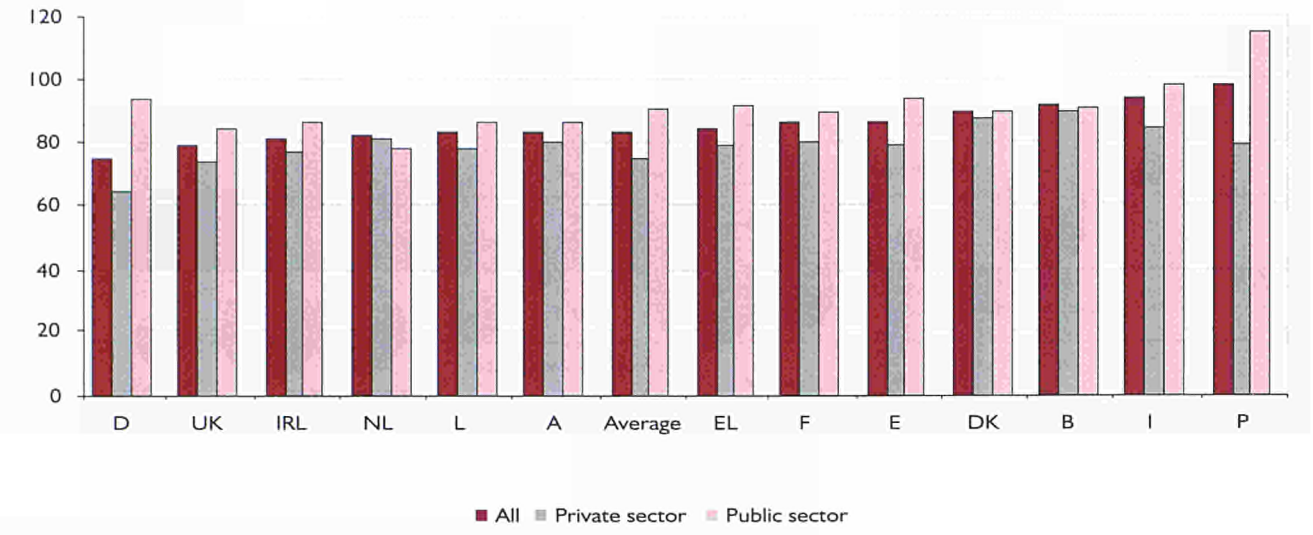
Chart 25 shows at the European Union level the ten occupations with the highest rate of gender imbalance, the size of the bubbles representing the numbers of people involved. An analysis at the country level often reveals a similar picture: the dominance of women in caring professions and the dominance of men in building and agriculture jobs.

5.1.4. Gender pay gaps

Women often combine work with caring duties and this will tend to influence selection, training and promotion opportunities and at least partially explain the lower wages observed in all Member States of the Union. Until men take up significantly more of the caring load this stereotyping of women is likely to continue.

Data from the 1995 Structure of Earnings Survey in Chart 26 shows that across the EU Member States included in the survey, women are paid on average 76 % of men's wages in terms of hourly wages (and 72 % in terms of monthly wages). Although this gender gap stands for all Member States, it seems more balanced in the Eastern Länder of Germany, Denmark, Sweden, Luxembourg and Belgium, and less balanced in Greece, Netherlands, Portugal, Austria and UK.

Chart 27 - Female, Male gender ratio in hourty eamings by public and privates sector 1995



Source: Eurostat, ECHP 1995, employees working more than 15 hours a week

However, the Earnings Survey from which these data are drawn has not a full coverage. The public sector and important sectors where women are in majority, such as health, education and personal services, are not covered. Also, only full-time earnings are considered. Alternative and apparently more solid evidence about the degree of inequality between men's and women's earnings is now being drawn from the European Household Panel (ECHPS). According to the first results now available from the Panel, which covers all activities and employees working more than 15 hours a week in 13 Member States, women's hourly earnings represented 83 % of men's in 1995, with a more serious gap in the private sector (75 %) than in the public one (91 %) – see Chart 27.

Across Member States, while the new evidence confirms the existence of a gender pay gap problem in the UK and in Netherlands, and a more balanced situation in Denmark and Belgium, it invites further analysis in order to assess the performance of other Member States on a solid basis.

Differences in average wages of women and men reflect not only pay discrimination, in the sense that women are paid less for equal work, but also structural differences. Women and men tend to have different jobs, different age structures (working women are on average younger) and there is also a difference in the education level and the type of education. While most of these factors are correlated with wages, for others (e.g. education levels) evidence is more difficult to interpret. A conclusion that can be drawn form the present data in terms of overall gender differences is that women are not in equal work positions, they are in lower paid positions, and this problem tends to be more serious in some countries than in others.

5.1.5. Influence of parenthood on employment by gender

While the presence of children in the household markedly reduces women's employment rates, there is evidence suggesting that the opposite is true for men. The employment rates of men aged 20 to 44 are higher if they are in a household with a child.

Of the 12 Member States for which data is available for 1998 or 1997 (see table 8) Portugal, Belgium and Austria show the most egalitarian performance, on the basis of a comparative index [28]. These three countries also have the highest employment rates for mothers with a child under the age of six amongst the 12 surveyed. The three countries showing the worst performances on

[28] A comparative index has been constructed that for women and men compares employment rates without the presence of any children and with the presence of a child aged 0 to 5. The closer the value of the index to one the more similar the impact of parenthood on the employment rates of women and men. Values over one suggest that the impact of parenthood on females has reduced the chance of employment relative to the experience of males. Data from European Labour Force Survey, data for Sweden, Denmark, Finland is not available.

the comparative index are Ireland, Germany and Luxembourg – but these three have proposed substantial improvements to childcare facilities. Spain, Italy and Greece also give cause for concern: they have very low employment rates for mothers of young children. Their ranking on the comparative index is mid-table — that is largely because they also have the three lowest employment rates for women without children.

5.2 ASSESSMENT OF THE NATIONAL ACTION PLANS

5.2.1. An overview of policy developments

Overall, it can be said that Member States have reinforced action in 1999 compared with 1998. This is partly due to a development of their existing plans and partly as a response to the expanded 1999 guidelines, especially the new guideline on gender mainstreaming.

Successful economic and employment policies can benefit both women and men and that has been true in the case of Ireland, the Netherlands and Denmark since the early 1990s.

A few countries hold out the prospect of significant improvements. As a country with particularly severe problems, Italy deserves credit; developments over the next couple of years will be awaited with interest. Austria, Portugal and Sweden are also making major commitments across the equal opportunities pillar.

Table 8 – Employment Rates – 20 to 44 year olds 1998

	Comparative Index	No Children		Child ages 0-5	
		Men	Women	Men	Women
IRL (97)	1.9	81	81	87	46
DE	1.8	83	83	90	49
LU	1.8	93	84	98	49
UK	1.7	85	87	90	53
ES	1.7	88	67	90	40
EU11	1.7	84	79	91	52
NL	1.6	88	86	95	60
IT	1.6	91	68	92	45
FR	1.5	79	72	91	56
GR	1.5	82	60	96	48
AT	1.3	89	85	94	68
BE	1.2	87	77	92	66
PT	1.2	92	83	96	72

Table 9 – Mainstreaming – Types of Measures proposed

	Polily Commitents	Legislation	Fiscal Measures	Positive Action (including special training)	Institutional Mechanisms	Colection of baseline and monitoring data
B	X					X
DK	X	X				
D	X	X		X	X	X
EL	X			X	X	
ES	X					X
F	X			X	X	X
IRL	X					
I	X			X	X	X
L	X	X		X		
NL	X	X		X		
A	X			X	X	X
P	X			X		X
FIN	X	X	X	X		X
S	X		X	X		X
UK	X		X			

5.2.2. Adopting a gender mainstreaming approach – guideline 19

All Member States plan to apply or have already applied gender mainstreaming. The degree to which this is carried out and the quality of presentation of these efforts differs considerably, from general political statements to more operational measures – as shown in table 9.

Understanding the gender implications of existing policies requires extensive analysis. Most Member States recognise that and are working to deepen their understanding of the gender impact of employment measures — Spain, France, Luxembourg — and the improvement of statistics — Belgium, Germany, France, Italy, Austria, Portugal, Sweden, Finland and Spain.

Successful gender mainstreaming also requires awareness raising amongst policy makers — France, Austria and Sweden — and a pervasive commitment to gender equality which all Member States seem to recognise. When they do not limit themselves to these political statements, but go on to implement mainstreaming, real progress can be made. Germany presents a particularly comprehensive approach to mainstreaming, while Ireland is still at the early planning stage.

Employability

Three Member States — Belgium, Ireland and UK — do not seem to have integrated the equality objective explicitly into pillar 1. Portugal provides a particularly clear overview of gender mainstreaming in pillar I. In almost all guidelines of the first pillar, the equality objective has been integrated.

Approaches adopted by other Member States include giving statutory rights to access to active labour market policies — Denmark, Germany — or positive action to ensure equal access — France.

Ensuring boys and girls have the same educational experiences is an important issue for Netherlands and UK. Netherlands and Austria also intend to promote the greater involvement of women in lifelong learning.

Tax-benefit policy is particularly important to activate and give incentives to women and men, particularly those who are currently inactive. Income tax and benefit changes in Sweden, UK, Netherlands and Ireland are likely to encourage more women to take jobs. However, it is disappointing that so few reports address the gender issue in the context of tax-benefit incentives

Entrepreneurship

Denmark, Greece, Austria, Portugal, Finland, Sweden and the UK have mainstreamed gender in pillar II. Other Member States do not provide information. The measures announced are in general positive actions, mostly qualitative and largely confined to guideline 11. Austria, Finland and the UK have attempted to analyse and elaborate measures taking into account ex-ante their effects on gender. Denmark plans to do so.

The lack of adequate data collection systems and procedures for assessing gender impact explains why so few countries provide detailed information. Most Member States are improving their statistical systems in order to fill this gap.

Adaptability

In pillar III, some Member States — Belgium, Germany, France, Ireland, Italy and Sweden — mention the role and contributions of social partners in the process of gender mainstreaming. Denmark mentions the trend in agreements concluded by the social partners, to give a higher priority to a more flexible organisation of working time in order to allow women and men to better reconcile work and family life. However, considering the important role of social partners in the implementation of the guidelines in general and on adaptability in particular, their weak and often non-existent contribution is surprising.

As a ***conclusion***, it can be stated that the aim of gender mainstreaming in the four pillars of the guidelines is underway, but further efforts will be needed to achieve a full integration of the equality dimension. Many Member States are still in the preparatory or early stage of this process. Particular problems exist because of the absence of statistical data. Application of gender impact assessment needs to be further developed. No targets or indicators to monitor success have been specifically mentioned.

5.2.3. Tackling gender gaps and segregation of the labour market – guideline 20

Gender gaps in employment and unemployment

Although increasing the employment rate of women is an objective of crucial importance, six Member States do not give direct attention to this aim under guideline 20 – see table 10, and only a few — Greece, France, Austria, Luxembourg and Spain — focus on the specific objective of reducing the gender unemployment gap under guideline 20. However, most Member States seem to be tackling this issue within the measures taken under pillar I.

Segregation of the labour market

The aim of reducing excessive segregation in the labour market has become the major policy objective of this guideline. Table 10 shows that the three countries with the highest levels of segregation: — Finland, Sweden and Denmark — are presenting measures to improve the situation. The Danish (and also Belgian) approach of targeting bottleneck areas deserves attention as it tends to work with the grain of market forces to increase women's employment, often in sectors and occupations where women are underrepresented. Only Greece, Austria and Netherlands do not present measures to combat segregation. Measures range from diversification of education, training and occupational choices (France, Sweden, UK, Spain) to legal backing for positive action (Italy, Luxembourg). In Belgium (Flanders), bottleneck occupations are targeted to promote a higher participation of women. Women applying for these occupations are offered specific actions such as, pre-training, separate training modules and support structures (including flexible childcare).

Table 10 – Addressing the Gender Gaps				
	Employ-ment Gap	Unemploy-ment Gap	Desegre-gation	Wage Gap
B			X	X
DK	X		X	X
D			X	X
EL	X	X		
ES		X	X	
F		X	X	X
IRL	X		X	X
I	X		X	
L	X	X	X	
NL	X			
A	X	X		X
P	X	X	X	X
FIN	X	X	X	X
S	X		X	X
UK			X	X

It is interesting to note that some countries mention the improvement of opportunities for women in management positions in the public administration. This idea is well developed in France. As an important employer, governments can set a good example by tackling segregation in public administration.

While most measures focus on increasing the *supply* of female labour in sectors or occupations that are male-dominated, others focus on increasing the *demand* for women in male dominated sectors and occupations. None of the Member States provide information on the effectiveness of these measures. Experience in the European Union suggests, however, that a policy-mix involving both types of measures is the best guarantee of achieving results in tackling the segregation of the labour market.

Gender wage gaps

The reference to policies to promote equal pay for equal work or work of equal value and to diminish differentials in incomes is new in the 1999 Guidelines. The response has been generally positive. However, some Member States where a relatively high wage gap has been identified (see section 5.1.4) either do not propose any measures — Netherlands, Greece – or propose measures that are too general for addressing the problem at stake. In the UK, while progress can be expected with the introduction of a national minimum wage, given that women tend to be in lower paid jobs, its effects on demand remain to be assessed.

Noteworthy policy responses include that of France where the Government intends to publish a practical guide on equal pay addressed to those who are involved in wage bargaining in enterprises. An intensive training on equal treatment legislation for social partners and control services (*services d'inspection*) is also envisaged. Austria plans an amendment of the Equal Treatment Act that provides for improved tools to enforce mandatory equal treatment; non-discriminatory job-evaluation models will be developed in the future.

At a more advanced level, in the inter-professional agreement (1999-2000) in Belgium, social partners committed themselves to review systems of job classification, if they cause inequalities between both sexes. In Finland, the collective agreement that ends in January 2000 includes a special provision for women and low-paid jobs. The social partners are promoting equal pay by devising and introducing systems for assessing job demands in individual companies and sectors. In Sweden the Equal Status Act has stipulated since 1992 that all enterprises with more than 10 employees shall prepare action plans on equal opportunities. In Finland this ceiling is 30 employees.

5.2.4. Reconciling work and family life – guideline 21

It is clear that the commitment of Member States to promoting family-friendly employment policies varies widely. Only in Sweden and Finland do workers with small children have the *right* to work part-time (it is envisaged in Netherlands). Campaigns and codes of good practice to encourage businesses to adopt more family-friendly policies are more widespread.

Childcare support

Under this heading important efforts are made or are planned by those countries with a considerable lack of childcare provisions: Germany, Greece, Ireland, Netherlands, Austria, Portugal, Italy and the UK. Denmark, Finland and Sweden and to a lesser extent Belgium and France have very developed systems of public childcare provision, even for very small children. However, Denmark and Sweden are still attempting to improve the situation.

A limited number of Member States — Belgium, Greece, Spain, Finland and Sweden — mention that they intend to increase care facilities for the elderly. It is striking that concrete initiatives on care for all other dependants (disabled, sick relatives) are lacking in nearly all the implementation reports (see table 11).

Table 11 – New Proposals on Care

	Care for Children	Care for the elderly	Care for other dependants
B	X	X	X
DK	X		
D	X		
EL	X	X	
ES	X	X	X
F	X		
IRL	X		
I	X		
L	X		
NL	X		
A	X		
P	X	X	X
FIN	X	X	
S	X	X	
UK	X		

Parental and other leave schemes

Greece makes no mention of parental leave in their implementation reports, and in the UK this will not be introduced until December 1999 (the deadline for the UK's implementation of the Directive is 15.12.99). Very generous parental leave is granted in Sweden and in Finland, and the latter is considering how to increase the number of men who take advantage of their right to parental leave, for example by reserving one month for fathers (this is already the case in Sweden). New legislation concerning family leaves has been amended in Finland with a right to miss work for compelling family reasons which is not restricted to children only. A number of Member States — Belgium, Greece, Spain, France, Netherlands, Ireland, Austria and Sweden — have flexible parental leave, for example the ability to take part-time work with reduced payment. In Luxembourg, this has been incorporated in the law on parental leave. Laws on parental leave are being prepared as well in Italy and Portugal. Denmark is one of the few countries to make the connection between parental leave and flexible or family-friendly employment practices. Spain is preparing legislation on reconciliation of family and work including flexible maternity leave and an integral programme of family support.

5.2.5. Facilitating reintegration in the labour market – guideline 22

This guideline, which remains unchanged from last year, did not receive much attention by the Member States this year. Measures presented are often limited to the issue of reconciliation of work and family life, active labour market policy and increased efforts in training. Tax and benefit changes that increase the financial incentives to move into work are also mentioned.

Attention to single parents as a group is important in this context; in Spain and the UK they are mentioned as a specific group targeted by policy. The UK highlights the *New Deal for Lone Parents* as a scheme designed to improve job prospects and the employability of lone parents. The return of those who took parental leave to their former job is an issue raised by some countries. Activating tax-benefit systems — Denmark, France Netherlands and the UK — can provide incentives to returnees to consider low-paid jobs, whilst for others generous parental leave schemes help to maintain attachment to employers. It is worth highlighting the few Member States who do propose indicators — Belgium, Greece, France, and Austria.

6. IDENTIFICATION OF GOOD PRACTICE

The aim of the present section is to illustrate how the Employment Guidelines are being transposed into concrete policy action across the Union, by presenting examples of good practice, as suggested by the Member States in their NAPs. A full list of suggestions can be found in Annex 1. In selecting the following examples, priority was given to those cases for which a minimum monitoring or evaluation effort has been carried out. Policies that were subject to appraisal in the 1998 Joint Employment Report were not considered. Most of them have been selected for more in-depth evaluation in the 'peer review' which the Commission has initiated in collaboration with Member States.

6.1 THE PEER REVIEW PROCESS FOR DISSEMINATION OF GOOD PRACTICE

The purpose of the peer review is to submit policies which are considered by individual Member States as examples of good practice to multilateral and independent expert assessment, with a view to their dissemination. The Commission, having recognised the potential of using this method, has launched a programme of peer reviews of employment and labour market policies in cooperation with Member States and under the aegis of the Employment and Labour Market Committee (ELC).The essence of this method is an examination of the transferability of a policy presented by a 'host country' by several interested 'peer countries'. The core activity in each Peer review is a seminar complemented by a site visit. It is a structured activity based on a number of expert papers prepared in advance specifically for this exercise. The conclusions of the evaluation will be published by the Commission

The selection of good practices for review has been made in accordance with the following process. Firstly, Member States have been asked to confirm their willingness to participate as host countries in peer reviews of their own good practices. Secondly, each Member State has been asked to express four preferences for participation as peers in the review teams on the basis of the list of candidate policies. The most frequently preferred policies have been selected for the peer review process in such a way as to ensure a balanced participation of all Member States during the year. The following peer reviews had already been carried out by July 1999:

- Reduction of non-wage labour costs, particularly for low-paid labour (Netherlands);
- Women Entrepreneurship — Business Advisors for Women (Sweden);
- Promoting Continuous training in Micro- and Small Enterprises (Portugal);
- Activation and individual employment service (Finland).

For the second semester 1999, a second series of peer reviews is planned including the following policies:

- 'New Services – Jobs for Young People' programme (France);
- Lifelong learning policies (UK);
- Policies for the promotion of self employment (Germany and Italy);
- Active policies against youth unemployment (Denmark and the UK);
- Reduction and reorganisation of working time (France);
- Social Partners Agreement on employment stability (Spain).

6.2 PRESENTATION OF EXAMPLES OF GOOD PRACTICE FROM THE 1999 NAPS

PILLAR ONE - EMPLOYABILITY

1. 'Inserjovem' and 'Reage' initiatives (Portugal)

OBJECTIVES. These two initiatives incorporating the preventive approach required by guidelines 1 (Inserjovem) and 2 (Reage) have been developed and implemented in 1998. The implementation of the preventive approach has involved a major innovation in the form of a fully new model of intervention by the PES.

POLICY MECHANISMS. The preventive approach involves addressing every young and adult unemployed person before they reach 3 or 6 months unemployment in order to define an individual employment plan. Depending on the individual's situation, the intervention of the PES consists either in direct placement into a job, in counselling phased according to the individual's difficulties and needs (three levels of counselling exist ranging from the support to job search to more intensive guidance) or in placement into vocational training or in existing employment programmes.

This new model implied the setting-up of a specific team of professional counsellors and technicians (insertion team) in each employment centre, to ensure the preparation, the management and the follow-up of the individual pathway which is formalised in the personal employment plan agreed between the unemployed and the insertion team. All information regarding the individual's active participation and the follow-up of the individual plan are registered in a follow-up agreement. The new model also involved a complete reshuffling of the PES information system to monitor the early identification of those at risk and ensure a systematic statistical follow-up of implementation.

FRAMEWORK CONDITIONS. The implementation of the preventive approach is implemented in the framework of territorial pacts and regional networks for employment. By the end 1998, it concerned 11 networks and 3 pacts covering 25 % of the total continental population and 30 % of the registered unemployed. The foreseen extension of the regional networks should mean that 75 % of the population will be covered by the end of 1999 and 100 % by 2000. The principal innovation in this original approach is that it ensures a strong involvement of the local SMEs and allows the effective use of existing partnerships, notably with the education system, to provide both training opportunities and the certification of the training followed by the unemployed.

EVALUATION/MONITORING RESULTS. The first results available on the basis of the common policy indicators agreed between the Commission and the Member States are encouraging: only 5.8 % of young people and 1.8 % of adults had not been offered any action before reaching 6 or 12 months unemployment (in 12 of the regions presently covered by the new approach). However, the number of those who did not attend the first interview triggering the personal employment plan remains quite high (nearly 50 % of the young and 44 % of the adult unemployed). This probably reflects remaining weaknesses in the benefit system which only covers some of the job seekers and the still insufficient share of the PES in the job vacancies market.

2. Activation measures (Belgium)

POLICY CONTEXT. The creation of work for very long-term unemployed by means of subsidised (temporary) employment has been an important point on the political agendas of the regional and federal governments in Belgium for several years. Several instruments have been launched: WEP+, Smet-jobs, LAE (Local Agencies for Employment), social employment for persons receiving a subsistence level allowance (art. 60), social employment in the private sector (art. 61) and WEP-privé. All are based on the awareness that, in addition to a lowering of the wage costs, initiatives have also to be taken concerning obstacles on the supply side (through intensive counselling, training, employment habituation and real labour experience).

LOCAL AGENCIES FOR EMPLOYMENT (LAE). The LAEs respond to the need for services not yet met by the market, mainly from households but also from non-commercial associations and municipalities. By offering the opportunity to acquire useful work experience, the LAE system creates re-integration opportunities for long-term unemployed, who cannot be easily integrated in the

labour market. The financing of the jobs is assured by the activation of the unemployment allowances/subsistence level allowance and by a reduction in taxes

At the end of June 1998, 552 municipalities in Belgium, 94 % of the total, had a recognised LAE. The number of users is about 110,000. The number of employees has risen to 41,000, about 83 % of whom are female. The amount of work realised equals 12 million hours. All these indicators show rapid and continued growth since the first year of implementation, 1995.

The success of the system can partly be explained by its flexibility, the link with training opportunities, constant improvements (such as the introduction of a labour agreement) and expansion (via the system of the service vouchers). The question arises as to whether job placement through LAEs may represent some *unfair* competition with 'standard' jobs in the normal economy and whether participants will be able or willing to work within the normal economy without subsidy, which is the ultimate purpose of the measure.

THE SMET JOBS. The so-called 'Smet-jobs' create, since March 1998, supplementary jobs in services, essentially in the private sector, and are equally oriented towards long-term unemployed. Funding is assured by the activation of the unemployment allowances and by the exemption of the social charges normally paid by the employer. The unemployed person receives a work contract and is employed in a normal company for a maximum period of three years, receiving a wage comparable to his colleagues'. In order not to bind the employee too tightly to a Smet-job, the contract can be cancelled by each of the parties subject to seven days notice. The existing personnel cannot be replaced by employees operating in the framework of a Smet-job.

In March 1999, there were more than 6,000 employees involved, equally spread among men and women. About 71 % of the Smet-jobs are half time jobs. In 1999 this measure will cost about euro 60 million (58 % is wage subsidies, 42 %, reductions of social contributions).

The Smet-jobs are equally spread across sectors. In 75 % of the projects, the employers are SMEs. Larger companies are already obliged to recruit a certain percentage of apprentices and low qualified unemployed in the framework of other labour market measures or in the context of collective agreements.

The main risk of Smet-jobs is that they may not lead necessarily to stable employment as companies are not obliged to transform these jobs in permanents ones or to train Smet-job holders who might therefore not be able to acquire the knowledge and skills needed to obtain a stable job in future. Given the short time elapsed since its implementation, it is still too early to evaluate the measure on this point.

3. Additional school support scheme (Greece)

OBJECTIVES. This pilot measure is part of a wider reform of the general education curricula and aims at reducing school failure and drop-out rates in compulsory education.

The measure combines different actions: individualised support to pupils having poor school performance through the provision of specific teaching either during school time or during — summer holidays; specific training of teachers and diversification of the educational material; broader action such as the improvement of the physical infrastructure of schools, notably of their technological equipment; organisation of information seminars for the local authorities and bodies and provision of counselling to the parents of pupils encountering difficulties.

EVALUATION/MONITORING. By addressing the problem at the first levels of the education system, the measure can contribute to improving the quality of basic education and to ensuring better chances for those who continue at further levels.

The implementation started in school year 1997/98 in 34 schools (involving 7000 pupils) and is to be progressively extended to cover 102 schools by the year 2000. During the first stage of implementation, pupils benefiting from a special learning support represented roughly half of the total (3774). Other quantitative data are available regarding the different actions carried-out (information seminars, teachers involved, amount of teaching hours delivered for the specific support) and/or their immediate results in terms of equipment and teaching material.

The measure appears to have a positive impact on pupils' motivation for learning and on their self-esteem as well as on the pupil-teacher relationship. It also benefited indirectly to other pupils by improving their educational environment. It has apparently been targeted at areas showing the highest levels of drop-outs and school failure. However, the information provided is insufficient to assess the full scale of the problem in Greece and the effectiveness of the measure (drop-out and failure rates in these areas) cannot be compared with the initial situation.

4. Support at the work place for persons with disabilities (Sweden)

OBJECTIVES. To integrate disabled people into jobs and maintain others in their current posts. To acting as a cutting edge for the development of approaches using new technology.

POLICY MECHANISMS. A framework is determined nationally by the Swedish Labour Market Board (AMS), and implemented throughout the labour market administration. The practical development commonly happens at the local level, that is, at an employability institute which engages technical consultants when necessary.

The development of new approaches often occurs in co-operation with the social insurance office, which also has some funds at it disposal and can contribute to the costs. Other actors are drawn from institutions and organisations that are on the cutting edge of rapid technological developments.

EVALUATION. On average, more than 10 developmental work places are created every year. In turn, they have led to the installation of about 400 computer-equipped work places a year for disabled persons.

Detailed monitoring information is not currently collected on the programme, however, qualitative studies suggest that it has been effective in its objectives.

PILLAR TWO - ENTREPRENEURSHIP

5. The 'Single Counter' to assist companies start-up in the Catania Municipality (Italy)

In Italy, as in several other Member States, delays in company start ups and the excessive number of procedures for new business are a major concern. On average, more than 100 days are required for a new company registration and new entrepreneurs need to pass through more than fifteen different procedures.

The major goal is to succeed in streamlining administrative requirements and achieving a progressive and considerable reduction of the burdens on enterprises. In pursuance of law no. 59/1997 and law no. 191/1998 (the so-called 'Bassanini laws'), Italy has undertaken to deregulate and streamline 122 procedures laid down in over 400 administrative provisions.

In particular, the Government passed the '*Single Counter*' regulation. This regulation combines all the procedures relative to the localisation, implementation, extension, reorganisation and operation of all production sites, including commercial facilities. The *Single Counter* regulation shall become operational in 1999.

However, at local level there are already success stories of administrations using the *Single Counter* concept. In Catania Municipality (Sicily), the *Single Counter* has been operational for two years within the Investia Catania Project and can be mentioned as an example of good local practice. 252 projects have been submitted to this *Single Counter* and 40 initiatives that have already been started, with an overall investment in excess of euro 120 Million and the creation of 1,700 new jobs. As a rule, all the permits for new enterprises or for the extension of existing enterprises are issued within 60 days. This initiative has been welcomed, in particular, by entrepreneurs.

PILLAR THREE - ADAPTABILITY

6. Labour Foundations for the construction industry in Asturias (Spain)

OBJECTIVES. The Foundation is a non-profit structure established in 1988 through the collective labour agreement between social partners in the construction sector. Improving workers' employability is part of the global strategy aiming at improving the competitiveness of the companies.

POLICY MECHANISM. The Foundation directly contributes to the improvement of workers' employability through its vocational training schools which provide initial vocational training, continuous training for the employees of the sector and training for the unemployed. Another important action is the provision of placement ser-

vices through its own placement agency which was set up in 1997 following the deregulation of the PES.

The Foundation also contributes to securing employment by providing financial assistance to the workers having high seniority in the sector or the same company. This mechanism, which has probably gained in importance since the recent legal decision of freezing seniority bonuses, enables a redistribution of seniority labour costs within the sector and thus ensures more balanced competition between companies.

It operates through two funds allocated respectively to each of these main functions and is resource by monthly contributions from the companies and workers (4.5 % of the gross wage cost) and subsidies from public administration and institutions. The training activity also benefits from the financial support of the national public employment and training agency.

FRAMEWORK CONDITIONS. The Foundation has been set up in a region and a sector particularly affected by the recession since the mid-nineties and suffering from both high unemployment and acute shortages of skilled labour. The construction sector may have a particular importance as a substitute to the traditional declining industries such as steel and coal mining.

EVALUATION RESULTS. Evaluation mainly concerns the effectiveness of training for labour market integration and shows the positive effect of a training adapted to the needs of the companies and sector: the placement rate of trainees was 74 % over the 1994-98 period; 62 % of the job offers actually filled by the placement agency were taken by trainees. However, there is still a shortage of skilled labour, in particular of experienced skilled labour, which apparently accounts for the rather low coverage of the job offers managed by the placement service (55 % of the 743 job offers).

PILLAR FOUR - EQUAL OPPORTUNITIES

7. The Development of Children's Day Care (Finland)

OBJECTIVES. The availability of children's day care makes it easier for both parents to have jobs.

POLICY MECHANISMS. The national government sets the framework and municipalities implement provision. The local authorities spend around euro 1.3 billion a year with another euro 0.4 billion coming from central government subsidies.

All children under 7 years of age have the right to a full-time, municipal child-care place. Although provision is subsidised, charges related to income are payable. For children under 3 years of age it is also possible to get support for home care if parents choose that option. Children attending school receive a free warm meal at school.

EVALUATION. In Finland subsidised child-care services of high-quality have made it possible for mothers with small children to participate in the labour market – often on a full time basis. In 1998 the labour force participation rate among women aged 25-54 was 84 per cent (among men of the same age it was 90 per cent). Only 16 per cent of women and 7 per cent of men worked part-time in 1998.

The cost of the child-care services is estimated by the Government to be 1.5 % of GDP, that is a significant component of total general Government expenditure (around 51 % of GDP).

The general view in Finland is that the day care services provided by municipalities and free meals at school are, indeed, of high quality. This makes it easy for parents to make the decision to leave their children in day care, and allows women to work full time in the labour market.

FURTHER DEVELOPMENTS. The Government is extending child care services by arranging free pre-school education for all children who are 6 years of age in year 2000. No costs are presented in the NAP, but the measure will be implemented within the existing budget framework for 2000-3.

ANNEX I

GOOD PRACTICES SUGGESTED BY MEMBER STATES IN THE IMPLEMENTATION REPORTS OF 1999

Belgium

- Local Employment Agencies
- Activation of unemployment benefit in enterprises (Smet-jobs)
- Professional transition programmes (PTP)

Denmark

- Youth measures of activation

Germany

- Partnership training in Thuringia
- Bilateral vocational training projects
- Initiative 'Women give new impetus for technology'

Greece

- The OAED Employment Promotion Centres
- Additional school support

Spain

- Labour foundation in the construction industry in Asturias
- Economic Development Agency of La Rioja

France

- Negotiated reduction of working time
- 'New Services – Jobs for Young People' programme

Italy

- The 'Single Counter' to assist companies start-up in the Catania Municipality
- The Territorial Employment Pact of Lecce

Luxembourg

- Measures en faveur de l'emploi des jeunes
- Aides à l'embauche des chômeurs
- Formation, reconversion et adaptation professionnelles en faveur des chômeurs

Netherlands

- Flexibility and security
- Deployment of Job-seekers (Youth) Act

Portugal

- 'Inserjovem' and 'Reage' initiatives
- Training of long-term unemployed, including beneficiaries of the guaranteed minimum income
- National Programme of Traineeships

Finland

- Securing the availability of labour
- Children's day care
- Implementation of the reform of labour market policy

Sweden

- Support at the work place for persons with disabilities
- Equal opportunity plans

ANNEX 2

THE PERFORMANCE INDICATORS

The performance indicators comprise 9 selected indicators for each country 1994,1996-1998. These indicators are:

Employment related indicators
Employment rates by gender
Full-time equivalent employment rates by gender

Unemployment related indicators
Unemployment rates by gender
Youth unemployment ratio by gender
Long-term unemployment rate by gender

Employment related Economic indicators
Employment growth
Real GDP growth
Labour productivity growth
Real unit labour costs

Sources and definitions

Employment rates by gender

The employment rate represents persons in employment as a percentage of the population of working age.

The source for employment data is the Eurostat benchmark series, in the age bracket of 15-99. The benchmark series consists of the best available statistical data to aggregate employment. The national statistical institutes and Eurostat have agreed that, currently the best statistical sources for monitoring trends in total employment are:

- Community LFS: (B, EL, IRL,UK)
- national LFS annual average (E, I, A, P, FIN, S)
- national accounts (D, F, L),
- labour accounts (NL) and registers (DK)

Population data comes from the European Labour Force Survey, in the age bracket 15-64.

