

The Joint Employment Report 1997  
&  
the 1998 Employment Guidelines

**Employment & labour market**

Employment & social affairs



European Commission

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**European Commission**  
Directorate-General for Employment, Industrial Relations  
and Social Affairs  
Directorate V/A/2

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## **EXECUTIVE SUMMARY OF THE JOINT EMPLOYMENT REPORT 1997**

### **1. THE JOINT REPORT: FROM THE ESSEN EMPLOYMENT STRATEGY TO THE NEW TREATY OF AMSTERDAM**

The Joint Report reviews progress by Member States in implementing the Essen strategy for employment, and identifies the practices which have shown themselves to be most effective in Member States in promoting employment and tackling unemployment.

The Joint Report is based upon the information provided by Member States on the implementation of Multi-annual programmes for employment, and the replies by the Heads of Government to the request made by Prime Minister Juncker. In addition, the report makes use of common macroeconomic and employment indicators and examines the possibilities of a more effective evaluation of labour market and employment policies.

The substantive evidence on policies and best practice provided in this report serves to underpin the forward-looking Guidelines for Employment Policy which the European Council is due to discuss for the first time, in line with the provisions of the Draft Treaty of Amsterdam.

The EU has an integrated strategy for growth and employment based on a combination of a stability-oriented economic policy and structural policy measures. These are necessary instruments in order to ensure a sustainable high level of employment and prosperity.

## 2. THE EMPLOYMENT AND ECONOMIC CONTEXT: BRIGHTER SIGNS BUT UNEMPLOYMENT STILL TOO HIGH

The macroeconomic policies pursued in recent years in the EU - based on stability-oriented monetary policies, budgetary consolidation and wage moderation - are starting to bear fruit. After the poor performance of the EU economy in the past five years, the macroeconomic situation is improving substantially. Despite an unsustainable unemployment situation, Europe has now a clear window of opportunity: the policies implemented in the last few years have led to a remarkable nominal convergence between EU countries: the stability objective underpinning the EMU project is becoming a reality.

The average inflation rate in the EU is currently below 2%, lower than at any point in the past 35 years, with a drop of three points compared to 1991. A similar achievement has been attained in long-term interest rates. Progress has also been attained regarding the budgetary positions of governments. The current convergence represents a good basis to undertake the necessary efforts required to meet the targets of the Stability and Growth Pact, which will moreover be essential for a well-functioning EMU as well as for long-lasting, strong and employment-creating growth.

The Autumn economic forecasts of the Commission services confirm that a strong recovery is on track - in the EU as a whole, the pace of economic growth is expected to reach 2.6% in 1997, accelerating to around 3% in both 1998 and 1999. The acceleration in real GDP growth is expected to result in a cumulative net creation of 3.8 million jobs over the next three years.

This encouraging growth performance will, however, not restore the job losses of the early 1990s, or produce the rate of expansion of jobs which is needed to provide employment for the majority of the unemployed. The unemployment situation will therefore remain a matter of great concern, despite positive developments in some Member States. Average unemployment in the whole of the Union increased again in 1996 to 10.9%, and is expected to decrease only slowly to 9.7% in 1999, reflecting insufficient job creation in the face of the increase in the labour force. Long-term unemployment remained firm at the high level of 5.2% of the labour force, after a steady increase since 1992. Youth unemployment is still a major problem, as the current tendency is for young people to be unemployed at twice the rate for adults.

Sustained job creation has to be achieved through a sound macroeconomic policy-mix, supported by well functioning and open markets. While the completion of the Single Market and some reforms in national employment systems point in the right direction, bold structural reforms, especially of service and labour markets, still need to be implemented in most Member States, in order to remove existing constraints to higher growth and increase employment opportunities. In this context, it should be borne in mind that labour market regulations, wage-setting procedures and social protection systems differ among the Member States , and thus have differing impacts on labour market performance.

**3. ASSESSING THE IMPLEMENTATION OF THE ESSEN STRATEGY: ARE CURRENT EFFORTS SUFFICIENT, CONSISTENT AND EFFECTIVE ?**

As regards the implementation of structural reforms, Member States have made considerable efforts in recent years. The reports on the implementation of Multi-annual programmes show that there are many new policies, initiatives and projects, and the present Joint Report pinpoints a few of them which can be considered as examples of good practice on the basis of the existing evidence.

However, in order to assess whether the Union and the Member States are on track, and what further changes, if any, in the policy stance are considered necessary, these various policies should fit into a clear, explicit, long-term strategy targeted at well-defined policy goals. Furthermore, the social partners should provide an important contribution to the improvement of the employment situation in the EU. They bear much of the responsibility for ensuring an employment-oriented wage policy, the modernisation of work organisation and of working time rules, and a fair balance between flexibility and protection.

Such efforts made over the last few years have been particularly evident in the following fields :

- o Wage moderation has prevailed in most Member States, and this has contributed to a reduction of unit labour costs in real terms.

- o Many Member States are increasing their efforts to upgrade their education and training systems and thus provide young people with a minimum level of education and training. In many countries, apprenticeship and "alternance" schemes are being expanded, reflecting increasing recognition of the importance of vocational training and of linking education with the workplace, while in others well established systems are undergoing revision to adapt them to new challenges.
- o Labour market regulations are being adapted everywhere to allow for the development of new practical models of integration into work and of organisation of working time, coping with new ways of production and workers' needs. A close involvement of social partners at all levels, in accordance with national traditions, has an important role to play in the search for feasible solutions.
- o Many job creation initiatives have been launched, mainly at the local level, and often with experimentation objectives, which offer great potential, although it is still too early to draw conclusions about their effects. Local employment initiatives and territorial pacts bringing together all actors involved at local and regional levels, in a broad partnership approach, are proving particularly effective. New sources of jobs need to be exploited much more decisively, especially by encouraging private initiative, and with more clearly defined policy objectives, particularly as regards services to households and to local communities.
- o The capacity and role of the employment services in ensuring the smooth functioning of the labour market are being strengthened, namely through reforms aimed at a more decentralised structure and a more customer-oriented approach. Yet, the capacity and market penetration of employment services is still too limited in many Member States to respond adequately to the needs of jobseekers and enterprises. Full exploitation of the possibilities of new information and communication technologies should enhance the capacity of employment services to ensure their tasks.

However, stronger structural reform is needed, particularly in the following areas :

- o Progress in shifting resources from passive to active measures has been slow, as insufficient attention has been given to the restructuring of labour market policy expenditure and support schemes.
- o Few Member States have undertaken a thorough overhaul of tax and benefit systems in order to make them more employment-friendly. Instead, most have tended to adopt ad hoc and temporary cost-cutting measures, the effect of which in the long term is difficult to assess.
- o Actions to help the long-term unemployed are widespread but fragmented, and more ambitious measures, including efforts on the part of employers and trade unions, will be needed if significant progress in the prevention of long-term unemployment and the re-integration of the long-term unemployed is to be achieved. In particular, there seems to be lacking in most cases a systematic effort to break long spells of unemployment with work experience or training in order to increase employability.

- o A large proportion of young people still encounter considerable difficulties in their transition from school to employment. Although such difficulties are becoming more general, they are particularly acute for early school-leavers and young people with only basic qualifications. Poor performance in integrating young people into the labour market in many Member States suggests an insufficient development of targeted programmes, combining work experience and training, as well as persistent deficiencies as to the number of jobs created by enterprises.
- o While the importance of the promotion of equal opportunities as a means of improving the employment and participation rate of women in the Union is being recognised, current efforts are clearly insufficient as regards the integration of the equal opportunities objective into mainstream employment policy. This is reflected in the fact that no examples of best practice in this area have been put forward by Member States.
- o Unequal conditions persist in access to life-long learning, reflecting low schooling levels among workers, and precarious links to employment. In particular, the quality of continuous training, the low number of places made available to the unemployed and the insufficient development in training in SMEs are a matter of concern. Also, life-long training is not yet sufficiently integrated in national policies, or reflected in the arrangements concerning work organisation and working time, as well as in social protection systems.

#### **4. BEST PRACTICES: SPECIAL EFFORTS TO PROMOTE ENTREPRENEURSHIP, EMPLOYABILITY AND ADAPTABILITY**

The Joint Report describes in a summarised way 14 examples of "best practice" drawn from a total of more than 60 suggestions from national governments, on which there is evidence suggesting both good practical results and potential for application by other Member States. Evaluation results suggest, however, that there are few undisputed successes in employment policy, and that the transfer of policies between Member States should be accompanied by careful examination of the institutional and economic context.

The examples of "best practice" cover three key areas of action:

- I. **Stimulating entrepreneurship and increased job creation**, through targeted support to starting up new businesses, innovative employment schemes and the setting up of a favourable framework for employment growth :

- A. Promotion of job creation in "intermediate labour markets". Small-scale schemes combining work experience and training in socially useful activities with a strong local base have shown more positive results in terms of re-integration of disadvantaged groups on the labour market without displacing jobs elsewhere.

B. Promotion of enterprise creation by young entrepreneurs and the self-employment of unemployed persons. The effectiveness of start-up grants, which continue to enjoy wide popularity in many Member States, can be improved by providing specific training in combination with finance and appropriate feasibility assessment.

C. Reduction of the tax burden on labour and progressive structure of social security contributions. By reducing the cost of employment of those with relatively low earnings potential, the fiscal system can improve the opportunities in employment of a group within the labour market at high risk of unemployment due to their perceived lower productivity.

D. Wide-ranging tripartite agreements covering wage settlements, as well as broader economic, employment and social welfare issues. Recent examples show that such agreements can play a decisive role in promoting strong economic growth and employment creation. An increasing number of countries have recently adopted negotiating procedures inspired by those examples.

**II. Improving the employability of the workforce through more effective active policies and institutional reform shifting the focus from passive income support to integration in work :**

A. Activation of labour market policy and individualised service to the unemployed. By shifting the policy focus from passive income support to active measures such as job-training and education, and providing individual guidance to the unemployed in their search for work, activation-oriented reforms can contribute to a significant decline in unemployment, while ensuring a more efficient matching between job vacancies and job seekers.

B. Re-integration of workers affected by industrial restructuring. By providing a bridge between the previous and the future job without going through a period of unemployment, programmes of reinsertion enhance the probability of redundant workers being reemployed without loss of wage income and improve the social acceptability of industrial restructuring.

C. Activation policies for the young unemployed. An increasing number of countries are offering the young unemployed an alternative to welfare in the form of work or training, at an early moment of their unemployment spell. Evaluation results tend to show that such policies are effective in curbing the number and the duration of unemployment for disadvantaged young people.

D. Well-resourced and integrated public employment services. Well-resourced and integrated employment services at appropriate levels are a necessary condition for an effective use of active labour market policies in tackling unemployment, particularly among the most hard to place.

E. Dual-training system. Offering to a sizeable share of the young population integrated programmes comprising school and on-the-job training in recognised occupations, has ensured a smooth transition to regular employment and the development of firm-specific as well as general skills in the labour force. The system has been consistently associated with relatively low youth unemployment.



- F. **Workshop Schools.** Aimed at integrating young school leavers with few or no qualifications, these training and employment programmes have the advantage of offering an immediate occupation to a group at high risk of unemployment, while at the same time contributing to the maintenance of traditional crafts and of a regionally balanced distribution of job opportunities.

**III. Promoting and encouraging the adaptability of the workforce and enterprises through the modernisation of the organisation of work and working time and the strengthening of investment in human resources.**

- A. **Job rotation schemes.** These schemes provide temporary work experience and training to unemployed persons while they replace employees who are given paid leave to participate in further training. Their increasing popularity is justified by their meeting simultaneously the needs of enterprises, unemployed persons and employed persons wishing to upgrade their skills.
- B. **Promoting greater flexibility in the organisation of working time.** The report indicates that, in addition to reforming the legal framework, some countries have encouraged the social partners and enterprises to conclude agreements to maintain or to create jobs or in respect of working-time arrangements.
- C. **Promotion of training in SMEs.** By offering technical assistance to managers of micro and small enterprises, this programme aims at strengthening their managerial know-how, increasing the access of workers to continuous training and creating jobs for young graduates.
- D. **Flexibility and security in employment.** Progressively adapting the regulatory frameworks on employment protection and on working time, and giving more rights to those on part-time and fixed-term contracts, has contributed to expanding job opportunities while maintaining reasonable protection levels. The devolution of responsibility for working time arrangements to the social partners is a crucial element of a greater flexibilisation of the labour market.

In general, the reports on Multi-annual Programmes suggest a deficit in evaluation research, which hampers progress in policy design and a more effective dissemination of good practice across Europe.

A more systematic evaluation of policies, in the context of a global cost-benefit analysis using indicators and benchmarks, is a crucial element in the development of a coordinated and cost-efficient employment policy. Harmonised information, including comparable statistical data is a pre-requisite for further progress in the assessment of policies.

# **JOINT EMPLOYMENT REPORT 1997**

## **MAIN REPORT**

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## 1. INTRODUCTION

This Joint Employment Report examines recent developments in employment policies, principally on the basis of submissions made by Member States and their Multi-annual employment programmes. In addition, the Report draws upon the examples of "best practice" which the Heads of Government have indicated in reply to the request formulated after the European Council of Amsterdam by Prime Minister Juncker, with a view to serving as a basis for an exchange of experience on new and successful initiatives at the European Jobs Summit in November 1997.

The integrated employment strategy was initiated by the European Council in Essen, in December 1994, as a follow up to the White Paper *Growth, Competitiveness, Employment*. The European Council asked Member States to establish Multi-annual employment programmes (MAPs) and to report to the Commission on their implementation. The reports describe the major policy measures taken by governments to implement their Multi-Annual Programmes (MAPs) over the previous 12 months, assess in some cases the impact of such measures on the employment situation and announce major policy reviews or new initiatives.

The so-called Essen strategy was further developed by the European Council in Madrid (December 1995) and in Dublin (December 1996) each time on the basis of a Joint Report prepared by the Commission and the Council (ECOFIN and Social Affairs) and including a synthesis of the reports on the implementation of MAPs. In Florence (June 1996) and Amsterdam (June 1997), the European Council received shorter Joint Interim Reports.

The Amsterdam Treaty institutionalised this procedure (Art. [4] of the new Title on employment) and introduced two major innovations. Acting by a qualified majority on a proposal from the Commission, and after consulting the European Parliament, the Economic and Social Committee, the Committee of the Regions and the Employment Committee, the Council shall each year draw up guidelines on employment which shall be consistent with the broad economic policy guidelines. Acting by a qualified majority on a recommendation from the Commission, it may also make recommendations to Member States in the light of its yearly examination of their employment policies. In Amsterdam, the European Council decided to make the relevant provisions of the employment title immediately effective.

The preparation of this Joint annual Report to the European Council on the employment situation in the Community is part of the procedure instituted by Art. [4] of the Employment Title. The employment strategy must, of course, be part of an overall integrated approach, involving sound macroeconomic policies, a functioning Single Market and the taking of employment into account in all Community policies.

This Joint Report starts with a presentation of the employment situation and outlook (chapter 2). It then focuses on labour market reforms and highlights progress in the implementation of MAPs, based on Member States reports, and examples of best practice selected in function of their applicability in several Member States (chapter 3)

## 2. EMPLOYMENT AND ECONOMIC CONTEXT

The poor performance of the EU economy between 1991 and 1996 - with an average rate of real GDP growth of 1.6% per year and a cumulated loss of 4.4 million jobs -, was mainly the result of a stability conflict which led to an overburdening of monetary policy. Indeed, the lax budgetary policies since 1988, the overheating and acceleration of inflation since 1989, and wage developments inconsistent with the objective of price stability in the early 1990s, induced strong tightening of monetary conditions with very high interest rates. The ensuing slowdown was exacerbated by currency crises reflecting the insufficient credibility of economic policies and the lack of policy co-ordination.

Recovery began in mid-1993 and strengthened in 1994. Employment increased by over 1% between the first quarter of 1994 and the third quarter of 1995. But exchange rate turbulence linked to a lack of credibility of some Member States policies aborted this recovery, affecting both the countries whose currencies appreciated and those countries whose currencies depreciated.