For all Member States except Austria, Netherlands and Denmark, the gender breakdown is achieved by weighting the total by LFS gender distribution for each year concerned. In the former case a gender breakdown exists. For the 1998 series the gender breakdown of 1997 in the benchmark series have been used for these countries. In the case of Ireland 1997 LFS gender breakdown have been used.

Full-time equivalent Employment rates

Full-time equivalent employment, which equals the number of full-time equivalent jobs, is defined as total hours worked divided by the average annual number of hours worked in full-time jobs within the economic territory.

The full-time equivalent employment rate is calculated by dividing the full-time equivalent employment (as defined above), by the total population in working age.

The source is Eurostat LFS. In the case of Ireland the 1998 figure have been obtained by using 1998 benchmarks and ratios from 1997. For Sweden, Austria and Finland the same method have been applied but it is the 1995 ratios to 1994 benchmark data.

The information relates to a reference week, which is chosen to be as far as possible representative of the situation throughout the year.

The Community Labour Force Survey contains information on the hours worked in a person's main employment (*first job*) and also, for persons with more than one job, those worked in a *second job*. To obtain the total number of hours worked it is necessary to add together the hours worked in the first and second jobs.

Employed persons with a second job are also added to the denominator to provide a more exact calculation.

Unemployment rates

Unemployment rates represent unemployed persons as a percentage of the labour force. The source is Eurostat, ' Harmonised Unemployment '. All data are yearly averages.

Youth unemployment ratio

Youth unemployment ratio represents youth unemployed as a percentage of youth population. In this case the age bracket is 15-24. The indicator comprises two sources. Youth unemployment data are taken from Eurostat, ' Harmonised Unemployment ' which provides yearly averages, in order to avoid bias caused by young persons leaving or taking a break from education in Spring, normally

the time of the year chosen for the Labour Force Surveys. The population figures are taken from the European LFS. For Ireland 1998 the population figure of 1997 is used. The population figures for Austria, Sweden and Finland 1994 are taken from national sources.

Long-term unemployment rate

This indicator represents long-term unemployed as a percentage of the labour force (compare unemployment rate). All unemployed 12 months or more are taken into account. The source is LFS. For Austria, Sweden and Finland all 1994 figures correspond to 1995. Comprises of all employed aged 15 and over.

Employment growth

The source is the 'Benchmark series' and the figures are growth rates corresponding to yearly changes and to the 1994/1998 average growth.

Real GDP Growth

The source is DG II economic data pocket book and are collected from Eurostat New Chronos3. The latest updates available have been used (1/7/99). The figures are growth rates corresponding to yearly changes and to the 1994/1998 average growth

Labour productivity growth

Labour productivity: % change p.a. in GDP at constant market prices per person employed.

The source is DG II economic data pocket book and are collected from Eurostat New Chronos. The latest updates available have been used (1/7/99). The figures are growth rates corresponding to change from one year to another and a 1994/1998 average.

Real unit labour costs

Defined as nominal unit labour costs deflated by GDP price deflator

The source is DG II economic data pocket book and are collected from Eurostat New Chronos. The latest updates available have been used (1/7/99). The figures are growth rates corresponding to change from one year to another and a 1994/1998 average.

ANNEX 3

DIAMOND CHARTS – METHODOLOGY

Background

The diamond-chart approach is used in this report to present a synthetic and comparative assessment of Member States' employment performance. It consists of the presentation of a set of selected indicators, describing the performance of each country, in the form of a four-axis diamond. The position of each Member State is determined by its relative location vis-à-vis reference standards within the EU, which are defined as the average of the three best performances for each indicator in 1998. Two diamonds are presented portraying respectively the employment and unemployment performances. The larger the diamond, the more favourable the situation for the Member State concerned.

This method provides:

- a simplified presentation of multiple performance indicators regarding employment as well as unemployment;
- a snapshot of the relative weaknesses and strengths of each country's labour market situation, allowing identification of the major policy challenges;
- the possibility of a comparison over time of labour market performances, allowing for the detection of progress or decline with respect to each individual indicator.

The full results of the exercise are presented in Part II of this Report, where the diamond charts of each Member State are included in the respective country fiche.

Selection of indicators and standards

The selection of the diamond axes for inclusion in the analysis is conditioned by the basic performance indicators agreed for monitoring the Employment Guidelines. For the diamond describing the performance in terms of employment, the following four indicators were retained: average employment growth rate over the last five years, employment rate, gender gap between employment rates and the employment rate of workers in the age bracket 50-64. For the diamond describing unemployment, those selected were: the unemployment rate, the youth unemployment ratio (young unemployed as a ratio of young population), long-term unemployment rate and gender gap between unemployment rates.

The choice of indicators being largely determined by the political priorities defined in the Employment Guidelines, it is inevitable that they are in some cases correlated between themselves (for instance, the overall unemployment rate will tend to reflect the youth unemployment ratio and vice-versa). While such correlation's, where they exist, may affect the comparisons of the size of diamonds across countries, they do not, however, compromise the three purposes of this methodology as explained above.

Producing the diamonds

The original data was transformed in order to make it suitable for use in the diamond charts. The axes depict performance in relation to reference standards. In each case the underlying labour market indicators for the years 1998 and 1994 are transformed into index values with a common scale in which the highest value corresponds to the average of the three best performing Member States (best practice – see table below) and is always equal to '1' and the lowest value is equal to '0.1'. The index values for the other countries reflect their relative position in the field between best and worst practice.

Thus a higher score is always indicative of better performance. The countries with the best performances receive a score of '1'. Worst practice receives a score of '0.1', and a score of '0.55' indicates performance at the midpoint of the range defined by best and worst practice, i.e. if the lowest unemployment rate is 5 % and the highest 15 %, then a country with an unemployment rate of 10 % is scored as '0.55' on the index scale for this indicator. It is important to emphasise that the reference standards here, in contrast to theoretical benchmarks, are always relative to the performance of the other countries included in the comparison (here 15 EU Member States). Thus each of the performance index measures compares the performance of an individual country with the performance of the universe of all other countries included in the exercise in the reference year. In this report the year 1998 was used for the purpose of identifying best practice.

Part II - The Member States

BELGIUM

Summary

Despite a continuous improvement of the economic climate, the employment situation recovered very modestly in 1998, with employment increasing by 0.5 %, while unemployment remained practically stagnant at 9.5 %. The Belgian labour market suffers from high inflows into long-term unemployment, and large stocks of the long term unemployed, who represent 5.7 % of the labour force. Another key problem is the low participation of older workers in employment. The service economy also offers unexplored potential for job creation.

The implementation of the 1998 NAP mobilised all the actors involved. As a result of some delay, however, the impact on the labour market was limited. Key developments included, inter alia, the inter-professional agreement between the social partners and the adoption of the federal law of March 1999. This year's NAP consolidates the 1998 NAP without major new initiatives, except a tax reduction designed to raise the net income of low paid workers and thereby the incentive to take up jobs. The new governments (at federal, Community and regional levels) have announced new initiatives, namely in the field of insertion of young people, reduction of taxes and of administrative formalities, as well as the intention to work more closely together.

Employability: *The Belgian authorities took an initial concrete step towards the preventive approach, starting with* young people. *These efforts will have to be continued and intensified for all young people and especially for* adults, *so as to comply fully with the two first guidelines. The average monthly inflow of 44 % of young people and 37 % of adults becoming unemployed into long-term unemployment requires immediate action on a major scale. Existing active measures are still focused on curative actions addressed to the long-term unemployed. A substantial strengthening of preventive measures is needed as a key priority. The Belgian NAP refers to the interprofessional agreement 1999-2000 which aim at increasing the investment in vocational training to reach the level of neighbouring countries.*

Fiscal measures *are provided to encourage the maintenance and provision of employment for unskilled and/or low paid workers. The low employment rate of older people is partly a result of traditional reliance on early retirement; it requires strengthened efforts to keep older workers in working life longer. Insufficient attention has been paid to developing a* comprehensive lifelong learning *strategy.*

Entrepreneurship: *the simplification of administrative procedures and the* reduction of employers' social charges *are the major measures, designed to stimulate the creation of new jobs in SMEs, in self-employment and in the local services sector. Not all the job opportunities in the information society and environmental sectors are fully exploited. On the basis of the performance of the most successful Member States in 1997, Belgium has a job creation potential of about 300,000 jobs in the* services sector.

Adaptability: *the NAP and the pacts between the social partners introduce greater flexibility in the* organisation of working time *with the use of temporary career breaks, part-time and temporary work. The financial efforts for continuous training represent 1.2 % of the total wage bill, with the social partners playing a key role in its implementation. It is intended to increase this figure to 1.4 % in 1999/2000.*

Equal opportunities: *In order to address the wide* gender gap *in employment of 20 % (about 500,000 places), active policies for equal opportunities must be developed and implemented. The Belgium NAP attaches high priority to the implementation of a strategy of* gender mainstreaming.

ESF: *In the present programming period, the financial contribution of the European Social Fund (ESF) is mainly to support the employability and the adaptability pillars.*

Indicators and statistics: *Although important progress has been made in the 1999 NAP to supply quantified information on the three first guidelines, further efforts in the field of indicators and monitoring systems are necessary.*

1. Employment situation in Belgium

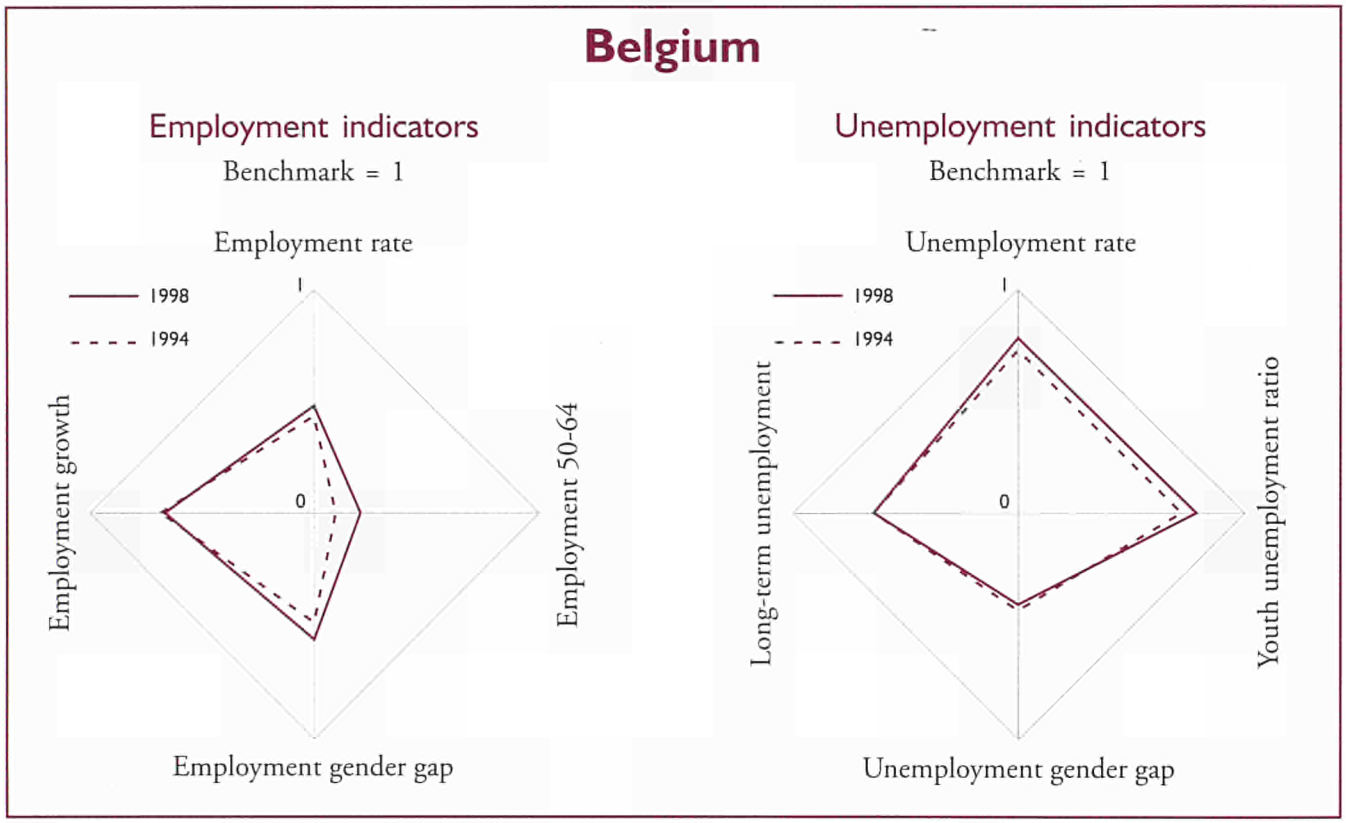
As a result of two successive years of satisfactory growth, employment increased again (by 0.5. The progression of employment in the private sector, in particular in services, encouraged the entrance of women into the labour market. The number of part-time workers increased, and as a result the full-time equivalent employment rate remained stable at 53.7 %. Most of the new jobs were taken up by new entrants or returnees to the labour market.

The improvement in the employment situation was not sufficient to solve long-standing problems. In spite of a slight and continuous progress (57.5 % in 1998, up from 56.0 % in 1994), the employment rate continues to be below the European average of 61 %. This is due to very low levels of employment among those over 55 years (22 %), which is the lowest in the European Union.

The unemployment rate remained practically unchanged at 9.5 %, but while unemployment among men increased from 7.5 % to 7.7 %, among women it decreased from 12.1 % to 11.9 %. Significantly, long-term unemployment increased in 1998 to 5.7 %, up from 5.4 % in 1997. Youth unemployment (already below the EU average) decreased to 7.4 % of the youth population, benefiting in particular young women.

Employment in services, despite recent progression, still offers significant scope for growth, as this sector occupies 40 % of the working age population (roughly the same as the Union average).

The most recent OECD figures for the year 1997 indicate that almost 4 % of GDP is spent in labour market policy, of which active measures absorb about one third.



2. Implementation of the 1998 NAP

The implementation of the **employability** pillar is mainly based on a threefold approach: the increase of training offers, the vocational training programme and the accompanying plan towards employment. The preventive approach resulted in a common commitment of all authorities to offer intensive guidance to each poorly qualified young person, after the fifth month of unemployment. However, this commitment falls short of complying with the common target of offering *every* young unemployed a new start before the 6th month. For guidelines 1 and 2, the respective rates of non-compliance are 50.6 % for young people and 47.1 % for adults, calculated for a period before the implementation of the new policies. Belgium already complies with the 20 %

target for guideline 3, thanks to the large number of participants in long duration employment schemes. However, the number of beneficiaries of training represent less than 10 % of all activated persons. In addition to the public authorities, the social partners have agreed to develop initiatives to increase the number of opportunities for training and professional experience.

On the **entrepreneurship** pillar, the most important actions were: aid for the creation of new jobs in SMEs, encouragement of unemployed people into self-employment and, thanks to reductions in social charges (1.5 billion euro in 1998, i.e.1.9 % of the total wages bill), the creation of 7400 additional posts in SMEs, 310 in self-employment and 3700 in non-commercial organisations.

As to **adaptability**, the creation of the 'training-cheque' system for SMEs and the 'het boom krediet' for innovative training has supported the federal regimes of career breaks, which has been extended by the NAP from 1 % to 3 % of all the workers in every enterprise, and of training leaves. The interprofessional agreement envisages the development of training possibilities throughout active life and represents an increase in financial efforts to 1.4 % of the total wage bill in 1999/2000.

The **equal opportunities** objectives are contemplated in the NAP by several measures — guidance, training and career breaks regime — all of which contribute to encouraging the insertion of women into the labour market. Other actions addressed to women wishing to return to the labour market have resulted in 12,000 women returning to work, which represents a fifth of the requests. The strategy of **gender mainstreaming** is a priority of the Belgian NAP. In particular, the modernisation of labour legislation has been pursued.

The Belgian authorities devoted 4 billion euro in 1998 to the NAP, and have budgeted 5 billion euro for 1999. Training investments agreed by the social partners, representing a little less than 1 billion Euros (or 1.2 % of the wage bill), should be added to that amount.

3. Revision of the NAP in 1999

The NAP99 is a continuation of the NAP98 and covers all 22 guidelines. Amongst the innovations let us note:

For **employability**, the NAP99 increases take home pay by an average 37.2 euro per month at the level of the minimum guaranteed wages, by means of a reduction of personal social contributions. This mechanism (25 million euro) will supplement the reduction (450 million euro per year) of the employers' social security contributions. The new governments (federal and regional) have announced their common purpose to increase the reductions of social contributions in the NAP2000.

The age limit for full-time early retirement has been raised to 58 years. Furthermore it is intended to encourage new formulae of part-time career breaks, in an attempt to increase the participation of older people in employment.

In the case of GL9, policy development is hampered by a lack of data describing the scale and nature of the needs of disabled people, ethnic minorities and other excluded groups and persons.

The **entrepreneurial** spirit will be supported, by facilitating access to credit for newly created SMEs and for recently unemployed people who want to start their own business. The introduction of a statute for the 'self-employed trainee' also goes in this direction by protecting their social rights during the training period.

As to **adaptability**, new provisions for part-time workers have been introduced to help their access to training and to temporary career breaks.

Gender mainstreaming finds its application through the elimination of all discrimination based on sex, age, origin or statute, for the selection of vocational training, job occupation, career progression and recruitment.

The NAP states that new jobs generated by the **information society** are balanced by the losses resulting from the liberalisation of this sector. The proposals contained in the present NAP99 do not develop the new GL13 on the employment potential of the information society and the environmental sector.

4. The role of the structural Funds in underpinning Employment strategy

The majority of ESF activities conform to the NAP98. They represent, in 1998, a volume of almost 10 % (400 million euro) of the total expenditure for all interventions and 11 % (500 million euro) of total commitments in 1999. Interventions cover the four pillars, 50 % of global costs goes to the **employability** pillar **and** 35 % **to** the **adaptability** pillar.

The Belgian financial tables do not include interventions of the ERDF, this contribution is considered to be one hundred million euro in 1998.

The financial contribution of European Social Fund is described in the annex of the NAP by reference to the relations between the Employment Guidelines and the priorities in the present regulation.

5. Outcome assessment

The implementation of the NAP98 was late and, as a result, it is difficult to determine its impact on the labour market situation.

Active measures are well developed and numerous in Belgium but their efficiency raises doubts. The **employability** pillar mobilises a third of public resources in the NAP. Despite the overall improvement in the economic situation, the stock of long term unemployment increased even further during 1998. According to the output indicators supplied in the implementation report, the inflows into long-term unemployment are very high (43 % for young people and 37 % for adults). This can be explained partly by disincentives to take up work due to the unlimited duration of benefits, and partly by the fact that the majority of current interventions are addressed to unemployed persons after long periods of unemployment and do not lead them to an effective reintegration in the open labour market. Preventive policies are called for in order to cut these high inflows and reduce stocks over the medium and long term. However, the current plans for preventive policies for both young and adult unemployed fail to meet the criteria of guidelines 1 and 2, because they restrict coverage to those underqualified and below 45 years of age.

On guideline 6, modest attention is paid to lifelong learning, especially for those over 45 years, and there is an absence of a coherent lifelong learning strategy despite the large financial efforts.

The efforts to develop an **entrepreneurial** spirit and to simplify the formalities are too recent to assess their effects. These efforts will have to be supported by the setting up of 'one-stop shops' for new entrepreneurs and the self-employed. The reduction of social charges is one of the most important public interventions under the NAP98, which is justified by the fact that the weight of tax and social charges on wages remains 2.2 % above the European average. The relevance of such policy in the National Action Plan calls for a thorough evaluation of its cost-effectiveness. A simple estimation of the cost in foregone revenue of each new additional job in the three measures mentioned in the NAP (respectively for SMEs, the self-employed and non-commercial organisations) provides figures comprised between euro 11 000 and euro 29 000 for 1998.

The social partners have an important activity in the **adaptability** pillar, which is focusing on two things: organisation of work and vocational training of workers. The modernisation of work organisation is the subject of an agreement on flexible working time throughout the career (career breaks, part-time work, and use of possibilities of temporary work and early retirement). Nevertheless, it should be noted that early retirement carries with it a heavy long-term financial burden.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	57.5	57.3	56.6	56.0	61.1
Males	67.3	67.4	67.3	66.9	71.2
Females	47.7	46.9	45.8	45.0	51.1
Full-time eq. Employment rate	53.7	53.7	53.3	53.2	55.7
Males	67.9	68.2	68.2	68.3	70.8
Females	39.3	39.0	38.3	37.8	40.7
Unemployment Indicators					
Total Unemployment Rate	9.5	9.4	9.7	10.0	9.9
Males	7.7	7.5	7.6	7.9	8.6
Females	11.9	12.1	12.7	12.9	11.7
Youth Unemployment Ratio	7.4	7.6	7.8	8.7	9.3
Males	7.2	6.9	7.0	8.6	9.2
Females	7.6	8.3	8.5	8.8	9.3
Long-Term Unemployment Rate	5.7	5.4	5.8	5.6	5.0
Males	4.5	4.2	4.4	4.1	4.2
Females	7.4	7.1	7.8	7.8	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	0.5	1.2	–0.1	0.7	1.2
Real GDP Growth	2.9	3	1.3	2.4	2.9
Labour Productivity Growth	2.4	1.7	1.4	1.7	1.7
Real Unit Labour Costs	–1.2	–1.4	–1	–1.0	-0.6

DENMARK

Summary

The performance of the Danish labour market has improved significantly in recent years. The total employment rate (the highest in EU) rose to 79.2 per cent in 1998. The unemployment rate fell from 5.5 % in 1997 to 5.1 % in 1998. Although employment has increased among both men and women, men have benefited from the improvement of the labour market to a larger extent. The unemployment rate has fallen to 3.9 % for men whereas the fall in female unemployment has been slower and remained at 6.5 % in 1998, thereby accentuating the gender gap in unemployment.

Policies towards reducing taxation, promoting labour supply and the upgrading of skills and qualifications of the labour force, which include efforts to improve work incentives in benefit schemes, reducing the number of persons on transfer incomes, and to encourage employees to stay longer in working life, are the key challenges for Denmark.

The 1999 NAP is built on the 1998 NAP. The Danish NAP is very strong in implementing a preventive and active approach under GLs 1-3 and also demonstrates strong efforts to develop entrepreneurship. The social partners have contributed to the preparation of the NAP. Partnership in implementation of the guidelines is emphasised throughout the NAP.

Employability: *Implementation of the 3rd phase of the labour market reform means that Denmark claims to comply with the community targets for prevention of* youth unemployment *and also activation (the activation rate is 40 per cent for insured persons and 50 per cent for non-insured persons). Also the target for* long-term unemployment of adults *should be fully met by the end of year 2000. Initiatives also include strengthening of measures in relation to persons in the age group 50-59 years and above, and for inclusion of the most disadvantaged groups in the labour market. The amendment of the early retirement pay scheme offers incentives for persons aged 60 and over to remain active in working life. On* life-long learning *Denmark has set a target but it should be further developed by a comprehensive strategy.. In the 1998 NAP Denmark also set an ambitious target for reducing the number of persons dependent on social security transfers. The number of persons on transfer incomes has fallen in 1998 and is expected to fall in 1999.*

Entrepreneurship: *The employment rate in the* service sector *is the highest in the EU and exceeds the EU average by 14 percentage points. Denmark has a wide range of measures to encourage entrepreneurship. Denmark also focuses on creating new enterprises and jobs in the ICT sector as well as in the environmental and cultural sectors and new initiatives have been launched within this overall framework. New measures known as 'Whitsun Package' take important steps to reduce the* tax burden *on low-paid work. Denmark has also set a national target for the reduction of the total fiscal burden.*

Adaptability: *This pillar is characterised by the social partners commitment to achieve a balance between flexibility and security in* work organisation*: progress on adaptability has been made in the collective agreements concluded in 1998 and 1999. Likewise, continuous training of adults has been a central theme.*

Equal opportunities: *Legislation giving equal rights and opportunities to women and men will be monitored to ensure that the gender* mainstreaming *approach is applied. Denmark has one of the lowest employment gender gaps in the EU. Nevertheless, the remaining* gender gap *of about 200,000 jobs represents a further resource for employment growth.*

ESF: In the present programming period, the role of the European Social Fund *(ESF) is mainly to support the employment strategy under the employability pillar.*

Indicators and statistics: *To allow for a thorough evaluation of compliance with the common targets the* indicators *should be further developed. Input indicators for the three first guidelines are incomplete, as is information on the allocation of* financial resources *underpinning the NAP, as Denmark has only provided allocations attributed to certain guidelines or policy measures.*

1. The employment situation

The favourable development in employment and unemployment over the past few years has continued throughout 1998. Denmark is at the top of the league in employment performance in Europe and enjoyed in 1998 the highest employment rate in the Community. Employment grew by 2.2 % in 1998 compared to 2.7 % in 1997 so the employment rate increased from 77.5 % in 1997 to 79.2 % in 1998. The employment rate for men in 1998 was 85.5 % and for women 72.8 %.

Following consistent growth rates well above the EU average since 1994, GDP growth in Denmark fell from 3.3 % in 1997 to 2.7 % in 1998. In 1999 a slowing in economic growth to below its trend rate is likely.

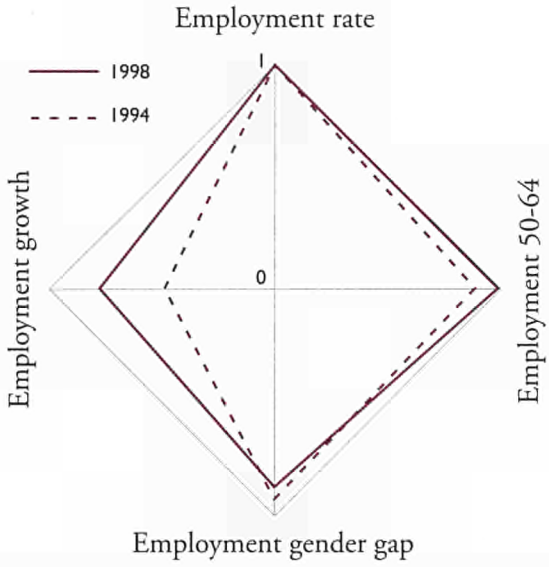
The unemployment rate was reduced from 5.5 % in 1997 to 5.1 % in 1998 but the unemployment rate for women (6.5 %) is decreasing at a slower rate than that of men (3.9 %). The youth unemployment ratio fell from 6.2 % in 1997 to 5.3 % in 1998. At 1.4 %, the long-term unemployment rate remained one of the lowest in EU.

According to OECD data the rate between active and passive measures is improving and 1.89 % of GDP was spent on active measures (against 1.80 % in 1997) and 3.74 % on passive measures (4.02 % in 1997).

Denmark

Employment indicators

Benchmark = 1



Unemployment indicators

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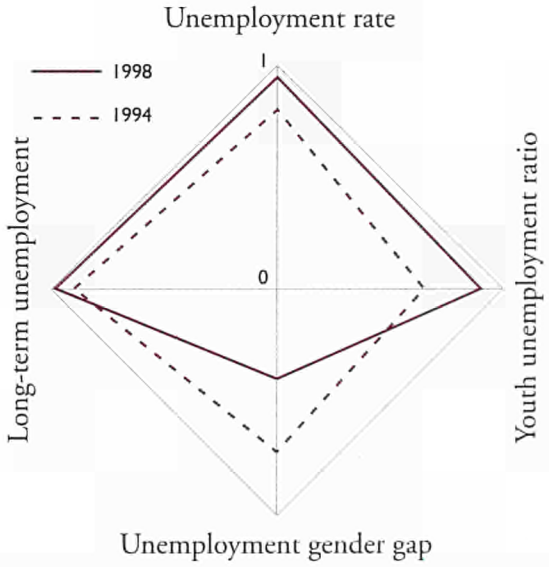


2. Implementation of the 1998 NAP

On **employability** the implementation of the 3rd phase of the labour market reform means a significant strengthening of active labour market measures, involving a further strengthening of job availability requirements as well as the extension of a right and duty to activation on the part of all persons in receipt of social assistance.

From October 1998 all young unemployed persons receive an offer of activation before reaching 6 months of unemployment. For the unemployed adults, the time lag before receiving an activation offer will be gradually advanced so that by the end of 2000 all unemployed adults should receive an offer of activation before 12 months of unemployment. Also the activation rate has increased steadily to 40 per cent for insured persons and 50 per cent for non-insured persons in 1998. Initiatives also include strengthening of measures in relation to persons in the age group 50-59 years and above and for inclusion of the most disadvantaged groups on the labour market. Concerning the transition from school to work the quality of education remains high on the agenda in order to contribute to a well-educated and flexible workforce.

With regard to **entrepreneurship** the creation of new enterprises remains among the central priorities. Initiatives are strengthened e.g. reducing the administrative burdens on existing and new SMEs. 'The administrative competence of enterprises' is a new initiative to support the build up of administrative know-how in SMEs. Other new initiatives have been introduced to facilitate the access to capital for entrepreneurs and SMEs and to give support to the development of professional management of SMEs.

As regards **adaptability**, collective agreements have been concluded in 1998 and early 1999 covering a large part of the private and public labour market. Adult and continuous training has been a central theme. Training is to be planned in cooperation between the management and employees and better conditions such as full wages during training periods have been agreed. Also the 'MOC' project (MOC = Management, Organisation, and Competence) targeted to promote innovation in Danish enterprises by improving the enterprises' access to know-how, is proceeding according to schedule and the first results are expected in the year 2000.

On **equal opportunities** the process of integrating the principle of equal opportunities for women and men into all policy fields has been and continues to be an important policy objective. Moreover the social partners have endorsed a number of proposals which also favour the mainstreaming aspect. *The social partners* have contributed to the preparation of the NAP in relation to the employability, adaptability and equal opportunities pillars. The partnership involved in the implementation of the guidelines is emphasised throughout the NAP. Moreover the Government and the social partners continued their joint efforts to address the challenge of increasing the supply of labour.

3. Revision of the NAP in 1999

The 1999 NAP is built on and is a continuation of the 1998 NAP reflecting the development in the implementation of the guidelines.

On **employability**, the policy of activation and prevention is continued and strengthened. The focus of the initiatives is directed towards efforts to ensuring the future labour supply and at the same time promoting a labour market open to all. The initiatives include the amendment of the early retirement pay scheme to provide incentives and improved conditions for persons aged 60 and over to remain active in working life. Furthermore, a committee has been set up to review the methods for calculation of unemployment benefits with a view to simplification and modernisation.

Life-long learning has for some years been an important field of action. Several initiatives have been taken including establishment of an ICT high school at university level, increased efforts to integrate ICT across the educational system and integration of ICT into the training of low skilled persons. A target has been set that at least 50 per cent of a youth class in 2005 complete higher education. Also, the effort to integrate persons with reduced ability to work continues to be a priority. Action is taken to improve their conditions and in addition much effort is put into preventive actions to stop individual job loss caused by e.g. sickness. Special effort is made to strengthen the educational offer to the weakest group of young persons.

With regard to **entrepreneurship**, there is increased focus on the possibility of creating new enterprises and jobs in the ICT sector as well as in the environmental and cultural sectors. Within this overall framework, new initiatives have been launched including initiatives in the context of the 'Digital Denmark'. Denmark has also set a traget for the reduction of the total fiscal burden.

As regards **adaptability**, the process of achieving a balance between flexibility and security in the work organisation continues; increased use of employment terms sim-

ilar to those applied to salaried employees on the one hand contribute to more flexible ways of utilising the labour force, and on the other hand give increased security for the workers due to rules on dismissals and full wages during period of sickness. Another initiative is assistance to enterprises to start their senior staff policy.

On **equal opportunities**, Denmark is committed to integrate the principle of equal opportunities (mainstreaming) into the implementation of the guidelines. Legislation that underlies the implementation of the guidelines gives equal rights and equal opportunities to women and men. In order to improve monitoring of the outcomes of the implementation, action is being taken to improve data collection concerning equal opportunities.

4. The role of Structural Funds in underpinning the Employment Strategy

The ESF contributes about 2 % of the spending for active labour market measures. In the 1994-99 programming period the ESF supports mainly the employment strategy under the employability pillar. The ESF contributions supplement in particular the national policy by developing and implementing innovative measures to facilitate the reintegration of vulnerable groups of unemployed persons on the labour market. In the new programming period the ESF is envisaged to create a closer link between the ESF activities and the NAP. With special regard to equal opportunities, it is considered to employ ESF assistance to a general analysis of how the gender aspect is taken into account in statistical data.

5. Outcome assessment

On **employability** the NAP presents strengthened and targeted efforts to increase participation in the labour market. As already mentioned, Denmark claims to comply with the Community targets for the guidelines on prevention of youth unemployment and activation, and also the target for long-term unemployment should be fully met by the end of year 2000. Policy output indicators for 1997 inflows into long-term unemployment are given for guidelines 1 and 2. The figures for young persons are 8.7 % for men and 11.1 % for women and for adults 3.2 % for men and 3.3 % for women and among the best in the EU confirming the positive results of the Danish labour market policy. To allow for a thorough evaluation of compliance with the common targets the *indicators* should be further developed. Especially input indicators for the three first guidelines are incomplete. On lifelong learning, Denmark has set a partial target but it should be further developed. In the 1998 NAP, Denmark set the ambitious target on the eventual reduction of the number of persons on transfer incomes by a further 150,000 persons from 900,000. Innovative measures are particularly relevant to **entrepreneurship**. The efforts to strengthen the innovative capacity of SMEs underpin the further development of a service- and information technology based economy. New measures known as 'Whitsun Package' take important steps to reduce the tax burden on low-paid work; however, the marginal tax rates are still high and above EU-average.

Progress on **adaptability** has been made in the collective agreements concluded in 1998 and 1999 e.g. increased flexibility within the agreements and in life-long learning. Progress has also been made in the efforts to mainstream **equal opportunities** in all policy fields.

Allocations of **financial resources** underpinning the NAP are not presented in an overall financial grid. Denmark has only provided information on the allocation of financial resources attributed to specific guidelines or policy measures.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	79.2	77.5	75.4	74.3	61.1
Males	85.5	83.8	81.4	79.5	71.2
Females	72.8	71.0	69.3	69.0	51.1
Full-time eq. Employment rate	69.9	68.7	67.2	66.4	55.7
Males	80.8	79.8	78.1	76.6	70.8
Females	58.7	57.4	55.9	55.9	40.7
Unemployment Indicators					
Total Unemployment Rate	5.1	5.5	6.8	8.2	9.9
Males	3.9	4.6	5.5	7.3	8.6
Females	6.5	6.6	8.3	9.3	11.7
Youth Unemployment Ratio	5.3	6.2	7.9	7.8	9.3
Males	5.0	5.3	6.8	7.7	9.2
Females	5.7	7.3	8.9	7.8	9.3
Long-term Unemployment Rate	1.4	1.5	1.8	2.6	5.0
Males	0.9	1.2	1.6	2.3	4.2
Females	1.9	1.8	2.1	2.9	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	2.2	2.7	1.2	1.8	1.2
Real GDP Growth	2.7	3.3	3.2	3.1	2.9
Labour Productivity Growth	0.5	0.6	2.0	1.3	1.7
Real Unit Labour Costs	1.6	0.8	–0.9	0.3	–1.2

GERMANY

Summary

The economy showed a distinct recovery in 1998 with GDP growth of 2.8 %. The protracted fall of the employment level over the last four years has come to a halt. The employment rate, 61.5 %, is slightly above the EU average. Germany has reduced the gender gap in employment but the potential is still substantial, about 16 percentage points. This also holds true for the low employment rate of only 45 % of all people between 50 and 64. Unemployment fell slightly — from 10 % to 9.4 % — largely due to a fall in participation. Youth unemployment, one of the lowest in the EU, notably for young women, is declining.

Key challenges in Germany's labour market are the development of the service sector, with a considerable potential for employment growth, the persistence of high long-term unemployment and unemployment especially in the Eastern Länder, the improvement of employment opportunities for older workers and a further reduction of the gender gap.

The 1999 NAP shows a more active approach to employment policy, with social partners, equal opportunities bodies, and Länder closely involved. The Alliance for Jobs, Training and Competitiveness *is playing a key role in strengthening action in the NAPs and recent developments in this framework are promising.*

Employability: *Germany is strengthening* active policies *to prevent long-term unemployment. Measures against* youth unemployment *have been intensified through an action programme, which has contributed to preserving a comparatively positive record. As to* long-term unemployment among adults, *measures taken envisage the reduction of the inflow by 10 % in 1999, as a first step. Present measures provide no information on targets or timeframe. The Job Alliance is discussing how to create jobs for the low-skilled through reforms, notably changes in the* tax/benefit systems. *These efforts could contribute — if stepped up — to reaching the target of cutting the inflows by 2002.*

While certain policies for older workers *are being intensified to promote their reintegration, there is still need for a thorough reassessment of existing policies.* Lifelong learning *is being approached through consensus-led action by the social partners, including the further development of the dual system.*

Entrepreneurship: *Germany seeks to reduce the social security contributions from 42 % to 40 % of gross earnings in the medium term. Reforms are intended to make it easier to start up and run businesses and promote the use of ICTs. Greater focus on how to develop initiatives to create more jobs* in services *would certainly help to exploit a substantial job creation potential in comparison with the best performing EU economies.*

Adaptability: *Germany gives the social partners the task of reaching agreement on flexible working time as the key tool to modernise work organisation. The Alliance for Jobs is examining favourable regimes for* part-time work and other working-time arrangements *as well as for* vocational, in-house and further training. *This should allow the social partners to include in their agreements initiatives translating productivity gains into jobs and more flexibility at enterprise level.*

Equal Opportunities: *Germany has a targeted policy for supporting women to work, in accordance with their proportion among the unemployed. The government sees new regulations and supportive actions through the programme 'Women and Work', linked to the Alliance for Jobs, as the way to implement* gender mainstreaming *and* reduce gender employment and wage gaps.

ESF: *The ESF supports the European employment strategy under all objectives, notably the employability pillar and measures to improve the position of women on the labour market.*

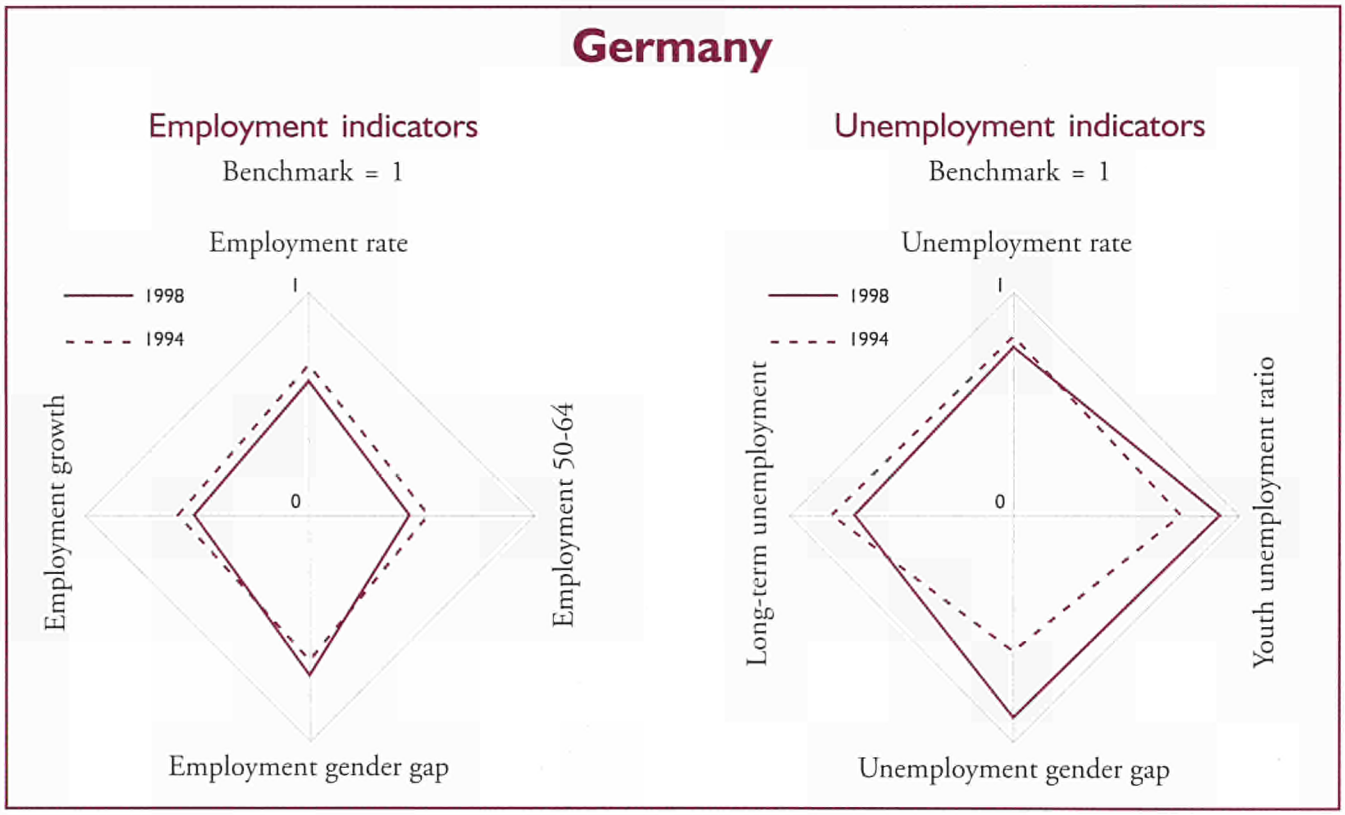
Indicators and statistics: *Policy and performance indicators are necessary for providing a serious base for monitoring and evaluation. Data on* input/output flows *are not provided in the NAP. Further improvements in the reporting on budgetary data in the NAP at all levels are also necessary. Germany needs to speed-up a decision to implement* the continuous Labour Force Survey *in the immediate future.*

1. The employment situation

The protracted fall of employment levels, over the last four years, has come to a halt. The economy showed a distinct recovery in 1998 with a GDP growth of 2.8 % while net job creation in Germany was, on average, practically inexistent in 1998, though showing some positive development towards the end of the year. The unemployment rate fell slightly — from 10 % to 9,4 % — largely due to a fall in participation. Youth unemployment is declining, being now below the overall unemployment rate and continues to be one of the lowest in the EU, notably for young women.

Key challenges of Germany's labour market remain the overall lack of job opportunities, the persistently high long-term unemployment rate of 5 % and the considerable potential for job creation in the service sector with only 38.5 % of the total working age population employed compared with around 50 % and more in the US, Denmark, Sweden, the UK and the Netherlands. Germany has reduced the gender gap in employment over the last four years by 3 percentage points, but the difference between the employment rates of women and men is still some 16 points. Furthermore the employment rate of older people points to an unused employment potential especially in the 60-64 age group where only 18.7 % are still in work.

The financial resources spent in active labour market policies showed, according to OECD data, a slight increase from 1.25 % of GDP in 1997 to 1.27 % in 1998.



2. Implementation of the 1998 NAP

Employability: With regard to the support for young persons, major action was undertaken in the context of the guidelines 1, 7 and 8 in order to secure a sufficient number of apprenticeship places and to ease the transition from general education to training and from training into the world of work. In 1998 some 613 000 apprenticeship training places were made available, thus fulfilling the goal laid down in the 1998 NAP, and 363 000 young persons have been supported through active actions. Overall, 826 000 persons have been actively assisted before reaching the 12 month unemployment threshold (30 % of the relevant group). Another 419 000 were assisted, who were already long-term unemployed. 37.2 persons per hundred registered unemployed were in active measures.

Entrepreneurship: The number of self-employed is rising, especially among young persons, and the develop-

ment of new businesses (22 % of which by women) is considered to be quite dynamic. Some 90 000 persons, took advantage of the bridging allowance which assists unemployed persons to become self-employed.

Adaptability: In 1998 about 7000 collective agreements were concluded, many of which provide for flexible working time arrangements, and about 200 contain clauses permitting part-time employment for older workers. Wage flexibility has also been increased in order to improve employment-friendly arrangements.

Strengthening equal opportunities policies for women and men: The general principle that women are, on average, represented in active measures in proportion to their share in unemployment has been translated into practice.

3. Revision of the NAP in 1999

In view of the disappointing employment developments in 1998, policies for 1999 have been sharpened. The Job Alliance process covers virtually all NAP actions and is meant to mobilise all actors, notably the social partners, to enhance employment. They agree in principle to develop a medium-term policy in their respective collective agreements to focus on using productivity gains for more job opportunities. The recently adopted government programme 'Renewing Germany' aims at creating favourable economic and employment conditions, notably through tax relief for families, employees and business.

Employability: At the end of 1998 the government launched an immediate action programme to give employment, apprenticeship training or a qualification measure to 100 000 young persons, a target which was already achieved by Spring 1999. For the year 1999 the **output** target is to reduce the inflow into long-term youth unemployment by 25 %. Concerning the fight against (adult) long-term unemployment a number of labour promotion measures, more geared towards earlier intervention, are operational since 1st August 1999. For the year 1999 the **output** target is to reduce the overall inflow into long-term unemployment by 10 %.

About 23b euro are available for active measures at Federal level, an increase of some 3b euro compared with the previous year. Additional means are mobilised by the Länder. The recently presented 'integration balances' for active measures permit a better tracking of the impact of such measures. Action is also discussed in the context of the Job Alliance to improve employment opportunities for low-skilled persons. It is envisaged to promote lifelong learning notably by increasing the participation of disadvantaged and underrepresented groups. However, the setting of a national target in this field is not presented in sufficient detail. Within guidelines 1 and 2 especially, disabled persons will be strongly supported, offering each person a concrete measure before being unemployed for 6 or 12 months. Specific actions for workers of foreign origin are also intensified.

Entrepreneurship: The tax reform launched in 1999 is a first step in a three-stage reform package to improve the investment climate and conditions for employment creation. The Federal government envisages a reduction of social security contributions in gross wages from 42 % in 1998 to 40 % in the medium term. Such a reduction will be financed through compensatory increases in taxes on energy consumption. In order to offer investment incentives, it is planned to reduce company taxation to, at the most, 35 % by the year 2001. The support to SMEs through training, advice, and financial risk participation is increasing, reaching in 1999 a volume of about 3b euro in loans to create self-employment and 2 b euro to support SMEs. 650m euro are available for bridging allowances to help the unemployed to start up their own businesses.

Adaptability: In the framework of the Job Alliance, the social partners are called upon to address notably the reduction of overtime, employment-friendly work sharing, flexible hours, a better linkage between initial and continuing training with work, and the promotion of better framework conditions for part-time work.

The partners in the Alliance for Jobs support the government programme 'Renewing Germany', and intend to include in their collective agreements initiatives to translate productivity gains into employment promotion and increased flexibility at enterprise level.

Strengthening equal opportunities policies for women and men: Germany presents a particularly comprehensive approach to gender mainstreaming. The Federal government measures are brought together in the programme 'Women and Work', linked to the Job Alliance. This programme foresees, among other things, the promotion of women in R & D, reduction of the pay gap, strengthening the creation of self-employment by women, and more and better child-care facilities. The social partners are called upon to increase the share of women in leading positions.

4. The role of the ESF in underpinning the employment strategy

The ESF supports the European employment strategy under all objectives, notably the employability pillar and measures to improve the position of women on the labour market. The development of entrepreneurship and the promotion of adaptability are included in the programmes for objectives 1,2,4 and 5b. The financial volume of the ESF assistance for active labour market policies corresponds to about 5-6 % of all public interventions.

5. Outcome assessment

The contribution to the ongoing reduction of youth unemployment of the strengthened policy addressed to the young unemployed in 1998 and 1999, should be properly assessed. Adult long-term unemployment could not be reduced in 1998, and the effect of the envisaged new preventive measures should be closely monitored and evaluated in 1999.

In order to be able to monitor the concrete policy implementation of the first two guidelines, the efforts already initiated to provide input/output flow indicators should be rapidly concluded. Labour market monitoring would also be improved by implementing the continuous Labour Force Survey. Budgetary data underpinning the NAP at all administrative levels are welcomed and should be improved.

While public policies for older workers now favour increased integration and, through increased possibilities for part-time employment, a gradual withdrawal from activity, the impact of such policies and those conducted by the social partners has to be closely monitored in the light of guideline 4.

The impact of recent reforms concerning social security contributions of mostly part-time workers upon the development of business and job creation in the service sector should be closely monitored. However, there is insufficient focus on policies to exploit the potential of the service sector for job creation.

Collective agreements to make wage and working time rules more employment-friendly have had a limited success in terms of jobs. Whereas the improvement of favourable conditions to increase overall female employment and actions to reduce the pay gap between men and women remain major medium-term challenges, the proportional integration of women into active measures is a result to be welcomed.

In the coming programming period the leverage effect of the Structural Funds, should be strengthened with regard to preventive action and the creation of favourable conditions for innovative job arrangements.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	61.5	61.8	62.5	63.7	61.1
Males	69.3	69.8	71	73.0	71.2
Females	53.6	53.6	54.0	54.1	51.1
Full-time eq. Employment rate	55.2	55.8	56.9	58.5	55.7
Males	68.5	69.2	70.5	72.6	70.8
Females	41.6	42.1	42.9	44.0	40.7
Unemployment Indicators					
Total Unemployment Rate	9.4	10	8.9	8.4	9.9
Males	8.9	9.3	8.2	7.2	8.6
Females	10.2	10.8	9.8	10.1	11.7
Youth Unemployment Ratio	4.9	5.4	5.0	4.7	9.3
Males	5.6	6.3	5.7	5.0	9.2
Females	4.2	4.6	4.4	4.5	9.3
Long-term Unemployment Rate	5.0	4.9	4.2	3.8	5.0
Males	4.5	4.3	3.6	3.1	4.2
Females	5.7	5.6	4.9	4.8	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	0.0	–1.3	–1.3	–0.7	1.2
Real GDP Growth	2.8	2.2	1.3	1.9	2.9
Labour Productivity Growth	2.8	3.6	2.6	2.6	1.7
Real Unit Labour Costs	–2.2	–2.3	–1.1	–1.4	-1.2

GREECE

Summary

Due to the good economic performance, there was strong employment growth (by 3 %) in 1998. However, the employment rate rose only slightly from 56.7 % to 57.2 %, due to fast entry into the labour force of women and immigrants. Total unemployment rose from 9.8 % in 1997 to 10.7 % in 1998, above the 1998 EU average of 9.9 %. Youth unemployment and long-term unemployment also increased.

In view of the lower than average employment rate and the recent worsening of unemployment, major problems need to be undertaken to address the key problems in the Greek labour market. Youth and long-term unemployment are particularly high and the gender gaps in employment and unemployment are among the highest in Europe. Despite some improvements during the last decade, employment in services is still low.

In comparison with 1998, the 1999 NAP has a more consistent presentation and provides policy objectives, financial information and quantitative targets And financial resources are doubled. Despite this improvement, efforts to develop a more comprehensive and integrated employment strategy as well as an effective monitoring and evaluation system should be strengthened. Of all EU countries, Greece continues to allocate the smallest percentage of its GDP to labour market policies. The social partners have been involved in the whole process but their role needs to be further enhanced. Regional and local actors have played a limited role.

The Greek NAP continues to put emphasis on the ***employability pillar****. The delay in the development of modern and efficient employment services has hampered the development of new preventive policies to tackle efficiently the growing problems of* youth and adult long-term unemployment. *Greece is committed to complying progressively with the prevention targets by the year 2002, while it seems close to achieving the activation target. Efforts have been made to develop* lifelong learning *schemes and combat school failure, but comprehensive strategies and targets are still missing.*

Measures under the ***entrepreneurship pillar*** *have to be better focused on the objectives of that pillar. Measures for the development of the significant employment potential in the* services sector *need to be strengthened. A new initiative intended to boost employment by reducing the* tax burden on business *has been undertaken. The* reduction of tax burdens on labour *and non-wage labour costs has been examined in the social dialogue. Lengthy and bureaucratic procedures remain the major obstacle to business development.*

Concerning ***the adaptability pillar****, a new law introducing* a number of elements of flexibility *in the labour market was adopted in 1998, but information about its actual application and impact is not available.* Further action is needed, in particular from the social partners, *with a view to modernising work organisation.*

Under the ***equal opportunities pillar****, steps have been made* to mainstream the gender issue *in the measures of the NAP, but further action is needed to close the* gender gap. *Preparations have continued for some of the measures foreseen in the 1998 NAP, while new ones have been introduced to support family life and the elderly.*

The ***ESF*** *has made a considerable contribution to the co-funding of most of the measures presented in the NAP and is used to underpin the European Employment Strategy*

The intention is expressed to use the agreed policy ***indicators*** *and improve data in the future, but quantitative information, particularly on the three first guidelines, is not yet available.*

1. The Employment Situation

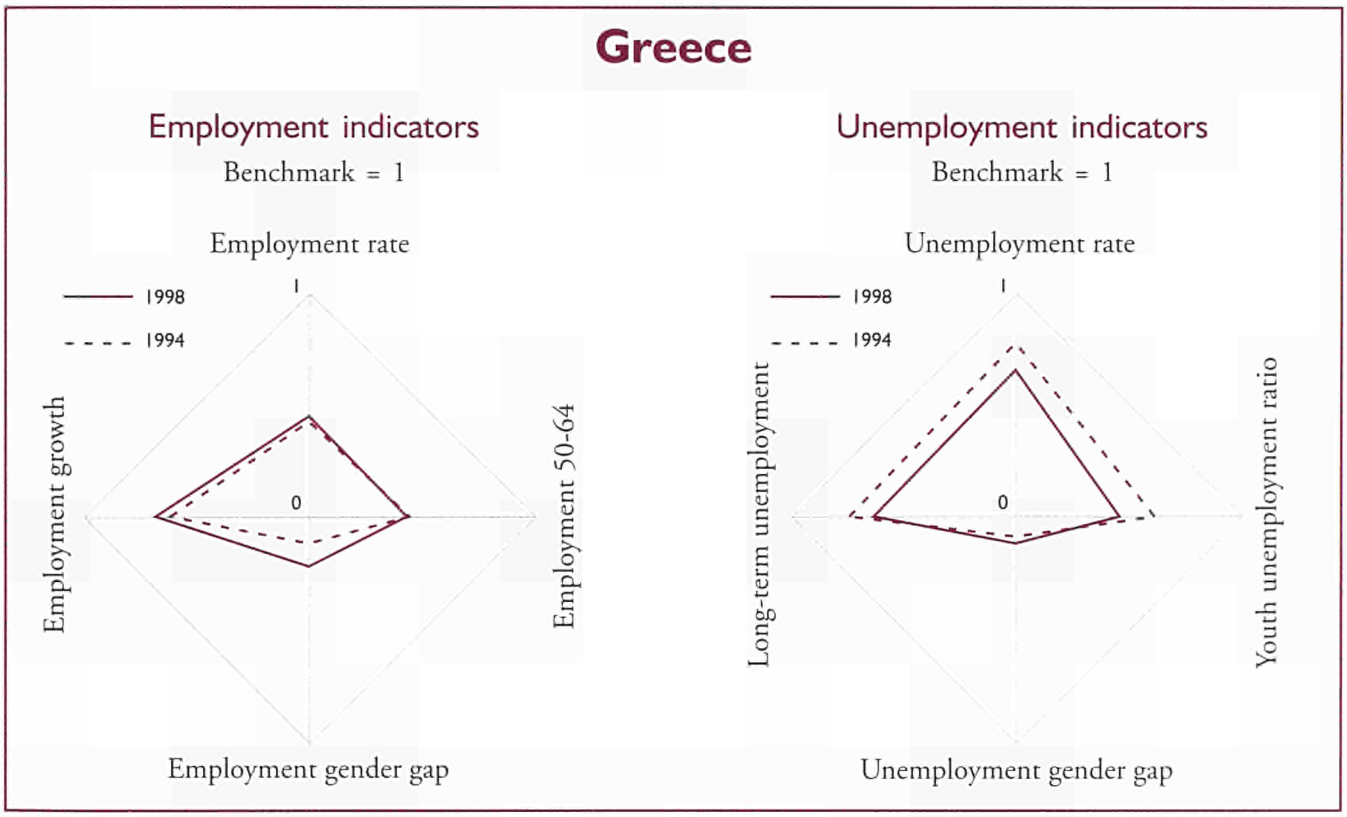
Since some years now, Greece is making a considerable effort to comply with the Maastricht criteria and become a member of the Economic and Monetary Union in 2001. Real GDP grew in 1998 by 3,7 %, a significantly higher rate than the EU average of 2,9 %.

Despite an increase of total employment by 3 % in 1998, the employment rate increased only slightly from 56.7 % to 57.2 % (lower than the EU average of 61,1 %), due to the sudden rise in the number of resident immigrants (estimated at about 700,000)..Women's employment rate has increased over recent years to 41.3 % in 1998, still lower than the EU average (51,1 %).

Total unemployment rose significantly, from 9,8 % in 1997 to 10.7 % in 1998, above the EU average of 9,9 %. The unemployment/population ratio for youth followed the same trend and in 1998 reached 11,9 %, higher than the EU average of 9,3 %. The long-term unemployment rate went up from 5,3 % in 1997 to 5.9 % in 1998, also above the EU average of 5 %.

While the gender gap in employment has been closing down, it is still quite large (more than 32 percentage points). The female rate of unemployment is more than the double of the male rate and the female rate of long-term unemployment is more than the triple.

With only 0.85 % of GDP spent in labour market policy, of which less than half in active policies, Greece is the Member State making less financial efforts in the Union, which seems insufficient to match the structural problems in the labour market.



2. Implementation of the 1998 NAP

The Greek NAP has put emphasis on the **Employability Pillar**, in particular on measures intended to address the prevention and activation targets and to a lesser degree lifelong learning and drop-outs. The programmes 'Young into Active Life' and 'Back to Work', which have been running for almost a year now, are the main concerted action of the Greek NAP in the area of prevention for youth and adults. The above programmes did not meet the quantitative targets set for 1998. The establishment and operation of the new 'Employment Promotion Centres' are underway but remain behind schedule. A first application of the new system of personal electronic 'Employment Cards' is planned for October 1999. Greece has committed itself to comply with the prevention targets progressively by 2002, when the above systems will be fully operational and the moni-

toring of flows into and out of unemployment possible. Greece does not yet meet the 20 % activation target of unemployed benefiting from active measures. Steps have been made towards the development of a coordinated strategy for vocational training as a means to combat unemployment (e.g. certification of training centres, linking training with labour market needs). Some measures address indirectly the objectives of this pillar, while others will be implemented in full in 1999. The recent educational reforms are expected to facilitate the implementation of certain measures relating mainly to lifelong learning, drop-outs and apprenticeship.

Under the **Entrepreneurship Pillar,** a number of programmes, not included in the 1998 NAP, have been presented. They reveal an effort to further promote the entrepreneurial spirit, although they do not serve directly the objectives of the pillar. As of the actions planned for 1998, about half of them have been implemented. Steps made for the promotion of job creation at local level in the area of social economy, environment, tourism, agriculture and new activities need to be reinforced. Relevant programmes will be implemented mainly through the Territorial Employment Pacts, programmes of the Ministry of Agriculture and the National Social Welfare System.

Under the **Adaptability Pillar**, the adoption of a new law in 1998 on industrial relations (e.g. extension of part-time work, regulation of working time, regulation of informal types of employment and establishment of private employment agencies) is expected to promote structural changes in the labour market. Information as to its actual application and impact is not available. In-house training schemes intended to support adaptability in enterprises were initiated late in 1998 and will be fully implemented in 1999. Steps have been made to improve their effectiveness (e.g. certification, management). The Social Partners have been involved in the design and implementation of the measures of this pillar, but further and urgent action is needed from them with a view to improve productivity and undertake an effective modernisation of work organisation.

Under the **Equal Opportunities Pillar**, action has been taken to tackle the gender gap. Priority criteria for women's participation are now applied in the majority of the employment and training schemes. As a result, the share of women's participation in these schemes has increased and stands at more than 50 % on average. A large number of investment projects intended to provide support for the start-up and/or modernisation of businesses run by women, have been approved recently. Certain 'Support Structures for female Entrepreneurship' have been put in operation. Preparations for the establishment of child-care centres continued and all the centres are expected to be in operation by the end of 1999. A new law has been adopted for the setting up of a Welfare Care System, which is expected to support, inter alia, the family life and the elderly.

3. Revision of the NAP in 1999

The 1999 NAP reveals efforts for improvement of the organisation and coordination of the employment interventions. The presentation of the measures is more consistent and policy objectives are presented. Quantitative targets and financial information are provided for all measures, including data on the contribution of the Structural Funds. Significant steps have also been announced for the improvement of NAP's coordination and monitoring. Most of the measures included in the 1998 NAP appear also in the 1999 report, while a number of new programmes have been added. Emphasis is still put on employability, although the 1999 budgets for the entrepreneurship and equal opportunities pillars have been increased. The overall 1999 budget is higher than that of 1998. The involvement of the Social Partners has become more apparent but their role in the working life reform should be further enhanced.

Under guideline 4, a study is underway on the reform of the unemployment benefits system. The measures presented under the new guideline 9 pertain mainly to vocational training and work integration programmes for disabled, ethnic minorities and other disadvantaged groups. In order to improve their impact on the achievement of the stated objectives, efforts to strengthen the supporting and implementing structures should be stepped up. The new Welfare Care System is expected to promote the socioeconomic (re-) integration of disadvantaged groups. Another recent law provides for the obligation of public and private enterprises with more than 50 employees to recruit certain categories of disabled persons at a fixed percentage (8 %) of the total number of their employees.

The 'Territorial Employment Pacts', which should play a major role to exploit job creation potential need to be upgraded and accelerated. A new measure intended to boost employment by reducing the tax burden on business has been introduced under the employability pillar. The tax on the profits of private businesses will be reduced by 50 % of the employer's contributions for newly recruited employees. The Greek government intends to explore further in social dialogue the possibility to reduce the overall tax burden on labour and non-wage labour costs. The intention of the Greek author-

ities to draw up and co-fund through the Structural Funds a programme for the development of the information society goes in the right direction.

The decision of the Greek government to adopt a gender mainstreaming approach throughout the NAP is clearly stated. The same approach has been followed in many cases for people with special needs.

4. The role of the Structural Funds in underpinning the Employment Strategy

The NAP relies considerably on the availability of the Structural Funds, in particular the ESF, whose contribution amounts to 0.47 % of the Greek GDP. Most of the measures presented under the NAP are co-funded by the ESF. The ERDF and the EAGGF have also an important direct and/or indirect contribution. In pure financial terms the ESF is by far the most important Fund involved in the design and implementation of the NAP. About 80 % of ESF financial support have been allocated to measures under the employability pillar. Priorities for the next programming period are in the process of being finalised and they will underpin the European Employment Strategy.

5. Outcome Assessment

Overall, the NAP shows a commitment to comply with the European employment strategy and tackle the deficiencies of the Greek labour market. However, the deterioration of many aspects of the labour market situation in 1998 calls for strengthened efforts from Greece to launch without delay decisive reforms, to combat long-term unemployment and the gender gaps in particular. Efforts should also be stepped up to improve the present evaluation and monitoring systems, in order to provide the indicators and data needed for a proper assessment of compliance and outcomes.

As regards the **Employability Pillar**, the Greek NAP reveals that national authorities are willing to adopt the preventative, activating and individualised pathway approach of the EES. The Greek government has been for several years committed to the creation of a modern and efficient PES and the appropriate electronic system to monitor the flows into and out of unemployment. The full-scale application of the preventative approach is now scheduled for year 2000 and it is expected that the country will comply with the prevention targets progressively by 2002. Greece is not yet complying with the 20 % activation target and efforts should continue in this direction. Steps have been made to develop lifelong learning schemes and combat school failure but a more comprehensive strategy and quantified targets are needed. The educational reforms undertaken recently should continue and be strengthened. The various apprenticeship schemes need to be integrated and upgraded to meet the increasing labour market needs. Strengthening the links among education, initial training, vocational and continuing training and the real labour market needs is indispensable.

Considerable efforts have been made to develop **entrepreneurship**, many of which before the adoption of the employment guidelines. Such efforts need to be better focused and/or complemented, particularly in view of reducing the administrative burden on firms. The steps made towards exploiting the significant potential of new sources of employment in services, new technologies, the social economy and environment should be strengthened.

Most of the measures referring to **adaptability** rely on the introduction of some labour market flexibility elements, but further structural reforms in work organisation are needed. The Social Partners are expected to play a more active role for the reform of working life undertaking concrete commitments. Measures to further improve the efficiency of the various subsidised in house-training schemes should continue and be stepped up.

Efforts have been made to improve the implementation of measures under the **Equal Opportunities Pillar**, in particular the gender mainstreaming. In order to increase the efficiency of the interventions and tackle the low female employment and high unemployment rates, measures should be better integrated and coordinated. The intention expressed by the Greek government to mobilise all relevant bodies and elaborate an overall policy in this area points in the right direction.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	57.2	56.7	56.9	55.9	61.1
Males	73.9	74.8	75.4	74.9	71.2
Females	41.3	40.1	39.7	38.2	51.1
Full-time eq. Employment rate	56.2	55.4	55.6	54.7	55.7
Males	75.8	76.4	77.1	76.3	70.8
Females	37.3	35.9	35.7	34.5	40.7
Unemployment Indicators					
Total Unemployment Rate	10.7	9.8	9.6	8.9	9.9
Males	7.0	6.4	6.1	6.0	8.6
Females	16.5	15.2	15.2	13.7	11.7
Youth Unemployment Ratio	11.9	11.5	11.4	10.2	9.3
Males	9.3	9.0	8.6	8.2	9.2
Females	14.4	13.7	13.8	12.0	9.3
Long-term Unemployment Rate	5.9	5.3	5.4	4.5	5.0
Males	3.1	2.8	2.8	2.5	4.2
Females	10.1	9.2	9.6	7.8	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	3.0	–0.4	1.2	0.9	1.2
Real GDP Growth	3.7	3.2	2.4	2.9	2.9
Labour Productivity Growth	1.9	3.6	1.2	2.0	1.7
Real Unit Labour Costs	–2.3	0.2	2.5	0.5	–1.2

SPAIN

Summary

Substantial progress has been made so far, commensurate with the scale of the challenges to be tackled with. Spain has double the average unemployment rates among females and youth, the highest long-term unemployment rate (9.4 %) and the lowest employment rate (50.2 %) in the Union, an excessively high share of fixed-term contracts (32.9 %), a lower-than-average but rapidly growing employment rate in services (30 %), and a very low employment rate among women (only 35 %).

Spain continued improving the performance of its labour market last year. Employment growth was3.5 % — three times the EU average — mainly due to steady economic growth (3.8 %) in a context of structural reforms. This allowed the unemployment rate to continue falling to 18.8 %, although this is still the highest rate in the Union. The 1999 NAP builds upon the solid basis of last year's Plan, thereby developing the strategic approach to employment problems. The social partners have had a major role in negotiating and monitoring key reforms, such as that for promoting stable employment in 1997,but there is still room for improvement in their involvement at all stages of the NAP.