A gradually strengthening upturn in economic activity is now underway, based on a sound re-balancing of the macroeconomic policy-mix together with convergence progress. Progress in budget consolidation, combined with low and declining inflation rates, noticeable wage moderation in most Member States and prospects for moderate wage increases, have paved the way for a significant easing in monetary conditions. Thus economic policies have become more conducive to a soundly based and sustained expansion of output, investment and employment. Their effect has been enhanced by progress in completing the Single Market. Thus, the economic strategy described in the Broad Economic Policy Guidelines is now delivering its expected results.

The recently released Autumn economic forecasts of the services of the European Commission confirm that a strong recovery is on track in the EU economy. In the EU as a whole, the pace of economic growth is expected to reach 2.6 % in 1997, accelerating to around 3.0 % in both 1998 and 1999. The progressive acceleration in real GDP growth above the labour productivity might result in net employment creation at a rate of 0.5 % this year, rising to 0.8 % and 1.3 % in 1998 and 1999 respectively. This would correspond to a cumulative net creation of 3.8 million jobs over the three years. This encouraging performance will, however, not restore completely the job losses of the early 1990s. In addition, stronger and sustained employment growth over the medium term is required to provide employment opportunities for both the very high number of unemployed and the increased number of people wanting to enter the labour force or to re-enter it after a spell of inactivity.

Since labour supply is still expected to grow at about 0.5 % per year due to a further rise in the participation of women and fewer men withdrawing from the labour force, the creation of jobs will not lead to an equal reduction in unemployment. In the EU as a whole, the unemployment rate is expected to decrease from a peak of just below 11 % in 1996 to 10.7 % this year, falling further to 10.3 % next year and 9.7 % in 1999.

But many groups find it difficult to get into jobs even when they are available. At EU level, long-term unemployment began rising in 1992 and it has reached 5.2% of the labour force in 1996. Youth entry into the labour market also remains a major issue, with an EU unemployment rate around twice the rate for adults, though it has fallen significantly from the very high levels of the early 1980s.

In the Commission recommendation and the Council decision on the 1997 broad economic policy guidelines, it was underlined the interrelationship between non-inflationary growth, consolidation of public finances and the possibility of solving the unemployment problem. It was pointed out that most Member States needed to implement structural reforms since structural deficiencies continued to restrain both growth and the degree to which growth could be translated into additional employment. At the same time, it was emphasised that policies to improve competitiveness and the functioning of product, services and labour markets will bear full fruit when the economy is expanding rapidly and is generating a high number of jobs and it underlined that an employment-friendly growth must be supported by higher investment, both private and public.

The single currency and a fully functioning Single Market will bring a fundamental change in the economic policy framework. Under EMU, the suppression of the risk of currency disturbances between participating countries eliminates an important obstacle to growth. At the same time, the adoption of a common, price-stability oriented, monetary policy and the budgetary discipline resulting from the respect of the Treaty provisions (Articles 104-104c and 105) and the Stability and Growth Pact will reduce the risks of conflict between budgetary and monetary policies. In such a context, wage developments should also take into account the objective of price stability and the need to preserve or strengthen - if needed - the profitability of employment-creating investment. The risk of a new stability conflict, which, in the past, repeatedly undermined the growth and employment performance of the Community, could thus be avoided in the coming years, assuming the continuation of a balanced policy-mix favourable to growth and employment. In this way also the conditions can be provided for creating more and better jobs for the citizens of Europe, while at the same time fostering social justice and an environmentally sustainable growth process.

### **3. EMPLOYMENT POLICIES AND BEST PRACTICES IN MEMBER STATES**

In accordance with the monitoring system agreed in the European Council of Essen, and implemented by the Employment and Labour Market Committee, all Member States have reported in 1997 about the implementation of their Multi-Annual Programmes for Employment. In addition, the Heads of Government have indicated a number of policy measures that have proved particularly successful in their respective countries, in reply to Prime Minister Juncker's request for examples of "best practice".

These two series of documents provide a fair amount of evidence enabling the Commission to review and assess the progress made in the European Union towards the reform of the labour markets, against the background of the policy recommendations successively adopted in the European Councils since December 1995. The present chapter:

- Examines Member States' policies in the framework of MAPs, putting the emphasis on recent measures and initiatives, so as to highlight the major tendencies and assess progress made towards tackling structural employment problems in Europe.
- Selects 14 examples of "best practice" drawn from a total of about 60 suggestions from national governments<sup>1</sup>, with potential for transfer into other Member States. Only policy measures that have already been implemented were considered for the selection, and preference was given to those measures that have been subject to evaluation. Consequently, measures that have been announced more recently, while potentially promising, could not be selected on this occasion.

The scope of this chapter is very broad, so as to encompass the variety of structural problems facing all Member States of the Union, and their respective policy strategies. Section 3.1. deals with reforms in three policy areas, that are crucial to increase job creation and improve the functioning of the labour market: the activation of labour market policy, tax systems and wage policy.

Section 3.2. covers the targeted structural policies identified in the Madrid Council: preventing long-term unemployment, curbing youth unemployment and implementing effective equality of opportunities in the labour market.

Section 3.3 deals with the need to adapt flexibly to current structural change in skill requirements, production systems, and individual preferences. Current reforms and initiatives in the areas of training and life-long learning as well as work organisation and working time, are dealt with in this section, which also stresses the important role of social partners in supporting policies in these areas.

Section 3.4. emphasises the increasingly important role of the local dimension in current policies to promote job creation in new services and the social economy, and in reforms to make the employment services more responsive to the local labour market needs.

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<sup>1</sup> The whole list of suggestions of best practice can be found in the Annex 2.

Member States recognise the importance of problems such as the lack of skills and of motivation among the unemployed, the lack of suitable jobs for those experiencing greater difficulties to get back into employment, high non-wage labour costs and too rigid rules on the organisation of work and working time. It is also clear that labour market regulations, wage-setting procedures and social protection systems differ among the Member States, and thus have differing impacts on labour market performance. Plenty of policy measures, initiatives and projects have been reported by Member States, reflecting genuine concern with the structural causes of unemployment. In many, social partners, local authorities and interest groups have been actively involved in the search for solutions.

*Despite important structural reforms carried out in some Member States, the overall picture that emerges, is somewhat obscure, given the insufficient integration between policy measures and the absence in many cases of any clear long-term strategy, or well defined policy goals. It is therefore difficult to assess whether the Union and each of its Member States individually is going in the right direction, and which policy changes should be brought forward in order to increase the effectiveness of the measures taken.*

*In some cases, the reforms and policies have been too timid considering the scale of the problem or too patchy without a comprehensive and co-ordinated approach. The outcome has been, in some cases, the emergence of a sort of two-tier labour market where the impact of reforms falls mainly upon marginal groups of the labour force. There remains the need to tackle the key problems in the functioning of the labour markets and to gather wide support for bold reform projects.*

*Moreover, monitoring and evaluation remains a serious problem. For a few individual policy measures, evidence has been provided as to their positive impact in improving the employment situation. But, either because of the short time elapsed since implementation or of insufficient evaluation research, there is yet no solid ground for assessment of many policy measures. Where they exist, evaluation results suggest that there are no undisputed successes in employment policy, and that the transfer of policies between countries should be accompanied by careful examination of the institutional and economic context.*

Improved co-ordination of employment and labour market policies in the Union requires more and better monitoring and evaluation of the impact of employment and labour market policies and a more active dissemination of results.

The Commission and the Member States received a mandate from the European Council in Dublin to assess the possibilities of benchmarking as an instrument for the effective monitoring and evaluation of employment and labour market policies and the identification of good practice.

During 1997, the Commission, in collaboration with the Member States in the framework of the Employment and Labour Market Committee started work in order to arrive at an operational definition of benchmarking in the employment field and obtain some preliminary results with a view to their inclusion in the present Joint Report.



Three priority areas have been agreed for the benchmarking exercise in 1997, in line with the three structural objectives identified in the European Council of Madrid: long-term unemployment, youth unemployment and equal opportunities in the labour market.

The work so far carried out has focused on the comparative analysis of performances in these three fields, based on indicators, and on a discussion of the most relevant explanatory factors.

Benchmarking can help to underpin the European strategy for employment, by providing national governments with a common understanding of the need for reform, and contribute to improved employment performances in Europe.

The potential of the benchmarking method deserves to be further exploited, and to this end the Commission will pursue and develop the appropriate analytical and methodological instruments in close co-operation with the EPC and ELC.

### **3.1. MAKING POLICIES MORE EMPLOYMENT-FRIENDLY**

#### **3.1.1. Activation of labour market policies**

*Successive European Councils have issued recommendations to re-balance public expenditure from passive to active labour market policies and regularly assess the cost efficiency of active measures.*

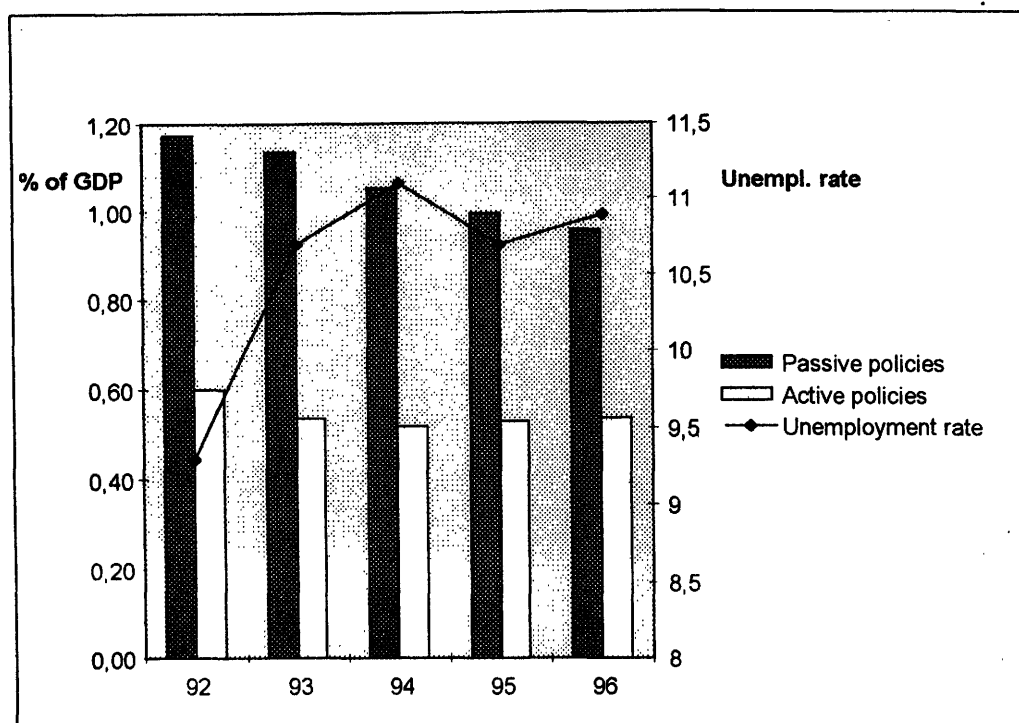
An excessive emphasis on income protection for the unemployed, not sufficiently linked to strong eligibility rules, may create undue disincentives to active job search and contribute to the loss of motivation and skills, thereby jeopardising the chances the unemployed have of getting back into paid jobs.

The majority of Member States devote a disproportionate share of labour market expenditure to passive income support policies, like unemployment and early retirement benefits, instead of active policies. In 1992, the ratio was of 2 to 1. Since then, the policy-mix has shown some signs of improvement, albeit slowly and in a one-sided way. For the EU 15 as a whole, standardised spending in passive policies, defined as spending as a percentage of GDP and per 5% of unemployment, declined steadily from 1.17 % in 1992 to 0.96 % in 1996, (see Chart 1) indicating that on average Member States are adopting less generous support measures and submitting them to greater control. Active policies, after declining to 0.52 % until 1994 in relative terms (as a result of the crowding-out effect linked to the rise in unemployment), have recovered slightly since then to 0.54 % in 1996. They represent now 36 % of the total amount spent on labour market policies.

These trends suggest that, instead of a resolute shift of resources from passive to active policies, the majority of Member States seems to be giving priority to budgetary consolidation and spending less in relative terms on the labour market.

**Chart 1 - Active and passive policies in the EU 1992-96**

**(as a % of GDP per 5% of unemployment)**



*Assessing member States' performance on the sole basis of this indicator can however, be misleading: Re-balancing spending from passive to active measures can also be achieved by a careful design of both passive and active policies so as to increase complementarity between these two.*

All Member States report on recent efforts undertaken in this direction. While some of them are linking more effectively income maintenance and participation in training or employment programmes, in order to increase the number of unemployed job-seekers actively taking part, others are reshaping or modernising the institutional arrangements for dealing with unemployment protection in order to reduce undue disincentives and fight abuse and fraud. Some Member States combine the two approaches.

**Reshaping unemployment protection.** In many Member States, the eligibility criteria and/or the duration and level of unemployment benefits have been tightened, while stricter definitions of availability for work and tougher sanctions on those refusing available jobs, or attendance at a training course, were introduced. Payment of benefits is becoming more dependent on the efforts made by the recipient to find suitable work. In some countries, personal registration periodically at the employment office is mandatory, in order to continue receiving benefit.

In the UK, the Jobseeker's Allowance (JSA) - which replaced the previous benefits for unemployed people - has sought to put more emphasis on active jobsearch, discourages jobseekers from placing unnecessary restrictions on their availability for work and ensures that jobseekers act on the labour market from the outset of their claim for benefit.

**Activating the unemployment benefit.** In an increasing number of countries, the unemployment benefit is now being "activated", i.e. transformed in a wage subsidy or a training allowance. In Denmark, with the 1994 labour market policy reform, the focus shifted from passive support to active policies. It is estimated that the number of persons-years spent on active generation schemes in 1997 (including unemployed persons on training leave) will amount to 87,000, or 5,000 more than in 1996. This increase is due entirely to the phasing in of the right and obligation to participate in activity generation after two years. At the same time, there was a decentralisation and individualisation of measures involving a right and duty to activation of unemployed persons who were insured against unemployment or receiving social assistance. (see Best Practice no. 1).

Measures going in the same direction have been also reported by Austria (special integration assistance and training allowances), Belgium (occupational transition programmes and first work experience contracts), France (co-operation agreements), Netherlands (active use of unemployment benefits to promote work experience), Germany (bridging allowance), Italy (work programmes in municipalities for claimant unemployed) and Finland (reform of labour market policy to start from the beginning of next year). The UK will implement the New Deal to assist adults who have been out of work for more than two years and young people unemployed for over six months back into work, either through a subsidised job or a full-time education and training course while receiving unemployment allowance.

**Topping up low income with welfare payments.** In-work benefit schemes, providing for the payment of income support on top of earned income below a certain minimum level, continue to be implemented in Ireland (Family Income Supplement), UK (Family Credit) and more recently, Belgium (Guaranteed Income Allowance) and Portugal (Minimum Guaranteed Income), with the aim of reducing the disincentive to taking up low-paid work. Ireland also maintains the Back-to-Work Allowance Scheme, which provides for the retention of reducing amounts of unemployment payments over three years. This scheme has enabled over 19 000 former long-term unemployed to re-enter the labour force. Some 50% of the scheme participants are self-employed. *Despite a long history of in-work benefit schemes, evaluation findings are mixed. There is some evidence that these arrangements actually help get people into low-paid work in the short term, but may subsequently provide a disincentive for moving into better paid work or from part-time to full-time jobs.*

⇒ *Progress towards a more balanced policy-mix between active and passive policies has been slow. Member States still spend only 36 % of their labour market expenditure on active measures. Budget consolidation seems to have taken precedence over expenditure restructuring. More carefully designed policies, based on the activation principle, have been reported, suggesting that qualitative improvements are under way and that greater complementarity between active policies and the benefit system is being sought. Evaluation of recent policy measures is crucial in order to assess whether effectiveness of labour market policy is being enhanced.*

**Best Practice Example no. 1**  
**Activation and individualised service**

The 1994 reform in **Denmark** introduced profound changes in the functioning of the labour market, by shifting the focus from passive income support to active policies. The period over which the unemployment benefit is paid was reduced from 7 to 5 years, and those failing to find a job during the first two years of unemployment pass into an "activation period" during which they have both a right and duty to accept a training offer.

A number of instruments have been created for the activation of the long-term unemployed:

- *Ordinary job-training*, giving right to a wage subsidy, for those unemployed who are employable in ordinary work in private firms or in the public sector;
- *Individual job-training* for those unemployed who cannot become employed on normal conditions. Individual job-training may take place in private firms or in the public sector (typically in the municipalities).
- *Education* (including educational leave for unemployed) with or without a subsidy from the labour market authorities.

In general, activation seems to have had a positive impact in the sense that it lowers subsequent unemployment. This goes for both education and job-training. In particular, job-training by the private sector seems to be particularly effective, reducing subsequent "gross" unemployment by 16 percent, which reflects in part its capacity to attract the unemployed with the best preserved skills, as well as the fact that private firms have greater possibilities for keeping trainees after the subsidy terminates.

However, the overall positive results of the reform cannot be attributed only to the employment effects of training. The right/duty to full-time activation means that the measures during the activation period are based to a greater extent than before on systematic control of the duty to be available for work and on a motivation effect.

Individual guidance of the unemployed was given high priority in the Danish labour market reform. Each unemployed person who is considered within the special risk groups defined by the regional labour market councils is given an "individual plan of action". The plan specifies the employment goal of the individual unemployed and the kind of activation (education, job-training etc.) that the unemployed must undertake in order to regain ordinary employment. In some cases the unemployed may take the initiative to get an individual plan of action.

The recent evaluation of labour market reform has shown that individual action plans are effective as instruments for reallocating the unemployed towards new areas of employment, as three out of four of the unemployed have goals for their future employment which differ from the previous employment and educational background. Furthermore, in four out of five cases, the employment goal specified in the plan is in line with the wishes of the unemployed, which is crucial to obtain high motivation on the part of the unemployed person for any action that is proposed.

### **Best Practice Example no. 1 (cont.)**

Another example of individualised treatment is supplied by **Finland** with its intervention programme designed to assess the service needs of the older long-term unemployed. Long-term unemployment among older workers has caused serious concern in Finland in the 1990s, with both the size and duration of unemployment rising continuously. For older workers, long-term unemployment has become a significant pathway of exit from the labour market and into exclusion, while the importance of early retirement has declined.

In July 1996 a programme of action and research based on an individualised approach was launched for a target group consisting of long-term unemployed persons aged between 50 and 58, with the aim of exploring their labour market careers, and assessing their employment possibilities, training and rehabilitation needs. The project, that will continue until the end of 1997, consists of individual in-depth interviews of more than 15,000 individuals in ten municipalities. After assessment of their service and social security needs, the interviewed persons will be referred to different service organisations (such as municipal health centres, welfare agencies and various rehabilitation services).

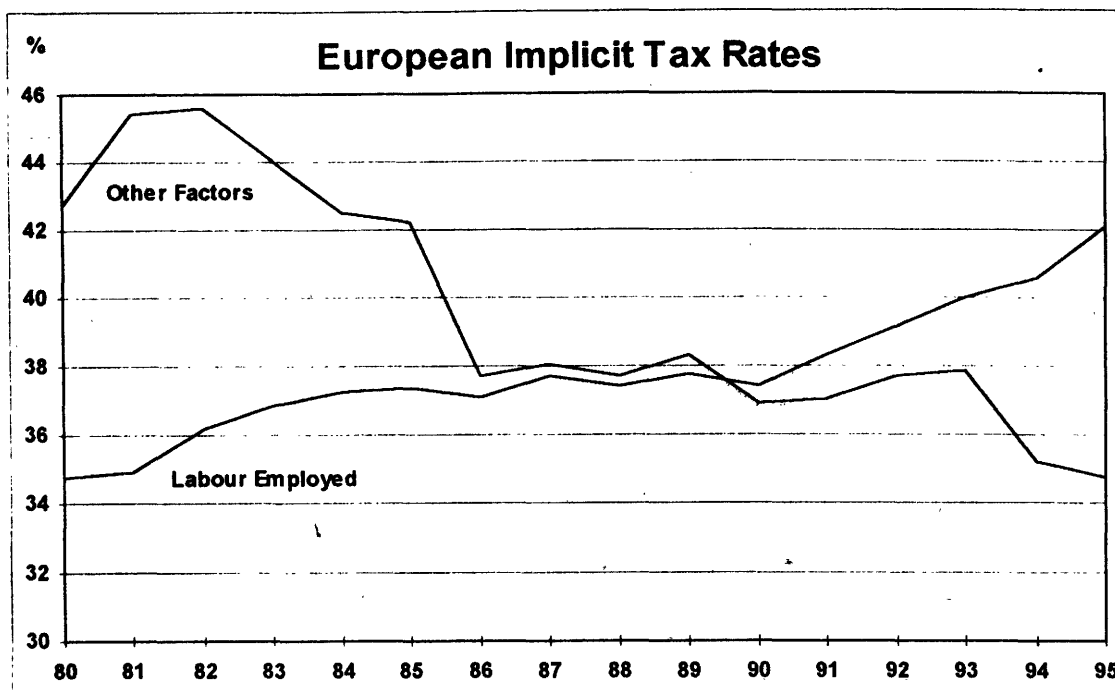
Preliminary results reveal that 1/3 of the interviewed aim primarily at work and should therefore continue to receive job search assistance by the employment services. The rest are either disabled, or aiming primarily to an unemployment pension, and therefore do not expect any further help from employment services.

### **3.1.2. Reforming taxation systems**

*The Dublin Declaration advocated more employment-friendly taxation and social protection systems, in line with the Essen Council recommendation to cut non-wage labour costs, with particular emphasis on unskilled workers.*

Trends over the last 15 years in Member States show an increasing tax burden (i.e. taxes and social security contributions) on labour (chart 2). The implicit tax rate (i.e. tax revenues divided by the appropriate base) on labour employed has increased steadily in the EU from 34.9 % to over 42 % between 1980 and 1995, whereas the same rate for other factors of production (capital, energy, natural resources) has decreased from 45.5 % to less than 35 %. Unless this trend towards increasing taxation of labour is reversed, employment will be further discouraged, because labour becomes more costly for employers, less rewarding for workers and less advantageous relative to capital.

Chart no. 2 - EU implicit tax rates - 1980-95



Of particular concern has been, in most Member States, the increase of social security contributions paid by employers which now represent more than 20 % of total labour costs on average. This high share of contributions represents a disincentive for recruitment, particularly at the bottom range of the wage structure. The proportional or regressive structuring of contribution rates is responsible in the majority of Member States for a disproportionate share of non-wage labour costs for low-wage workers, which adds to the difficulties which in certain cases can be created in this respect by statutory as well as collectively agreed minimum wages. Another problem remains the treatment of households as a single taxation unit, which in practice acts as a disincentive for the labour supply of women and their participation rates.

**Adapting taxation systems to make them more employment-friendly.** Taxation systems have been adapted in some Member States, with the objective of cutting non-wage labour costs or reducing the overall tax burden.<sup>2</sup> Across-the-board reductions in social contributions have been implemented recently in a few countries (Finland, Spain, Portugal). In France, the introduction of the CSG (generalised social contribution) in 1991 represented a major reform which enlarged the source of revenue for the financing of social protection to include earnings not directly generated by work (such as capital, pensions and other replacement earnings). Since then the shift from social security contributions to the CSG has been expanded.

<sup>2</sup> Some Member States have also reduced marginal income taxes in the lower brackets, so as to remove disincentives to taking up low-paid or part-time work. This kind of policies will not be examined in the present chapter.

Fiscal packages have been implemented in some countries with the purpose of stimulating investment and employment growth, and supporting a moderate wage development. In the Netherlands in 1998 a new package will be introduced resulting in an estimated cut of taxes and social security contributions of dfl. 3.9 billion. In Germany, fiscal reform has so far focused on the abolition of the wealth tax in 1997 and the local business tax on capital as from 1998, as well as the reduction of the fiscal burden of inheritance and donation taxes in cases where an enterprise is bequeathed. In Sweden, where payroll taxes have decreased during the 1990s, the reduction of the payroll tax for smaller enterprises was expanded in 1997.

**Reducing taxes and social insurance charges on employers.** Several Member States are implementing cuts in social insurance contributions targeted to low-wage workers, or have kept them low (see Best Practice example no. 2), in order to reduce labour costs, encourage job creation and/or maintenance, and boost competitiveness in particular of labour-intensive sectors.

Belgium, France and Netherlands have implemented wide ranging reforms with the aim of reducing the level of non-wage labour cost for workers at the bottom end of the pay structure, which in these countries was far above the EU average. Ex ante evaluations have given rise to positive expectations about the job creation effects particularly among the low-skilled, and the effects on competitiveness.

In France, reductions in non wage labour cost amount to some 180 Ecus per month at minimum wage level, which means a wage cost decrease of 12.6%. A degressive reduction applies up to 1.33 times the minimum wage level. The budgeted cost of the measure for 1997 is 6 billion Ecus.

The Netherlands are also targeting reductions in non-wage labour costs at the low paid. Employers receive this reduction on the condition that the worker earns below 1.15 times the statutory minimum wage. At minimum wage level, this reduction now amounts to 830 Ecus per year and per worker, which corresponds to 28% of employers' social security contributions and to 5% of the wage bill. The reductions will be doubled in 1998. Reductions are higher when the long-term unemployed are hired. The estimated budget costs of these measures are 420 million Ecus in 1997 and 545 million Ecus in 1998.

In Belgium, different cumulative measures are planned. The reduction of indirect labour costs for low wages is degressive, from 50% at the level of the statutory minimum wage up to 10% at 1.43 times that level. In addition, the "Maribel quarter" scheme provides for a reduction in social security contributions for all firms employing manual workers. The reduction is a general measure in the form of a flat rate amount plus an additional reduction in proportion to the extent to which the firm relies on manual labour. In addition, Belgium mobilised the hiring potential of the self-employed and households by launching the "Plus-One Plan" in 1994. The programme grants persons or firms which have never employed workers, a three-year reduction (on a declining scale) in employers' social security contribution for the first worker that they take on, provided that she or he is an unemployed person. In 1997, the plan was extended to the second and third workers taken on.

## **Best Practice Example no. 2**

### **Low non-wage labour costs**

In the **United Kingdom**, non- wage labour costs are low relative to those in most other EU countries. This partly reflects lower overall levels of taxation and contributions, and the fact that health services are largely financed out of general taxation, but also the recognition by the government that high non-wage labour costs can have a detrimental effect on employment opportunities in the labour market, in particular for those who are low paid.

An important feature in the UK is that national insurance contributions paid by employers are progressively structured, as a result of a progressively introduced policy of restructuring employers' contributions so that those employing lower paid workers, often in small businesses, pay lower contributions.

Currently this means that employers' payments represent 10% of gross wages for a worker employed on average earnings and this drops to only 3% for workers who earn 25% of average earnings. This is deliberately intended to reduce the cost of employment of those with relatively low earnings potential and thus to improve the opportunities for the employment of a group within the labour market at high risk of unemployment. It is estimated that this measure alone is successful in supporting 20% of the active population. From April 1997, proceeds from a landfill tax were used to cut in the main rate of employers' national insurance contributions by a further 0.2% from 10.2% to 10%.

**Temporary reductions in social insurance contributions as an incentive for hiring.** In addition to structural reforms aimed at reducing non-wage labour costs, almost all Member States have implemented temporary reductions in social insurance contributions or opened up the possibility of paying wage cost subsidies aimed at encouraging the hiring of certain categories of job-seekers such as young people, the long-term unemployed, older workers, etc. An important aim of this kind of measures is to substitute weak groups on the labour market for other job seekers with better prospects to find a job, in order to give them more equal chances on the labour market.

*Very little evaluation has been done on the effects of such schemes, which tend to be ad hoc in nature and vary frequently from year to year. However, past evaluations carried out on similar schemes have suggested that such reductions may entail considerable negative substitution and dead-weight effects, and contribute little to overall employment growth.*

**Alternative sources of fiscal revenue.** Overhauling the tax system in the required scale so as to make it more employment-friendly necessitates a sustained effort towards the restructuring of fiscal revenue. The proposal for an energy product tax (COM(97)30) gives member States the opportunity to shift the burden of taxation away from employed



labour and towards the use of natural resources which damage the environment. This tax shift could lead to a real increase in jobs in several Member States, assuming that the revenues are used to reduce social security contributions<sup>3</sup>. A number of Member States (Denmark, Finland, the Netherlands and the United Kingdom) have specifically included tax shifting in the design of environmental taxes.

⇒ *While there is ample evidence that the high tax burden on labour has militated against recruitment of workers, particularly those with lowest skills and in low-wage sectors, few Member States have undertaken a thorough overhaul of the tax system in order to make it more employment-friendly. Instead, they have tended to adopt ad hoc and temporary cost-cutting measures. Moreover, frequent changes in policy design in this area make it more difficult to assess the effects of such measures in the longer term. In any case, non-general cost-cutting measures must be in conformity with Articles 92-94 of the EC Treaty.<sup>4</sup>*

### 3.1.3. Wage policy

*The need for real wage costs per head to remain below overall productivity growth, so as to stimulate productive investment, has been repeatedly stressed by the European Council as a key condition for employment growth in the long run.*

In contrast with wage behaviour in the 1970s and 1980s, when the rise in the wage share in output had been responsible for falling profitability and investment, recent trends have been more moderate. The average level of profitability is now higher than at any time since 1970 but real interest rates are also higher than in the 1960s<sup>5</sup>.

Against a background of low and falling inflation, wage moderation has prevailed in most Member States over the last year. Average nominal wage growth in the EU is now forecast to remain close to the 3% level<sup>6</sup>, which is consistent with the maintenance of price stability and the improvement of investment profitability. A moderate increase in real wages is expected, which will remain below real productivity growth.

<sup>3</sup> Studies carried out by independent research institutes point at the creation of between 155 000 and 475 000 jobs by 2005.

<sup>4</sup> "Guidelines on aid to employment", OJEC 95/C 334/04, and "Notice on monitoring of State aid and reduction of labour costs", OJEC, 97/C 1/05.

<sup>5</sup> cf. Annual Economic Report, 1997.

<sup>6</sup> cf. Annual Economic Report, 1997.

In many countries there are ongoing agreements between the social partners to moderate the growth of real wages to less than the growth of productivity or in comparison with wage increases of their major trading partners. These have generally proved successful in maintaining wage moderation.

### Chart no. 3 - Wage developments in the EU - 1961 - 1997

(annual percentage change)



The minimum wage has been raised in Greece, France and Luxembourg, but these moves are not likely to change the overall wage trend. As women are over-represented among the low-paid in the EU, this will have an impact on the wage gap between women and men.

The UK is planning to introduce a statutory minimum wage and an independent Low Pay Commission including i.a. the social partners has been charged with presenting recommendations to the government on the level at which it might be introduced. In the Netherlands, the government is encouraging the social partners to close the gap between the statutory minimum wage and the lowest collectively agreed wages.

⇒ *In general, the recommendations of the European Council and the Commission as far as wage moderation is concerned have been followed. The key contribution of social partners in this process is recognised. Wages are increasing less than productivity and unit labour costs are decreasing in real terms (see list of indicators in Annex 1). It is therefore important to maintain the appropriate wage trends and avoid that undue increases in wages in some Member States may endanger the employment creation process.*

### **Best Practice example no. 3** **Wide-ranging tripartite agreements**

Tripartite negotiation of wages at national level is now widespread in the European Union, and has been credited with a large share of the responsibility for generalised wage moderation and modest increases in unit labour costs over the last couple of years. The potential of tripartite agreements has been further exploited in several Member States to tackle wider problems, including social assistance, organisation of work and working hours, fiscal issues, public investment, continuous training and active labour market policies.