Employability: *The 1999 NAP supports the emphasis of previous years on* labour cost reduction *(especially through social security tax rebates) as the cornerstone for job creation. A* new approach to prevention of youth and adult long-term unemployment *is being developed, with important budgetary resources (ecu 1,651 Mio or 0.8 % of total government expenditure), in a* nation-wide plan for profiling the needs of the unemployed *as a step before their access to tailor-made measures of activation. Although continuous training is receiving more funding, a comprehensive strategy for promoting* lifelong learning *is missing in the 1999 NAP. The development and implementation of a lifelong learning strategy is necessary to raise the still low levels of participation of the work force in education and training.*

Entrepreneurship: *Raising the employment rate in services to the EU average would mean for Spain some 2,400,000 more jobs. Legislative changes, fiscal reforms, and the support for local employment initiatives are central to the 1999 NAP. The* reform of the personal revenue tax (IRPF) *is expected to lower the tax wedge on labour income while the self-employed find it less costly to hire the first employee. The NAP is less concrete when setting out a real strategy to exploit* employment potential in services, *and is limited to measures to foster the utilisation of ICTs and high-skill services.*

Adaptability: *A new* part-time contract *has been introduced to raise the low rate of part-time work. Arrangements for* working time flexibility *have been agreed at regional level through social dialogue. The 1999 NAP establishes a pilot plan to foster the geographical mobility of labour and efforts will be made to promote continuous training in SMEs with increased financial resources. No targets or strategy on lifelong learning or the information society are set in the Plan.*

Equal Opportunities: *The gender gap remains striking at some 3,700,000 jobs. Some measures seek to improve* ***equal opportunities for women****, most notably through the recent 'zero-cost' maternity leave, but a comprehensive approach to tackling a gender gap of this magnitude is still missing. In the 1999 NAP, a gender mainstreaming approach is apparent in the objective of ensuring women's access to active measures.*

ESF: *The budget cost of the 1999 NAP is provided; 27 % are co-funded by the ESF. The contribution concentrates mainly in the financing of active measures and education.*

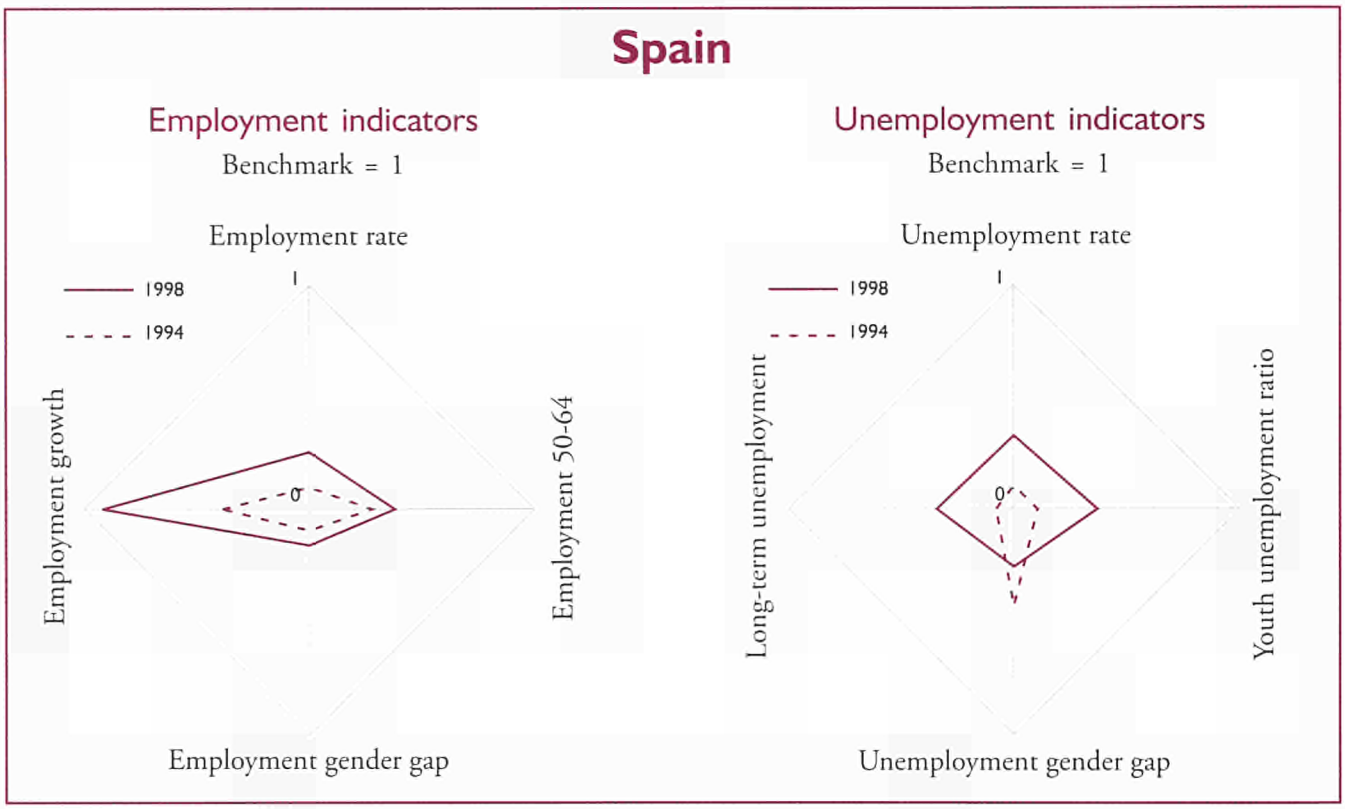
Indicators and statistics: *The data and indicators that have been provided are insufficient for fully assessing the impact of the new measures of prevention and activation. Spain's initiative to set up a database on beneficiaries of the public employment service could alleviate this problem.*

1. The Employment Situation

Spain still faces a difficult employment situation, simultaneously experiencing the highest *unemployment* (18.8 %) and *long-term unemployment* (9.4 %) rates together with the lowest *employment rate* of the EU (50.2 %) in 1998. The situation of *women* remains characterised by a very low employment rate (35 %) and a twice-higher unemployment rate (26.6 %). Similar problems feature the situation for the *youth*. Moreover, Spain has a high *temporality rate* and part-time work reached 8 % in 1998, which is half the EU rate.

Still, 1998 has confirmed the very favourable trend in the Spanish employment situation. Spain's GDP growth was 3.8 % in 1998 – 1 point above the EU average – and translated in an employment growth rate of 3.5 %, three times the EU average. The unemployment rate came down to 18.8 % from 20.8 % in 1997 and the employment rate increased to 50.2 % from 48.6 % in 1997. The youth unemployment ratio fell from 16.1 % in 1997 to 14.6 %, and long term unemployment decreased to 9.4 % in 1998 from 10.8 % in 1997. The gender gaps widened, both in terms of employment and unemployment, despite increasing participation of women in employment.

In Spain, the expenditure in 1998 for public labour market policies was 2.36 % of GDP. Active labour market policies represented 0.72 % of GDP, while passive ones stood at 1.64 % of GDP. The budgetary weight of active policies is increasing, although it still represents one of the lowest shares in the EU.



2. Implementation of the 1998 NAP

The reduction of labour costs through social security rebates remains the cornerstone of job promotion in Spain. This measure committed some 1,122 Mio euro in 1998 and aims at increasing employment stability by gearing the Social Security rebates to permanent contracts. The grant benefited 550,000 contracts in 1998, of which 320,000 were jobs given to individuals previously unemployed.

In general, measures in the 1998 NAP under the **employability** pillar have been implemented adequately. The process of activation continues and the importance of the active policies in the budget of the public employment service has continued to grow, reaching a share of 28.8 % [29]. Some 1.3 Million of employability measures were offered to just over 1 million unemployed individuals, which is more than the original target, with a total cost of 1,651 Mio euro. or 0.8 % of government total expenditure.

[29] Data from NAP.

Measures fostering a mix of training and employment have been developed to increase the labour market chances of the unemployed. General training, followed by orientation services, is the measure most offered to the unemployed and the individual pathway approach needs to be developed. Young unemployed have been particularly targeted before they reach the 6th month of unemployment. The offer of active measures for the disabled has also increased markedly. On average, 27.2 % of the registered unemployed during 1998 participated in an employability measure. Continuous training has benefited from more subsidies and fiscal incentives granted to training firms.

The decentralisation of the public employment services to the regional governments continues and the concerned authorities have agreed on setting up a computerised system to centralise the data of beneficiaries. This initiative is likely to alleviate the problem of information gap.

Three types of measures were announced to promote **entrepreneurship**: legislative changes, fiscal reforms, and the support for local employment initiatives. The reform of the personal revenue tax (IRPF) has created a more favourable environment to small entrepreneurs and removed disincentives to hire. An important step has been the creation of a 'single point' procedure but its impact is still to be proved, as it is introduced on an experimental basis.

A new contract has made it more attractive to work part-time and is seen to provide **adaptability** to new ways of work organisation. Regional employment plans have been agreed to adapt employment policies to the regional context and problems. Those plans include provisions on flexible working arrangements, subsidy programs and regulation of working time.

Positive action has been implemented in order to improve **equal opportunities** between men and women in the labour market. The new 'zero-cost maternity leave' law exempts from social contributions to be paid on hiring individuals to temporarily replace during a maternity leave. Women are still generally underrepresented in the participation in active measures in general. Action is needed to ensure pay equality and non-discrimination for employed women and to address the barriers to their activity, such as child-care facilities.

The participation of social partners has been effective in the discussion of most legislative and institutional reforms.

3. Revision of the NAP in 1999

Regarding **employability**, the 1999 NAP continues with the reform of the public employment service (INEM) in order to bring to reality the activation and prevention targets. A management agreement has been signed with the autonomous regions and the monitoring system will be consolidated.

The public employment system plans to improve the orientation service, with the set-up of an experimental tutoring program, which should reach 150,000 unemployed. A 'voluntary activity commitment' will be introduced as a pilot program that establishes a partnership between the employment service and the employment seeker. It provides the unemployed with a combination of counselling, training and job schemes and, if the unemployed does not follow the proposed route, benefits can be cancelled. The 'integrated path approach' and the 'potential for job creation at the local economy' will be tested through a pilot plan to be implemented in a sample of hundred towns and cities most hit by unemployment. Overall, the financial weight of employment schemes and orientation measures will grow relatively more than that of training. Also, the national budget for continuous training has increased from 541 Mio euro in 1998 to 589 Mio euro in 1999 and efforts will be made to reach smaller firms. No concrete targets in this later aspect are specified.

In order to promote **entrepreneurship**, a new program regulating activities in the local economy is foreseen. Two other initiatives provide support to exploiting the *employment potential in services*. The NAP presents, in particular, some measures regarding the utilisation of ICT applications and the development of the information society. An important one is the project of allowing social security operations to be done by firms through the Internet. However, no concrete targets are specified regarding the ICT policy. In 1999, the credit line to firms will reach 2,653 Mio euro. The financial resources dedicated to social security grants increase from 1,122 to 1,746 Mio euro.

There is a pilot plan to increase **adaptability** of the labour market by fostering geographical mobility.

Regarding **equal opportunities**, the emphasis is on intensifying proactive measures in favour of women. No targets are defined and the proposals in GL19 do not contemplate mechanisms to detect and correct possible distortions on the implementation of the other pillars. An effort has been made in reconciling family and working life with a new law to be approved in 1999. This law

will further extend the maternity leave rights to male parents and extend the eligible family situations.

As for other horizontal issues, the information technology is generally mentioned as a subject to be taken into account but no clear targets are set.

4. The role of Structural Funds in underpinning the Employment Strategy

The ESF has a major impact in the implementation of the employment strategy. The fund contribution to the 1998 NAP amounted to 1,647 Mio euro. For 1999, it should amount to 1,769 Mio euro. which would represent around 27 % of the budget allocated to this year's NAP (6,611 Mio euro excluding the credit lines) and 0.3 % of the GDP.

The contribution concentrates mainly in the financing of active measures and education. 64 % of this contribution is allocated to the national programs of the Ministry of Labour and Social Affairs, and its bodies, and to the national programs of the Ministry of Education and Culture, while the rest is affected to regional programs.

5. Outcome Assessment

There has been a major effort from the Spanish government and the social partners to develop a more comprehensive employment policy.

Regarding **employability**, in 1998, a high translation of GDP growth into employment growth was achieved. The considerable financial effort undertaken to subsidise hiring on permanent contracts has boosted the number of permanent workers. But, partly due to the economic cycle, there was still only a moderate success in reducing the high temporality rate. There are some indications that the Social Security rebates may have benefited the most-easy-to-employ groups rather than the long-term unemployed persons. A steady reduction of long term unemployment requires more targeted active measures, able to curb the very high inflows. The inflow rates into long term unemployment for 1998 were of 15.5 % for adults and 21.5 % for young people, but for women these rates tend to be much higher. Regarding lifelong learning, further efforts are needed to ensure that smaller firms also exploit the available opportunities. Despite actual efforts, policy development in achieving a more equal labour market is hampered by a lack of information about the scale or the nature of the needs of disabled people and ethnic minorities.

Concerning **entrepreneurship**, the number of employees by firms has increased more than the number of autonomous workers. This implies better opportunities for paid employment than of self-employment and the outcome of an improvement in the perspectives of existing firms [30]. There is still much scope for streamlining administrative procedures related to business start-ups and management. There is clear potential for further development of the local economy and services. Just raising the employment rate in the service sector to the EU average would mean some 2,400,000 jobs more for Spain.

In the **adaptability** pillar, the increase in the number of part time workers following the new legislation is to be positively noted, although it is not possible at this stage to relate such increase to the new legislation.

Although the government is pushing for a more positive discrimination to ensure **equal opportunities**, and despite the rising trend among women to join the labour market, the unemployment rate of women has fallen slower than that for men, and the employment rate has increased also slower, suggesting that men have been able to take up more of the new jobs created. The situation of women regarding equality of treatment in the labour market does not seem to have evolved significantly.

As for the social dialogue, the social partners have participated in the preparation but have not given agreement to all elements of the National Action Plan.

[30] Data from LFS survey.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	50.2	48.6	47.2	45.5	61.1
Males	65.8	63.5	62.2	60.7	71.2
Females	35.0	33.9	32.6	30.7	51.1
Full-time eq. Employment rate	47.9	46.3	45.1	43.7	55.7
Males	65.6	63.4	62.0	60.6	70.8
Females	30.6	29.6	28.6	27.2	40.7
Unemployment Indicators					
Total Unemployment Rate	18.8	20.8	22.2	24.1	9.9
Males	13.8	16.1	17.6	19.8	8.6
Females	26.6	28.3	29.5	31.4	11.7
Youth Unemployment Ratio	14.6	16.1	17.2	19.4	9.3
Males	13.1	14.9	16.1	19.3	9.2
Females	16.2	17.3	18.3	19.5	9.3
Long-term Unemployment Rate	9.4	10.8	11.8	12.8	5.0
Males	6.2	7.5	8.1	9.3	4.2
Females	14.5	16.1	17.5	18.6	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	3.5	3.0	2.9	3.0	1.2
Real GDP Growth	3.8	3.5	2.4	3.1	2.9
Labour Productivity Growth	0.3	0.5	–0.5	0.1	1.7
Real Unit Labour Costs	–0.9	–0.5	–0.2	–1.1	–1.2

FRANCE

Summary

The noticeable take-off of economic growth in 1997 continued in 1998 with a GDP growth of 3.2 % and a strong employment growth, 1.3 %. The employment rate increased to 60.8 % but is still slightly below the EU average (by 0.3 %); however, in full-time equivalent the employment rate (57.4 %) is well above the EU average (55.7 %). Unemployment (11.7 % in 1998) is decreasing, but is still higher than the EU-average. Long term unemployment is high at 5.1 %. Youth unemployment has decreased but the transition from school to work remains a difficult process.

The 1999 French NAP pursues and reinforces the strategy designed in 1998. This involves increasing the growth potential, enhancing the employment content of growth and ensuring that growth benefits all. However, in several of the problem areas, like the participation of older people, only first steps are made and measures taken to reverse the trend for early retirement are not yet sufficient. The problems of young people in integrating the labour market remain a concern which is being addressed through the preventive approach, actions on the education system and the development of new services.

Employability**: Progress is consistent with the forecasts in the 1998 NAP on* prevention. *France seems on track to fulfil its objectives in terms of beneficiaries of offers of a new start. The new start is offered to long-term unemployed people as well. To achieve this target, additional resources and staff have been made available to the PES. Although programmes against* long-term unemployment *have been reinforced and organised in a coherent framework (e.g. the law against exclusion), the inflow into long term unemployment continues to be over double that of the three best performing countries (at 19.7 % for the young and 18 % for adult unemployment). Other actions include a specific programme for early school leavers ('new chance') and the recognition of non-formal skills. On* lifelong learning, *France has established a target and work-linked training has become a priority* ***Entrepreneurship: *France has a considerable employment potential in the* service sector *(about 3.8 million jobs, in comparison with the three best performing countries). The 'New Services – Jobs for Young People' programme created 160,000 jobs for the young in cultural, educational and proximity services and 90,000 additional jobs are expected in 1999. Targets to exploit the information society potential have been set as well as an innovation policy which will facilitate the creation of innovative firms by researchers. Furthermore, France offers loan facilities and* tax *deductions for new businesses, and pursues a policy of reduction of employers' social security contributions on low-paid wages (estimated cost of euro 6.5 billion).*

***Adaptability**: Efforts continue to concentrate on the reduction of working time. Agreements are negotiated at enterprise and sector levels and increasingly encompass the establishment of increased flexibility in* work organisation.

Equal opportunities: Gender mainstreaming *has been noticeably strengthened. Quantified objectives for women benefiting from the first three GLs have been set. A constitutional reform on equality has been adopted. However, a significant* gender gap *between women and men of about 2.5 million jobs still persists.*

ESF: *In the present programming period the* ESF *concentrated on financing employability measures under the first three guidelines. Also, support for continuous training in SME's was provided. The ESF contribution to the various Guidelines in the NAP has been detailed.*

Indicators and statistics: *Policy* indicators *for the first three guidelines, in accordance with the commonly defined criteria, are announced for March 2000. A considerable number of indicators have been provided, or are being developed, for other guidelines.*

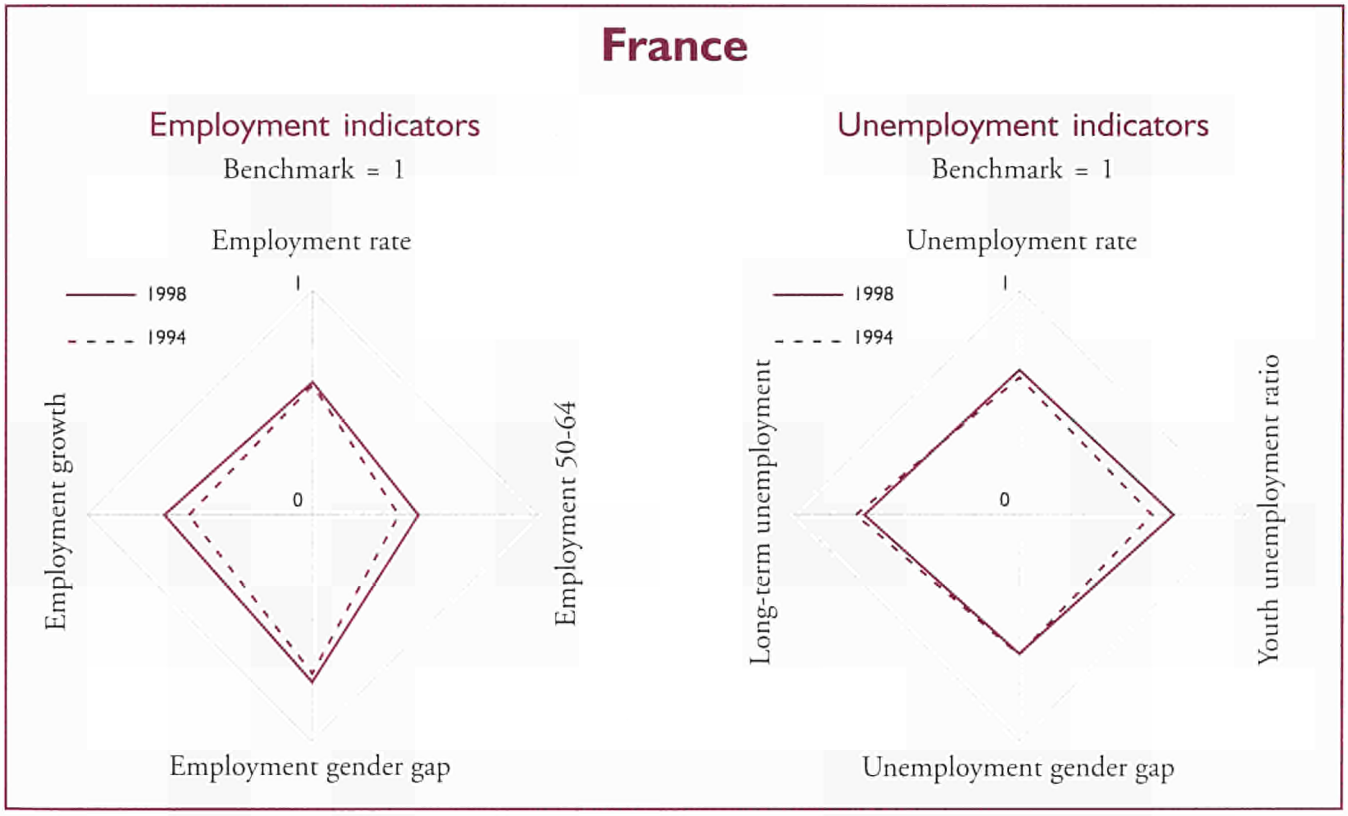
1. The employment situation

The noticeable take-off of economic growth observed in 1997 continued in 1998 with a GDP growth of 3.2 % (2.3 % in 1997),which was higher than the EU average (2.9 %). This, combined with a balanced policy-mix and orientations enhancing the employment content of growth resulted in a strong employment growth (1.3 % compared with 0.3 % in 1997) slightly higher than the EU average and a confirmed decrease of the unemployment rate (from 12.4 % to 11.7 %) which remains however 1.8 points higher than the EU average.

The employment rate progressed from 60.3 % in 1997 to 60.8 % in 1998, remaining slightly below the EU average (61.1 %). The employment rates for older people are low especially for those over 55 (29 %). For people over 50, the employment rate (46.2 %) also lies below the EU average (47.6 %). The employment gender gap (68.3 % for men and 53.6 % for women) –while smaller than the EU average — still remains important.

The decrease of unemployment has benefited more men (from 10.7 % in 1997 to 9.9 % in 1998) than women (from 14.4 % to 13.8 % in the same period). Youth unemployment registered a strong decrease from 10.1 % in 1997 to 9.1 % in 1998 but the first access to a job remains difficult for those with low qualifications. While, on the basis of latest statistics, long-term unemployment seems to have been slightly reduced in 1999, it remains a serious challenge.

In 1997 public labour market expenditure represented 3.2 % of GDP, of which 42 % belonged to active measures (1.37 %).



2. Implementation of the 1998 NAP

With regard to the **employability** pillar, a new start towards employment for young people/adults in the six/twelve first months of unemployment benefited 116,000 persons in the last quarter of 1998, thus exceeding the forecasts of the NAP 98 (80,000 persons), and 195,000 in the first quarter of 1999. In order to ensure a personalised follow-up, financial and personnel resources of the public employment service (ANPE and AFPA) were strengthened, most notably through the allocation of one thousand new posts. The integration programme for young people in difficulty ('Trace') started at the end of 1998. The flow of unemployed who entered a training course or benefited from traineeships was estimated at 15.8 % in relation to the total number of job applicants over the year. For the whole year, 413,000 unemployed people benefited from training contracts.

The other measures implemented in the frame of this pillar mainly concern actions as regards education and training: elaboration of a 'White Paper' on vocational training; validation of the professional assets for 31,000 persons in 1998, pursuant to the new simplification mechanisms; creation of 100 remedial classes, intended to receive young school drop-outs; development of distance-learning through the setting-up of 200 teletraining centres in rural areas; connection to Internet of 85 % of secondary schools, of 55 % of colleges and of 10 % of primary schools.

On the **entrepreneurship** pillar, job creation for young people in the frame of the 'New Services – Jobs for Young People' (new name of the preceding 'New Services, New Jobs') programme exceeded the forecasts. The paperwork and time involved in setting up a company was reduced to one day. With a view to supporting independent workers and the creation of micro-companies, a public fund of venture capital was set up. The reduction of tax burden on work was examined in co-operation with the social partners. In addition, the French authorities promoted (at European level) an experimental reduction in the VAT rate for labour-intensive sectors not exposed to cross-border competition.

Concerning the **adaptability** pillar, efforts concentrated on implementing the law to reduce and reorganise working-time of 13 June 1998. Negotiations on reducing working time continued in individual companies, but also on a significant number of sectors.

As regards **equal opportunities** for men and women, the measures implemented include: adoption of a constitutional bill on equal opportunities for women and men; renewal in 1998 of the equal opportunities observatory; and, at government level, creation of a Junior Ministry to Women's rights.

3. Revision of the NAP in 1999

Overall, the new guidelines and horizontal issues have been correctly addressed in the NAP 99. The social partners have been associated in the elaboration of the NAP and their contribution in its implementation is expected.

Concerning **employability**, the aims set for the first three guidelines show a significant progress in relation to those of 1998. The new start actions implemented by the ANPE and AFPA should benefit 850,000 persons, including 200,000 young people before 6 months unemployment, 300,000 adults before 12 months unemployment, and 350,000 persons threatened by exclusion. Additional beneficiaries include 40 000 young people from the 'Trace' programme and 60,000 disabled job-seekers within the framework of the new start. On top of this, training contracts will be proposed to 425,000 unemployed.

In the educational field, the expansion of priority education areas and the launching of the programme 'new chances' should be pointed out, allowing qualifying training courses for 57,000 young people. Moreover, by the year 2000 connection to Internet will be ensured for the whole network of higher and secondary schools and for 40 % of primary schools.

Policy development for integrating people with disabilities into the labour market is hampered by a lack of complete data describing the scale or nature of their needs.

Concerning **entrepreneurship**, 90,000 jobs will be created under the programme 'New services – Jobs for Young People', raising the cumulated number of jobs created under this programme to 250,000 at the end of 1999. A set of measures are envisaged by the governmental action plan to accompany and accelerate the information society development (PAGSI) and to exploit new possibilities of job creation in this field. Within the framework of environmental protection, the creation of more than 30,000 new jobs is expected. Other measures concern loans and tax deduction for new businesses and reduction of employers' social security contributions on low wages. From 1999 onwards, SMEs will for the most part (820,000 businesses) be exempt from local business tax on salaries.

Concerning **adaptability**, efforts will continue to concentrate on the reform of life long learning and on the reduction of working time. A better articulation will be sought between reduction of working time and various issues linked to work reorganisation.

The *equal opportunity* pillar has been strengthened noticeably. Along the lines of the mainstreaming approach, quantified aims for the share of women are set for many actions. It is particularly the case for the first three guidelines, with a share of women set at 55 %. Within this framework, it is envisaged to introduce distribution by sex into the indicators concerning at least 11 guidelines and to improve the statistical follow-up. The same evolution is observed for appraisal of the impact of legislative proposals. At the legislative and institutional level, the constitutional reform on equality and the reactivation of the interministerial Committee for women's rights should be pointed out. Finally, efforts to reconcile work and family life continue, particularly in the area of childcare.

4. The role of Structural Funds in underpinning the Employment Strategy

The envisaged contribution from ESF in supporting NAP measures is 745 million euro in 1999. Objective 3 contribution is concentrated on the first three guidelines, which amount to 69 % of total ESF devoted funds. Main supported measures are: assessment, orientation and training for unemployed persons and support to measures against exclusions; support to public employment and training services (ANPE, AFPA); apprenticeship and 'Trace' programme. Objective 4, which represents 20 % of the total contribution from ESF to NAP, supports continuous training in SMEs and counselling linked to reduction of working-time. ESF contribution also takes place within Objectives 2 and 5b regions, in the context of the 'New Services – Jobs for Young People' programme, as well as support from Community Initiatives to professional integration of handicapped people.

5. Outcome assessment

Broadly speaking, results are in line with the aims set in the NAP 98. A considerable effort was made to offer a new start to young and adult unemployed, active measures towards the unemployed have been strengthened and the figures supplied about the increase of the outflows from unemployment before the 6/12 months threshold are encouraging: 80.3 % of the young unemployed exited before 6 months in 1998 (78.3 % in 1997), and 82 % of adults exited before 12 months (80.8 % in 1997). The exit rates for men tend to be more favourable than for women. However, no sound relationship can be established between performance and policies and a full assessment of compliance with the first three guidelines is not possible as no input indicators were yet provided for these guidelines.

The results obtained in the framework of the Programme 'New services – Jobs for Young People' and of working time reductions agreements deserve particular attention.

By the end of 1998, 160,000 jobs, including 120,000 effective recruitment, had been created under the Programme 'New services – Jobs for Young People': thus exceeding the target set for this year (150,000). More than 70 % of the beneficiaries were young unemployed. These jobs have contributed to reducing young people's unemployment in 1998. However, the sustainability of such jobs after the end of public financial support will depend on the ability of the programme to generate economically viable jobs.

By enabling the creation or maintenance of low skilled jobs (by 250,000 according to latest forecast of the overall impact), tax rebates for low-paid jobs have resulted in creating jobs or reducing unemployment.

As a consequence of the law on the 35 hours working week the latest information suggests that by July 1999, more than 11,800 companies had concluded agreements on working-time reduction, involving 1.92 million employees. According to the first estimates, this has resulted in creating or safeguarding more than 102,000 jobs. A further impact on net job creations is expected in the medium term.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	60.8	60.3	60.4	60.2	61.1
Males	68.3	67.9	68.2	68.1	71.2
Females	53.6	52.9	52.9	52.4	51.1
Full-time eq. Employment rate	57.4	57.0	57.1	57.0	55.7
Males	69.9	69.7	69.5	69.8	70.8
Females	45.4	44.8	45.0	44.7	40.7
Unemployment Indicators					
Total Unemployment Rate	11.7	12.4	12.4	12.3	9.9
Males	9.9	10.7	10.6	10.4	8.6
Females	13.8	14.4	14.5	14.5	11.7
Youth Unemployment Ratio	9.1	10.1	10.4	10.7	9.3
Males	8.8	9.8	10.0	10.0	9.2
Females	9.4	10.3	10.8	11.4	9.3
Long-term Unemployment Rate	5.1	5.0	4.7	4.7	5.0
Males	4.3	4.2	3.8	4.1	4.2
Females	5.9	5.9	5.8	5.5	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	1.3	0.3	0.2	0.7	1.2
Real GDP Growth	3.2	2.3	1.6	2.3	2.9
Labour Productivity Growth	1.9	2.0	1.4	1.6	1.7
Real Unit Labour Costs	–1.2	–1.0	0.4	–0.4	–0.4

IRELAND

Summary

The Irish economy experienced its fifth straight year of extremely strong growth in 1998. The impact of rapid economic expansion spilled into the labour market, with total employment rising by 6.9 %. Unemployment fell by a fifth, the rate declining from 9.8 % to 7.8 % in 1998. Long-term unemployment fell even faster to 3.9 %. The speed of employment growth has caused a revision of unemployment targets, down to 5 % (from 7 %) for the unemployment rate while long term unemployment is scheduled to fall to 2 % by end-2000.

A tightening labour market is leading to indications of labour shortages in some sectors, including low-skilled sectors. Increased female participation in the labour force can alleviate this problem, provided that childcare and related family-friendly policies are implemented.

The Irish NAP again places emphasis on the Employability pillar: its strength is the action taken to reinforce the preventive approach. Social Partnership has been an integral part of Irish policymaking for over a decade now. The current national partnership agreement expires in 2000 and the negotiation of a successor agreement will be crucial to ensuring Ireland's continued economic growth in the medium term.

Under ***Employability*** *the* preventive scheme for the youth unemployed *began in September 1998 and it is estimated that by early 1999 some 80 % of those actually passing through the system were achieving positive outcomes. The inflow rate of 12.3 % into long-term unemployment indicates scope for improvement. The first phase of* the adult programme for 25-34 year olds *was introduced in May 1999. The Government has brought forward initial plans to introduce these measures over 5 years and all age groups will now be included by mid-2000. In addition the point of intervention will be brought forward to 9 rather than 12 months. These measures represent a considerable strengthening of the preventive approach. The NAP combines preventive with re-integration measures, identifying in particular the area of poor adult literacy as a barrier to a return to work. The NAP also presents a range of education initiatives which are building blocks for a* life long learning strategy. *Most notably this includes the setting up of a new qualifications authority.*

Entrepreneurship *reform is strong on reducing the* tax burden *for firms. Corporation tax was cut in 1999 and the Government has targeted a 12.5 % corporation tax rate by end-2002.. Promotion of research and innovation is also addressed. Fulfilment of tragets established for Enterprise Ireland and the continued stimulation of innivation and risk capital markets for startup and growth firms are important challenges in on-going policy developments. Employment in the* services sector *is increasing fast, but the present levels still offer scope for further growth.*

In terms of ***Adaptability****, social partnership has played an important role for* modernising work organisation. *Given the emergence of labour shortages, major efforts in the NAP should be concentrated on the need to increase* in-company training.