An example of such an agreement is **Ireland** where the *Programme for Competitiveness and Work*, which was in force until end of 1996, has played a decisive role in promoting strong economic growth and employment creation. A new tripartite agreement for the period 1997-2000, called *Partnership 2000 for Inclusion, Employment and Competitiveness* has been concluded. Partnership 2000 sets a medium-term ceiling for wage increases, establishes a framework for enhanced use of active labour market policies, and promotes information and participation of workers at enterprise level.

Partnership 2000 again provides for moderate basic terms, with a provision of 2% for local bargaining under which it is intended to meet the costs associated with modernising the workplace and restructuring both in the public and private sectors. Likely, early progress on personal tax commitments and more flexible profit sharing and gain sharing mechanisms, especially in high performance areas of the private sector, is expected to help to minimise drift from the basic terms of the Partnership. In addition, the government made a commitment to maintain the real value of welfare payments over the period of the agreement, and to make significant reductions in personal income tax.

Despite the unquestionable role of the tripartite agreements concluded in Ireland since 1987 for the economic recovery that followed, it is debatable whether this same approach can be applied with equal success in other Member States. The outcome depends significantly on the prevailing circumstances, both those that relate to cultural and social aspects within a country and also the economic situation in any particular period.

Similar wide-agreements covering a wide range of subjects have been concluded in other countries, such as Portugal, Finland, Italy and Greece.

## 3.2. TACKLING STRUCTURAL PROBLEMS IN THE LABOUR MARKET

### 3.2.1. Preventing long-term unemployment

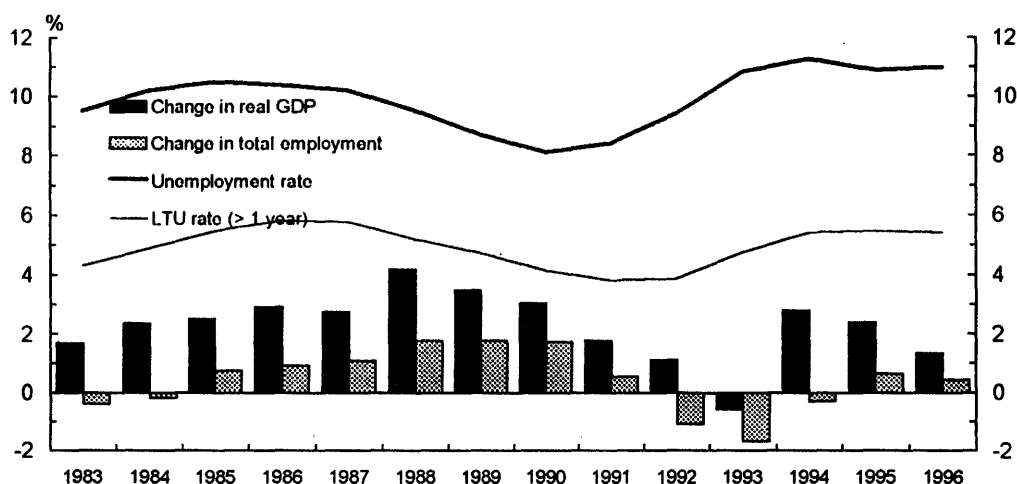
*Member States, together with the social partners, should engage in a more active policy for the prevention of long-term unemployment, and give to all unemployed people an opportunity of retraining or reintegration before reaching the point of long-term unemployment. In particular, the intensification of efforts regarding action in favour of groups particularly hard hit by long-term unemployment such as older and disabled workers, should be intensified.*

Throughout the Community, long-term unemployment has become an increasingly difficult problem to solve. Most Member States have experienced the emergence of a hard core of unemployed with prolonged unemployment periods resulting in loss of skills and motivation. A disproportionately large share of long-term unemployed are low-skilled and older workers.

Following a decline of long-term unemployment in the late eighties, most Member States experienced in the course of the 1990s a new rise in their proportion of the labour force becoming long-term unemployed (see Chart 4). The rate of long-term unemployment in the EU-15 has stagnated since 1994, despite economic recovery since then. In 1996, it was 5.2 %.

Chart no. 4

Total and long-term unemployment rates and changes in real GDP and total employment in EU12, 1983 to 1996



To tackle high and persisting long-term unemployment, Member States have adopted a variety of policy measures designed to increase the employability of the long-term unemployed, through the provision of counselling and job-search assistance, training programmes, and subsidised employment. All Member States report with more or less detail on such policy measures, but the data provided do not even allow for a rough assessment of the main tendencies in this respect.

**Promoting more preventive action to tackle long-term unemployment.** Preventive measures involve the provision of vocational guidance, counselling services and assistance with active job seeking. There is clear evidence in the national reports, that these activities are attracting increasing attention, in relation to more traditional functions of the employment services. Some Member States have addressed the need to improve methods for early identification and early action. However, attempts to identify those at risk of becoming long-term unemployed, through statistical screening methods, have met with difficulties, which underpins the need for a greater emphasis on customised case-management within employment services.

**Training programmes targeted at the long-term unemployed.** All Member States have well-established programmes to encourage active job search and promote employability through training. There is a great variety of programmes depending on the age, educational level and professional background of the unemployed. Also, the moment in the unemployment spell when these programmes are offered as well as the extent to which attendance is compulsory vary a great deal.

*Evaluation results suggest that the most closely targeted programmes tend to be the most effective, with broadly targeted schemes consisting of class-room training showing no significant positive results upon the employment prospects of trainees. However, and despite the variety of schemes in force in all Member States, there are indications that only a small percentage of the long-term unemployed is given an actual chance to participate in training programmes.*

**Subsidised employment.** Most Member States provide some kind of subsidised employment enabling long-term unemployed to acquire work experience. These programmes can be in the form of recruitment subsidies, targeted reduction in social security contributions or temporary job programmes.

*Evaluations of such schemes have yielded mixed results partly depending on the specific target group being offered subsidised employment and the type of work that has been carried out. They show that the substitution effect and the dead-weight effects of such programmes can be high, which draws attention to the need to supervise their overall impact. In most cases, continued use of such programmes can only be justified by their giving more equal chances to disadvantaged groups in the labour market.*

**Tackling the social consequences of industrial restructuring to prevent unemployment.** In some Member States, measures have been implemented in the context of sectoral restructuring programmes to avoid that workers affected by collective dismissals drift into unemployment. In most cases, lack of adaptable skills and old age make re-employment difficult and risks of long-term unemployment are high. Austria, through the Labour Foundations, and Greece, through the recently implemented Integrated Programme of Intervention, are examples of this approach (see Best Practice Example no. 4). But this policy approach has older traditions in Europe and has been in force for some time in Italy, France and in Spain, with support from the ESF.

**Keeping elderly workers in work and making efforts towards their re-integration.** In view of demographic trends and the costs incurred to finance early retirement schemes, many Member States increase their efforts to keep older workers in work and/or to reintegrate them into the labour market once they have been dismissed.

The situation of older unemployed persons is perceived as a major concern in several countries, where measures include the reimbursement of social security contributions when recruiting the older unemployed (Luxembourg), the activation of unemployment benefits of older unemployed when working outside the ordinary public service (Sweden), and more generally, fighting age discrimination (Netherlands, UK). In Finland, since 1996, a new programme was implemented to assess the service needs of the older long-term unemployed with a view to improve and maintain their employment opportunities (see Best Practice example no. 1). In the Netherlands, a specific tax facility to encourage training in enterprises especially for older employees, will be introduced in 1998.

Part-time work is being offered to older workers in combination with financial incentives for recruitment of substitutes. In Germany, the Act on Old-Age Part-Time Work has made it possible that on the basis of corresponding agreements between the social partners, elderly workers may gradually retire from working life.

**Promoting the employment of disabled people.** Specific measures to promote the employment of disabled people and improve their conditions in work are provided in all Member States. Employment subsidies are widely used. In many, a more intensive use of the available mainstream support instruments and/or the relaxation of general eligibility criteria in favour of this target group are also encouraged. ESF mainstream financing as well as support from the Horizon strand of the Community Initiative on Employment are additional means which are often used in this context.

In Austria, work and project assistance as well as skill training measures in sheltered workshops and job coaching for young disabled have been introduced in order to foster the occupational integration of disabled persons. In the Netherlands, a bill will be introduced in Parliament concerning the reintegration of disabled workers, as an alternative to income support, an objective also shared by the social partners. The occupational integration of disabled people by training and employment incentives, notably in sheltered workshops, is common to many Member States, and has been reinforced recently in Luxembourg, the Netherlands and Spain.

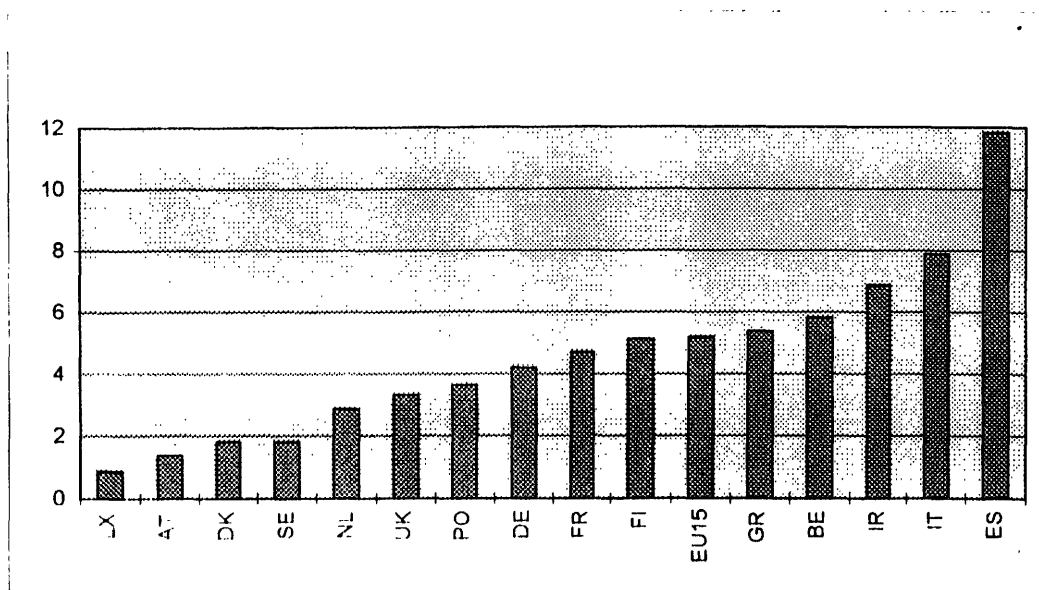
**Ethnic minorities and mobility.** In Greece, the employment services are tackling the problem of illegal immigration, which currently is estimated to affect as much as 450,000-500,00 people. A "Green Card" programme of registration of the foreigners illegally working in Greece is being undertaken, with the aim of providing them with social protection and other employment rights, and increase their chances of insertion.

**Benchmarking.** The work carried out in the context of the benchmarking exercise in 1997 confirmed wide discrepancies within the Union as to the severity of the long-term unemployment problem, as measured by the proportion of the stock of people unemployed for more than 12 months in the total labour force (see Chart 5).

Four countries show rates of long-term unemployment below 2%: Luxembourg, Austria, Denmark and Sweden. On the other side of the range, Spain, Ireland and Italy have the most severe long-term unemployment problem, with rates well above 6%. Although countries with low levels of long-term unemployment tend to be characterised by lower overall unemployment, and vice-versa, this relationship is by no means systematic across the EU nor has it remained unchanged over time. There is considerable scope for explaining inter-country differences in long-term unemployment on the basis of policies and institutional features.

Chart 5

Rates of long-term unemployment - 1996



*The evidence provided indicates that well-resourced employment services and an extended use of active labour market policies could be among the factors accounting for best performance. Other factors playing an important role are the articulation between the unemployment protection system and the use of active policies and the quality and effectiveness of the delivery system.*

*Evidence also shows that the chances of getting a job fall significantly with the duration of unemployment. This confirms the importance of preventive policies in breaking long spells of unemployment with participation in labour market programmes in order to maintain employability and increase the chances of re-entering the labour market.*

⇒ *Coming to grips with long-term unemployment involves both policies preventing the short-term unemployed from drifting into long-term unemployment and adopting measures that aim at re-integrating the long-term unemployed into the regular labour market. For this purpose, a more ambitious effort to tackle long-term unemployment in Europe is clearly warranted.*



## **Best Practice Example no. 4**

### **Re-integrating workers affected by industrial restructuring**

Austria has launched in 1987 the *Arbeitsstiftungen* (Labour foundations) offering a menu of measures to those affected by collective dismissals, industrial restructuring and company insolvency. The main objective is to provide a bridge between the previous and the future job without going through a period of open unemployment. The package consists of career guidance, active job search, job placements, traineeships, training, and support in the creation of new businesses. Labour foundations are not limited to the company level, but can also be set up at regional and sectoral level, covering several companies affected by similar restructuring problems due to industrial change.

The foundations are funded by the companies, the employees, the Labour Market Service, Länder and communes, and receive ESF support. Participants in the foundations receive unemployment benefits in the form of training allowances for a maximum of 3 years, in exceptional cases up to 4 years, as well as a "foundation scholarship" of 1 000 to 1 500 AS per month on average.

In 1995, 43 different foundations existed at all levels. Notably two sectoral foundations, in the foodstuff and transportation sectors, directly address structural problems resulting from joining the EU. The first one, the largest of its kind, plans to retrain 6,000 participants over three years. The foundation in transportation is designed to help 1 000 participants. The first foundation, set up in the iron and steel industry in 1987, is currently preparing 400 participants for new jobs.

A recent evaluation of the foundations in the foodstuff and transportation sectors shows a high reemployment rate. After leaving the measures, 83% in the foodstuff industry foundation and 73% in the transport sector foundation were reemployed. After 6 months, the reemployment rate continues high at 75 %. Almost 60% of participants succeeded in maintaining or improving their former wage income.

Greece is implementing a programme with similar characteristics, which addresses the needs of workers affected by collective dismissals in areas of industrial restructuring. The "Integrated Programme of Intervention" consists of a menu of measures aimed at the re-integration of dismissed workers through active support for a period of 37 months. It includes training allowances, subsidised jobs and start-up grants for the creation of own business. In contrast with passive income support, that in the past had been widely used to deal with similar problems, the new programme attempts to create the right conditions for the re-integration of those dismissed into active life. It is expected to play an important role in underpinning the current privatisation process.

The programme, the implementation of which involves the OAED (public employment service), local authorities and the social partners, has already been applied to 400 workers affected by the restructuring of the "Piraiiki-Patraiki" company, and is currently being applied in other industrial companies.

### 3.2.2. Integrating young people into the labour market

*In addition to greater investment in vocational training, the European Councils have recommended that Member States should direct their efforts towards school leavers with little or no qualifications or training, by offering them employment or training.*

Integrating young people into working and social life and avoiding their drifting into exclusion is a major challenge for Europe: 4.8 million young people are without jobs, which represent about 10 % of the total population aged between 15 and 24. Almost 2 million young people have been out of work for over 12 months.

Despite a steady decline in the size of the young population, and a structural upwards trend in the levels of participation in education and training, the unemployment of young people has not improved over the last decade, as the share of young people in employment continue to decrease (see Chart 6). Still to a large extent, this is caused by insufficient qualifications of a sizeable share of the young population. It is estimated that about 10 % of students leave school without any qualifications. Moreover, 45 % of the young people aged between 15 and 24 leave school before having completed upper secondary education. Supply-side factors do not explain however why, having in average higher skills than adult workers, there are twice as much young unemployed persons. Specific difficulties on the demand side have also to be taken into account.

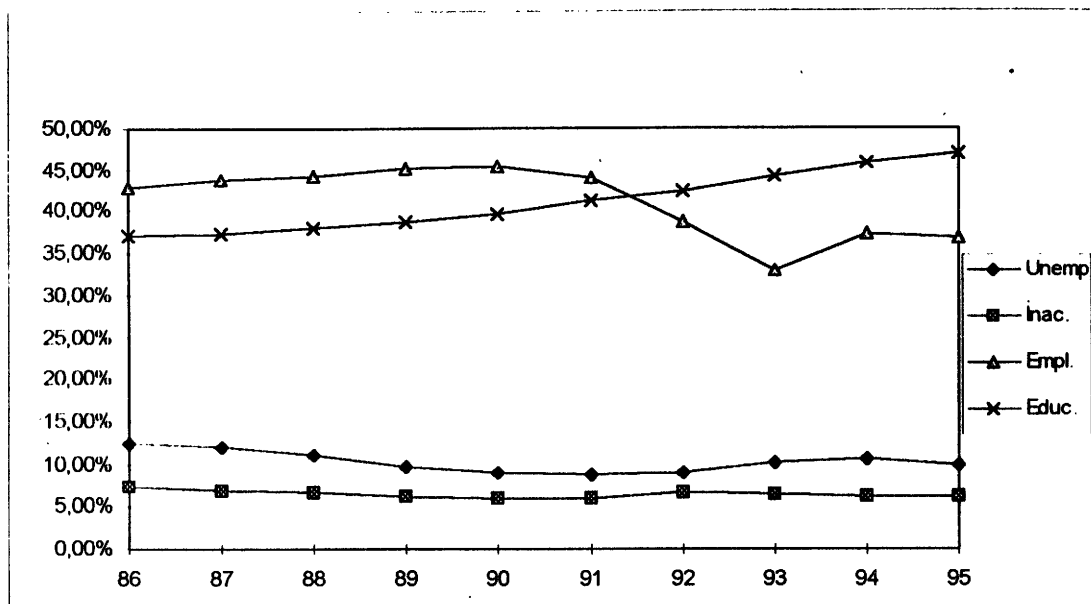
Policy measures reported by Member States reflect this two-fold concern with supply and demand-side causes of the youth unemployment problem.

**Supply-side policies.** Improving and extending initial education and training and adapting it to the needs of working life appear to be the guiding principles of the policies and actions implemented by Member States (see below section 3.3.1.). In addition, activation policies have been targeted towards unemployed young people with low qualifications, who have often left school prematurely.

Following on from earlier experiences in other countries that have known considerable success (see Best Practice example no. 5), Belgium (*P.E.P. Première Expérience Professionnelle*) and the UK (*New Deal for the Young Unemployed*) are also considering or starting to implement ambitious programmes to tackle the problem at an early stage (3 to 6 months of registered unemployment) and replace the right to unemployment benefit or other form of social protection by the right to a job and/or a training offer. In the UK, all options available include a training element leading to a recognised qualification.

Specific schemes developed by Ireland, Spain and Portugal are based on *integrated approaches* combining education and training, educational and occupational counselling, support during the transition process and assistance with access to a first work experience. They are targeted to youth with particular difficulties of integration and early school leavers. *Workshop Schools* have been quite popular in Spain as a measure for unskilled youth and have now been introduced in Portugal in the context of the development of traditional crafts and local development (see Best Practice example no. 6).

**Chart 6 - Young people by status in the EU-12 - 1986-96**



In Ireland, the *Youth Reach Programme* is designed specifically for early school leavers. Having been identified as high priority in the recent mid-term review of the ESF, this measure will be refinanced in 1998-99, which will allow for an increase of over 1400 places. The renewed scheme will offer advice and counselling, a bridging facility, a preventive package focused on young people at risk and a "Preparation for Youthreach" pathway.

In countries where unemployment of university graduates is rising (Portugal, Greece), new programmes have been designed to facilitate access to the labour market through acquisition of a first work experience.

Many cities and regions have expressed interest in the setting up of "second chance schools" which aim at combating exclusion and unemployment by education and training. The target groups are young unemployed people beyond the age of obligatory schooling (between 15/16 and 25) with no qualifications and risking social exclusion. The second chance schools are based on the use of individualised teaching methods, the application of new computer and multimedia technologies, and on close involvement with local employers. To date, 12 such schools are planned as European pilot projects in agreement with the relevant national authorities (France, the UK, Germany, Spain, Italy, Finland, Portugal, Greece and the Netherlands). The first 6 "second chance schools" should be opened before the end of 1997 with a planned total capacity of some 1,500 students.

New pathways to facilitate the transition from school to work have been introduced in some Member States. They combine specific counselling facilities with traineeships and guidance in the process of searching a first job. In France, local missions and special facilities for information and guidance targeted to youngsters with particular difficulties, have been created. These structures, which now number 650, and are set up and financed by the State and the local authorities, play an important role in the integration of young persons, including in social aspects like health, training or housing, and provide a follow-up of their early professional pathway.

**Demand-side policies.** Some Member States have attempted to intervene on the demand side by facilitating access to employment, notably through the reduction of starting-wages and social insurance contributions.

The reduction of indirect labour costs to encourage young people's recruitment has been implemented by several Member States. Despite continuing controversy about their actual impact on employment, targeted reductions in social security contributions are now widespread and cover young unemployed people or first job-seekers in most cases.

A more global approach to youth employment has recently been conceived in France with the new scheme "Programme 700 000 jeunes" the first part of which will be based on the development of new activities addressing emergent or unsatisfied needs in social, environmental and household services. These new activities are to be developed mainly by local associations and authorities and projects will receive funding in the form of a subsidy to the operating expenses. In a second phase, the scheme will address private companies. The subsidised new activities are expected to create durable jobs for young people and not just temporary placement.

Actions to improve the integration of youth addressed to demand, be it through the traditional policies of labour cost reduction, or the development of new activities, should be carefully assessed in terms of their possible discrimination effect upon other hard-to-place groups among the unemployed.

**Benchmarking.** Integration of young people into the labour market follows very different paths in the Member States, reflecting the differences in their respective education systems, labour market institutions and social and-cultural characteristics. Four groups of countries can be identified in this respect<sup>7</sup>:

- Germany, Austria and Luxembourg - low rate of youth unemployment, little difference between youth/adult unemployment rates, close and systematic relationship between training and initial work experience, little use of part-time working as an insertion path;
- Denmark, Sweden, UK and the Netherlands - low/average youth unemployment, short duration of unemployment, strong links between employment and training generally through part-time working combined with continued study;
- France, Belgium, Portugal and Ireland - average unemployment levels, marked difference between youth and adult unemployment rates (except Ireland), tendency towards lengthy unemployment spells;
- Greece, Italy and Spain - very high youth unemployment including long-term unemployment, great difference between youth/adult levels, little use of part-time working.

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<sup>7</sup> Due to insufficiently comparable data, the position of Finland is difficult to establish. Eurostat data for 1995 suggest however high youth unemployment.

### **Best Practice Example no. 5** **Activation policies for the young unemployed**

The activation of labour market policies seeks to reduce the number of unemployed people living on welfare benefits by offering them subsidised jobs, participation in training programmes and temporary jobs in socially useful activities. It normally involves some form of conditionality related to continued eligibility for welfare payments.

For young people with low qualifications searching for a job and living on welfare payments, the intervention of public authorities should start soon enough to avoid discouragement and minimise the risk of social exclusion.

Since 1996 **Denmark** has developed a new scheme targeted on young people between 18 and 25 years of age, without formal qualifications, who have been unemployed for at least 6 months within the last 9 months, and receive unemployment benefits. The youth measures include a right and a duty to undergo education or training of at least 18 months duration. Beneficiaries are expected to be activated no later than 5 weeks after the qualifying period.

Training allowances corresponding to 50% of the maximum rate of unemployment benefit are paid to participants. If a young person refuses to accept a reasonable offer of training or education he or she will forfeit the right to unemployment benefit.

Until the summer of 1997 a total number of 9,000 claimant unemployed persons have been covered by the special measures for the youth, of which 5,000 have ceased to be unemployed before concrete activation measures were taken and 4,000 have actually been activated in connection with the special youth package. The results of preliminary evaluation show that about 70% of the participants have on their own initiative taken a job or resumed education after completion of the programme and that only 25% remained unemployed.

Young persons on social assistance also have a duty to accept an activation offer at the latest after having received social assistance for 13 weeks. The offer must have a duration of at least 18 months and 30 hours per week, and its extent will be decided by the municipal authorities.

In Luxembourg, the *Temporary Auxiliaries Division (DAT)* aims at creating temporary jobs for the young unemployed in work of public interest and in response to real collective needs. DAT members are liable to be assigned temporarily to work on public or cultural-interest tasks under the auspices of a central or local government body or an institution. Registered unemployed of 30 years or less are eligible for the DAT. An allowance is due, varying between 46 000 and 55 000 francs per month (corresponding to minimum wage for unskilled and skilled workers respectively).

In 1996, 762 contracts were concluded representing a 37% increase over 1995. Job assignments are for one month minimum and can be extended for two 6 month periods and one final 3 month period. Evaluation has shown that more than 90 % of the participants in DAT find a job before this final extension.

Similar activation schemes have been in force in the Netherlands (Youth Guarantee Act), Sweden (initiatives by municipalities for training of youngsters with less than 20 years) and Finland (extensive programme of replacement of income support by active measures, since the beginning of 1996). Most of these activation schemes are consistent with and have extensively benefited from ESF support under Objective 3.

## Best Practice Example no. 6

### Workshop Schools

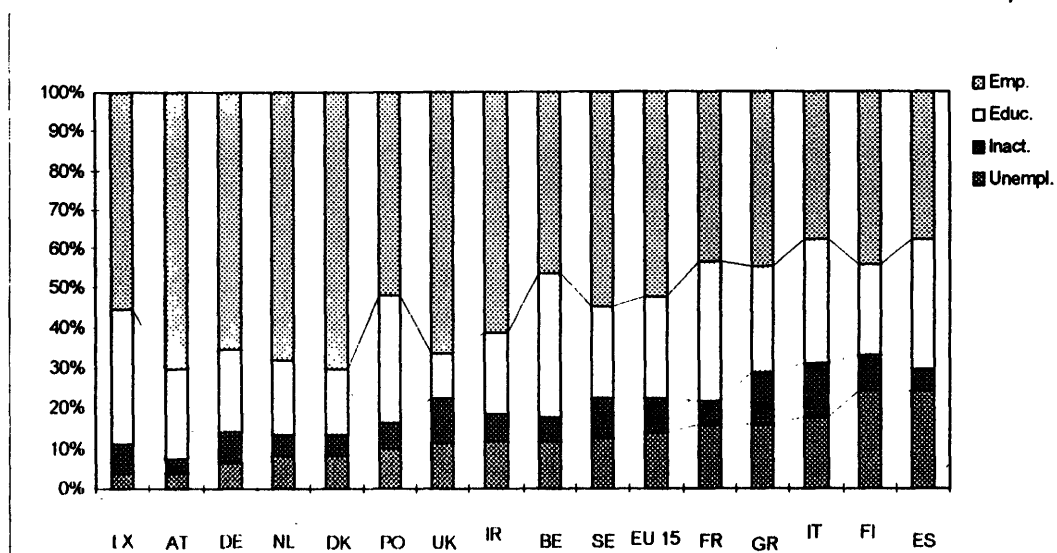
In Spain, the *Escuelas Taller* carry out training and employment programmes aimed at integrating unemployed young people (less than 25 years old) with few or no qualifications. These programmes combine formal training and work experience in areas relating to preserving the environment, development of traditional crafts and restoring the cultural and historical heritage. The programme of *Escuelas Taller* is co-ordinated at national level, its implementation being assured by a myriad of different agencies acting at local level. In fact, the aim is that the objectives and the courses given in each school should be integrated in territorial employment plans and respond to real demand in the labour market.

Between 1994 and 1996, 44,500 trainees completed courses, and placement rates of around 50% have been reported for the whole of Spain. High satisfaction rates from local agencies were also registered regarding the quality of the workshops' output. As regards the effects on participants, career advancement and wage increases have been reported in some regions for those who found a job. However, differences between men and women tend to subsist at this level. As regards progression to further studies, this has been reported for a relatively small number ranging between 5 and 25% depending on the regions.

The advantage of these schemes, which tend to be adopted recently by other countries such as Portugal (*Escolas-oficinas*) and Italy (*Borse di lavoro*) is to offer an immediate alternative to early school leavers, normally with serious economic and social difficulties, while at the same time contributing to the maintenance of traditional skills and to a regionally balanced distribution of job opportunities.

Chart no. 7

Young persons 20-24 by status - 1995



These different types of integration are reflected in very divergent performances as regards the ratio of unemployment to the youth population, which are particularly revealing for the 20-24 age group where difficulties in finding stable employment on completion of the education cycle are accentuated (see Chart 7) In the best performing countries in this respect (Luxembourg, Austria and Germany) rates vary between 4 and 6% while the European average is 13.7%. Above the European average, are France, Finland, Greece, Italy and Spain.

The analysis allows for the following explanations of the differences observed across the Union:

- the general situation of labour demand - unemployment will tend to be highest where demand is lowest,
- the offer on the labour market from competing age groups - youth unemployment is more pronounced in countries with high activity rates for adult and elderly workers;
- the effectiveness of the training system - a significant vocational training element in the education system and completion of upper secondary level education have a positive influence on the integration of young people into the labour market.
- the type of vocational training - a strong weight of training in working situation is an advantage especially for the early phase of integration into the labour market.
- in addition, active policies can be useful for disadvantaged young with little or no qualifications, by giving them complementary training and/or a subsidised first working experience. Above all these policies can help to prevent the emergence of long-term youth unemployment.



*Many Member States are increasing their efforts to upgrade their education and training systems and thus provide all young people with a minimum level of education and training. The fact remains that 10% of young people leave school without any qualification and that more than 45% of the young people do not complete upper secondary level education. Despite a reduction in the number of young persons entering the labour market, due to demographic changes and due to the fact that they tend to stay longer in education, most of them meet with difficulties in their transition from school to employment. Complementary active programmes are necessary for the most disadvantaged, combining work experience and training, while avoiding early dependence on welfare schemes.*

### **3.2.3. Promoting equal opportunities for men and women in employment**

*Since the Essen Council, the promotion of equal opportunities for women and men and the fight against women's unemployment are priorities of the Union.*

Over the last decades, the employment rate of women has steadily increased in the European Union. It remains however, at a level of almost 50%, well below that of men, which is 70%.

The unemployment rate of women remains higher than that of men in almost all Member States. The unemployment rate of young women (younger than 25 years) varies considerably from one country to another. It is very high in Spain (46%), Greece (41%), Italy and Finland (both 39%). Other indicators (participation rate, wage gap, segregation indices) show that the objective of equal opportunities for men and women is far from achieved in the EU. Wide disparities are still found between Member States in the delivery of social services such as care for children and the elderly, which could facilitate the entry of women onto the labour market.

In line with the Council recommendations, all Member States are developing actions in favour of equal opportunities and to reduce women's unemployment. However, they often appear to consist of (often several) isolated and dispersed actions, which aim to improve women's training or to desegregate the labour market.

**Mainstreaming equal opportunities for men and women in employment policy.** While mainstreaming was totally lacking in the past, four countries now announce this approach in their employment strategy. (Belgium, Austria, Sweden and UK). It is recognised that specific unemployment measures will not be sufficient to bring about equal opportunities for women and men with regard to employment, and that general measures must be adopted to eliminate segregation of women in the labour market, to ensure that they receive equal pay and to upgrade women's work in general. As a general principle, all activities with impact on employment must have an equality perspective.

Furthermore, some countries have made efforts to assess the impact of labour market policies from an equal opportunities perspective (Belgium, Greece, France and Ireland). In Sweden, the job creation initiatives include the modernisation of labour law, which has been guided by the objective of strengthening the position of women. In Portugal the adoption of a new law on equality opportunities is expected to strengthen the regulatory framework for effective equality.

Finally, in some cases, specific measures in favour of women take the form of legislative action, as in Belgium, where the regulations on job classification, night work and parental leave have been modified with the aim of improving women's position on the labour market.

**Specific measures in favour of working as well as unemployed women.** Measures aimed at promoting training and life-long learning have a direct impact on equal opportunities for women and men in the economy. Only a few Member States retain women as a target group for training measures. In Luxembourg, several training programmes are set up which focus on women (including women returners). In the context of the European Year on life-long learning, a special project for (young) women was set up. In Ireland, "back-to-work skills" are provided for women who have been out of the labour force for a long period of time. The integration of women returners is also a priority in Austria, where more than 7000 women found a job through career guidance courses, skill training opportunities and employment projects.