Under the ***Equal Opportunities*** *pillar, legislative reform continues but with little visible outcome. The employment* gender gap *is still significant. Better childcare provision and adequate tax-benefit reforms to reduce marginal tax rates for women should remove existing barriers to greater female participation. The development of a national childcare strategy is in preparation. Work on* mainstreaming of equality policies *is for the most part also in the preparatory stages.*

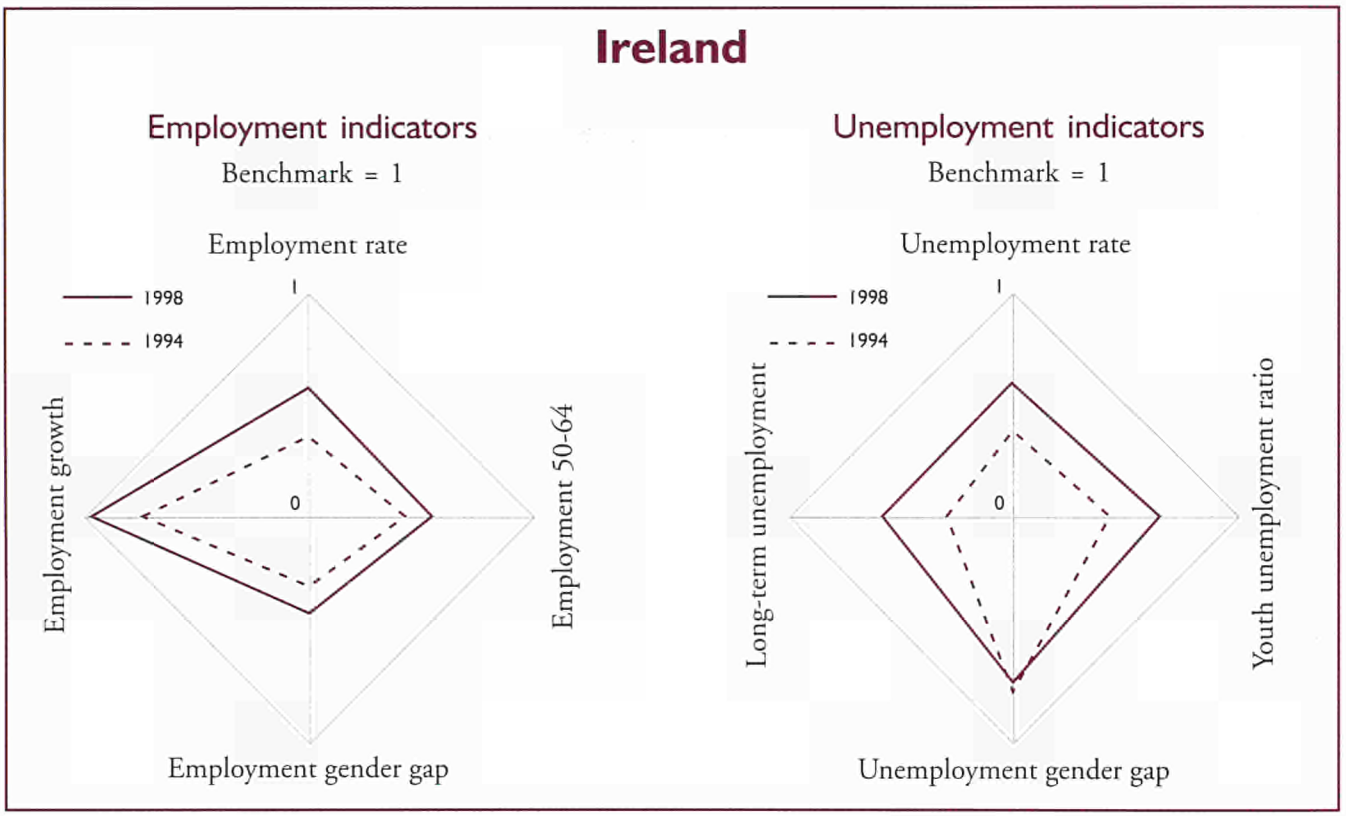
Budgetary information of ***ESF support*** *is very comprehensive, but there is little indication of priority areas.*

The NAP provides detailed output and input **indicators** *for guidelines 1 and 3, and extremely comprehensive monthly tracking data.*

1. The Employment Situation

The exceptional economic growth of the 1990s continued in 1998. Real GDP increased by 11.9 %. This buoyant growth continues to be reflected in labour market performance. Employment growth was 6.9 % in 1998 and the employment rate (60.5 %) is now close to the EU average. The service sector has been the principal generator of employment growth. Currently 35 % of the working age population in Ireland have a job in the service sector. At 47.4 % the female employment rate is still below the EU average, but is expanding rapidly. A tightening labour market is leading to indications of labour shortages in some sectors of the economy, including low-skilled sectors. A pressing question for the Irish economy is how to mobilise the full labour force potential to cope with future demand. The persistence of a wide gender gap in employment (26 percentage points between the male and female rates, despite fast take-up of new jobs by women) indicates that there is still an important labour force potential to explore.

Even with rapid labour force expansion, unemployment continues to fall sharply. It has now declined from 14.3 % in 1994 to 7.8 % in 1998. Latest national statistics put the figure at 6.4 % for 1999. Unemployment is lower for women (7.6 %) than for men (8 %). Long-term unemployment rates [31] have also contracted sharply from 9 % in 1994 to 3.9 % in 1998, a more rapid fall than unemployment as a whole and long-term unemployment is now below 50 % of total unemployment. The youth unemployment ratio has considerably tightened from 7.1 % in 1997 to 5.7 % in 1998 and is now far below the EU average.



2. Implementation of the 1998 NAP

On **employability** the two key activation programmes, for both the young and adult unemployed, are now operational. The youth programme began in September 1998. The adult programme began in May 1999 and currently deals with all those aged between 25 and 34 who cross the 12-month threshold. The 1999 NAP gives a revised commitment to include all age groups by mid-2000, and to bring forward the point of intervention from 12 to 9 months in early-2000.

The NAP provides detailed output and input indicators for guidelines 1 and 3, and extremely comprehensive

[31] Due to the lack of EU comparable data for Ireland in 1998 the preliminary draft uses latest national figures.

monthly tracking data. Of the total referrals since September 1998 (of young people) 56 % had left the live register by end-March 1999. Of these, 70 % departed for positive reasons – to take up a job or to enter training or education programmes. Of the approximately one-third who did not attend for interview follow-up action indicates that some 64 % left the live register (with over 40 % doing so for positive reasons, the vast majority – 37 % – for a job). Early figures suggest that only 7.5 % cross the threshold without having been offered a new start (non-compliance rate).

The NAP also shows progress has been made on the integration of the Public and Local Employment Services, and the recent review of Community Employment recommended a series of reforms aimed at better targeting, and improving progression outcomes. The more complete operational integration of the PES and LES on the ground, and the linking of CERT into the preventive process, needs to be pursued.

The NAP states that the Irish policy challenge is to find the correct balance between preventing the drift into long term unemployment and retaining sufficient interventions to facilitate the labour market re-integration of the long-term unemployed. The numbers of long term unemployed participating on FÁS training programmes increased from 11 % to 16 % in the year to end 1998. A further increase to 20 % is targeted this year, in line with the targets envisaged in the 1998 NAP. Enrolment on active labour market programmes was 36 % of those on the Live Register in 1998, although the majority are in subsidised employment, rather than in more structured training programmes.

Entrepreneurship policy concentrates on taxation reform, financial services (development of risk capital markets), and the development of new support structures (including the setting up of Enterprise Ireland). Under **adaptability** the 1998 Green Paper on 'Adult Education in an era of life long learning' was published, with a White Paper expected following consultation. The Irish Government are currently reviewing support structures for in-company training (completion date: end 1999). The 'Training Networks' pilot initiative is now in operation to encourage cooperation and co-ownership among firms in addressing their training needs and in tackling low levels of in-company training. The National Centre for Partnership, however, remains silent regarding negotiation of agreements on modernising work organisation. On **equal opportunities** legislative reform continues. The Parental Leave Act (which provides for considerable flexibility in the method and timing of the leave arrangements) and the Employment Equality Act were both passed in 1998 and a new Minimum Wage Act is due to come into operation from April 2000.

3. Revision of the NAP in 1999

Within the **employability** sphere there are a number of important initiatives for 1999. Under guideline 4, the income tax system was reformed in the 1999 Budget with the introduction of tax credits for the first time and the exemption of those earning less than £100 a week from income taxes. These tax changes, directed at lower income groups, should help to improve participation thus enhancing employability. On guideline 9 the establishment of a National Disability Authority has been announced. In future the training and job placement of the disabled will be administered and delivered by FÁS and the Department of Health and Children. The second part of guideline 4 on policies for active ageing is not addressed to any extent by the Irish NAP, probably reflecting the different demographic situation, where this is a longer-term issue than for most other Member States.

Under guideline 6, it is essential to increase the provision for life long learning, to combat illiteracy and to ensure that in particular the long-term unemployed and low-skilled employees have full access to any such initiatives. On life long learning the 1998 Green Paper on Adult Education recommended, as one of the key priorities, the establishment of an Adult Literacy Programme. The National Qualifications Bill will be enacted in 1999, providing the basis for a national qualifications framework. The range of education initiatives is strong.

Given an already strong basis of simplification of administration/overhead cost issues recent **entrepreneurship** measures concentrate on reducing the tax burden for firms. Reductions in Corporation tax continued in 1999 with a cut from 32 % to 28 %, and a standard 12.5 % is promised by end-2002. The employment potential of the social economy is addressed with a new Social Economy Programme, agreed with Social Partners, due to commence in 1999.

On **adaptability** National Partnership has been a fact of economic life in Ireland since 1987. The negotiation of a successor to Partnership 2000 later this year could contribute significantly to the Irish economic environment over the coming years. Given the Social Partners' involvement at many strata of policy within the context of the Partnership 2000 process their contribution to the NAP should be further specified. In particular, concrete evidence of how they will be involved in the implementation of a national strategy to stimulate life long

learning, or in agreements leading to more flexible ways of working, would be justified.

Under the **equality** pillar there have been few concrete initiatives aimed at improving care provision, a barrier to women's entry into the labour market. However, the report of the inter-Departmental group on childcare provision (due end-July 1999) is expected to deliver a clear strategy in this area. Mainstreaming Equal Opportunities concentrates mainly on legislation. The NAP gives no indication of how gender mainstreaming across the pillars is to be achieved, or actively monitored, although again policy developments are in train.

4. The role of the Structural Funds in underpinning the Employment Strategy

There is significantly more ESF input in this year's NAP, indicating where ESF contributes to the NAP objectives, but there is little mention of the important role played by ERDF in Ireland. The NAP makes clear statements on the intention to strategically place the ESF to achieve the aims set out in the NAP, but with the exception of Equal Opportunities there is little indication of priority areas. The total contribution of the ESF in Ireland amounts to 0.52 % of GDP.

5. Outcome Assessment

The Irish NAP places emphasis on the **employability** pillar. The preventive approach has been further reinforced by the earlier than predicted extension of the scheme to all ages and the moving forward of the point of intervention. From the first results for young people an inflow rate of 12.3 % into long term unemployment can be estimated (including those who have crossed the threshold without being offered a new start).

The need for balance in Irish activation policies has been repeatedly emphasised by the Irish authorities. Reintegrating the long-term unemployed into the labour market is seen as important not only to combat social exclusion but to enhance economic efficiency given emerging labour shortages. To the extent that new preventive policies are implemented in order to cut inflows, a parallel action to accelerate exits from long-term unemployment is justified. The proposed establishment of a National Adult Literacy Programme as a 'top priority', will be a crucial development in this regard. The policy focus should now shift towards the effective implementation of a strategic framework for life long learning, with the involvement of social partners. Addressing labour shortages will require a combination of policies aimed at increasing the labour supply and ensuring a better fit between supply and demand in the labour market.

The 1999 NAP addresses a range of measures covering structural and taxation reform, awareness raising and the promotion of research and innovation under the **entrepreneurship** pillar. Fulfilment of the targets established for Enterprise Ireland, the further development of the growth opportunities in the services sector and the continued stimulation of innovation and risk capital markets for start-up and growth firms are important challenges in ongoing development of Ireland's entrepreneurship policy.

The negotiation on **adaptability** issues has been a feature of all National Agreements since 1987. Although in terms of social partnership at national level Ireland can be considered a role model, the invitation of guideline 16 to the social partners has yet to be translated in more concrete outcomes (i.e. specific agreements). Nevertheless there are signs of progress in some areas (e.g. favourable tax treatment of employee share schemes and profit-sharing schemes; team working for problem-solving; annual hours of work etc). The Irish NAP notes the variable quality and relatively low investment levels in in-company training. A more generalised effort to raise the quantum and quality of in-company training is required, and new initiatives are in preparation, as indicated by the introduction of the new pilot 'Training Networks'.

On **equal opportunities** legislative reform is relatively comprehensive but real change is yet to materialise in a sizeable reduction of the gender gaps. While Ireland is taking major decisions in policy formulation the focus now needs to shift towards action on the ground. Insufficient childcare provision (one of the lowest in Europe) and the high marginal tax rates faced by married women returning to work constitute significant barriers to increased female participation in the labour force, a key element in alleviating labour scarcity in the years ahead. The issue of care provision, and most particularly childcare, has begun to come to the fore, and some developments have started to take place (largely with the assistance of Structural Funds) which will also address the challenge of family-friendly policies and the need to continue to increase the employment rate for women.

The NAP presents a clear timetable for the implementation of new measures and budgetary commitments are quite detailed. Monitoring the implementation of the first three Guidelines is comprehensive.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	60.5	57.7	56.3	54.0	61.1
Males	73.5	70.2	69.1	67.7	71.2
Females	47.4	45.2	43.3	40.3	51.1
Full-time equivalent Employment rate	56.5	54.0	52.4	50.6	55.7
Males	75.9	72.5	70.7	69.6	70.8
Females	37.0	35.3	33.9	31.5	40.7
Unemployment Indicators					
Total Unemployment Rate	7.8	9.8	11.6	14.3	9.9
Males	8.0	9.8	11.5	14.1	8.6
Females	7.6	9.8	11.8	14.6	11.7
Youth Unemployment Ratio	5.7	7.1	8.0	10.6	9.3
Males	6.3	7.9	9.0	12.2	9.2
Females	5.1	6.2	7.0	8.9	9.3
Long-term Unemployment Rate	:	5.7	6.9	9.1	5.0
Males	:	6.4	7.5	9.7	4.2
Females	:	4.6	5.9	8.1	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	6.9	5.0	3.7	5.0	1.2
Real GDP Growth	11.9	10.6	8.3	10.6	2.9
Labour Productivity Growth	4.7	5.4	4.5	5.4	1.7
Real Unit Labour Costs	-3.6	-3.0	-2.5	–3.5	–1.2

ITALY

Summary

Italy's labour market showed a slight recovery in 1998. Employment grew moderately by 0.6 %, in a context of weak economic growth (1.4 % compared with 2.9 % in the EU) and a marked reduction of labour costs, which resulted in a sharp decline of real unit labour costs (down by 5.1 %). The employment rate is 51.8 %, still 10 percentage points below the EU average. Higher participation of labour kept unemployment stagnating at slightly over 12 %, two points above the EU average, whereas the rates of youth and long-term unemployment worsened slightly further.

Italy has embarked on a strategy to address the imbalances in the labour market mainly due to high regional differences. Key challenges to tackle are, for instance, the high rates of youth and long-term unemployment (respectively 12.9 % and 8.4 %), the worsening of regional differentials of unemployment between North and South (22.8 %, ten points below the national average rate), a lower-than-average employment rate in services (31.7 %), very low employment rates among females (37.3 %) and older people (37 %), and high fiscal pressure on labour.

The 1999 NAP adopted a long-term strategy with a particular emphasis laid on the employability and entrepreneurship pillars. The need to correct the marked regional imbalances in Italy is a key priority. Local authorities and social partners were associated in the preparation of the Plan.

Employability: *The Plan seeks to introduce a decisive shift from a curative towards* a preventive approach, *as a way to strengthen the employability of groups under-represented in the labour market (i.e. the young, women and older workers). Reforms are underway concerning the* PES, employment incentives, unemployment benefits, *incentives to early retirement, and education and training systems. Strengthened efforts are needed to offset previous delays and complete the announced reforms in time to address fully the targets on prevention and activation. Although reforms in education and training were undertaken in 1998, a comprehensive lifelong learning strategy needs to be developed.*

Entrepreneurship: *Italy has a large employment potential in the* service sector*; raising the employment rate in the service sector to the EU average would mean some 3.2 million additional jobs. The need to tap this potential is partially addressed through market liberalisation and privatisation schemes. The Plan introduces new rebates on* taxes and social contributions *to foster job creation and keep older workers in work. Administrative procedures applicable to business set ups have been simplified while reinforcing local development policies and the scope for more flexible (part-time) contracts. However, more attention needs to be devoted to developing the* information society.

Adaptability: *The Social Pact for Development and Employment has reinforced the scope for social dialogue and decentralised negotiations on* labour costs, work organisation, and training. *Social partners have reached innovative arrangements on working time. Continuing training is being developed with a new Foundation managed by the social partners and local authorities, with progressive targets for* life long learning *over three years.*

Equal opportunities: *The Plan mentions measures to improve the access to childcare facilities. The* mainstreaming approach *should be further developed with a more comprehensive strategy to address the very high* gender gap, *among the highest in the Union, and now amounting to 5.5 million jobs.*

ESF: *The current ESF is only partially underpinning the Employment Strategy.*

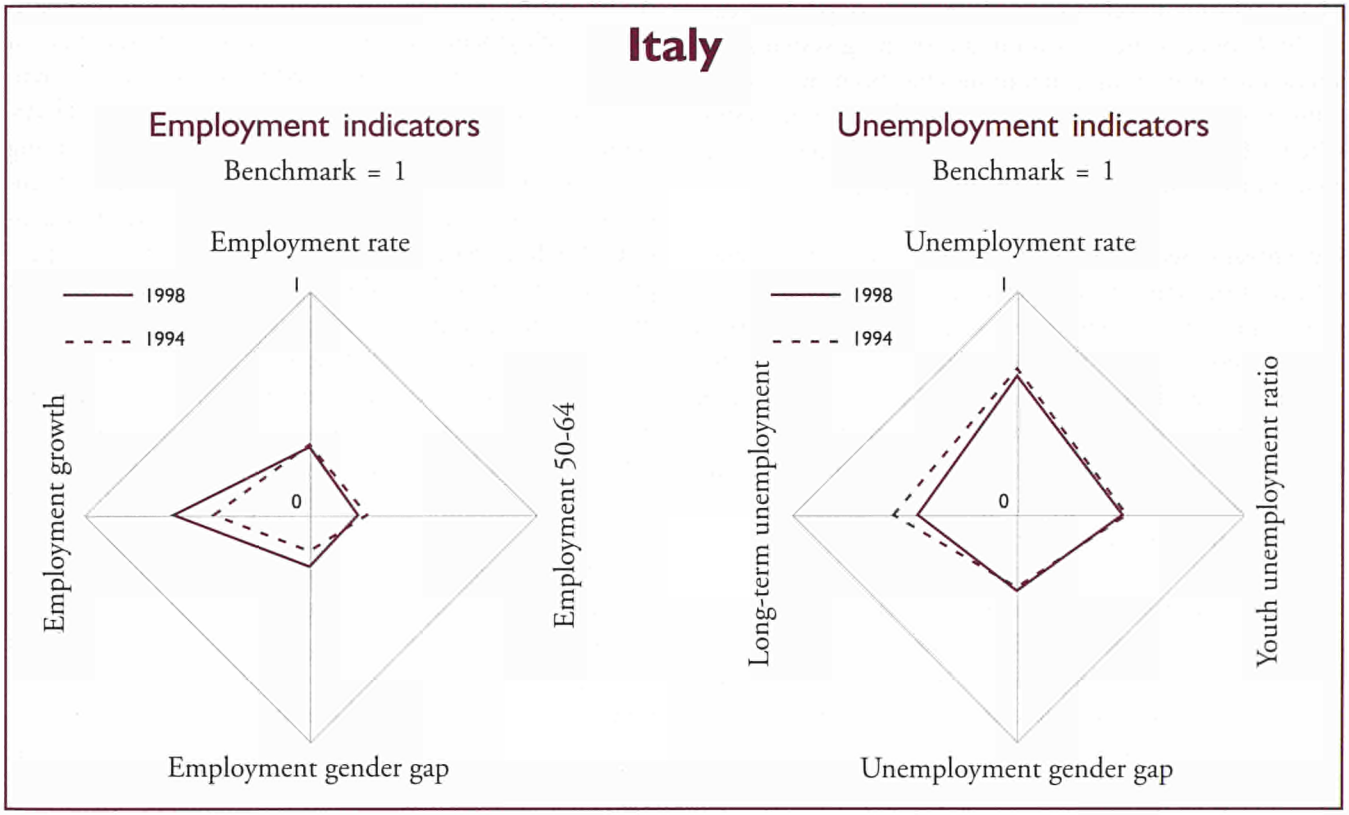
Indicators: *Urgent action is needed to make up for the lack of administrative data, to enable the implementation of the first three Guidelines to be monitored. Improved budgetary information follow-up of the NAP, including the ESF contribution, is also called for.*

1. The employment situation

Italy's labour market showed a slight recovery in 1998. Employment grew moderately by 0.6 %, mainly due to an increase in female part-time work, in a context of weak economic growth (1.4 %; compared with 2.9 % in the EU) and a marked diminution of labour costs, which resulted in a sharp decline of real unit labour costs (-5.1 %). As a result, the employment rate increased to 51.8 %, which is still 10 points below the EU average.

Higher participation in the labour force, especially of women, kept unemployment stagnating at slightly over 12 %, two points above the EU average. Youth unemployment worsened slightly further to 12.9 % of youth population, and long-term unemployment continued to increase, reaching now 8.4 % of the labour force, well above the EU average of 5 %. The gender gaps are among the highest in the Union, with the female employment rate lying at near half the level of the male rate (37.3 % and 66.5 % respectively), and the female unemployment rate of 16.7 % exceeding the male rate by more than 7 percentage points.

Other key challenges to tackle are the worsening of regional differentials of unemployment between North and South (where the rate is 22.8 %, ten points below the national average), the low participation of older people in the labour market (only 37 % of those over 50 are in employment) and a lower-than-average employment rate in services (31.7 %).



2. Implementation of the 1998 NAP

In the Joint Employment Report of 1998 the Commission and the Italian government agreed that the preventive approach in the National Action Plan 1999 needed to be strengthened in order to avoid further inflow into long term unemployment and to make a further restructuring from passive to active measures. In particular, it was expected that the launch of a tailor made approach to the newly unemployed would play a key role in such restructuring, even if the prevention targets set by the Guidelines continued to be only partially addressed.

In 1999, the implementation report falls short of the expectations raised as regards the **employability** pillar, as progress has been slow. The targets set by the 1998 National Action Plan, either in terms of personalised interviews or of beneficiaries of employability measures, were not met (only 47 % of the foreseen interviews have taken place). The effective delivery of the new preventive measures necessitates a speedy completion of the re-

form of employment services, through the devolution to the regions of PES responsibilities. By June 1999, the staff of the new PES is expected to be substantially reinforced, so that the decentralisation becomes effective. By December 1999, the employment incentives are expected to be reformed by changing the eligibility criteria and introducing a clearer targeting in favour of young people and adults. This will allow earlier action to be offered to unemployed persons, avoiding their drift into long term unemployment.

The quantitative information provided by the Italian National Action Plan is insufficient to assess whether the activation target set by guideline 3 is being met, as the data on beneficiaries are given mainly in terms of total numbers of entrants and not average stocks.

Major reforms developed in 1998 and adopted in early 1999 concern the education and training systems: the attendance of training programmes has been made compulsory for all up to the age of 18, the apprenticeship scheme has been reorganised and the training and the educational systems have been integrated.

On **entrepreneurship**, efforts have been made to consolidate measures and budgetary provisions so as to improve the environment for enterprises. The incentives for business start-ups will be reinforced. Procedures for setting up new businesses have been simplified through the creation of the 'one-stop shops' at municipality level. The tax and social contributions systems are being simplified, to further reduce the tax burden on employers and employees.

On **adaptability**, current efforts consolidate existing measures, enhancing flexibility in the work organisation and working time arrangements. New forms of atypical contracts have been introduced thus improving the flexibility in labour market (job sharing, Tele-work in public administration, etc.). The adoption of part-time patterns has been further promoted through incentives to firms. The social partners have agreed innovative working time arrangements and continuing training for workers has been introduced through schemes at both local and firms level. The Social Pact for Development and Employment, signed on 22 December 1998, has reinforced the social dialogue through the development of local and company-wide agreements, aiming at reforms in the labour, training and education systems

On **equal opportunities**, existing schemes for promoting women entrepreneurship and self-employment are being reinforced by increasing the budgetary resources and improving procedures.

3. Revision of the NAP in 1999

The 1999 NAP consolidates the priority given to tax and social contribution abatements aimed at improving job creation. It does not present a clear timetable for the implementation of new measures. While the PES reform has started, it will take some time before it becomes fully operational in all regions. It is therefore still difficult to assess whether Italy will effectively comply with the common targets of the first three guidelines within the deadline set by the Employment Guidelines.

By December 1999, the unemployment benefit system is expected to be comprehensively reformed, tightening the link to active measures and encouraging the participation of unemployed people in working life.

Active ageing policies have been addressed through part-time employment for older workers, with the aim of raising the activity rate and reducing early retirement. On life long learning, training schemes and local development programmes are to be linked. Training schemes for workers have been included in the territorial pacts and area contracts. The adult education projects should cover 200,000 low-skilled unemployed people, and more in the following years. On the inclusion of disadvantaged groups, a mainstreaming approach has been adopted for disabled people, through mandatory placement, tax incentives and grants for job creation, incentives to social cooperatives. A pilot minimum income has been introduced, coupled with ALM measures to upgrade personal skills and employability.

On **entrepreneurship**, Italy has a big employment potential in the service sector; raising the employment rate in the service sector to the EU average would mean some 3.2 million additional jobs. The job creation potential of this sector will be enhanced through the liberalisation and privatisation of the trade sector, liberal professions, local public services and telecommunications. Local development policies have been reinforced through new implementation procedures for Territorial Pacts. The administrative and incentive schemes for the social economy have been widened. The initiatives taken to curtail undeclared work have been implemented through alignment agreements, involving 90,000 workers. However, little or no attention is devoted to the job creation potential in the information society and the environmental and cultural sectors.

On **equal opportunities**, the mainstreaming approach is being implemented through the integration of legislative and statistical measures. The NAP announces: the revision of the incentive schemes for enterprises and job

creation promoting equal opportunities; the setting up of a monitoring and evaluation system for gender analysis; the re-orientation of all official statistics. New measures have been adopted to reconcile working and family life, promoting integration and reintegration in the labour market (e.g. grants and parental leave for childcare, reinforcement of the childcare system). Actions to reduce the gender pay gap are not mentioned.

The Social Pact for Development and Employment confirms the importance of involving the social partners in economic and social policy decisions. The social dialogue has been reinforced through prior discussion with the social partners and the local authorities covering not only traditional matters like social policy, but also the reforms in the labour, training and education systems. The local authorities and social partners were associated with the drafting of the NAP. Some regions have started adopting regional employment plans.

4. The role of Structural Funds in underpinning the Employment Strategy

The ESF plays an important role in the implementation of most of the Guidelines even though an explicit preventive remit is missing. The NAP does not provide overall information for 1998. The financial budget on the Structural Funds support for 1999 is not provided.

5. Outcome assessment

On **employability**, no accurate assessment is possible as to the impact of existing measures to facilitate the reinsertion of the unemployed, as the new approach has yet to be fully implemented, and the data provided on participants in the different measures are insufficient for that purpose.

On **entrepreneurship**, the implementation of measures led to good results in 1998. The administrative constraints on firms have been further simplified. The number of enterprises increased by 65 000 units, 29 000 of which in the South. The fiscal burden went down from 44.8 % to 43.6 % of GDP and social contributions from 15.5 % to 13.4 %.

On **adaptability**, the new legislation applied since July 1997 and the pro-active social dialogue are producing good results. One of the aims is to improve flexibility in working time and reduce the present gap in part-time working vis-à-vis the EU average. Most new contracts include strong forms of flexibility particularly in working time arrangements (working hours, Tele-work, job-sharing, etc.).

On **equal opportunities**, the NAP shows some progress, but it would appear necessary to develop a more global strategy.

The budgetary commitments for 1998 are provided but the deviation from the forecasts cannot be assessed. Full information is not given for 1999 and the commitments are underestimated. The Structural Funds contribution has been provided only for the Territorial Pacts (GL 5). National budget commitments are lacking for certain main measures.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	51.8	51.3	51.4	51.7	61.1
Males	66.5	66.2	66.5	67.7	71.2
Females	37.3	36.7	36.6	36.0	51.1
Full-time eq. Employment rate	50.2	49.8	50.1	50.5	55.7
Males	68.0	67.8	68.1	69.3	70.8
Females	32.8	32.2	32.5	32.1	40.7
Unemployment Indicators					
Total Unemployment Rate	12.2	12.1	12	11.4	9.9
Males	9.4	9.3	9.4	8.8	8.6
Females	16.7	16.6	16.4	15.7	11.7
Youth Unemployment Ratio	12.9	12.6	12.8	12.8	9.3
Males	12.7	12.1	12.5	12.9	9.2
Females	13.1	13.0	13.2	12.6	9.3
Long-term Unemployment Rate	8.4	8.1	7.9	6.9	5.0
Males	6.5	6.4	6.1	5.2	4.2
Females	11.4	11.0	11.0	9.8	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	0.6	0.0	0.5	0.2	1.2
Real GDP Growth	1.4	1.5	0.7	1.6	2.9
Labour Productivity Growth	0.8	1.5	0.2	1.5	1.7
Real Unit Labour Costs	–5.1	0.3	0.5	–2.0	–1.2

LUXEMBOURG

Summary

Luxembourg has had strong employment growth over several years, but the total employment rate (60.5 %) continues to be below the EU average. Cross border workers account for 75 % of the net increase in jobs and represent 33 % of domestic employment in Luxembourg, which explains the paradox between high employment growth and a more or less stable national employment rate. The employment performance is a particular cause for concern for older workers, as their employment rate, 38.6 %, is one of lowest among Member States. A second major problem is the gender gap in employment, amounting to 29 percentage points, while the EU average is 20 %. However, unemployment, at 2.8 %, and long-term unemployment, at 0.9 %, are the lowest in the EU.

The 1998 NAP was based on the tripartite agreement of 18 April 1998, which was transposed into the law of 12 February 1999. For this reason, the actual implementation of the new actions planned under the 1998 NAP has been delayed. The NAP for 1999 is a continuation of the 1998 NAP, incorporating major adaptations only for three guidelines (GL4, GL9 and GL19).

Employability: *Luxembourg is strengthening active policies in order to* prevent youth and long term unemployment. *So far priority has been given to the youth problem. Measures to improve employment for people with disabilities are introduced and a review of the legislation of disability pensions has recently started. On* lifelong learning *Luxembourg still has to define its objectives and targets. A new law on continuous vocational training has been adopted in June 1999.*

Entrepreneurship: *Luxembourg introduced various measures to ease access to jobs, to establish firms and to develop risk-capital markets, in order to encourage entrepreneurship. The coordination in order to simplify the administrative procedures for companies, as well as the adaptation of the legislation to set up businesses has been one of the main aims of the NAP. As regards employment in services, the potential of the information society and the environmental sector might be exploited more intensively.*

Adaptability: *Luxembourg focuses on the* tripartite agreement *on working-time and work organisation. Also a recently approved law will introduce tax deductions for in-house training.*

Equal opportunities: *The relatively disadvantaged situation of women on the Luxembourg labour market is tackled through a general presence in the NAP of the principle of* mainstreaming. *Several measures, such as parental leave and childcare, are conceived to address this requirement. The principle of positive discrimination, present in several measures, should appreciably improve the chances of integration or reintegration of women on the labour market, and therefore help bring about a reduction in the* gender gap.

ESF: *In the present programming period the role of the European Social Fund is mainly to support the Employment Strategy under the employability pillar.*

Indicators and statistics: *Although substantial efforts have been made to supply quantified information, further investment remains to be done in the field of indicators and monitoring.*

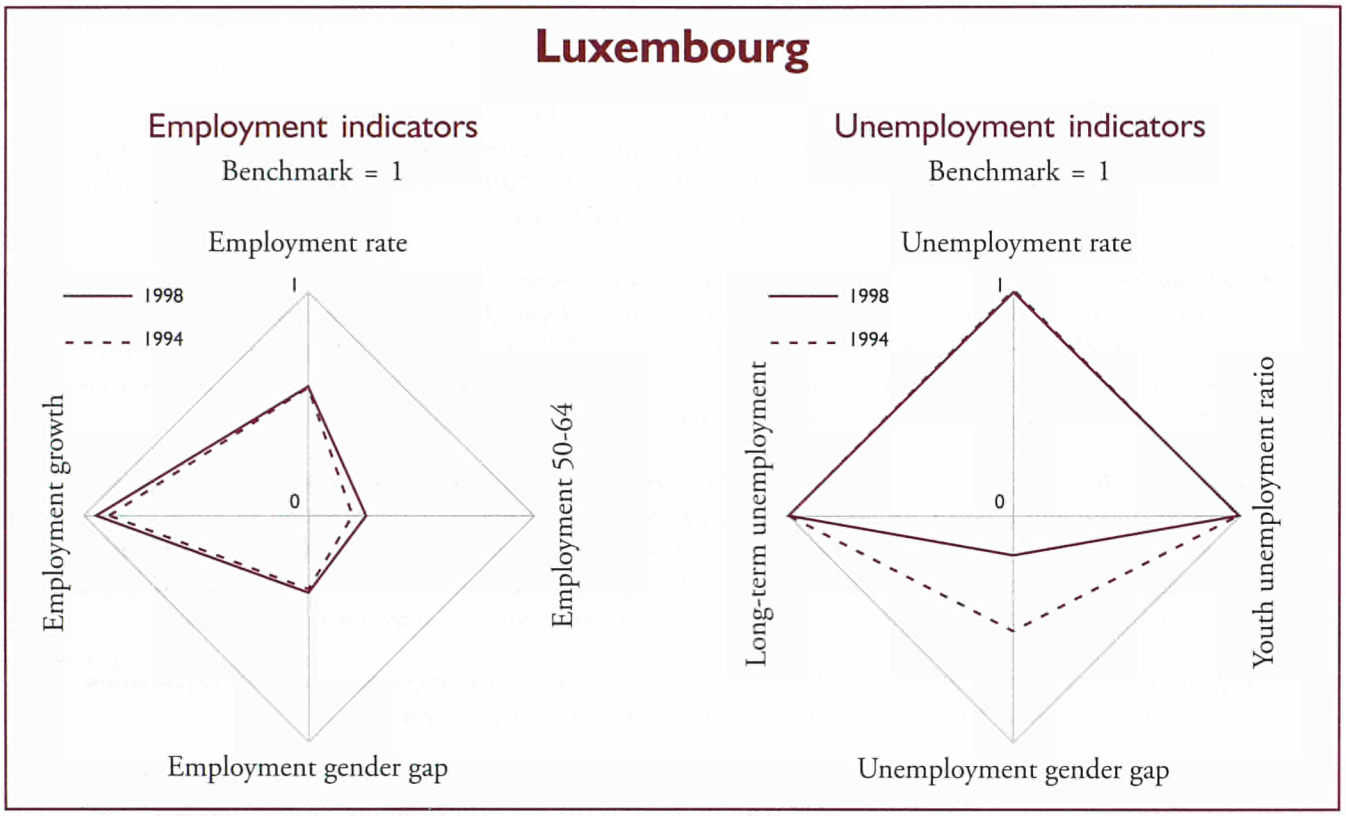
1. The employment situation

Despite continuous growth over the last decade, including 5.7 % in 1998, which resulted in a total employment growth of 4.3 %, the second highest in the EU, the total employment rate (60.5 %) in Luxembourg continues to be below the EU-average. Cross-border workers account for 75 % of the net increase in jobs and represent 33 % of domestic employment in Luxembourg, which explains the paradox between a more or less stable national employment rate and a consistently high employment growth. Luxembourg has one of the

lowest employment rates in the EU for older workers over 50 (38 %). Despite a recent modest increase in the female employment rate, Luxembourg is still characterised by a wide gender gap, of roughly 30 percentage points, accounting for approximately 40,000 jobs.