Childcare facilities are being expanded in a number of countries (Netherlands, UK). In this country, the New deal provisions for Lone Parents will provide offers of jobs or training, advice and help with childcare costs.

In order to increase the proportion of women starting up their own business, special entrepreneur's loans and training grants have been introduced in Finland and Sweden. Other measures to encourage women to start up their own business include courses for new entrepreneurs aimed solely at women. Women's entrepreneurial activity is supported by a specific law in Italy and an innovative project to support entrepreneurial initiatives by women has been launched in Portugal.

*⇒ Member States' reports on their Multiannual Programmes show that the search for equal opportunities in employment between women and men is receiving increased attention. However, in most countries the equal opportunities goal is not yet fully integrated in national employment and labour market policies. Therefore, mainstreaming the gender approach has not been translated into action in most Member States. It is worth noting that none of the selected examples of best practices refer to equal opportunities. A continuation of the benchmarking exercise is called for in this respect.*

### 3.3. ADAPTING TO CHANGE

#### 3.3.1. Education, training and life-long learning

*Successive European Councils have issued strong recommendations for increased investment in human resources and for embedding the concept of lifelong learning, in order to promote the development of competencies and access to training for all workers.*

Investment in human resources is a key factor in enabling Europe to keep pace with the new technologies, in particular in the field of information and communication, and to increase its competitiveness. Despite the expansion of lesser skilled jobs in services and sales, Europe is clearly on a high skill track and virtually all the net addition to employment in 1994-96 was accounted for by high skill jobs.

However, although participation levels in education and training have risen in all Member States, in 1996 for the EU as a whole, still more than half of the men aged 25 to 64 and just under half of the women had no educational attainment beyond basic schooling. The skill mismatch between supply and demand still appears to be an important reason for the difficulties encountered by young people and most of the unemployed in integrating the labour market.

The training needs will increase over the next decade in response to the widening skills gap. While relatively fewer young workers, more acquainted with the new technologies, will enter the work force, there will be an increasing number of older experienced workers who will need to adapt their skills to the changing requirements of the labour market through a permanent process of life-long learning

Policies concerning training and life-long learning in Member States reflect the varying labour market conditions they face and the stages at which they are in the reform of their educational and training systems. The reports provide information both on the core system arrangements and on the specific measures for youth, the unemployed, equal opportunities and other groups at risk. While the latter are covered in section 3.2., this section covers the progress reported on the core arrangements for training and education in Member States. The following common concerns have been noted:

- improving the training provisions for young people and life-long learning;
- making more direct and improved links between education and training and becoming employed;
- system improvements to adapt to structural changes.

#### **Expanding apprenticeship and other forms of high quality traineeship (dual-system).**

The predominance of the initiatives concerning apprenticeship and other forms of training based on work experience illustrates the increasing awareness in Member States about the positive effects of this system in facilitating transition from school to working life and further training (see Best Practice Example no. 7).

## **Best Practice Example no. 7 -**

### **The Dual-training system**

Training in the dual system provided both in the company and at vocational schools is a main feature of initial training in **Austria, Germany and Luxembourg**. The apprentices are trained, over a period of up to four years, in recognised occupations requiring formal training, which are defined in accordance with the requirements of the labour market, in close co-operation between official bodies and the social partners. On-the-job training is based on national curricula and given by master craftsmen. School training complements on-the-job training on a more theoretical basis, including acquisition of both general and job-related knowledge. In average, 2/3 of pupils leaving compulsory school in Germany and 40% in Austria enrol in the Dual System.

The legal basis for the apprenticeship relationship is a contract between the employer and the apprentice. Monetary compensation is set by collective agreement. The cost of on-the-job training is borne by the employers and school-based training is financed by the public authorities.

Close combination between specialised skills and training of a general nature has played an important facilitating role in the integration of youth into working life. Although the companies are not obliged to keep on the trainees after they pass the final examination, 2 out of 3 successful graduates of the Dual System in the old Länder of the Federal Republic of Germany, stay initially in their training company. Among those who complete successfully their apprenticeship in Germany, and do not remain with their training company, a large share finds employment in another company, or pursue their studies.

The dual-training system has been also traditionally of great interest to enterprises, as it enables them to share the costs incurred in developing firm-specific skills.

The dual-training system has been associated with low youth unemployment. In all the countries that have developed dual-training systems, the unemployed represent less than 6% of the total population in the age group 20-24, whereas the EU average stands at 14%. The success of the system in these countries depends however to a certain extent of specific cultural and institutional features, and in particular the business structure, that are not common to other Member States.

Both in Austria and Germany the advantages and drawbacks of the system are being re-considered in the light of recent developments. There has been a decline in the number of apprenticeship places in the two countries, as large companies in manufacturing in particular started to reduce their offers. The costs of the system for enterprises as compared with the cheaper alternative of "free" public education, as well as the growing preference of students for higher educational tracks, have been key issues for debate. In Germany, the Länder, the central government, the public employment service and business have undertaken extensive efforts to ensure an adequate supply of training places. Since 1995, steps have been taken to allow a fast adjustment of the system to the changing needs of the labour market. The legal framework conditions were made more flexible and new modern professional qualifications were created.

In the UK since 1995, 100,000 young people have signed up for a Modern Apprenticeship and demand is growing fast. Finland has increased apprenticeship by 4,000 raising its apprenticeship level to 21,000. The Netherlands will increase their apprenticeship by 3 to 5 thousand. Sweden has initiated a new form of apprenticeship taking in 3,000 in 1997. Greece launched apprenticeship programmes under the auspices of OAED, and expanded the number of trainees to 13,400 in 1997, with high rates of insertion into employment.

Some Member States have in addition implemented reforms aimed at improving the vocational training system, with the aim of increasing the levels of participation and attainment, and providing greater flexibility to students in shifting between levels and courses. The UK has launched the Target 2000 programme with the aim of ensuring that every 16-17 years old who is able to do so is actively engaged in the learning process. The maximum number possible are studying for basic educational qualifications and as many as possible are aiming for higher level qualifications. The increase in staying-on rates post 16 is expected to ensure that young people get a better start to working life and increase their skills and employability.

### **Improving links between training and re-integration into working life**

Most Member States report about the growing number of *partnerships with industry, enterprises and the social partners* to combine training with job offers. Belgium is currently training 4500 in enterprises in schemes offering a job contract. Greece is about to run programmes in which groups of businesses can run vocational training for the unemployed on condition that they are employed by the firms after three-month training.

In general efforts to develop the acquisition of skills through actual work experience tend to permeate the whole education and training system, including higher education. Some Member States seek to move away from an undifferentiated treatment of the unemployed and towards a better adaptation to the individual's and companies' situation and needs. These efforts are particularly well documented in the cases of Denmark, United Kingdom, Finland and Belgium.

The pathway approach, combining many of these elements has been intensively supported by the ESF which contributes to the dissemination and transposition of good practice through Member States.

### **Reforming accreditation of competence/qualification systems**

Several countries (UK, Ireland, Greece, Netherlands, Austria, Portugal and Spain) are in the process of generating new arrangements which address key or national certification issues while at the same time examining the need for new competencies, curricula development, individualisation of credits etc. In addition, some Member States have implemented reforms aiming at improving the internal coherence of the whole vocational system, providing new pathways between levels and courses.

## **The European Year of Life-long learning**

This initiative has contributed to raising political awareness of the key issues. Throughout Europe over 5000 projects were undertaken, 2500 events were organised and around 3500 press articles published. Several countries have now taken steps in the direction of Lifelong Learning. Initiatives such as the "Learning Boutiques in Denmark, the "Adult learning week" in the UK, or the "Train of knowledge" in Finland, are examples of the efforts to find innovative ways to tackle the question of "learning" throughout life, and move away from a "training delivery approach". Specific structures and instruments addressing both individuals and companies, with the required flexibility, are planned in Germany, the UK, the Netherlands and France.

## **Promoting life-long learning through leave schemes and job rotation**

In Denmark, but also increasingly in Finland, Belgium and to some extent in Sweden, innovative steps have been given towards the promotion of life-long learning in the context of leave schemes for education purposes and job rotation projects (see Best Practice Example no. 8). The interest of such schemes is that they provide an effective possibility for workers to upgrade their skills while offering an opportunity to unemployed people to get a replacement job. In Denmark, the leave schemes for educational purposes have proven to be very popular with 72,700 persons taking leave in 1996, which is more than the number of persons taking child-minding or sabbatical leaves. While labour shortages have been registered in specific cases as a consequence of leave schemes, both employers and employees have positive evaluation of the education leave because of its effects in upgrading skills and enabling job rotation: in 70% of the cases, a substitute has been hired and about 50% of the substitutes were unemployed.

The issue of long-life learning is increasingly connected with the issue of redistribution of available employment under new working time models.

## **Promoting access to continuing training.**

The first European survey on continuing training (CVTS) showed that the rate of access to continuing training varies strongly according to the size of the enterprise : 13% of enterprises with 10-49 employees provide continuing training compared to 43% of those with more than 1000 employees. This trend has not yet been reversed despite widespread efforts to provide support for SMEs in order to promote "tailor-made solutions" (such as "Prostart kunto" in Finland, the "Lernwerk" in Bavaria or the "Vrijmarkt" in Netherlands).

Numerous actions have also been implemented in order to facilitate access to continuous training for SMEs. Portugal launched in 1996 a programme of training and technical assistance specifically geared to Micro and Small Enterprises (see Best Practice Example 9 ) The support of ESF Objective 4 has been of key importance in this domain. The mid-term evaluation of the ESF gives strong evidence of positive results, especially for Germany and Spain.

## Best Practice Example no. 8

### Job rotation schemes

The main feature of a job rotation project is to train and provide work experience to unemployed persons so that they can temporarily replace employees who are given paid leave to participate in further training. Job rotation has been an important and successful instrument of active labour market policy in **Denmark**, establishing a link between measures to enable life-long training and activation measures, and meeting the needs of several labour market actors.

- Job-rotation is enterprise-based. The skills of the employees are up-graded and at the same time the work is carried out in the enterprises while the employees are away on training courses. This is an advantage for the enterprises because they get in contact with new potential employees.
- The skills and qualifications of the employees are up-graded and this gives them a better chance of improving their attachment to the ordinary labour market.
- From a labour market policy view, job rotation is an instrument for continuous training of the labour force.

The number of participants in job rotation projects may vary from two to several hundred persons. The duration of the training programme also varies very much. Projects have been implemented in a flexible way, providing for different sorts of financial support and subsidies.

The number of previously employed persons participating in job rotation has been increasing fast, from 12,200 in 1994 to 21,000 in 1995, and 30,600 in 1996. However, the number of previously unemployed persons participating in job rotation projects decreased in 1996 to 5,800 from 8,000 in 1995 and 5,600 in 1994.

The general trend is that a bigger number of employed than unemployed persons participate in job rotation projects. Although no comprehensive evaluation of the effects of job rotation is available, figures from 3 regions indicate that 67-75 % of the substitutes obtain employment either in the job rotation enterprise or in other enterprises on completion of the job rotation project.

The ESF is supporting the job rotation scheme in Denmark. In addition, a project under the ADAPT Community Initiative is in place to disseminate this good practice in other Member States.

## **Best Practice Example no. 9**

### **Promoting Continuous Training in Micro and Small Enterprises**

**Portugal** launched in 1996 a programme of Training and Technical Assistance targeted to enterprises with less than 50 workers, with the aim of strengthening their managerial know-how, enhancing the opportunities of access of workers to continuous training and improving the links between job creation and training measures.

The need for such programme arose from the very weak participation of small and micro enterprises in programmes of continuous training during the first CSF (1989-93), reflecting poor motivation and insufficient perception of the benefits of actions to upgrade the skills of the workforce. Enterprises with less than 50 workers represent 96% of the total number of enterprises and 45% of total employment in Portugal.

The Programme, that is supported by the ESF, involves the creation of a network of consultants/instructors in training centres, industry associations and unions, who provide technical assistance to managers in small and micro enterprises during one year. On the basis of a strategic diagnosis, a joint action plan is established, which will include training actions. Although the prime objective of the programme is to improve management and to put continuous training in the centre of the main concerns of enterprises, it may also have a direct employment content, to the extent that the beneficiary enterprises may hire young graduates under favourable conditions to undertake some of the actions outlined in the plan.

During the first year of implementation of the programme, 478 enterprises were covered, representing more than 9,000 workers, half of which in priority intervention sectors. 262 consultants belonging to 80 training centres and industry associations are involved in the operations, and 320 young graduates have been already hired to undertake specific follow-up actions. A preliminary evaluation study concluded that demand has responded positively, and that expectations are growing as the programme develops.



Reflecting increasing concern with the need to increase flexibility to adapt to rapidly changing requirements, some Member States have focused efforts to new skills related to information and communication technologies. An example is Sweden, where for some years a successful training programme has been in place to provide specific training in information technology-related skills in Computer Centres (Datortek). Originally designed as a measure for young people, the centres are now open for unemployed people of all ages, and are available in every municipality all over the country. The programme, which lasts for 3 months, is attended by 40-50,000 people every year, which is equivalent to a little more than 1% of the labour force.

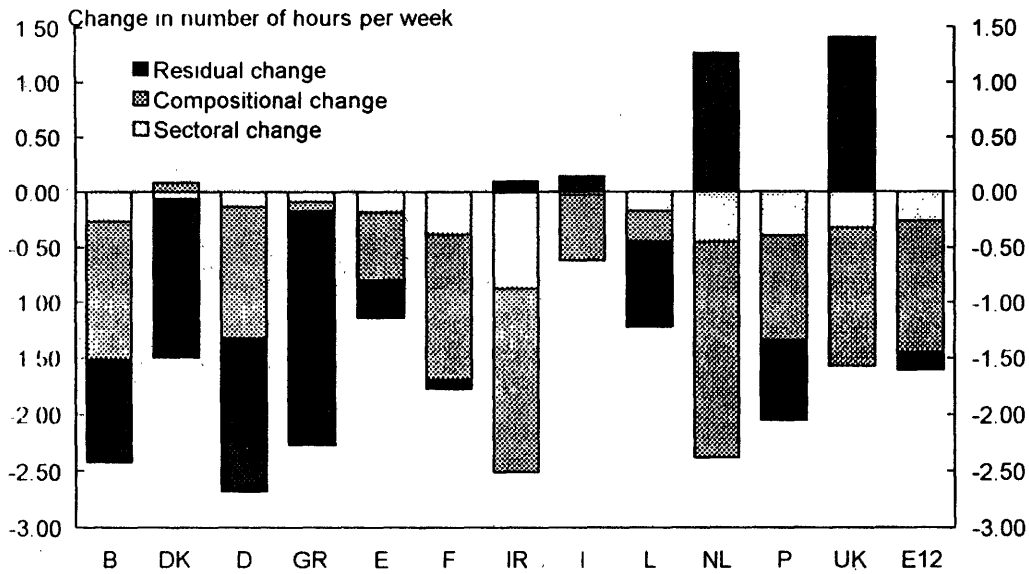
⇒ *The national reports show that Member States are making widespread efforts to modernise education and training systems and the links between these systems and the workplace. The reforms in the core system appear to reflect dissemination of good practice across the Union, as well as the progressive incorporation in national policy of elements identified elsewhere as success factors. New initiatives have been developed which augur well for the improvement of employability particularly among the young. Apprenticeship schemes are being reviewed and expanded in a number of countries. However, weaknesses persist as regards the quality of training and the number of places made available to the unemployed. Also, long-life training should be integrated more consistently in national policies, and be reflected in the arrangements concerning work organisation and working time, as well as social insurance. The involvement of social partners in the search for solutions is key for the expansion of life-long learning.*

### **3.3.2. Work organisation and working time**

*The 1996 Dublin European Council endorsed the recommendation that the social partners should be encouraged to negotiate agreements on flexible working arrangements and that all fiscal and social obstacles to a more flexible organisation of work and working time should be progressively removed.*

At EU level, flexible working arrangements rather than reduced hours have been the main focus of action. Between 1983 and 1995, average weekly working time declined by a little more than 1 ½ hours in the EUR12 (see Chart 8), but this decline can largely be attributed to a structural shift from agriculture and industry to services (sectoral change), and to an increasing trend in part-time working (compositional change). The role played by other factors (the most important of which is collectively agreed reductions in working time) varies strongly between Member States. While it has been relatively minor in net terms for the whole Union, it has played a major role in Denmark, Greece, Belgium, Luxembourg and Germany

**Chart no. 8 - Changes in average hours worked and effect of sectoral and compositional changes in employment - 1983-95**



There are different approaches to the improvement of work organisation and working time within the EU. Several Member States are simultaneously encouraging social dialogue and pursuing revisions in the statutory legal framework with the aim to reform, adapt to, and accommodate new ways of working. There is also in several Member States a renewed commitment to, or examination of, policies for reducing working time. The stated policy aims for a reduction in working time are twofold : to enhance job creation through redistribution and to allow for more welfare/better quality of life for the workforce. Other countries believe, however, that a collectively agreed reduction of working time will reduce flexibility and the production level and will not raise employment in the longer run. Furthermore it could widen the income distribution and result in a deterioration of government finances.