The unemployment situation of Luxembourg remains favourable in relation to other EU countries: Luxembourg has still the lowest rates for total unemployment (2.8 % in 1998), and long-term unemployment (0.9 %), as well as the lowest share of youth population in unemployment (2.5 %). However, it should be noted that an important number of people are registered under the early retirement (1,400) and the disability schemes (15,000).

The most recent OECD-figures (1997) on expenditure on labour market programmes show that Luxembourg spends about 1 % of GDP in labour market policy, of which one third in active policies.



2. Implementation of the 1998 NAP

The agreement on the Luxembourg NAP98 was reached on 18 April 1998. The NAP required substantial legislative changes, the majority of which were included in the law of 12 February 1999. A considerable number of measures, in particular the most innovative ones, came into force only on 1 March 1999.

As regards **employability**, the major problem is the inadequate matching of supply and demand, in term of skills. For this reason, apprenticeships for adults and improvements in initial and continuous education are central themes of the NAP98, in particular with respect to training of resident workers in Luxembourg. The training measures, mostly for younger people, involve a close collaboration between the government, the trade unions and the companies. With regard to the low activity rate of people older than 50, without suppressing the principle of early retirement, Luxembourg modified the system by giving the possibility of a progressive early retirement (as from 57 years) or of a progressive shift to part-time work (workers over 50) with compensatory recruitment in order to prevent the workers either to leave the labour market too early, or to enter a complete pension scheme.

For the implementation of the first three guidelines for 1998, the public employment service (ADEM) has taken, from May 1998 onwards, provisions relating to the professional guidance and placement services (PEC – 'Plan d'encadrement psychosocial individuel des chômeurs').

In order to arrive at an efficient implementation of the PEC, the number of highly qualified staff of ADEM has been increased by 12 %.

The NAP98 introduced various measures to ease access to jobs, to facilitate the establishment of firms and to develop risk-capital markets, in order to encourage **entrepreneurship**. The coordination in order to simplify the administrative procedures for companies, as well as the adaptation of the legislation to set up businesses has been one of the main aims of the NAP.

The improvement of **adaptability** has been the objective of the tripartite agreement on working-time and work organisation. The Luxembourg plan results from a tripartite agreement and the contribution of the social partners to the implementation of the NAP is translated in the reform of the law on collective agreements. Henceforth all collective agreements have to deal with the issue of employment on the basis of the guidelines (training policy, work organisation and equal treatment).

In the field of **equal opportunities** the disadvantaged situation of women on the Luxembourg labour market is tackled through mainstreaming. Several measures, such as parental leave and childcare, are conceived to address this requirement. The principle of positive discrimination, present in several measures, should appreciably improve the chances of integration or reintegration of women on the labour market.

3. Revision of the NAP in 1999

The NAP99 is a continuation of the NAP98. The National Committee of Tripartite Co-ordination, noting that the measures decided in the framework of the NAP98 covered already to a large extent the guidelines adopted in Vienna, has decided that the only major adaptations of the NAP99 would cover the following topics: prolongation of the active life of older workers (GL4), integration of disabled persons into the labour market (GL9) and strengthening of the principle of mainstreaming (GL19).

Under the **employability** pillar the new measure consists of setting up a tripartite working group which has to propose amendments on the legislation concerning the disability pensions, in order to restrict access.

Measures for people with disabilities are proposed in the new GL9. These measures have a triple purpose: employment of disabled people, easier occupational integration, and incentives for companies to recruit disabled people. Concerning the tax and benefit systems for unemployed and inactive people, Luxembourg has decided that, for the time being, there is no reason to adapt the existing legislation.

On lifelong learning Luxembourg still has to define clearly its objectives and targets.

Under the **entrepreneurship** pillar the NAP99 does not develop the new guideline on the employment potential of the services sector, the information society and the environmental sector.

A recently approved law will introduce tax deductions (for a total of 10 million euro per year) for continuous vocational training in order to increase **adaptability**. This must be seen together with the already existing financial incentives for lifelong learning.

With regard to the new guideline on mainstreaming under the **equal opportunities** pillar, all services concerned will study the need and the possibility of an adoption of a more complete system of quantitative and qualitative evaluation of the relevant measures of the NAP.

The budgetary grid for the NAP99 gives a very detailed overview for each pillar and each measure of the financial resources (EU and national) necessary for the implementation of the NAP. It is estimated that for 1999 these resources amount to 133.9 million euro which is three times as high as the figure provided for 1998. This important increase, which will be partly financed by an increase in the petrol tax, is to a large extent explained by the fact that the majority of new actions started to be implemented only in 1999.

4. The role of the Structural Funds in underpinning the Employment Strategy

In the budgetary grid a detailed overview is given as to how the ESF and the ERDF are contributing to the objectives of the NAP.

For the period 2000-2006 the NAP underlines that the new ESF-plan will take into account the priorities fixed in the NAP. The nature of the ESF-projects will be linked with the objectives to be achieved in each of the four pillars. Generally, the emphasis will be on training and qualification. With regard to the first pillar, proposals are formulated concerning self-employment, training of those who replace temporarily workers on parental leave, monitoring and support after recruitment. Within the framework of the second pillar, suggestions are made concerning the training of trainers in order to better adapt the training to the needs of the companies and to the target group. The projects under pillar 3 would give priority to

training leading to a qualification and to a pilot project within the framework of the school of the second chance. Finally, the objectives of pillar 4 could propose projects making it possible to create more places for childcare and to widen the range of the training possibilities.

5. Outcome assessment

Because the implementation of the most important and innovative measures of the NAP98 could only start from 1 March 1999, it is too soon to evaluate the results.

The NAP98 covers all the pillars and guidelines and proposes specific measures for each of them. Taking into account the rather favourable economic situation, Luxembourg has decided that the NAP should not change fundamentally the socioeconomic instruments and the organisation of the labour market, but that the proposed measures should rather aim to tackle specific situations and individual deficiencies.

For the first three guidelines the NAP provides detailed statistics and indicators. On the basis of the statistics presented, it is shown that for GL1 80 % of the unemployed young people did find employment or were placed in a scheme before the sixth month of unemployment. Among the 20 % still in unemployment at the end of the 6 month period, approximately a third did not take part in an individual action plan. For GL2, approximately 85 % of the unemployed adults found employment or are placed in a scheme before the 12th month of unemployment. Of the remaining 15 %, more than three quarter did not begin any individual action plan. The goal of GL3 is achieved since 31 % of all the unemployed are offered training or a similar measure. However, only 8 % correspond to participants in training measures.

Concerning the two main problems of the Luxembourg labour market, i.e. the low employment rate of older workers and the gender gap, no results are yet observable due to the recent implementation of the NAP.

	Annual data				EU
Employment Indicators	1998	1997	1996	1994	1998
Total Employment Rate	60.5	60.3	59.6	60.8	61.1
Males	75.1	74.8	75.0	75.4	71.2
Females	45.8	45.6	43.8	45.6	51.1
Full-time eq. Employment rate	58.1	58.5	57.6	58.3	55.7
Males	77.2	77.1	77.0	76.8	70.8
Females	38.7	39.2	37.9	39.2	40.7
Unemployment Indicators					
Total Unemployment Rate	2.8	2.6	3	3.2	9.9
Males	2	1.8	2.2	2.7	8.6
Females	4.2	3.8	4.3	4.1	11.7
Youth Unemployment Ratio	2.5	3.1	3.3	3.3	9.3
Males	2.5	2.9	3.7	3.7	9.2
Females	2.1	3.4	3.3	3.0	9.3
Long-term Unemployment Rate	0.9	0.9	0.9	1.0	5.0
Males	0.7	0.6	0.7	1.0	4.2
Females	1.1	1.3	1.2	1.0	6.0

	Growth rates				EU
Employment related Economic Indicators	1998	1997	1996	1994-98	1998
Total Employment Growth	4.3	3.4	2.5	3.2	1.2
Real GDP Growth	5.7	3.7	3	4.1	2.9
Labour Productivity Growth	1.3	0.3	0.5	0.8	1.7
Real Unit Labour Costs	–1.6	–0.2	1.6	0.0	–1.2

THE NETHERLANDS

Summary

The Dutch economy grew strongly in the period up to 1998, when real GDP growth reached 3.7 % boosting employment by a further 2.7 %. The employment rate increased to 68.3 % in 1998 (54.0 % in full time equivalent terms). The employment rate in services is nearly 49 %, one of the highest in the Union. Unemployment fell to 4 % in 1998 (one of the lowest rates in the Union) and youth unemployment continued to decline to a ratio of 5.1 %.

Despite this generally favourable situation, the Dutch labour market is characterised by a number of structural problems, such as a high gender gap in employment equivalent to 23.4 percentage points or 1 million jobs, low participation of older people in employment (only 31 % above the age of 55), high taxation, and a benefit system supporting high dependency.

The 1999 NAP pursues the comprehensive structural reforms of recent years to address labour market problems, and proposes some new measures. The social partners have been explicitly involved in drawing up the NAP. They were consulted on the guidelines which concern them directly and as partners in the Labour Foundation they were also asked for their reaction on the full text of the 1999 NAP.

Employability: *The conditions are now in place to ensure full compliance with guideline 1 in 1999. Through the implementation of the Comprehensive Approach, the Dutch authorities are increasing the possibilities for early intervention for* adult unemployed. *They have set the target of meeting the guideline 2 within 4 years. More information could be provided in the NAP on quantification and particularly on the preventive approach.*

Efforts are under way to reform the benefit systems in order to discourage the use of benefits as routes to early withdrawal from the labour market.

Although the NAP foresees a list of measures for improving lifelong learning, *a target is still to be defined.*

Entrepreneurship: *The tax reform, currently under preparation, is expected to contribute to the development of entrepreneurship and employability, through a reduction of the tax burden on labour. Emphasis has also been put on the intensification of the dual-track education system. The NAP rightly puts high emphasis on the* services sector, *although the Netherlands is among the best performing countries in the Union in this respect.*

Adaptability: *Substantial progress was made, notably through the introduction of the Flexibility and Security Act. The active role of the* social partners *is to be stressed. It appears that 92 Collective Labour Agreements deal with issues such as education, educational leave, personal training plan, company training plan.*

Equal opportunities: *Much effort has gone into arrangements to support equal opportunities and to prepare new policy in this area. The* gender-mainstreaming *approach has been adopted by the Dutch government. With a* gender gap *of 1 million jobs, a policy is needed to further reduce the barriers to work encountered by women.*

ESF: *In the present programming period the role of the European Social Fund is mainly to support the Employment Strategy under the employability pillar.*

Indicators and statistics: *Although substantial efforts have been made to supply quantified information, further investment remains to be done in the field of indicators and monitoring. Budgetary information regarding the implementation of the NAP has not been forwarded.*

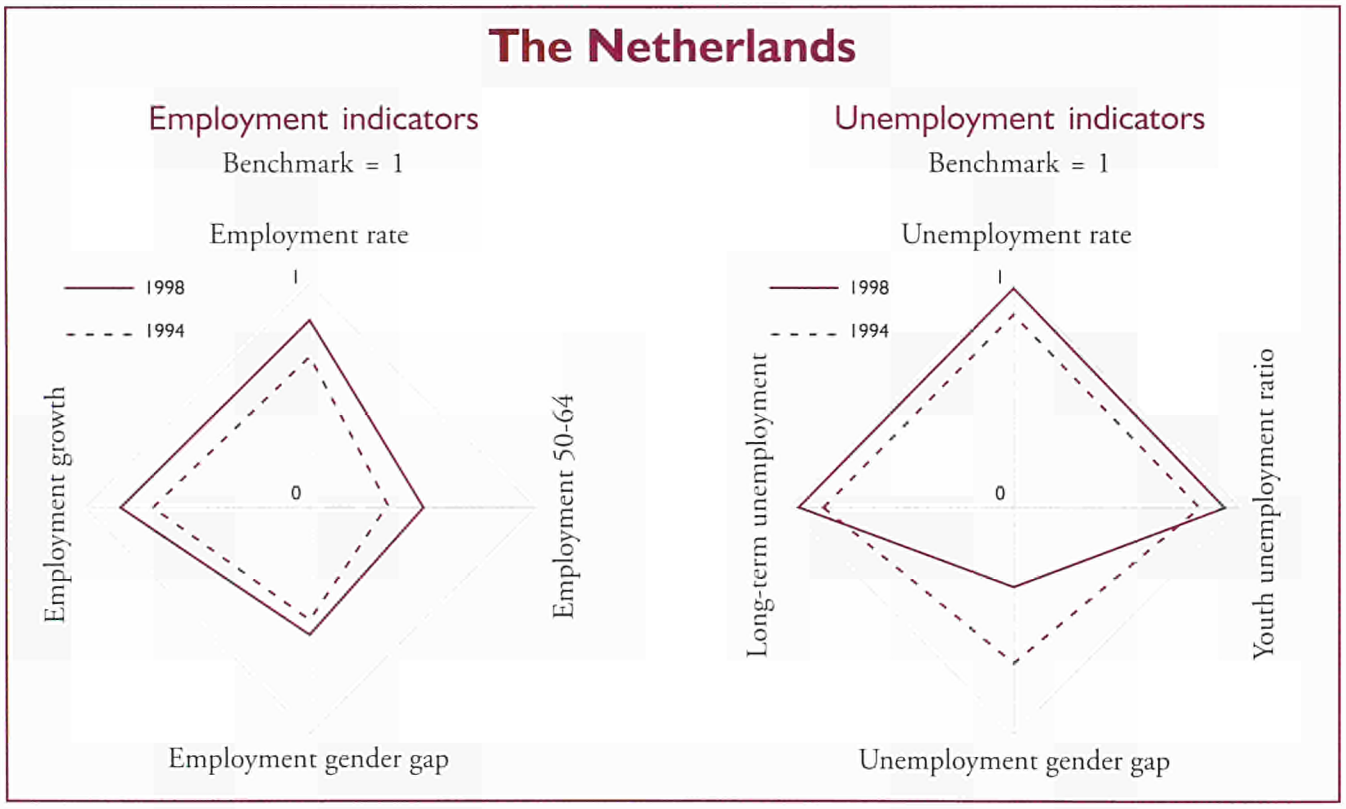
1. The employment situation

The Dutch economy and the labour market developed favourably in 1998. GDP growth reached 3.7 % in 1998, but in 1999 this is expected to decline.

The employment rate, both for men and women has continued to increase reaching 68.3 % in 1998, which is well above Community average (61.1 %). The growth of the participation of women in employment has been substantial, climbing from 54.9 % in 1997 to 56.2 % in 1998. Their employment rate however, remains some 24 % points below the employment rate for men (80.0 %), which results in a gender gap of 1 million jobs. The number of part-time jobs has increased during the 1990s. In full time equivalent terms, the employment rate was 54.0 % in 1998 (72.8 % for men and 35.0 % for women), which, despite a strong growth in the last years, is still below the EU-average. While the employment rate of prime-age male workers is very high the participation of people over 55 is only 31 %, and for women it is lower than 20 %, therefore lagging by 5 percentage points in relation to the Union average of 36 %. Some bottlenecks are emerging in the labour market: The number of unfilled vacancies in private companies and in the public sector amounted to 136,000 at the end of 1998; half of these are difficult to fill.

Unemployment fell from 5.2 % in 1997 to 4 % in 1998, but long-term unemployment still affects almost half of the unemployed in the Netherlands (1.9 %). The ongoing decline in youth unemployment is reflected in a youth unemployment ratio of 5.1 %. The ratio of people under 65 receiving benefits compared to the number in work dropped from 42 % in 1990 to 35 % in 1998. The number of people receiving an unemployment benefit represents 9 % of the labour force; this is substantially higher than the number of people unemployed. Another worrying factor is that the number of (partial) benefits paid under the Disability Insurance Act (WAO) has increased again to 900,000.

In 1998 active employment measures represented 1.76 % of GDP. Passive measures, although decreasing since 1996, still account for 3.14 % of GDP (OECD figures).



2. Implementation of the 1998 NAP

The instruments to improve the **employability** of young unemployed have been integrated in the Job-Seekers Re-employment Act (WIW). It should be noted that the Netherlands limit the upper age for young unemployed to 23 years. This is also linked to the existence of the system of minimum youth wages. Under the age of 23, the legal minimum wage is below the minimum wages for adults.

Under employability the NAP offers a large spectrum of policy instruments, ranging from a plan of approach on life-long learning, combating premature school leaving, particularly in the large towns, improving the quality of education to financial protection for employers who recruit people with an occupational handicap offered under the Occupational Handicapped Reintegration Act (REA).

As for **entrepreneurship**, the NAP reports on a large diversity of measures designed to create a positive climate to encourage job creation. In the framework of the 'Cities Policy', an agreement has been reached with the 25 large cities to devise medium-term development programmes. The Entry-level and Moving-On Jobs scheme gives municipalities the opportunity to increase the number of jobs in public and non-profit sectors. The measure on targeted reduction in wage costs (SPAK) provides a financial incentive to employers to hire low-skilled or long-term unemployed workers. It reduces wage costs up to 115 % of the statutory minimum wage structurally by a maximum reduction of about 10 %. Almost 90 % of the rebate on pay for employers who employ low-paid workers is enjoyed in the service sector.

In January 1999 the Flexibility and Security Act, announced in the NAP98 to be the centrepiece of the **adaptability** pillar, came into effect. Another important milestone constitutes the acceptance of the new Working Hours Adjustment Bill, giving the individual the right to adjust one's working hours with their present employer. This type of measure, as well as the possibilities introduced by the Career Breaks (Funding) Act allowing to arrange for long-term leave for care or education, contribute to a large extent to the **equal opportunities** pillar.

3. Revision of the NAP in 1999

Policy presented in the previous NAP is further intensified and implemented in the NAP99. Some new measures are proposed. The social partners have been explicitly involved in drawing up the NAP. They were consulted on the guidelines which concern them directly and as partners in the Labour Foundation (Stitching van de Arbeid) they were also asked for their reaction on the full text of the NAP99.

The NAP99 introduces the 'Comprehensive Approach' as the main policy innovation to prevent adult unemployed falling into long-term unemployment. As from the 1st January this approach has come into effect, thus introducing an important policy instrument to achieve the preventative approach as agreed under the **employability** pillar. In 1999, 30,000 additional integration pathways will be created under this initiative. In Dutch policy making the emphasis is now on a major change in the executive structure of the prevention, activation and benefit allowance process with the creation of CWI's (Centres for Work and Income), which is expected to be implemented by 2001.

A major change in the Dutch taxation system (Belastingsplan 21ste Eeuw) being prepared to come into effect in 2001, will address job creation and job-acceptance at the same time, reducing the tax burden in total by 0.6 % of GDP. As a result of a shift in taxes, the direct taxes on labour will fall by 2 % of GDP. Since 1 May 1999, older unemployed aged over 57 euro are obliged to accept a suitable job offer. This is in fact part of a general process trying to keep the elderly active by discouraging early retirement and promoting the participation of the elderly in employment.

The Dutch government has developed a line of policy directly targeting people with disabilities aiming both at integration and unemployment prevention. The intensified reintegration should result in a rise of some 25,000 extra job placements in a few years time.

Under the **entrepreneurship** pillar the NAP reports on a further decrease in the administrative burden by some 15 %. In order to promote entrepreneurship the Dutch Cabinet presented a White Paper on Innovative Entrepreneurship to the Lower House in June 1999. Deregulation of markets is also one of the main pillars to improve the possibilities to start new businesses. The social economy is clearly recognised as a job creation sector filling unmet market needs. A scheme to subsidise this kind of employment is available and gaining momentum with some 34,500 jobs involved in January 1999 and aiming for some 60,000 jobs in 2002. Tax reductions for employers employing low-paid workers will contribute to the development of the service sector.

With the introduction of the Flexibility and Security Act (arranging the rights of flex-workers and flex-work) in January 1999, the announcement of the Working Hours (adjustment) Bill (making it possible to the individual to change one's working hours with the same employer) and arrangements making temporary work easier and dismissal procedures shorter, the Dutch system is in a good position to achieve the goals set under the **adaptability** pillar.

Equal opportunity is ranked high on the Dutch priority list. A monitoring system is announced. The outcome of the 'equal rights monitor' will be available in

2000. The Dutch policy is based on the Combination scenario, where women and men share paid work and responsibility for caring at home. The Work and Care Act combines and coordinates all the existing and new leave schemes and makes them more flexible. It is planned to expand the child care facilities so as to double capacity. The gender-mainstreaming approach is clearly adopted by the Dutch government.

4. The role of Structural Funds in underpinning the Employment Strategy

Between 1994 and 1999 the Netherlands have received over 2.5 billion Euro from the Structural Funds. More than 60 % has been allocated to the ESF for the development of human resources under all objectives. Its intervention, although addressing all pillars, is concentrated on employability. The Dutch government will draw up a plan for the new programming period fully in line with the NAP. Given its mission of contributing to actions to increase employment, the ESF will be used as an important financial instrument to help the Netherlands develop and implement the employment guidelines under the European employment strategy. There will be coherence between the employment strategy as reflected in the NAP and the priorities of human resource development supported by the ESF.

5. Outcome assessment

Assessing the impact of the 1998 Dutch NAP is made particularly difficult by the fact that the majority of new measures were implemented late in the year, or are still in project, particularly in what concerns the new preventive measures. The Dutch authorities give a firm commitment to comply with the first 3 European guidelines. New policies to fight youth long-term unemployment already depart from a reasonable basis, as they draw upon existing preventive schemes. The Dutch authorities expect the Comprehensive Approach (Sluitende Aanpak) for adult unemployed, based on targeted activation measures, according to the needs of the unemployed person, to lead to full implementation of the common target of the 2nd guideline within 4 years. However, the number of people not offered a new start during the first 6 or 12 months is not yet registered and therefore an estimate of the input indicator can not yet be given for the first 2 guidelines. Increased attention needs to be given by the Netherlands to monitoring and evaluation of the effectiveness of the various policy instruments, so that future NAP reports can provide more evidence about outcomes. It is expected that the implementation of the new Centres for Work and income, which will carry out job vacancy registration and direct mediation into work, will allow for significant progress to be made in monitoring unemployment flows and active policies.

Other main points of progress concern the allocation of extra budgets supporting dual-track education (apprentice and trainee programmes) and the preparation of a considerable change in the Dutch Tax system to come into effect in 2001.

On adaptability, clear progress has been made. The emphasis has been on implementation with, as milestones, the swift introduction of the Flexibility and Security Act and the preparation of the Working Hours (Adjustment) Act.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	68.3	66.7	65.1	63.2	61.1
Males	80.0	78.1	76.7	75.3	71.2
Females	56.2	54.9	53.2	50.9	51.1
Full-time eq. Employment rate	54.0	52.8	51.4	50.4	55.7
Males	72.8	71.7	70.4	69.5	70.8
Females	35.0	33.8	32.2	31.2	40.7
Unemployment Indicators					
Total Unemployment Rate	4	5.2	6.3	7.1	9.9
Males	3	3.9	5	6.3	8.6
Females	5.2	6.9	8.1	8.3	11.7
Youth Unemployment Ratio	5.1	6.1	7.2	6.9	9.3
Males	5.1	5.3	6.8	7.4	9.2
Females	5.2	6.9	7.6	6.4	9.3
Long-term Unemployment Rate	1.9	2.5	3.0	3.1	5.0
Males	1.5	1.9	2.6	2.8	4.2
Females	2.3	3.2	3.5	3.6	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	2.7	2.8	2.1	2.3	1.2
Real GDP Growth	3.7	3.6	3.1	3.2	2.9
Labour Productivity Growth	0.9	0.8	0.9	0.8	1.7
Real Unit Labour Costs	–0.2	–1.1	–0.8	–0.7	–1.2

AUSTRIA

Summary

Economic development in Austria was favourable in 1998 with a slight increase in employment to 71.1 %. The full time equivalent rate, one of the highest in Europe, is around 65 %. The gender gap in employment is around 26 % and points to a major unused labour capacity. Unemployment rose slightly in 1998 from 4.4 % to 4.7 % as labour force growth outpaced employment growth. The number of registered unemployed decreased in the first half of 1999. Long term unemployment is low, 1.6 per cent, one third of the EU average, lower for men than for women. Whereas the labour market opportunities for youth improved, the low employment rate of older workers is still one of the most challenging problems.

The 1999 NAP reinforces the preventive approach by the expansion of the budget for active labour market policy by more than one third. The social partners, equal opportunity bodies, the Länder, and the other regional authorities have been involved in drawing up the NAP.

***Employability**: The 1998 NAP focused on this pillar and the activation and prevention objectives have been integrated into the overall labour market policy strategy. The 1999 NAP includes a considerable increase in the expenditure for active labour market policy, additional resources being partially provided by the activation of passive measures. Initiatives to combat* long term unemployment *have been extended. A new priority has been set to combat the problems of* older workers *and measures to encourage recruitment of older workers have been agreed by the social partners. A concrete target has been set regarding the increase of* life long learning *participation of unqualified people. The output indicators for the two first guidelines show some progress in reducing the inflow into long term unemployment.*

***Entrepreneurship:** Employment in the* service sector *increased by 30,000 jobs last year to over 44 % of the working age population, but a comparison with Member States with the highest levels (50 %) shows that Austria has potential for further growth. A* tax reform *is proposed, lowering income taxes and non wage labour costs for business start ups. An innovative programme is introduced to create jobs in the social, environmental and cultural sectors. New Territorial Employment Pacts (TEPs) are being introduced to mainstream good practice concerning job creation at the regional and local level.*

***Adaptability:** based on the 1997 reform of the Working Time Act, the social partners are engaged in a number of issues, including efforts to make part time work more attractive. On in-house training the proposed tax reform will introduce a 9 % allowance for corporate spending in training and further training of employees and better tax deductibility of job related training costs.*

***Equal opportunities** measures have been further developed aiming at the reduction of the* gender gaps. *A main objective is the improvement of childcare facilities in order to reduce the quantitative and qualitative deficits in this field.* Mainstreaming *of equal opportunities in the context of adaptability should receive more attention as women are more strongly affected by negative consequences of more flexible working conditions such as involuntary part-time work.*

***ESF:** The 1999 NAP indicates that more than half of the ESF contributions are used for measures for the integration of unemployed persons into the labour market. Special reference is given to long term unemployed, young persons, and equal opportunities for women and men.*

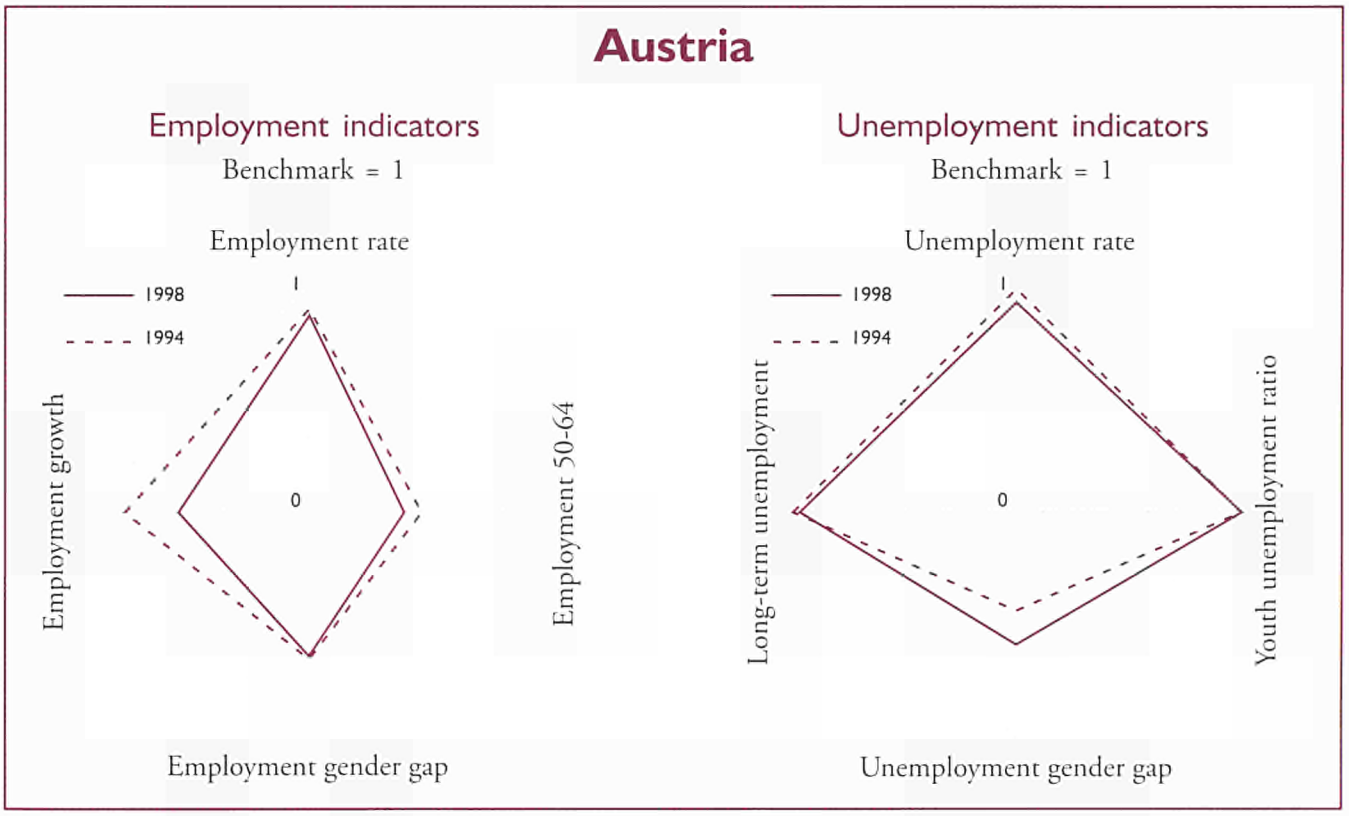
***Indicators and statistics:** The monitoring systems in the area of the European targets have been adapted to the common standards and a new indicator for the activation rate has been developed.*

1. The employment situation

Economic development in Austria was favourable in 1998. GDP grew by about 3.3 % and productivity by 2.5 %. The employment rate increased slightly from 69.9 to 71.1 %; the full time equivalent rate, one of the highest in Europe, is around 65 %. While the share of employment in services in the total working age population has increased over time, the level of 44.4 % compared to the highest levels in the EU around 50 % indicates that there is still a substantial potential for higher employment. Similarly, the gap between male and female employment is around 26 % and points to a major unused labour capacity which will gain importance given the future demographic trends. Whereas the labour market opportunities for youth improved, the low employment rate of the older workers is still one of the most challenging problems. Currently only 55 % of men in the age bracket 50-64, and 32 % of women are in employment (average employment rate: 43 %). Other groups with increasing difficulties in integrating in the labour market are people with disabilities and unemployed women with care duties.

As labour force growth outpaced employment growth, the unemployment rate rose from 4.4 % to 4.7 %. Female unemployment (5.6 %) is still above male unemployment (3.9 %). According to the latest information, in 1999 unemployment has started to decline while employment growth continued. Austria enjoys one of the lowest youth unemployment ratios (3.8 %), and also a low long-term unemployment rate (1.6 %).

In 1998, the overall budget for labour market policy amounted to 1.7 % of GDP, one of the lowest rates in the EU. Passive policies still account for almost three-quarters of public spending on the labour market.



2. Implementation of the 1998 NAP

The main priority of the NAP was given to the **employability** pillar, especially to the European targets. These objectives have been integrated into the overall labour market policy strategy, mainly implemented by the Public Employment Service (AMS). Implementation has been undertaken in a satisfactory way: the rates of non-compliance of guidelines 1 and 2 (i.e. the share of the unemployed who cross the 6 or 12 month threshold without being offered a job or employability measure) are reported as being under 5 %. The activation rate of guideline 3 (13.7 %) was not increased compared to 1997 but in the first half of 1999, participation in active labour market measures increased significantly. There are still huge regional differences in the activation rate ranging from 8.7 % (Vienna) to 20.7 % (Upper Austria).

The NAP 1998 contained a broad variety of measures in the area of the **entrepreneurship** pillar to promote start-ups of new businesses and to reduce administrative barriers for employment. The problem of high non-wage labour costs has not been tackled except for new businesses.

A main objective in the field of **adaptability** has been the adoption of working time regulations, allowing for better coordination of plants' running hours and employees' working time.

Policies concerning the **equal opportunities** pillar, including mainstreaming, have been expressed as a main priority for the Austrian government. The activation rate of women has been higher than for men (15.6 % vs. 12.0 %). About 44 million euro have been spent for additional childcare facilities, creating 18,800 places for children. However, the policy undertaken in 1998 did not sufficiently counteract the effects of the parental leave reduction resulting in an increase of the number of 'hard-to-place' unemployed women.

3. Revision of NAP in 1999

The 1999 NAP highlights two main priorities: adaptation to the new guidelines and reversing the trend of unemployment. The overall budget for active labour market policy has been expanded by 36 % (about one third of that additional money coming from the activation of passive resources). Among the new measures the following are especially relevant: the 'NEW START' programme, the qualification for new technologies, the massive expansion of subsidised employment for long-term unemployed persons and the tax reform.

The goal of combating rising unemployment among older people (GL 4) is stated and the NAP incorporates a social partners''Pact for older workers'.

In the area of lifelong learning (GL 6) more concrete targets have been set. It is intended to expand the participation rate of unqualified people from 5.2 % to the participation rate of medium-qualified people (8.0 %). It is planned to spend 45 million euro on the furthering of lifelong learning in the area of labour market policy. However, the overall strategy of strengthening lifelong learning has not taken on more concrete forms.

There are clear indications that migrant workers without Austrian citizenship, accounting for 8 % of total, but for 19 % of blue collar workers' employment, are among the most disadvantaged groups on the Austrian labour market (GL 9). Although about two thirds of these foreign workers have been resident for more than five years, this group is not targeted by specific measures, and indeed it is not mentioned in the NAP.

'*NEW START*', a programme for funding innovative projects creating new jobs in the social, environmental, and cultural sector, where the market is not working efficiently at present, is a new approach (GL 12). As regards job creation at the local level, good practice in the context of the EU Territorial Employment Pacts has been introduced into the mainstream at regional and local level. In addition to the existing EU Territorial Employment Pacts (Salzburg, Tyrol, Vienna, and Vorarlberg), new TEPs have been established in Carinthia and in Upper Austria, and that for Vienna has been expanded.

Several minor measures are proposed to increase employment in business-related services (GL 13).

The Government proposal for the Tax Reform 2000 contains a series of initiatives aimed at promoting employment and encourages investment in human resources. With the aim of reducing taxation on employed labour, the tax rate for the wage and income tax will be reduced from the 1st January 2000. This reduction, which will amount to 1.24 bn euro, or 0.6 % of GDP, is expected to benefit in particular low and middle income recipients. The tax reform will also be relevant for the purpose of encouraging the setting up of new business and self-employment (GL 10 and 11), by means of several tax rebates.

Gender mainstreaming (GL 19) has been further developed. The quantitative targets are specified by gender; the target of an increase of women's participation in employment is made more explicit.

The NAP specifies a (maximum) budget for the development of childcare facilities (GL 21) of 98.1 million euro to close the existing quantitative and qualitative gaps.

The Social Partners are participating in the NAP policy, contributing especially to the implementation of the adaptability pillar, GLs 4 and 7.

4. The role of Structural Funds in underpinning the Employment Strategy

The NAP strategy was in general underpinned by the main objectives of the ESF. The ESF contribution to the Austrian ALMP amounts to 104.1 million euro or 16 % of the spending for ALMP (AMS budget plus NAP). The priorities of the European Employment Strategy coincide with the target groups of the Austrian ESF

programmes. Objectives 3 and 4, in particular, cover virtually all the NAP priorities. The long-term unemployed, young persons, and equal opportunities for men and women are explicitly mentioned.

The 1999 NAP makes some specific references to the areas where ESF contributions are used, but there are overlaps among the categories of measures. More than half of the contributions is planned for measures focused on the individual, which are aimed at integrating unemployed persons into the labour market. Other policies to which ESF resources specifically contribute are measures in favour of disabled persons, the integration of long-term unemployed persons, the support in case of the risk of unemployment, equal opportunities for women and men, and the support for young people.

5. Outcome assessment

Against a background of rising unemployment, the NAP has induced a broad public debate on the ways to improve employment policy. The output indicators for GLs 1 and 2 show some progress towards the target of halving the inflow rate into LTU by the year 2002. In 1998, the inflow rate was 8.3 % for young unemployed at 6 months, and 5.4 % for adults at 12 months. The priority for pro-active policies to combat the rising problems on the apprentices' labour market has led to fairly successful outcomes in reducing unemployment of apprentices.

A major problem on the labour market concerns the employment of older people, reflecting partly the deficiencies in lifelong learning and the traditional policy towards early retirement. New working time models for older workers have been proposed, which need to be particularly monitored as to their impact on low-paid blue collar workers approaching retirement. The pension reform had the aim of reversing the trend towards increasingly early withdrawal from the labour market, and results are expected over the medium and long term.

Institutional reforms have brought in major changes in the policy for disabled persons. An important objective is to combat exclusion by integration in preventive measures, and an innovative measure ('*Arbeitsassistenz*') has been introduced which provides individualised support to disabled persons in their workplaces. However, given the significantly rising number of older disabled workers additional funds will be needed to ensure the continuity of the new activation approach.

Seasonal unemployment is still very high in Austria; temporary seasonal layoff unemployment amounts to almost one quarter of total unemployment. The introduction of flexible working time models in the construction sector has as yet shown only minor effects in the reduction of seasonal unemployment. Little information is available as to fostering in-firm training outside the ESF programmes (Objective 4).

The NAP has given more emphasis to equal opportunities for women and men, also introducing the policy of mainstreaming in employment policy. Partly because of revision of the parental leave regulation, the situation of 'hard-to-place' unemployed women has become more visible. However, the qualitative mix — i.e., the proportion of qualification measures as compared to guidance and counselling — in favour of women should be closely monitored.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	70.1	69.9	69.8	70.5	61.1
Males	80.7	80.4	80.1	80.9	71.2
Females	59.6	59.4	59.5	60.2	51.1
Full-time eq. Employment rate	65.0	65.2	65.1	66.5	55.7
Males	79.5	79.4	79.3	81.0	70.8
Females	50.8	51.1	51.0	52.1	40.7
Unemployment Indicators					
Total Unemployment Rate	4.7	4.4	4.3	3.8	9.9
Males	3.9	3.6	3.6	3.0	8.6
Females	5.6	5.3	5.3	4.9	11.7
Youth Unemployment Ratio	3.8	3.9	3.7	3.4	9.3
Males	3.2	3.4	3.2	2.8	9.2
Females	4.5	4.4	4.2	4.0	9.3
Long-term Unemployment Rate	1.6	1.5	1.4	1.2	5.0
Males	1.5	1.4	1.2	1.0	4.2
Females	1.8	1.5	1.5	1.5	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	0.5	0.2	-1.3	0.0	1.2
Real GDP Growth	3.3	2.5	2.0	2.4	2.9
Labour Productivity Growth	2.8	2.3	3.3	2.4	1.7
Real Unit Labour Costs	–1.4	–2.9	–2.4	–1.9	–1.2

PORTUGAL

Summary

In 1998 the Portuguese economy continued to benefit from a cycle of expansion, as a result of which the employment rate increased again, reaching 68.9 % in total, and 59.9 % for women, and unemployment fell to 4.9 %, one of the lowest rates in the EU. Significantly, long-term unemployment decreased sharply to 1.9 % of the labour force.

However, good employment performance indicators hide structural weaknesses which can jeopardise the future qualitative development of the labour force, and its ability to withstand future shocks such as the low average levels of education, the poor quality of many jobs being offered on the labour market, and the inadequacy of segments of the education system to labour market needs. Also, there is further potential for developing the service sectors, with employment levels well below the EU average.

The 1999 National Action Plan clearly recognises the need to address these deficiencies and is structured in a more coherent way than in 1998. All the pillars are addressed, but efforts have been clearly concentrated on Pillar I. The social partners agreed with the assessment and revision of the NAP, but no new initiatives are presented concerning the increase of possibilities for lifelong learning (GL6) and the modernisation of work organisation (GL16).

Employability: *progress has been made in preventing* youth and adult long-term unemployment *through the setting up of new methods for supporting unemployed people as well as the creation of qualification pathways. In the pre-selected areas that cover 30 % of the active population, most of the registered unemployed were given an employment offer. However, more progress is still required to cut inflows into long-term unemployment Despite the lowest level of education in the EU, the NAP lacks a strategic approach to* lifelong learning, *even if a target is set for training among the working population (10 % within a five year period). New measures are planned in 1999 to maintain* older workers *in the labour market, by discouraging early retirement.*

Entrepreneurship: *the employment potential of the* service sector *of more than 900,000 jobs, needs further attention.*

Adaptability: *as for the updating of the labour legislative framework, an important step was taken with the modifications introduced in the legislation concerning* part-time work and temporary work. *Portugal also plans to establish fiscal support for* in-house training.

Equal opportunities: *new effective measures are needed to address the* gender gap *of more than 600,000 jobs. Concerning* gender mainstreaming, *efforts are being made to integrate the equality objective into the different pillars of the NAP and a new specific monitoring system will be implemented.*

ESF: *In 1998 there was a significant increase of financial resources with ESF support, mainly in measures related to vocational training for the unemployed.*

Indicators: *On the great majority of the guidelines progress was achieved in the development of indicators. Budgetary information is available covering the first three pillars.*

1. The employment situation

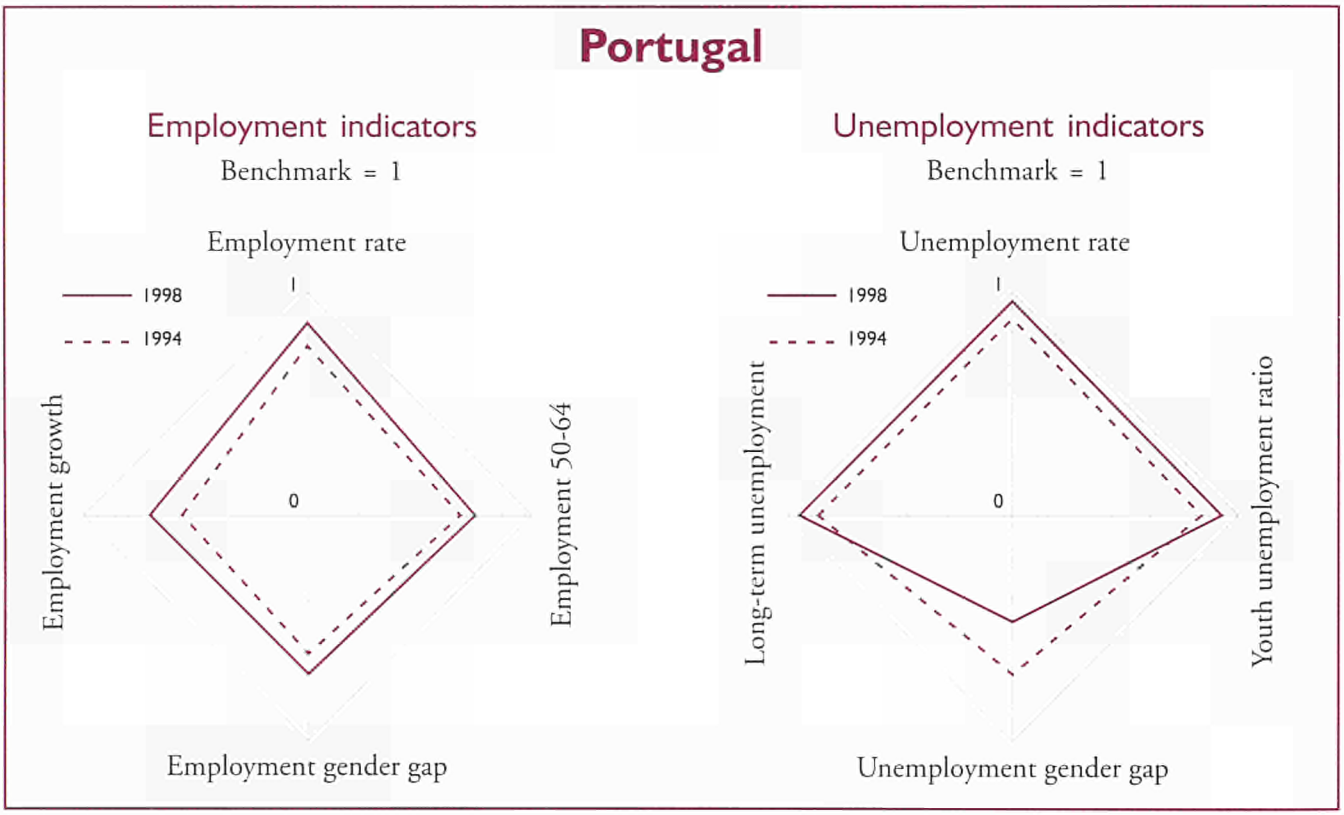
As a result of steady and vigorous GDP growth, driven by private investment and consumption, the Portuguese employment situation continued to improve in 1998. Employment grew by 2.5 %, one of the highest increases in the Union, pushing the employment rate up from 67.5 % in 1997 to 68.9 % in 1998, well above the EU average (61.1 %). At 60 %, the female employment rate is one of the highest in the EU. Also for older people, Portugal has high levels of employment.

The unemployment rate went down from 6.8 % in 1997 to 4.9 % in 1998, and is among the lowest in the EU. The reduction benefited both women (from 7.7 % to 6.1 %) and men (from 6 % to 3.9 %). The youth unemployment ratio has fallen from 6.7 % to 5.1 %, whereas long term unemployment, traditionally one of the major concerns in the Portuguese employment situation, decreased markedly from 3.5 % to 1.9 % of the labour force.

The Portuguese Government is committed to increase employment by 0.7 % and to keep unemployment under 5 % in 1999.

In spite of this positive evolution, some serious structural problems remain: low levels of education and qualifications among the workforce, particularly in the middle and older age groups, poor quality of many jobs being offered on the labour market, inadequate match between some segments of the education system and labour market needs, and a largely undeveloped service sector, with employment levels well below the European Union average. These problems may hamper the future development of the labour force and the competitiveness of the economy, and make the employment situation particularly vulnerable in respect to external shocks.

In Portugal, expenditure in labour market policies represented 1.78 % of GDP in 1996, half of which on the account of active measures. This high active share is due to the relatively low coverage of the unemployment benefit system.



2. Implementation of the 1998 NAP

All the pillars are covered, but the implementation report emphasises pillar I. Less information is presented on pillars III and IV.

On **employability**, the programmes dealing with unemployed young persons (INSERJOVEM – GL1) and unemployed adults (REAGE – GL 2) came into force on the 1st of July 1998, in pre-selected pilot areas covering 30 % of the Portuguese active population. The results are significant. Among the first cohort of young unemployed covered by the new programme, only 5.8 % did not have an employment offer or a new start (guidance, training, professional practice). For the unemployed adults, this figure is 1.8 %. Measures aimed at enhancing lifelong learning and at easing the transition from school to work are being developed.

As for **entrepreneurship**, a specific programme of regional industrial displacement was launched and the implementation of regional networks and territorial em-

ployment pacts was consolidated. In terms of **adaptability**, a proposal for a law regulating part time work was presented to the Parliament during 1998 and approved in July 1999. The SME Training Programme was extended after the conclusion of the pilot stage. An Employment-Training Rotation Programme, aimed at supporting companies that need to recruit temporary workers to replace workers on training, was approved.

With a gender gap of more than 600,000 jobs some improvements have been introduced in **equal opportunities** policies. An observatory to monitor equal opportunities in labour collective regulation instruments started its activity. A draft law concerning the framework agreement on parental leave was presented to the Parliament, and approved in July 1999.

The *social partners* participated in the assessment and revision of the NAP.

On the majority of the guidelines progress was achieved in the development of input and output *indicators*, allowing thus an evaluation of the achieved outcomes. However, for some guidelines there are still no data.

Budgetary information is available covering all four Pillars but only part of the guidelines.

3. Revision of the NAP in 1999

Concerning the prevention of youth and adult long-term unemployment (improving **employability**) the territorial approach will continue to be implemented in order to cover 75 % of the Portuguese population at the end of 1999. The REAGE initiative will be enlarged until the end of 2002, allowing all the LTU stock (not only the flow) to benefit from activation measures in the framework of a personal employment plan. Occupational programmes should be reformulated in order to provide better qualifying capacity. As regards the new GL 4, a new flexible regime will enter into force granting a bonus to those who request retirement after 65 years of age and reducing the pension in the case of early retirement, but new specific measures concerning benefit and tax systems incentives for the unemployed people or inactive people to seek and take up work are not contemplated. On the enlarged GL 9, specific targets are established.

Concerning **entrepreneurship** the 1999 NAP revision is not very ambitious: in relation to job creation schemes, no specific commitments are established beyond a general support to the cultural sector. Despite a real employment potential in the service sector (estimated at about 900,000 jobs in relation to the best performing countries of the EU), the NAP99 does not envisage specific policies or reforms, beyond one pilot project. However, the 1999 State budget adopts new tax incentives to SME and new fiscal measures supporting the creation of employment for young people.

Under **adaptability** there is a commitment to strengthen human resources through a reduction on the Single Social Tax for firms having more than 10 % of their workers participating in training.

As regards **equal opportunities** gender mainstreaming is considered and some innovations are observed: a system for data collection, monitoring of equal opportunities and job creation incentives addressed to professions where women are underrepresented. The hiring of unemployed people for replacing workers on parental leave is now being envisaged.

The NAP also considers some transversal issues such as: the exploitation of the new possibilities arising from the information and communication technologies in accordance with the Portuguese green paper on the information society; the integration of environmental issues in the national employment strategy; the creation of employment in the cultural sector; the fight against undeclared work.

4. The role of Structural Funds in underpinning the Employment Strategy

The 1994-1999 Portuguese CSF is the NAP's main source of financing. The total ESF contribution represents approximately 0.78 % of Portuguese GDP. The majority of NAP policies were not budgeted in the 1998 NAP. This year, financial grids are annexed to the implementation report and national and structural funds (ESF and ERDF) allocations are presented.

NAP budget resources for active employment policies in 1999 are set at about 1082 MEuro. Initial qualification programmes absorb the biggest part of the funds. ESF support is especially important in apprenticeship (60.8 Mio euro), initial qualification (54.4 Mio euro) and sectorial training for the unemployed (54.9 Mio euro).

Moreover community assistance is relevant for policies on lifelong learning (training 228.2 MEuro), disadvantaged groups (28.3 Mio euro) and job creation (25.8 Mio euro). ERDF supports education and transition from school to work (5.4 Mio euro).

5. Outcome assessment

The National Development Report includes relevant information on the NAP implementation during 1998, including indicators, allowing an adequate evaluation of the outcomes achieved. Nevertheless, in what concerns a substantial part of the guidelines it is still premature to evaluate the real impact of the adopted measures.

Under **employability**, the results of the new preventive policies under guidelines 1 and 2 are encouraging. However, the inflows into LTU of young and adult unemployed were 17.3 % and 15.9 % respectively, suggesting there is still room for improvement. In addition, the high rates of no response to the PES convocations call for close monitoring and evaluation in order to improve the overall efficiency of the new programmes.

The number of unemployed persons who were offered vocational training and the number of beneficiaries of the apprenticeship system exceeded the objectives set in the 1998 NAP. The targets set for traineeships as well as for the number of young people in vocational training were also exceeded in 1998.

On **entrepreneurship** particular reference should be made to the achievement of the objective of reducing to 20 days the length of time for setting up new companies.

Some important measures proposed by the Government in 1998 were approved by the Parliament in July 1999, concerning **adaptability**. This is the case of the measure that will allow new part-time workers to keep part of the unemployment subsidy. New contents linked to training and modernisation of work organisation have been introduced in collective bargaining following the 1998 joint statement by social partners. Social partners have been involved in the preparation of the measures recently approved by the Parliament. However, in general, the initiatives of social partners seem to be scarce. In the field of lifelong learning, where Portugal has to undertake a great effort to address the current skills gap, it is doubtful whether State-promoted initiatives will be enough to reach the nationally defined target without much more decisive action directly taken by the social partners. In the field of modernisation of work organisation, more action based on social partnership is necessary in order to increase the still low level of labour productivity in the economy.

Under the **equal opportunities** pillar, the expansion of the pre-school network is a very important step in order to conciliate professional and family life.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	68.9	67.5	66	65.8	61.1
Males	78.3	77.2	75.8	76.7	71.2
Females	59.9	58.6	56.9	55.8	51.1
Full-time eq. Employment rate	64.9	64.8	63.9	63.6	55.7
Males	77.9	78.5	77.8	78.5	70.8
Females	52.5	52.1	50.9	49.9	40.7
Unemployment Indicators					
Total Unemployment Rate	4.9	6.8	7.3	7.0	9.9
Males	3.9	6	6.5	6.1	8.6
Females	6.1	7.7	8.3	8.0	11.7
Youth Unemployment Ratio	5.1	6.7	7.2	6.8	9.3
Males	4.3	5.8	6.7	6.6	9.2
Females	5.9	7.6	7.6	7.0	9.3
Long-term Unemployment Rate	1.9	3.5	3.6	2.8	5.0
Males	1.6	3.0	3.1	2.4	4.2
Females	2.4	4.1	4.3	3.3	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	2.5	1.9	0.7	1.1	1.2
Real GDP Growth	4.0	3.1	3.2	3.5	2.9
Labour Productivity Growth	1.5	1.2	2.5	2.3	1.7
Real Unit Labour Costs	–0.6	–1.4	0.8	–0.3	–1.2

FINLAND

Summary

Finland has overcome the worst economic crisis in its recent history and achieved strong employment growth and a considerable reduction of its overall unemployment rate over the last four years. The total employment rate reached 65.1 % in 1998, and the Finnish objective is to reach 70 % within four years The employment rate for women, especially in the prime age groups, is well above the EU average. Despite this strong performance, the fall in unemployment is slowing down, reaching 11.4 % in 1998, 1.5 percentage points higher than the EU average, and long-term unemployment still amounted to 3.6 % of the labour force in 1998. The employment rates of people over 50 years (55.2 % for men and 50.6 % for women) are clearly lower than those of prime-age workers (although above the EU average) and unemployment among young people, at more than 11 % in 1998, is one of the highest in the Union.

Other key challenges include the high fiscal pressure on labour, and the need for reform of the tax-benefit system so as to increase the incentives for taking up work.

The NAP reflects the strong will of the Government to continue improving employment equally for women and men. Finland has presented a coherent and comprehensive action plan elaborated on the basis of partnership between the social partners and other actors.

Employability: *The Finnish labour market policy reform has contributed to reduce the inflow into* long-term unemployment *both for the young and the adult jobseekers. The priority is to improve the employability of the most difficult groups by reforming taxation and social welfare systems as well as by improving the PES and educational policies. In 1999 emphasis is on reducing long-term unemployment and on preventing bottlenecks. Finland compares well with the other Member States regarding* lifelong learning. *While concrete targets are not set, a clear strategy for lifelong learning is presented.*

Entrepreneurship: *The NAP focuses on reducing the administrative burden on businesses and on job creation. In the* service sector, *the employment gap, when compared with the three best performing countries, corresponds to approximately 320,000 people. To boost the employment potential of the service sector, measures to develop private services, public and welfare services and the information society are introduced. Public R & D investment will increasingly be channelled into the service sector To reduce the* tax burden, *the earned income tax has been cut by 2 % of GDP, and will continue with an emphasis on low-income earners. In addition, a target is set to cut labour taxes by 1.5 % of GDP.*

Adaptability: Work organisation *is modernised through, inter alia, the National Workplace Development Programme, which will be extended. The social partners have committed themselves to further negotiations and are involved in several schemes to develop lifelong learning and to encourage the* ageing work force *to stay in work longer. Further steps should however be taken and incentives developed to keep older workers in the labour force.*

Equal opportunities: *Even if* gender mainstreaming *had a slow start, this approach and the* equality pillar *have been reinforced in the 1999 NAP. The Government will, as a rule, accompany new legislation with an assessment of its effects on gender equality.* The gender gap *between women and men, corresponding to 100,000 jobs, is one of the lowest in EU, but the labour market is highly segregated.*

ESF resources are used to underpin the implementation of the Employment Guidelines and can be explicitly found in the NAP. The ESF is used as an innovative tool.

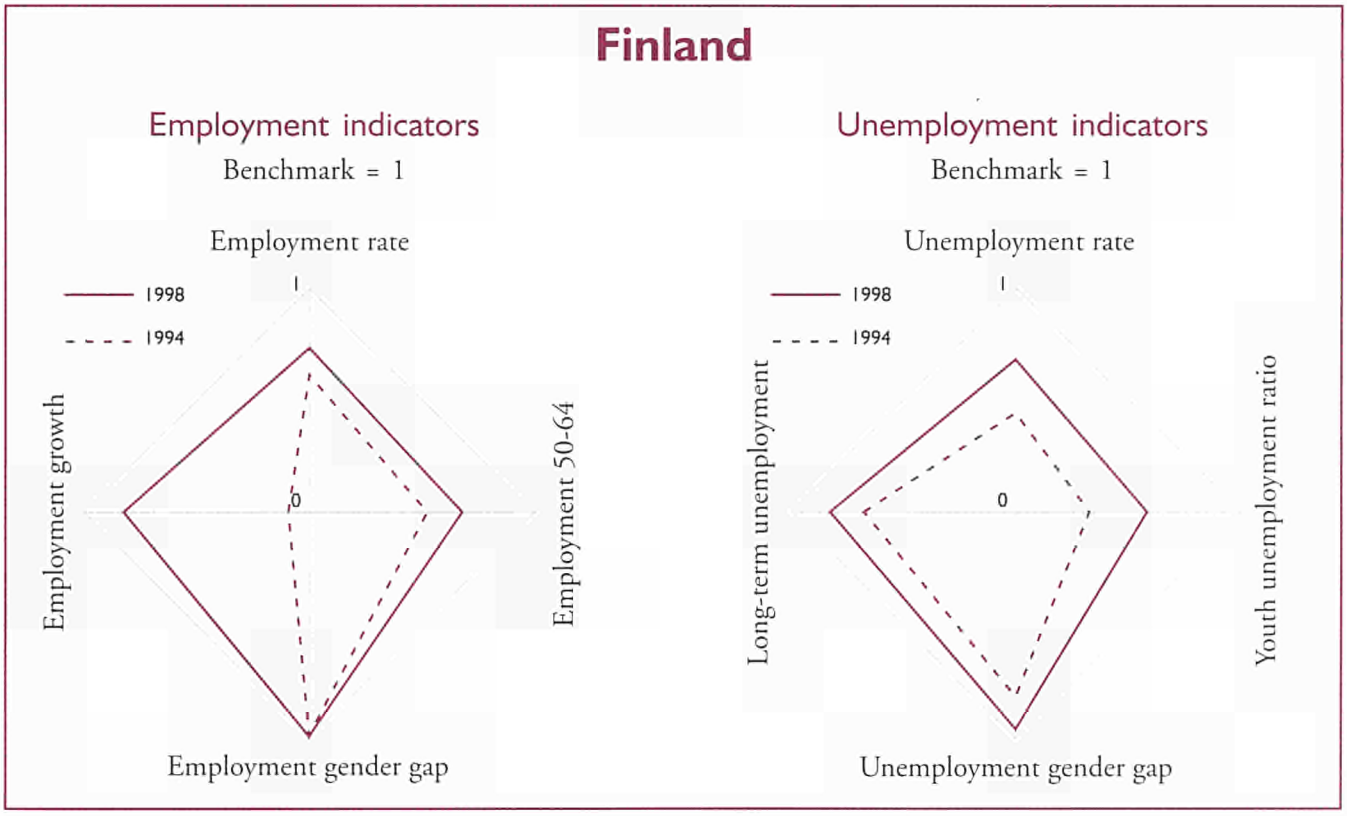
Budgetary allocations *can be found, but not systematically for 1999.* **Indicators** *are provided for the three first guidelines, but should be further developed for the others too.*

1. The employment situation

Real GDP growth in 1998 was 5.6 % which is nearly double the average for the entire Euro area. This positive development has led to an increase in the employment rate from 63.8 % in 1997 to 65.1 % in 1998. A considerable growth in domestic demand as well as in some export sectors (e.g. electronics) is expected in the coming years. The government has set a goal to reach an employment rate close to 70 % within four years.

The public sector has traditionally been a strong provider of jobs in Finland. Due to consolidation in public budget, there have been cuts in municipal services, and especially women's jobs in the health and social services can be under threat. Job creation continues to be strong in the private sector. The relatively high labour market participation of both women and men in the age groups 25-50 is in sharp contrast with the low employment rate of the 50-64 age group, where the employment rate for men was 55.2 % and merely 50.6 % for women in 1998. The total unemployment rate has come down from 16.6 % (1994) to 11.4 % (1998). This is a remarkable achievement, but the unemployment rate is still higher than the EU average. The unemployment rates for women and men have improved evenly. The demand in the labour market is focusing on the young labour force that has the needed skills. Nevertheless, youth unemployment ratio (11.2 %) is one of the highest in Europe.

Public labour market expenditure was 4 % of GDP in 1998, of which 30 % was used for active labour market policies. The expenditure for both total and active labour market policies decreased somewhat since 1997, due to an improved labour market situation.



2. Implementation of the 1998 NAP

The labour market reform constituted probably the most important element in the 1998 NAP. The main objective is to improve the functioning of the labour market and to prevent exclusion. To improve **employability** the reform introduced job-search plans and regular interviews for all registered job-seekers. Active measures covered 30.4 % of the unemployed job-seekers in 1998 with a strong emphasis on training measures.

The NAP includes an ample collection of initiatives related to lifelong learning, but most of them concern the employed labour force. The aim of the 'National Pro-

gramme for Ageing Workers' is to encourage ageing workers to stay longer at work. For the young, 30 % of the vocational training included practical training in 1998.

To ensure balanced economic growth and to increase employment, Finland introduced a national 'Guideline' to prevent recruiting problems. To meet the growing demand for highly trained personnel in electronics and information technology, an extensive training programme was launched in 1998. The volume of training will be increased by 30 %, mainly in the universities and polytechnics.

To boost **entrepreneurship** several steps have been taken to remove obstacles and to promote the establishment of new companies. A fundamental problem has been the high level of taxation. The recent cuts in the income tax, equivalent to 2 % of the GDP, have been funded partly by shifting the focus in the direction of environmental and energy taxes. Employers' social security contributions have been reduced by 0.7 % and directed to smaller companies. According to the NAP, Finland invested almost 3 % of GDP to R & D, with approximately one third coming from public funding. This is one of the highest in the EU.

Under **adaptability**, the Government and the Social Partners made some progress. The incomes settlement for 1998-99 includes an element of wage moderation and a promise to cut income taxes for employees and payroll taxes for employers. The agreement has provided several interesting 'offshoots', and the social partners consider this cooperation useful. To increase flexible arrangements for working hours, the social partners exploited the freedom now granted by the legislation. Personnel training has been developed by initiatives proposed by a tripartite working group.

Under **equal opportunities**, a project to mainstream equality to all government proposals was initiated, but made little progress due to lack of resources. However, the social partners initiated an 'equal work community' project, which aims at devising indicators and methods to assess real equality in the working community.

3. Revision of the NAP in 1999

The 1999 NAP is based on the new Government Programme approved in April 1999. The emphasis is on improving employment, which again calls for ensuring steady economic growth. The goal is to reach an employment rate of close to 70 % within four years.

Under **employability**, the individualised service model will come in force in full by the end of 1999. Active labour market measures will be used to prevent and reduce long-term unemployment, especially targeting men under risk of exclusion. The need for reform of social security and service fees, in order to create incentives for seeking work, is now recognised and is expected to materialise into concrete measures. To prevent recruitment problems, the government and the social partners have agreed to link education and training better to correspond to the anticipated labour market changes. The present high volume of training will not be increased within the next few years, but will be focused on adults, with particular attention on providing them with IT skills. The government has a comprehensive strategy for life-long learning, which seeks to improve the already high levels of participation in education, but the NAP does not set clearly a target for lifelong learning.

New legislation will help people with disabilities to get vocational rehabilitation, and encourage them to seek employment. Moreover, from May 1999 integration plans for all unemployed immigrants will be drawn up.

Under **entrepreneurship**, the NAP proposes continued measures to ease the administrative burden of businesses and to encourage self-employment. The overall investment in R & D remains at least at its current level and will be increasingly channelled into the service sector. Expertise will be supported by investment in innovations. The NAP also contains initiatives to develop private services, public and welfare services and the information society. To reduce the overall tax burden, the Government is committed to continue cutting the income tax and social security contributions, with an emphasis on low-income earners. In addition, there are plans to gradually reduce taxes on labour by euro 1.8 billion (1.5 % of GDP).

To increase **adaptability**, special attention is paid to encouraging people to stay longer at work. Translated into action this means that several schemes will be funded for research and development of the workplace. The social partners have committed themselves to participate.

As to mainstreaming **equal opportunities**, the Government is adopting a practice whereby new legislation is always accompanied by an assessment of its effects on gender equality. Moreover, equality indicators and statistical methods are being developed. Finland has made considerable effort to enable women to enter the labour market, in particular every child has a right to child care which is supported by public budgets. However, the labour market is segregated and measures to break this segregation are limited in the NAP. The possibilities to

guarantee fathers a right to one-month parental leave, and to take parental leave on a part-time basis, are under examination. The *gender mainstreaming* approach has been applied through all pillars, supported by a statistical breakdown whenever possible. The Equality Ombudsman has been actively involved.

The NAP 1999 contains a separate section on *the budgetary effects* with detailed information on how the *ESF* is supporting the NAP. Exact budget figures can be found at pillar level, but also under many guidelines and measures. A precise definition of the indicators used under GL 1-3 can be found in an annex, but indicators are scarce elsewhere.

4. The role of the Structural Funds in underpinning the Employment Strategy

The structural funds play an important role in the implementation of the NAP. A total of 603 Mio euro will be used to implement the ESF programmes in Finland during 1995-1999 (equalling approximately 13 % of all resources used for active labour market policies). The ESF resources are used to underpin the implementation of most guidelines and can be explicitly found in the NAP. The 1999 NAP takes account of ESF action under individual Guidelines, including the new GLs. The ESF is used as an innovative tool to improve and shape the labour market policies and is presented as an important complementary element in the NAP. The contribution from the other structural funds is not available in the NAP.

5. Outcome assessment

In a context of strong economic growth and increased labour demand, ongoing labour market reform has contributed to shorter unemployment spells among the young and the long-term unemployed. According to the inflow and outflow data provided in the Finnish National Action Plan, the inflows into long-term unemployment have been reduced for the young from 9.6 % in 1997 to 9.1 % in 1998, and for the adults from 15.4 % in 1997 to 11.6 % in 1998. However, unemployment is still high and there is a hard-core of unemployed of about 170,000 people (especially older workers), representing about 7 % of the work force. Further efforts are therefore necessary to improve their employment opportunities.

The efficiency of active measures for getting the unemployed persons back to work, is under scrutiny. On average, 44.6 % of those who participated in active measures were unemployed after 3 months. To strengthen the impact of the measures, attention is now focused on improving the quality of the labour market services and on the composition of active measures. Considering the problems of the hard core of long-term unemployed, special emphasis should be given to assessing the efficiency of measures combining training and employment.

As regards the programme for Ageing Workers, positive results could be reported in the Spring of 1999: for the first time since 1993 the employment rate of the 50-59 age group improved.