**New flexible working time arrangements.** Working Time Acts in Germany (1994), Netherlands (1995), Finland (1996) and Austria (1997) have enabled the social partners to implement new flexible working time arrangements through collective agreements often at enterprise level and linked to major plans of reorganisation of work allowing for greater competitiveness.

In Germany, the new framework conditions have encouraged the social partners to make use of the possibility to introduce annual working time models. Longer term agreements have also been concluded which provide for a flexible distribution of the working time within a reference period under certain assumptions. In this connection, particular attention should be given to the agreements reached in the metal-processing and chemical sectors, which contributed not only to maintain but also to increase the number of jobs

**Changes in labour regulation.** In some countries, legal initiatives have been adopted recently to introduce more flexibility in labour contracts and increase security in employment for workers unprotected by collective agreements or existing legislation. The legislation has been revised in a few countries so as not to discriminate on the basis of working time and to give part-time workers parity with full-time employees ( see Best Practice example no 10)

In Spain, the social partners have agreed in promoting more permanent contracts, by specifying the economic reasons for fair dismissals and adopting a new type of open-ended contract (at a lower cost) for the unemployed and workers under a fixed-term contract. New types of contracts have also been agreed for other groups experiencing particular difficulties on the labour market (long-term unemployed, persons aged less than 30 years and over 45 years). The integration of such "employment stability agreement" in the legislation has allowed the government to adopt incentive measures for the new contracts, including the reduction of non-wage labour costs, especially for small enterprises. Between May 1997, when these measures were implemented, and October, 270,000 jobs have been created, of which more than 160,000 for young people.

**Collective reduction of working time.** France is engaged in a policy to promote the adjustment and negotiated reduction of working time in the interests of boosting employment. All the social partners were brought together on 10 October 1997 in a National Conference on Employment, Pay and Working Time. At the conclusion of the conference, the government announced that the statutory working week will be reduced to 35 hours in the year 2000, (in 2002 for smaller enterprises). From 1998 onwards, an incentive aid will be introduced to encourage enterprises to negotiate immediate working time reductions. The incentive will consist of a lump-sum cut in social security contributions, to be progressively decreased over 5 years, in the event of a 10% reduction of working time accompanied by a net increase in jobs of at least 6% .

Belgium has extended and enlarged the Employment Agreement Scheme for the 1997/1998 period (see Best Practice Example no. 11). The public sector has also been encouraged to adopt half-time pension or the four-day week on voluntary basis with provisions for partial compensation in both cases.

Reductions in working time are also being considered in Italy and are being implemented in Portugal following a tripartite agreement.

⇒ *Member States are adjusting labour market regulations and practices to the new ways of production and changing individual preferences as to the distribution of time between work, leisure and education. It remains the case, however, that social security systems and taxation policies are not yet fully geared to flexible forms of work, though progress has been made. Work redistribution is currently (re)appearing as an issue on Member States' political agenda, but it is perceived and addressed differently throughout the EU. Some Member States associate it closely with a reduction of working hours in the full-time working week, while others tend to associate it more with working-life time policies. The involvement of social partners at all levels (local, sectoral, national and European) has a decisive role to play.*

## Best practice example no. 10

### Flexibility and security in employment

A fair balance between flexibility and security has been actively pursued in the Netherlands through a progressive adaptation of the regulatory framework in the fields of employment protection and working time. The goal is to expand the opportunities for job creation while preserving a reasonable level of social protection.

While maintaining the system of previous permission for dismissals embodied in the 1994 legislation on open-ended contracts (*Buitengewoon Besluit Arbeidsverhoudingen*), the government has introduced reforms in the regulation of fixed-term contracts in order to clarify the rights of temporary workers and extend the number of successive contracts (now up to three years). Scope for more flexibility is also offered by current proposals to reduce the period of notice on termination of contract and doing away with compulsory authorisation for posted employment.

The new Working Time Act, which came into effect in stages from 1 January 1996 shifted the responsibility of working time arrangements to the social partners and offered more scope for agreement-based working time arrangements. In addition to setting out standard sets of rules for employers and employees' representatives, the new law makes provision for consultation arrangements within a broader context. As a result, employees are given the opportunity to gear their working hours more closely to their individual needs, e.g. by reconciling paid work with other activities and responsibilities.

The increase in part-time working has contributed positively to the relatively fast growth of employment in the Netherlands. In order to give more rights to these workers, who now represent more than one third of the total labour force, the government has recently adopted a law (which came into force on 1 November 1996) banning discrimination based on the length of working time, and regulating the legal situation of part-time workers.

More flexible schemes of working time throughout the entire working life are also being considered. In addition to the strengthening of existing leave arrangements (parental leave and leave to cope with emergencies) the government is considering other forms of leave (for special adoption, e.g.) and how to give financial support for career breaks for employees for health care and educational purposes.

**Best practice example no. 11 - Promoting greater flexibility  
and reduction of working time**

At the level of the enterprise or of a entire branch, flexibilisation through annualised distribution, part-time work, leave schemes, etc., eventually linked with a reduction in working time, can provide an efficient joint solution to problems of adjusting capacity to demand, meeting individual preferences for specific working schedules and increasing total productivity by extending the economic life of capital. In addition, such agreements may effectively contribute to maintaining jobs that would otherwise be economically unfeasible or to creating new jobs for the unemployed.

In many Member States, the authorities have reformed the legal framework in order to offer a larger range of possibilities and eliminate unnecessary rigidities. In Belgium and France, the authorities went a step further by encouraging sectors and enterprises to conclude agreements producing a net growth in jobs along with work sharing and/or the reduction of working hours.

In **Belgium**, the Employment Agreements were proposed by the social partners under the 1995-96 cross-sectoral agreement and have been extended and enhanced for the period 1997-98. The social contributions payable by the employer are reduced by around 3,750 Ecus a year for each additional worker that an employer takes on for the period in which the agreement is valid. Applications were made in respect of 120,000 workers during the 4th quarter of 1996, which reveals an increasing trend in coverage.

Henceforth the agreements must comprise a minimum of two measures from a list including: career breaks, part-time work, collective reduction of working hours, flexible working hours, half-time pensions, and additional training during working hours. Under these agreements, enterprises can also opt for a subsidy for creating additional jobs reducing employers' contributions by 20 % of average pay in the enterprise. Following the 1997-98 sectoral negotiations, 85 employment agreements were concluded at sectoral level, covering 70 % of workers in the private sector.

In **France**, the law on reduction of working time of 11 June 1996 provides for a reduction in social insurance contributions of 40% in the first year and 30 % in the subsequent 6 years, for firms that introduce collectively agreed working time reductions. These should have the effect of reducing working time by at least 10%, provided that it is associated with recruitment corresponding to at least 10% of the annual average workforce level in the company concerned. The extent of the reduction in contributions increases to 50% and 40% in the case of 15% reduction of working time and 15% recruitment.

A similar measure offering a reduction in social insurance contributions applies to firms reaching an agreement under which, by means of a 10% reduction in working time, mass redundancies are avoided.

### **Best Practice example no. 11 (cont.)**

The first evaluation results of the 1996 Law are very encouraging, confirming the very positive response it has got from the social partners in France. Until July 1997, 920 agreements had been signed in a one-year period., of which 2/3 for the creation of new jobs and 1/3 for job maintenance. 90,000 employees are currently concerned by the agreements in place.

Concerns about the too high financial cost of this measure are not confirmed by the latest evaluation results. In comparison with more traditional job creating measures, this measure entails a substantially lower net cost per unemployed.

Probably more evaluation will be needed in order to assess fully the impact of this law. However, it is already clear that it has the merit of encouraging firms to rethink with employees the organisation of work and working time. In this respect, it leads to a more active response than for instance traditional cost cutting measures.

This measure will be replaced in 1998 by a new mechanism in the context of the recent decisions taken by the government on working time (see main text).

### **3.3.3. The Role of Social Partners at European level**

The three cross-industry umbrella organisations adopted in November 1996 in Dublin a "*declaration on employment*". In their joint contribution the social partners stressed the need for an integrated approach to employment, encouraging improvements in the macroeconomic environment, exploiting the potential of the internal market to the full and implementing structural reforms in the labour market. They paid particular attention to lifelong learning. This, however, has yet to lead to practical follow-ups in terms of clear commitments and concrete actions.

In June 1997, the Social Partners signed a Framework agreement on part-time work. The scope of this agreement is significant, as part-time work has become one of the main features of the labour market and as it has a great potential with respect to job creation.

The sectoral social dialogue made progress in several areas. For example, the agricultural sector reached an agreement aimed at reducing working time, enhancing training and developing new poles of activity. This is the first agreement at European level on working conditions (reduction of working time, organisation of work and flexibility) with the aim to improve the possibilities of employment. In the cleaning industry the European deliberations on new sources of employment prompted the industry's social partners to adopt a memorandum on new services to private individuals and on agreements covering the workers engaged in the new activities thus created.

The integration of the Agreement on Social Policy in the Amsterdam Treaty confirms that the social partners have a major role to play in the strengthening of the Community social policy, and the European Council acknowledged the importance of the contribution of the social partners to the process of European construction.

### 3.4. STRENGTHENING THE LOCAL DIMENSION

#### 3.4.1. Job creation initiatives and local involvement

*The Essen Council advocated the promotion of initiatives, particularly at regional and local levels, that create jobs which take account of new requirements e.g. in the spheres of environment and household and social services. It was agreed that this required both an improvement of the legal, tax and financial environment affecting such jobs, and a mobilisation of all actors at the relevant level.*

**Enhancing the role of the local actors in job creation.** In line with the Council recommendations, job creation initiatives in many Member States are becoming increasingly locally based.<sup>8</sup> In some Member States local initiatives have been supported through the establishment of new and decentralised bodies at local level to implement new policies and measures for job creation. It is the Southern European countries (Italy, Greece, Portugal and Spain) who stress more the importance of such initiatives within their general employment strategies.

Employment initiatives at local level offer new opportunities for employment and enable emerging needs to be met by creating new occupations. In addition to their direct labour market function, such initiatives often provide social and economic benefits and services to the local community. They mobilise local partnerships and can contribute to local processes of economic, social and environmental renewal and development of rural and urban areas.

The Commission is examining the employment potential of the social economy (not-for-profit sector). The development of pilot projects, the dissemination of information and the promotion of networks in this sector is underway, with funding provided in the 1997 budget by the European Parliament. In response to the Dublin European Council's request, a report on the potential of local development for stimulating employment growth is being prepared. The report will concentrate on best practice and experiences, and pay particular attention to the way co-operation between public authorities, private enterprises, social partners and local groups has led to initiatives matching the needs of the unemployed.

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<sup>8</sup> A working paper of the Commission services gives fuller information about local employment initiatives. Cf. "Premier rapport sur les initiatives locales de développement et d'emploi" SEC(96) 2061. du 7 novembre 1996.

**Territorial pacts.** At the initiative of the Commission some 90 projects due to become Territorial Employment Pacts have been drawn up in partnership, at regional or local level, by representatives of public authorities, employers and employees, citizens' associations, representatives of training and educational institutions and various other bodies. They will cover more than 10% of the EU population in areas registering an unemployment rate above national average, and the Community will co-finance them, by using the available resources of the Structural Funds and especially their margins of flexibility. There are three criteria for such pacts:<sup>9</sup>

- a "bottom-up" approach, whereby initiatives should come from local level;
- the involvement of a broad public-private partnership made of all relevant actors with a significant influence on employment in the area, thus going beyond the normal partnership within the framework of the Community structural funds by actively including the private sector, the social partners and the relevant NGO's;
- a plan of action based on an analysis of the local situation, to be used to develop an integrated strategy and innovative job-creation measures.

**Promoting the "intermediate" labour markets.** The national reports indicate that there has been a further expansion of initiatives for the most hard-to-place, by unlocking the potential of the social economy. This involves the creation of work in socially-useful activities, which do not generally compete with private businesses. Although these jobs are often temporary in nature, evaluation from earlier initiatives shows that they can have a more positive effect than traditional, mass government schemes (see Best practice Example no. 12).

Such initiatives have been launched in Ireland (*Community Employment*), Portugal (*Social Employment Market programme* involving about 40,000 workers), Germany (especially in Eastern Germany, where they account for 3% of employment), and Austria (*Gemeinnützige Eingliederungsbeihilfe - G.E.B.* in the social care sector). Partly on the basis of its earlier experience in the Glasgow area, the UK government will designate certain areas of high incidence of social exclusion as Employment Zones where local partnerships will be established to provide employment in the intermediate labour market or help those becoming self-employed with specific training.

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<sup>9</sup> cf Commission Communication on the Interim Progress report on the Implementation of Territorial Pacts for Employment CSE (97) 3 of 10.06.1997



**Improving the effectiveness of start-up grants.** Most Member States provide financial incentives and assistance in order to help those wishing to start up a new business to do so. These are long standing schemes, whose success rates tend to be low when the new entrepreneurs are unemployed with low skills, and high when the beneficiaries are skilled, but in this case the dead-weight cost is likely to be important. Some countries have developed innovative approaches combining financial aid with specific training and technical assistance often addressed to the unemployed in regions suffering from structural difficulties (see Best Practice Example no. 13). In this connection, Germany has improved the conditions for financial support to the unemployed who set up their own business by activating the unemployment benefit, and extended to them the right to a wage subsidy when hiring an unemployed person.

**Promoting new jobs in household and social services.** Some Member States seek to develop the employment potential of new service sectors in the economy, to match unfulfilled demand, through targeted labour cost reduction, administrative simplification and structuring of the supply of services. In France, fiscal incentives to household-related jobs were introduced in 1992 representing 50% of total labour costs, the quality of supply of childcare and house care services was improved, and a service voucher system was created, as a result of which the number of declared employers increased by 500,000 in 5 years. In Belgium, a service voucher system has also been implemented, and the "Maribel Social" programme provides for a flat rate reduction of employers' contribution in the field of health and social welfare, on the condition that new jobs are created (4,500 forecast for 1997). For 1998, the Netherlands will introduce a new regulation on wage subsidies in order to stimulate home services, inspired in the current experience in the cleaning sector. Finally, Portugal has launched a programme to support micro enterprises in environment, culture and crafts, which generated 5,000 jobs in 1996.

⇒ *National reports indicate plenty of examples of job creation initiatives, mainly at the local level, with very different goals and under different institutional settings. This is the area where most experimentation seems to be undertaken. It is probably too early to draw conclusions about the effect of such initiatives. In some cases, it appears that the objectives of developing new services and of re-integrating the hard-to-place unemployed have been mixed up. This may have reduced the effectiveness of such measures, and reduced their credibility for potential employers and qualified workers, whereas the unemployed may not find permanent jobs in such services to the extent required. Job creation initiatives in new service areas will have to be seen in a broader perspective integrating changes in working time, working life and consumption patterns.*

⇒ *These new sources of employment need to be exploited much more decisively, particularly as regards services to people and to local communities, and the not-for-profit sector. Local employment initiatives and territorial pacts bringing together all involved at local, regional and national levels, in a broad partnership approach have proved particularly effective. The lessons drawn from these successful experiences need to be promoted as part of a wider local development drive throughout Europe.*

## Best Practice Example no. 12 - "Intermediate labour markets"

Several programmes providing temporary work experience to the long term unemployed and other disadvantaged groups have been in place for years in many Member States, with mixed results. Much of the evaluation suggests that the programmes have high costs per capita, lead to displacement of other activities and have little or no effect on the participants' long-term employment prospects in the real labour market. In addition, attendance of such programmes becomes a stigma for participants in the eyes of future employers.