To allow for a thorough evaluation of the outcome in the **entrepreneurship** and **adaptability** pillars, concrete targets and indicators should be further developed. *Gender mainstreaming* is not proceeding as fast as expected in the 1998 NAP. Finland is one of the benchmark countries in terms of women's employment rate, but the occupational segregation is one of the highest in the Union. This requires a careful assessment on the trade-off between high employment rates and the provision of jobs for women who are mainly in the public sector and services.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	65,1	63,8	62,4	61,2	61,1
Males	68,2	66,9	64,6	62,9	71,2
Females	62,0	60,7	60,2	59,6	51,1
Full-time eq. Employment rate	61,5	60,5	58,7	57,3	55,7
Males	68,2	67,1	63,9	62,0	70,8
Females	54,7	53,9	53,4	52,6	40,7
Unemployment Indicators					
Total Unemployment Rate	11,4	13,1	15,3	16,6	9,9
Males	10,8	12,6	14,9	18,1	8,6
Females	12,0	13,7	15,8	14,9	11,7
Youth Unemployment Ratio	11,2	11,6	12,1	15,6	9,3
Males	11,3	12,2	13,3	17,5	9,2
Females	11,1	11,1	10,8	13,7	9,3
Long-term Unemployment Rate	3,6	4,4	5,1	5,5	5,0
Males	4,2	4,6	5,6	6,3	4,2
Females	3,1	4,1	4,5	4,6	6,0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	2,4	2,7	1,4	2,2	1,2
Real GDP Growth	4,9	5,6	4,1	4,7	2,9
Labour Productivity Growth	2,5	3,0	2,9	2,7	1,7
Real Unit Labour Costs	0,3	–2,5	–1,6	–1,1	–1,2

SWEDEN

Summary

The overall recovery of the Swedish economy spurred by a GDP growth of almost 3 % in 1998 has led to an improvement of the labour market in terms of a higher employment rate, reaching 70.3 % last year and a fall in unemployment to 8.2 % for the same year. The youth unemployment ratio fell by almost 2 percentage points and stands at 7.5 %. The rate of long-term unemployment has fallen, in particular among women and young people. The inflow into LTU, which amounts to 7 % for young and below 10 % for adult, is low in comparison with other Member States. The gender gap in employment widened slightly, but remains one of the narrowest in Europe.

The Swedish NAP, which is a coherent and comprehensive action plan, contains ambitious objectives and targets (a reduction of unemployment to 4 per cent by 2000, an employment rate of 80 per cent and a reduction of the number of people on benefits with 20 per cent by 2004). Considering the relatively large number of unemployed and participants in labour market programmes taken together, strong employment growth is needed for several years if Sweden is to reach the targets. Given some early signs of bottlenecks, the matching process in the labour market needs to be secured through flexibility in training.

Employability: *The labour market policy is well in line with the strategy with the main focus on increasing the education level and putting more emphasis on vocational training. Targets are set for lifelong learning, but only partially. To reduce the stock of long term unemployed a substantial tax reduction is introduced for employers who hire people that have been registered with the PES for a long time. Reforms geared towards an improved incentive structure of the tax and benefit systems are under preparation.*

Entrepreneurship: *The employment rate in the service sector is high in Sweden and exceeds the EU average. Steps have been taken to reduce the administrative burden for SMEs. A tax reform, reducing income taxes with an emphasis on low and middle income earners, is under preparation.*

Adaptability: *The government has launched an initiative, built on the agreement reached last year between the government and the social partners, to upgrade the skills of all employees. This is regarded by the social partners as an important step towards consolidation a lifelong learning approach. The social partners have agreed at sector level on provisions implying that wage increases can alternatively be exchanged for reduced working time.*

Equal opportunities: *The gender gap between women and men, which corresponds to 190,000 jobs, remains one of the lowest within the EU, but the labour market remains highly segregated by sector and by occupation. The introduction of a ceiling on childcare fees has the aim of improving work incentives. The plan includes a coherent strategy of gender mainstreaming.*

The ESF *has underpinned the Employment Strategy even though the fund plays a minor role in total expenditure on active labour market policies.*

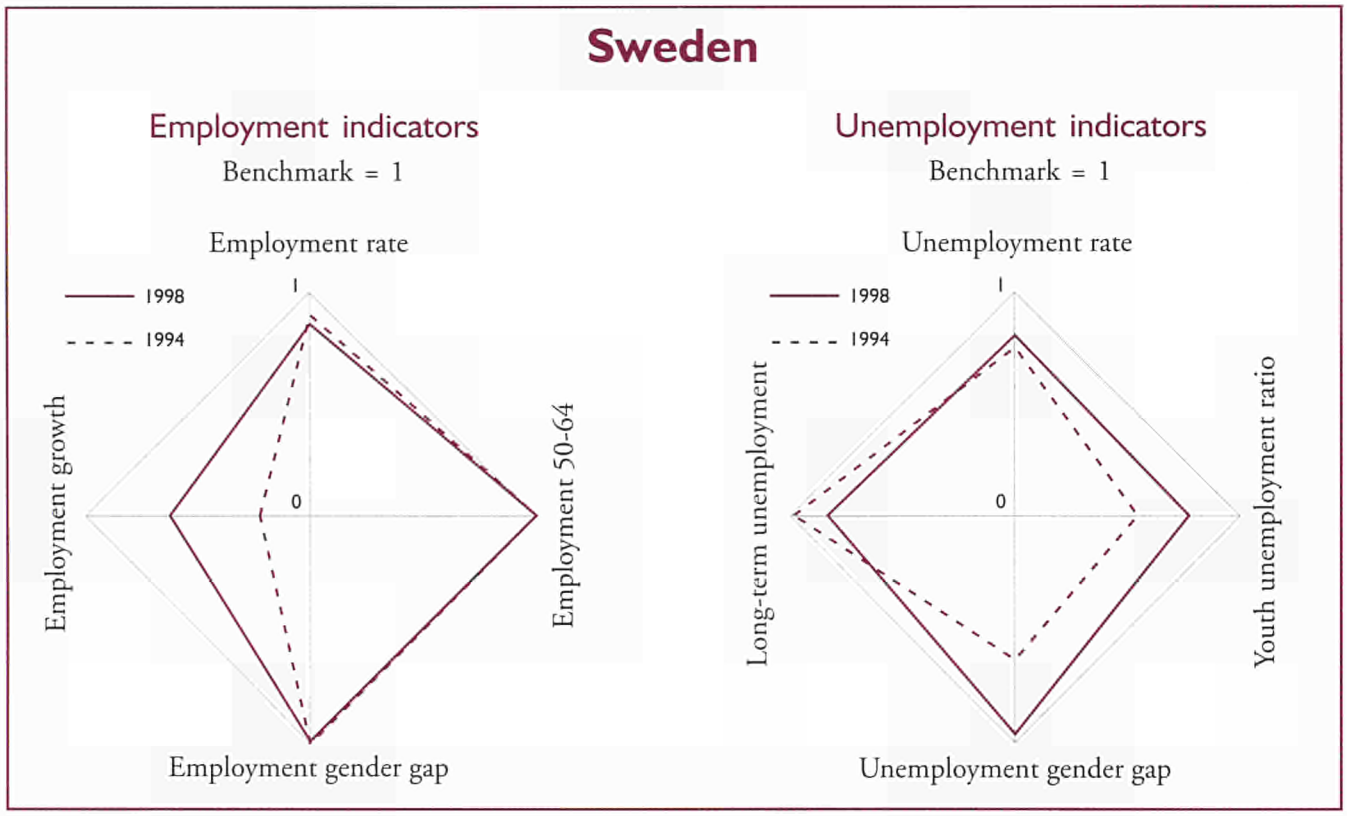
Indicators *can be found for most of the guidelines, but less so in Pillars III and IV. Budgetary information is available for all guidelines but not for single years. Information on contribution from the Structural Funds is not provided.*

1. The employment situation

The objective for the Swedish Government is to halve the unemployment rate to 4 per cent (national statistics) by the year 2000 and to increase the employment rate in the regular labour market to 80 %, for the age group 20 – 64 years old, by the year 2004.The Swedish labour market has during the last year improved quite substantially, with increasing employment and decreasing unemployment, after the deterioration of the labour market during most of the 1990's. This development is a result of the overall improvement of the Swedish economy with GDP increasing by almost 3 % in 1998. The employment rate in Sweden increased by 0.9 percentage points during 1998 to 70.3 %, one of the highest in the Union. While the employment rate among women continued to fall during 1998 [32] (by 0.4 percentage points), it increased substantially among men.

The unemployment rate came down to 8.2 % (1.7 percentage points less than in 1997). The fall benefited especially young people, whose unemployment stands today at 7.5 % (1.8 percentage points less than in 1997). Long-term unemployment, low by EU standards, decreased only slightly during 1998 to 3.3 % of the labour force (0.2 percentage points less than in 1997), according to Eurostat's LFS. For men, however, it remained practically unchanged.

Total expenditure on labour market policies amounted to 3.9 % of GDP during 1998; of this, more than half was spent in active labour market policies. This implies a decline both in total expenditure and for active labour market policies compared with 1997 and is due to the improved labour market situation.



2. Implementation of the 1998 NAP

The **employability** pillar has been adequately implemented. The main challenge was to reduce the number of long-term unemployed, particularly among young people, and to change the direction of labour market policies towards more labour market training and subsidised employment. Progress in implementing the first three guidelines is well in line with the EU-wide operational targets. The input indicator for GL 1 and 2 shows that

[32] This estimate does differ from national figures according to which the female employment rate would have increased by 0.5 percentage points between 1997 and 1998.

approximately 95 percent of both young and adult unemployed start and individual action plan before 6 and 12 months of unemployment respectively. Furthermore, by the end of 1998, 8 % of the unemployed youths registered with the PES were long-term unemployed, i.e. had been unemployed for more than 100 days (national definition), of which 85 % had been offered an education or training scheme. The target to give every youth an activation before they reached 100 days of unemployment has thus been almost fulfilled.

The aim during 1998 was to shift labour market policy towards more labour market training, with special emphasis put on vocational training. The input indicator for GL 3 shows that 50 % of those who where unemployed during 1998 were activated in a training measure. In order to adjust education to local and regional demand for labour a regional competence council has been introduced with representatives from the education system and the social partners in several counties.

When it comes to **entrepreneurship** the main challenge has been to reduce the administrative burden for enterprises, especially SMEs. Several measures in this field were taken in 1998. Among other things a system for an effective evaluation procedure of different business regulatory proposals impact on SMEs have been introduced. Furthermore, a new regional industrial policy was launched with the aim of using existing means more efficiently. This policy consists of an agreement between those agencies working on furthering growth and employment of all levels.

The main challenge to encourage **adaptability**, has been to upgrade the skills of employed within the framework of the Adult Education Initiative. A tripartite agreement was also reached last year for upgrading the skills among all employees. Furthermore, social partners have agreed on a number of collective agreements at union level which implies that wage increases could alternatively be exchanged for reduced working time.

On **equal opportunities**, a special commissioner has been appointed to review the equal opportunities law and to make recommendations on possible changes. The commissioner was given supplementary instructions to analyse issues connected with job evaluation and to assess the need for additional measures on equal pay issues.

3. Revision of the NAP in 1999

To improve **employability** further, a strengthened hiring subsidy will be introduced. A review of the unemployment insurance regime will be carried out during 1999. Employers hiring people who have been registered at the PES for *more than three years* will get a substantial reduction of the total wage cost (within certain limits). A new target for vocational training has been set implying that, by the end of 1999, 70 % of participants should receive a job within 90 days after completing the measure.

A target has been set to reduce the number of people benefiting from different insurance schemes, like unemployment and social benefit, from 1 million in 1997 to 0.8 million in 2004. To increase the incentives for part-time workers to take up full-time work, and to increase their working time availability, a ceiling on child care fees will be introduced from 2001. Sweden has a developed system for life-long learning, integrated in a well defined system for adult education, including substantial resources for labour market training for unemployed people and the right to an education leave. Sweden has set as a target that at least 50 % of those who are 20 years old today should have studied at the university when they are 35 years old.

To upgrade skills further investments are made to increase the number of student places at the university, to extend the Adult Education Initiative, to cover the second half of 2002, with more attention being paid to unskilled men. Every student in a compulsory school will have their own e-mail address, a venture for developing teachers' skills in IT will be carried through and access to the Internet in schools will be improved in order to increase the IT skills. To improve immigrants' labour market prospects additional resources have been allocated to the PES.

On **entrepreneurship** many new initiatives have been launched. A tax reform is being envisaged with the purpose of improving the conditions for growth and employment, while guaranteeing the funding of social welfare. The government aims to reduce income taxes for all wage earners with an emphasis on low and middle income earners. Other initiatives under this pillar include the extension for 6 months of start-up grants under special cases for both men and women, and a special national information campaign to be launched in 1999-2000 with the aim of increasing the knowledge about cooperative enterprises among authorities and other institutions.

On **adaptability**, the Government has suggested a scheme for increasing the skills among all employees during the years 2000–2002, based on a the tripartite agreement reached last year. The government intends to finance the reform partly with the new ESF Objective 3.

Concerning **equal opportunities** between women and men this strategic objective is incorporated within all policy areas and at all policy levels. Whereas gender gaps in employment, unemployment or educational attainment are already small, the new policy objectives in this area concern the promotion of career prospects for women, the reduction of segregation and the promotion of female entrepreneurship.

The *horizontal issues* have been taken into account under those guidelines where it is appropriate. The *social partners* have been involved in the process of producing the NAP 1999, and have agreed to cooperate on a tripartite basis. *Budgetary information* is available for all guidelines but not for comparison between single budget years. Budgetary information from the Structural Funds is not provided. *Indicators* can be found for most of the guidelines under pillars I and II but not under the adaptability and equal opportunities pillars.

4. The role of Structural Funds in underpinning the Employment Strategy

The Structural Funds play a relatively minor role in underpinning the Employment Strategy in Sweden (approximately 3 percent of active labour market policy). Most schemes supported by the Structural Funds have concentrated on innovative measures. Most schemes aim at increasing the self confidence among people that have been unemployed for several years. The schemes have in many cases been directed to improve the IT skills and in some cases, under Objective 4, to increase the knowledge among SMEs to use new technology. Many good examples can be found in the NAP.

5. Outcome assessment

On the **employability** pillar Sweden has reached the three EU-wide operational targets. According to the data provided for the output indicator, only 3.9 % of the youths and 5.3 % of adults becoming unemployed at one point in time lap into long-term unemployment 6 and 12 months later, respectively. However, the 'carrousel' effect between unemployment and active labour market measures remains for a sizeable share of the participants (especially for the young and immigrants). According to the data provided for the output indicator of guideline 3, 1/3 of the participants in active measures return to unemployment 3 months later. The strengthened hiring subsidy that will be introduced aims to reduce this vicious circle, by providing a job opportunity for those with more than 3 years of registered unemployment. Such a measure requires careful monitoring, in order to avoid creating disincentives for long-term unemployed people to take up work in the period preceding the 3 year point.

Given some early signs of bottlenecks in the labour market, the matching process needs to be secured to avoid upward wage pressures and loss of momentum in economic recovery. For this reason it is important that the number of places in the adult education system allows for flexibility in order to meet the increasing demand for skilled labour.

The labour market situation for immigrants has to some extent improved but the employment rate for many immigrants still remains very low. The IT venture that has been worked out in cooperation with the Federation of Swedish Industries shows that 70 % have obtained a job after completing the measure. The share of non-Nordic immigrants among the participants could be improved to be brought more closely in line with their share of unemployment.

Even though Sweden has several measures that underpin the life long learning approach, the approach should benefit from one coherent strategy, one single target and one indicator.

The unemployment insurance regime has been reviewed several times during the nineties without any major changes. The on-going review, as well as the planned reduction of income taxes for low and middle income earners, is intended to provide increased incentives to take up work. Under the **entrepreneurship** pillar the effort to reduce the administrative burden for SMEs has been successful.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	70.3	69.4	70.3	71.4	61.1
Males	73.2	71.1	71.9	72.2	71.2
Females	67.3	67.7	68.7	70.6	51.1
Full-time eq. Employment rate	62.8	61.8	62.3	63.5	55.7
Males	70.0	68.2	68.8	69.7	70.8
Females	55.3	55.2	55.7	57.0	40.7
Unemployment Indicators					
Total Unemployment Rate	8.2	9.9	9.6	9.4	9.9
Males	8.6	10.2	10.1	10.8	8.6
Females	7.8	9.5	9.0	7.8	11.7
Youth Unemployment Ratio	7.5	9.3	9.4	11.5	9.3
Males	8.0	9.7	9.9	13.1	9.2
Females	7.1	8.8	8.9	9.9	9.3
Long-term Unemployment Rate	3.3	3.5	2.9	1.6	5.0
Males	3.9	3.8	3.5	2.0	4.2
Females	2.7	3.1	2.2	1.2	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	1.4	–1.0	–0.6	0.3	1.2
Real GDP Growth	2.9	1.8	1.3	2.5	2.9
Labour Productivity Growth	1.4	2.9	1.9	2.1	1.7
Real Unit Labour Costs	2.6	–0.2	3.5	0.7	–1.2

UNITED KINGDOM

Summary

The UK's employment performance remains favourable in relation to the EU average. Total employment rose by 330,000 in 1998, and the employment rate from 70.8 % to 71.4 %. Employment rates are higher than the EU average for both men (78.5 %) and women (64.1 %). Unemployment fell from 7.0 % in 1997 to 6.3 % in 1998, and rates for women (5.5 %) remain lower than for men (7 %). At 2 % the long-term unemployment rate is below the EU average. The employment rate in services at 50 % is the third highest in the Union. The employment rate of older workers, at 59 %, is also the third highest in the Union.

Against this relatively favourable background in the EU context, the UK labour market continues to display a significant share of young people, especially males, out of work or education, persistent pockets of long-term unemployment and/or inactivity among older people, ethnic minorities, lone parents and deprived communities, and low average labour productivity.

The 1999 National Action Plan presents a more coherent approach than last year, demonstrating greater cooperation between relevant departments and a more substantial contribution of social partners. The NAP places emphasis on employability, setting out a strategy to increase employment through tackling inactivity and unemployment.

Under the ***employability*** *pillar the UK has made significant progress in reducing* youth unemployment. *However, in 1998, 18 % of the youth unemployed drifted into* long term unemployment. *The UK has also made significant progress in reducing long-term unemployment but the policies addressed to* preventing adult long-term unemployment *rely almost exclusively on job search for all up to the 24-month point. The average inflow into long term unemployment of 12 % of the adult unemployed last year still shows room for improvement. This year's NAP shows a wide range of* lifelong learning *initiatives with ambitious targets to meet current skill weaknesses of the labour force, but actual implementation tends to be slow.*

On ***entrepreneurship****, the UK is one of the best three performers in terms* of employment in the service sector, *and this sector continues as the engine for employment growth. There is continued progress on tax and benefit reforms, which address inactivity and not just registered unemployment. Reform also concentrates on reducing the* tax burden *for small business, and simplifying start up procedures. Devolution has brought considerable powers to Scotland, Northern Ireland, Wales, and to a lesser extent the English Regions which will impact on this pillar,* ***adaptability****, and on the future operation of the Structural Funds.*

On ***adaptability*** *there is evidence that concrete steps have been taken to reinforce security while maintaining* flexibility. *However, there are few clear signs of specific actions from the Social Partners to modernise work organisation. The NAPs needs to demonstrate a balance between in-company training and policies to stimulate the individuals involvement in lifelong learning and show how this will deal with the low level of basic and intermediate qualifications, and low labour productivity.*

On the ***Equal Opportunities*** *pillar, the UK has employment levels for men and women above the EU average. Reforms to deal with the UK's lack of childcare provision and encourage parents, especially lone parents, to return to work should contribute to reducing a* gender gap in employment of just over 3 million jobs. *The Minimum Wage is beginning to help low paid women. However, more effort could be placed on dealing with the gender stereotyping by occupation or the large gender pay gap. The UK has a systematic and coherent* gender mainstreaming *approach in place.*

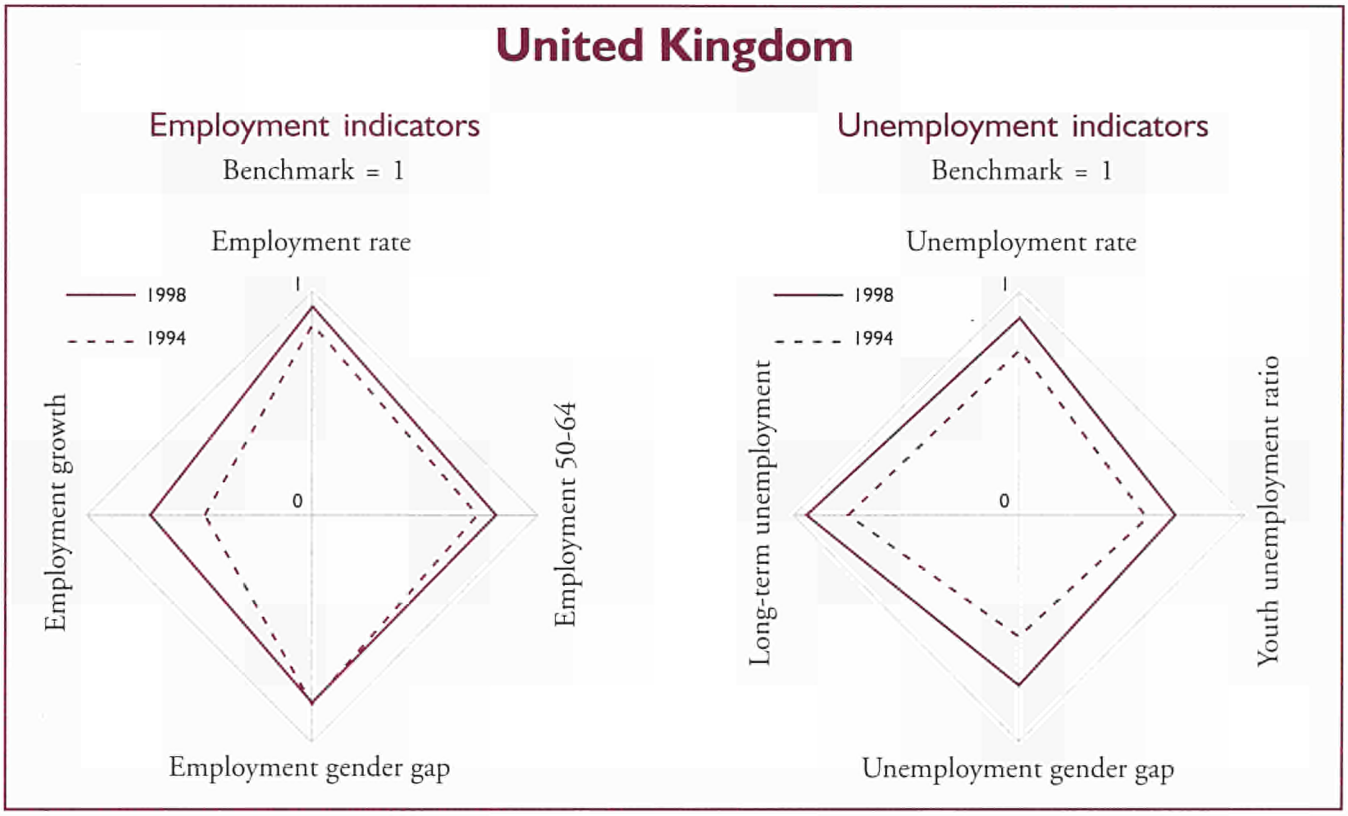
There is more ***ESF*** *input into this year's National Action Plan.*

On the ***indicators****, further clarification is needed on whether the UK complies with the 20 % target for guideline 3. The nature of some job search schemes needs to be reassessed in the light of this guideline. Indicators are provided for the other guidelines. Monitoring of the NAP still remains at the level of the Individual programmes.*

1. The Employment Situation

UK employment continues to grow at a rate above the EU average, rising by 330,000 in 1998 to bring the total employment rate from 70.8 % to 71.4 %. Employment rates are higher than the EU average for both men (78.5 %) and women (64.1 %). The growth in women's employment continues to outpace that of men (due to increases in both part-time and full-time employment). The full-time equivalent employment rate increased in 1998 and is higher than the EU average for both men (77 %) and women (44.4 %), but the gender gap is particularly high. The employment rate for older workers, at 59.2 % is one of the highest in the Union. The employment rate in services, at 50.4 %, is the third highest in the Union.

Unemployment fell from 7.0 % in 1997 to 6.3 % in 1998, well below the EU average. Unemployment rates for women (5.5 %) remain lower than that of men (7 %). At 2 %, the long-term unemployment rate is diminishing and half the EU average. The problem is to an extent concentrated amongst male older workers, ethnic minorities, lone parents and the disabled and within a small number of deprived communities. Male youth unemployment (10.7 %) also exceeds the EU average.



2. Implementation of the 1998 NAP

On **employability** the NAP shows how the spectrum of labour market policies maintain the UK's rapid re-employment in the early stages of unemployment and meet the preventative approach. The key is the Job Seekers Allowance (JSA) regime which together with the employability measures of the ES, ensure all JSA claimants receive a compulsory series of interventions (fortnightly interviews, job placements, action plans) from day one of unemployment, designed to prevent the slip into long term unemployment. The New Deals for Young People and for Over 25's have been running for over a year, remaining the cornerstone of the activation approach.

For guidelines 1 and 2 the NAP has provided input indicators. The NAP argues that the individual action plans agreed under the JSA regime mean that all registered unemployed receive an action plan before the 6 or 12 month point. The 100 % compliance rate is for the claimant unemployed and is linked to strict benefit sanctions. Most actions are a series of interviews for job placement. For guideline 3 the indicator has been incorrectly recorded and there are conflicting views concerning the inclusion of some schemes which are, in the Commission's estimation, restricted almost entirely to job search. If these are excluded, it is unclear whether the UK reaches the 20 % target. The existing guideline 3 indicator is not broken down by gender.

Recent **entrepreneurship** initiatives concentrate on removing financial and administrative barriers to setting up and running small and medium sized enterprises, and on taxation reform. Devolution of powers to Scotland, Wales, Northern Ireland and the English regions will have a significant impact in this pillar. The English Regional Development Agencies, Northern Ireland and the devolved administrations, have all been given responsibility to develop a regional strategy to increase skills and stimulate job creation.

On **adaptability** the NAP refers to the key role the Social Partners expect to play in jointly taking forward the European social partner agreements. Both Social Partners emphasise the need to balance flexibility with security. The NAP argues that the UK labour force regulation is already very flexible and there is little need for further intervention to introduce more flexible contracts. Recent interventions (Employment Relations Bill, Minimum Wage Act) concentrate on increasing the security of workers.

On **equal opportunities**, the Minimum Wage Act began in April 1999. Taxation reforms have been introduced to help parents, especially lone parents, meet childcare costs and move into work. The UK has a problem with workless lone parents and the NAP reports on initiatives like the New Deal for Lone Parents, and tax credits, which try to address the problem.

3. Revision of the NAP in 1999

On **employability**, the various New Deals have been extended to a number of groups, for partners of the unemployed and for older workers. The Single Work Focused Gateway is currently being piloted and will re-enforce the preventative approach. It is intended to provide a single point of access for all benefits. New benefit recipients will have a personal advisor to help them back into work. This is the major measure designed to address inactive persons and not just the registered unemployed.

In addressing the new guideline 4 the UK government has introduced tax and benefit reforms in order to increase incentives to work and move off benefit (registered unemployment and other benefits). The introduction of a 10p starting rate of income tax, taxation reform towards in work support for the low paid through both the Working Families Tax Credit (WFTC) and the Disabled Persons Tax Credit, and the minimum wage are designed to 'make work pay'.

For guideline 6, the UK places increasing emphasis on life long learning. Initiatives like the University for Industry and Individual Learning Accounts are intended to stimulate both demand and supply. The UK has plans for a network to develop life long learning and has set ambitious targets with a relatively short timetable (to be reached by 2002) to address the labour force problems of low basic and intermediate skills.

On guideline 9 the UK government believes in mainstreaming policies to ensure equality for all disadvantaged groups. Guidelines have been issued to ensure all Government policy is governed by this principle. There are also a number of specific policies to help the disabled, ethnic minorities, and other disadvantaged groups.

On **entrepreneurship**, the NAP sets a growth strategy for the IT sector, which concentrates on removing barriers to electronic commerce, encouraging investment in IT, and ensuring the workforce and the young are sufficiently educated in the area. Many policies in the UK, like the Single Regeneration Budget and Employment Zones, amount to job creation schemes, through the creation of intermediate labour markets.

The **adaptability** pillar is low key in tone, but does contain a shift of emphasis towards reinforcing security while maintaining flexibility. The Government, in consultation with Social Partners, intends to extend statutory rights to workers without traditional contracts of employment who are not covered at present. Social Partnership mechanisms in the UK are different from most of the E.U. countries, with agreements often made at company and local level, rather than national. Future NAPs should reflect this situation by providing concrete examples of social partnership involvement or of autonomous agreements on their part to modernise work organisation. Under **equal opportunities** this year's NAP contains measures to boost the provision of childcare, and the development of a clear childcare strategy, a policy area which has been traditionally weak in the UK. The WFTC contains a credit to assist towards meeting childcare costs. Local childcare strategies are designed to match the provision of childcare with the local labour market.

4. The role of the Structural Funds in underpinning the Employment Strategy

There is significantly more ESF input in this years' NAP, indicating where ESF contributes to the NAP objectives. For example, the ESF has been used to extend the period of work experience of New Deal beneficiaries; in a number of cases this involves bringing forward the point at which individuals start on the scheme so that it complies with the preventative approach. There is lit-

tle mention of the contribution of ERDF. There is no mention of the future role of the Structural Funds in under-pinning the NAP.

5. Outcome Assessment

Early evaluation of the New Deals for Young People and for those aged over 25 suggests these programmes are beginning to reduce the stock of, and flow into, long-term unemployment. However, the output indicator for guidelines 1 and 2 indicates that 18 % of youths and 12 % of adults cross respectively the 6 month and the 12 month thresholds. These figures are still higher than those achieved by the best performing countries in the Union, in the range of 5-10 %. If the New Deals achieve the UK Government's stated objective there will be no registered very long-term unemployed (over 24 months). However, current policies for the prevention of adult long-term unemployment over-rely on job search for all up to the 24-month point. With the exception of specific groups which are targeted for earlier entry to the New Deals, the UK does not offer earlier action to individuals who may present higher risks of becoming long-term unemployed. The Commission will watch developments with interest, and awaits the evaluation and policy recommendations of the New Deals and the New Deal pilots intervening at 12 and 18 months.

On guideline 5 the contribution of the Social Partners displays good intentions but the NAP shows little evidence of specific agreements or actions. For life long learning the UK displays a wide-ranging policy reform and the setting of ambitious targets. However, policy tends to mainly hold the individual responsible for learning and is less coherent on how to support systems on different levels (firm, local, regional). In addition all initiatives seems to have a very long lead in period before they are introduced with a reluctance to mainstream pilot initiatives.

The **entrepreneurship** pillar places emphasis on local and regional measures for job creation but the range of policies is not well reflected in the NAP. Devolution of power to Scotland, Wales, Northern Ireland and to a lesser extent the English RDA's will have a critical impact on this pillar. The UK will need to illustrate how this devolution will help to provide an integrated regional strategy across policies and within regions to deal with skill needs, entrepreneurship, regional development and the delivery of the Structural Funds.

In recognition of the long-standing problem of lower labour productivity levels in comparison to the UK's major competitors, a national strategy was launched, which is embodied in the Competitiveness White Paper. However, in the **adaptability** pillar of the NAP, there is little evidence of how the Human Capital dimension of this pillar, i.e. appropriate skills for a flexible and adaptable workforce, will be tackled. There is a need to complement Individual Learning Accounts and the University for Industry with policies to increase in-company training, as well as a need to promote Social Partner initiatives to improve the conditions for in-house training, or indeed to modernise work organisation.

On the **equal opportunities** pillar the Minimum Wage Act, introduced in April, has started to benefit women who are over represented amongst the lower paid. However, the gender wage gap in the UK may need reinforced action to fight it. The New Deal for Lone Parents remains voluntary and take-up is low. The NAP provides little hint of strategies to remove 'glass ceilings' preventing the development of women's careers and gender stereotyping by occupation. Gender Mainstreaming has begun to be applied in the NAP. The Women's Unit within government is responsible for the monitoring of all new policy to ensure that gender issues are fully considered.

This year has seen increased consultation on the NAP with Scotland, Wales and Northern Ireland and a closer involvement of Social Partners and national NGOs. However, the contribution of Social Partners are still too much focused on a few aspects of the NAP. Formal consultations with the English regions will be increased next year, once they are established.

The NAP presents a clear timetable for the implementation of new measures and budgetary commitments, including for ESF, are extensively provided. Monitoring of the NAP has improved but still remains at individual programme level where detailed monitoring and evaluation procedures are in place. Adequate resources need to be devoted to an integrated monitoring of the NAP, including the provision of appropriate stock data broken down by gender for the common indicator on guideline 3.

Employment Indicators	Annual data 1998	1997	1996	1994	EU 1998
Total Employment Rate	71.4	70.8	69.8	68.8	61.1
Males	78.5	77.7	76.4	75.5	71.2
Females	64.1	63.9	63.1	62.0	51.1
Full-time eq. Employment rate	60.9	60.3	59.5	58.9	55.7
Males	77.0	76.3	75.4	74.9	70.8
Females	44.4	44.2	43.5	42.7	40.7
Unemployment Indicators					
Total Unemployment Rate	6.3	7.0	8.2	9.6	9.9
Males	7.0	7.8	9.5	11.2	8.6
Females	5.5	6	6.5	7.5	11.7
Youth Unemployment Ratio	9.1	9.4	10.2	11.2	9.3
Males	10.7	11.2	12.5	13.8	9.2
Females	7.3	7.6	7.7	8.5	9.3
Long-term Unemployment Rate	2.0	2.7	3.3	4.4	5.0
Males	2.6	3.6	4.4	5.8	4.2
Females	1.3	1.6	1.8	2.5	6.0

Employment related Economic Indicators	Growth rates 1998	1997	1996	1994-98	EU 1998
Total Employment Growth	1.0	1.7	0.9	1.2	1.2
Real GDP Growth	2.3	3.5	2.6	2.8	2.9
Labour Productivity Growth	1.3	1.8	1.7	1.6	1.7
Real Unit Labour Costs	1.6	0.2	–1.1	–0.1	–1.2

European Commission

Employment Policies in the EU and in the Member States - Joint Report 1999

Luxembourg: Office for Official Publications of the European Communities

2000 — 154 pp. — 21 x 29.7 cm

ISBN 92-828-9289-1

Price (excluding VAT) in Luxembourg: EUR 15

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