More recently, small-scale "intermediate labour market" schemes combining work experience and training in socially useful activities have shown more positive results. Often such programmes are implemented in sectors responding to unfulfilled demand. According to evaluation, the initiatives of this type which improve participants' job chances the most appear to be: those offering an environment as close as possible to "normal jobs"; those which include job-relevant training; and those which are locally organised around activities filling existing demand in the local community (e.g. household, environment, culture and social care).

**Ireland** launched *Community Employment*, a scheme providing part-time work in the social economy and personal and skill development for the long-term unemployed and other disadvantaged groups. The workforce engaged in the scheme gains invaluable work experience while providing community and enterprise support facilities, environmental improvements and important community-based services.

The scheme has enjoyed remarkable success, as shown by the growth in the number of participants from 15,000 to the present 40,000 annually, which is attributed to the attractive conditions of the programme: Participants are normally paid at a level equal to or greater than unemployment benefit and also retain secondary benefits. It is estimated that 36 % of participants have subsequently moved to full-time employment and a further 30% into education/training programmes. These are very significant results, far above the results of comparable measures elsewhere and in Ireland. This success can be partly attributed to the current upswing in the Irish labour market, but also reflects improvements in the range and quality of activities covered.

The scheme was modified in April 1996 to provide two distinct options which target better the needs of the long-term unemployed, in particular. The "Part-Time Integration Option" will be aimed at those unemployed over 12 months with reasonable prospects of finding employment and will last for one year. The "Part-Time Job Option" will offer the possibility of up to 3 years participation for those over 35 years old and registered unemployed for at least 3 years.

The ESF has been supporting the training element of the Community Employment Scheme from the beginning and it is planned to re-focus ESF on the older long-term unemployed following the mid-term review.

### Best Practice Example no. 13

#### Measures to promote enterprise creation by young entrepreneurs and the self-employment of unemployed persons

Start-up grants have enjoyed wide popularity in Europe, despite the evidence that the "mortality rate" of such businesses can be high, especially when they are addressed to the unemployed, and that only the best qualified candidates can take effective advantage of such schemes. A solution to improving their effectiveness can be found in the provision of specific training in combination with finance and an appropriate assessment of the feasibility of each business project.

Since 1986, Italy has been running quite successfully a *Programme of Support to Youth Entrepreneurial Activity*, with the aim of encouraging young entrepreneurs to start up a business (Law no. 44/86). The conditions for entitlement of benefits were recently revised. People under 36 years of age are eligible for the financial aid, which can amount to 90% of costs (in the Mezzogiorno) or 60% (in northern and central regions), in addition to other supporting services (technical assistance, training, market orientation. Financial aid for investments may be in the form of non-refundable grants or loans at favourable interest rates. The management of the system is ensured by the IG SPA (*Società per l'imprenditorialità da giovanile*), a public development company.

In 1996 a new initiative called *Prestito d'onore* (Loan Based on Honour) was launched, with the aim of supporting unemployed persons who wish to enter self-employment in the crafts or manufacturing sector and demonstrate the ability to translate an idea into a profitable activity. Under this scheme, small-scale self-employment initiatives in the Mezzogiorno are funded partly by non-refundable grants and partly by loans on favourable terms. The projects are selected and their feasibility checked at the end of a self-employment training course organised by IG SPA. The ESI Objective 1 programme supports the training part of this activity.

An "activation" element is included in the scheme, to the extent that workers who have been made redundant may claim early payment of compensation when they propose to enter self-employment.

ITL 30 Billion for 1995 and ITL 50 Billion for 1996 have been earmarked for the implementation of this measure. However, more than 35,000 applications have been submitted so far, which led the Government to increase the financing of the programme.

### 3.4.2. Increased role and decentralisation of employment services

*Recommendations of the European Councils have also stressed the need to reform public employment services and enhance their role in job brokerage, informing job seekers and employers and assisting the active search for work.*

**Decentralising delivery of active policies.** Decentralisation is designed to ensure improved accessibility and tailoring of measures and provisions to local labour market needs. It normally entails the devolution of responsibility for policy implementation and formulation to the local services. In addition it has often been accompanied by a closer involvement of the social partners and of local community groups in the search for concrete solutions at the local level. Decentralisation is expected to give a major boost to improving the effectiveness of public employment services in finding jobs for the most hard-to-place and to serve the needs of both employers and job seekers.

The European Social Fund (ESF) priorities clearly support and favour decentralisation at regional and local levels, and the ESF programmes are therefore acting as a significant stimulant to this tendency.

In many Member States, the Public Employment Service (PES) is being reorganised in a more decentralised way and local employment offices receive much more scope for gearing their resources to the requirements of the local labour market. While decentralisation is well established in Sweden, Finland, Denmark and the Netherlands, it has been promoted more recently by initiatives in Germany, Austria, Ireland and Belgium. In France de-concentration is currently being piloted in six regions.

In Germany, the revised *Labour Promotion Act*, which came into force on 1st April 1997, enlarges the fields of action and decision-making, as well as the autonomy of local employment offices. These are free to choose amongst existing instruments of active labour market policy those which are most suited to local labour market requirements. In addition, the local offices have now the possibility of using up to 10% of their resources for active labour market policy to develop innovative measures which go beyond existing measures and which they deem necessary for promising insertion actions. In order to reveal the efficiency and effectiveness of their actions, the offices have to report annually on and account for their active labour market policies. This is also seen as an instrument for increasing competition between the various offices.

In the UK, since 1991 delivery of most active policies has been decentralised to local *Training and Enterprise Councils* (Local Enterprise Companies in Scotland). These bodies which are run by local partnerships (led by the private sector), act under contract to the central government to deliver training and other labour market measures according to performance targets laid down by the government. The evaluation results have been globally positive, and stressed the TEC's worth in providing tailored solutions to local labour market problems.

Apart from TECs, there is no evaluation of the degree to which employment services' efficiency can be explicitly attributed to different degrees of decentralisation. While the devolution of responsibility for measures to local interests clearly brings advantages, there is also a need for co-ordination in order to avoid overlapping and duplication. Furthermore, within such a "hands off" approach, it is desirable that the stated policy objectives are pursued, especially in relation to the targeting of the most hard-to-place unemployed.

**Promoting Customer-Orientation.** Together with decentralisation, PES reforms have increased the possibility of individualised service to the unemployed. Measures are selected in accordance with the duration of unemployment, motivations and characteristics of the unemployed, in the framework of individual contracts drawn up between the unemployed and the employment service - individual case management (see Best Practice examples 1 and 14)

The national reports also stress the importance of inter-linking the services in charge of employment, social welfare and the local authorities, in order to achieve a more efficient use of resources. In some cases these reforms have led to the establishment of just one reception office (*guichet unique*), for dealing with re-integration and social protection of the unemployed. In other cases, several local public agencies work together with social partners and charities in order to find insertion alternatives for welfare recipients (Portugal, implementation of the Minimum Guaranteed Income).

**New Role for Private Employment Services.** In many countries, there has been a move towards ending the monopoly of public services; in others (Italy, Greece), a similar move is being considered. Although the development of private services following de-regulation has been quite uneven, with a relatively small market share so far for the private services, the present more competitive environment paves the way for new partnerships between private and public services.

⇒ *Many countries are strengthening the capacity and role of the PES. This key development enables the PES to improve its market penetration, and to perform its multiple role in matching the supply with the demand of jobs, providing information on the labour market, and supporting the re-integration of the most hard to place unemployed. Full exploitation of the possibilities of new information and communication technologies should enhance the capacity of PES to ensure these tasks.*

### Best Practice Example no. 14 - Public employment services

Early identification and early action to prevent long-term unemployment require well-resourced and well-run employment services, and a fully developed range of active measures. Sweden runs a well-equipped employment service, which plays a fundamental role in underpinning active labour market policy. With 390 employment offices and 1,700 staff per million workers, Sweden has one of the highest coverage in Europe. Almost 90 % of the unemployed are registered with the employment services. Individual case-management and early identification of the most difficult to place among the unemployed are actively promoted. Most unemployed having reached 6 months of unemployment are offered participation in an active measure (4 months for the young unemployed).

The 1996 Employment Bill gave a stronger role to municipalities in the use of labour market funds. Already before the decentralisation reforms, the individual employment offices already had a rather wide scope of decision in the choice of programmes for each beneficiary.

Two-thirds of the labour market policy budget goes to active measures. Around 5% of the labour force is involved in some kind of active programmes. A monthly average of between 40,000 and 50,000 unemployed participate in training, whereas the monthly average of those in work experience schemes (ALU) was 42,000 and 53,000 in 1995 and 1996 respectively.

Active labour market policies of this magnitude have certainly played a decisive role in maintaining relatively low rates of long-term unemployment in Sweden despite the deterioration in the employment situation since the early nineties. The long-term unemployed represent less than 2 % of the labour force in Sweden against a EU average of 5.2 %. However, evaluation results have pointed out to the "vicious circle" between either recurrent unemployment or transitions back and forth between open unemployment and labour market programme participation. Low integration rates have been observed in such schemes, in the present difficult employment situation, thereby transforming active schemes for many participants simply in a way to renew benefit eligibility. Recent evaluation has furthermore indicated undesirable substitution effects in the work experience schemes and suggested the need to increase the target-orientation of programmes and to design individual action plans that are flexible enough to adjust to individual needs.

This is in line with recent decisions to strengthen individual case-management. Concrete individual plans of action should be drawn up between the employment office and the job-seeker, and participation in programmes should reflect individual characteristics and motivations.

### **3.5. SUPPORT FOR EMPLOYMENT PROMOTION IN MEMBER STATES PROVIDED BY THE STRUCTURAL FUNDS**

The Structural Funds, acting in support of economic and social cohesion, have an important role to play in promoting sustainable growth and employment. They contribute to improving the performance of the productive sector through the development of infrastructure, the support extended to productive investment, rural development activities and the adaptation of human resources. Programmes aim at increasing the employment content of growth, by taking employment into account and by exploiting local potentialities and new sources of employment. The interventions are also targeted at immaterial investment (research, services to enterprises, human capital) and technological innovation.

In the context of structural change within labour markets and in order to enhance employability as needed, the Funds, particularly the European Social Fund, underpin Member State efforts through: improving education and training systems within the less developed regions, as well as supporting lifelong learning across the EU as a whole; matching labour supply to the changing demands of the economy; promoting social inclusion and equal opportunities for all; acting as a catalyst for change within the Member States' human resource development policies and labour market systems. As well as these medium- and long-term structural effects, the Funds also have a short term impact through extra demand for goods and services.

Despite the progress achieved in real convergence, between the Member States, large disparities remain in terms of competitiveness, skill levels and unemployment. The Commission attaches great importance to ensuring consistency between the continuing effort of the Structural Funds and the European employment strategy.

Analysis of the Multi-Annual Programmes shows the coherence between the priorities set out in the employment strategy and the operation of the Structural Funds, and the European Social Fund in particular. The mid term evaluation and review of Objective 1, 3, 4, 5b and 6 programmes as well as the new programming period for Objective 2 regions provide the opportunity, in accordance with existing Community legal provisions, to sharpen the focus of Structural Funds support on employment.

Guidelines issued by the Commission to the Member States at the end of May 1997 provide a policy framework for programme adjustments. These guidelines emphasise a number of key priorities including: the need to shift from passive to active labour market measures, with the preventive approach lying at the heart of the latter; strengthening links between education systems and the labour market; the potential for job creation through local development and employment initiatives; maximising the spill-over effect on local employment from infrastructure work; increasing the employment impact of state-aid co-financing in terms of sustainable jobs creation; the need to give high priority to start up SMEs and to improve their international competitiveness, especially in the services sector. Actions in support of the principle of equal opportunities would seek to facilitate access to employment and business services as well as to improve social infrastructure and the terms and conditions of employment.

The role of research, technological development and innovation as factors for competitiveness and jobs creation was highlighted. Guidelines have also been issued on how to achieve sustainable development and employment in Objective 2 regions.

In its communication Agenda 2000, the Commission has presented its proposals with the aim to define the political and financial perspectives for the period 2000-2006. Within a streamlined structure of Objectives, the Commission proposes to achieve greater concentration on regions and target groups experiencing greatest disadvantage. It is the Commission's view that Objective 1 regions will continue to deserve high priority as the Structural Funds' support plays a fundamental role not only with regard to economic and social cohesion, but also in creating employment and reducing high levels of unemployment. In order to facilitate economic diversification and dynamism in the Objective 2 regions, the Commission wishes to give particular priority to training and access to new technologies to unlock employment opportunities. The new Objective 3 will underpin Member State efforts to modernise their education, training and employment systems, with its main guidelines being defined within the framework of the European employment strategy



## Annex 1 : The Employment Indicators

The employment situation in the Union **improved somewhat** in 1995/96, after the deterioration registered in 1992/94 (cf. Macro-economic and employment indicators hereafter). The employment rate increased marginally to reach 60.4% in 1996 versus 60.1% in 1994. It picked up for women (50.3% Vs 49.6%) while stabilising for men (70.5% Vs 70.6%).

The improvement halted temporarily in 1996, in line with the deceleration of economic activity (GDP grew by 1.6% Vs 2.4% in 1995 and 2.9% in 1994). The employment rate increased by 0.1% only and the unemployment rate rose by 0.2%, to 10.9%, after having fallen by 0.4% in 1995. However, the data available for 1997 are encouraging. The monthly rate of unemployment for July, at 10.6%, was 0.3% below its level of 12 months before.

This improvement was largely due to the increase in the number of **part-time jobs**. The employment rate in full time equivalent hardly moved over the last two years (55.2% in 1996 Vs 55.1% in 1994). The improvement recorded for women was limited (42.2% Vs 41.8%) and the fall continued for men (68.4% Vs 68.8%).

The growth in employment registered for **women** (1.0% increase in 1995 and in 1996) was essentially due to their **increased participation** in the labour force and yielded therefore no significant reduction of unemployment. While the activity rate for women moved up from 56.8% in 1994 to 57.5% in 1996, their unemployment rate fell from 12.7% to 12.6% only. On the contrary for **men**, the activity rate continued to fall (from 78.5% in 1994 to 78.0% in 1996) so that the rate of **unemployment decreased** (from 10.0% in 1994 to 9.6% in 1996).

The percentage of **long term unemployed**, i.e. those who had been without a job for more than one year, **fell** in 1996 to 48.3% of all unemployed, after the sharp rise recorded between 1992 (40.6%) and 1995 (49.2%). Only **men** benefited from this change. For them, the share of long term unemployment decreased by 1.7 percentage point to 46.6% in 1996 while it increased by 0.1 percentage point to 50.1% for women.

The unemployment rate for youth moved in line with the overall unemployment rate over the last two years. It fell from 22.2% in 1994 to 21.6% in 1995 but rose to 21.8% in 1996. However, the **unemployment rate kept increasing for young women** (from 23.0% in 1994 to 23.3% in 1996)

In 1996, the employment rate **increased** significantly in 8 **Member States**: Luxembourg (+1.3%), The Netherlands (+1.2%), Spain (+0.8%), Ireland (+0.8%), Denmark (+0.5%), Greece (+0.5%), Portugal (+0.5%) and the United Kingdom (+0.5%). This has much to do with **output growth** as GDP grew, in 1996, by more than 2% in all these countries.

The employment rate grew only marginally in Italy (+0.2%). It did not change in Belgium and Finland. It decreased in France (-0.2%), Germany (-0.7%), Austria (-1.0%) and Sweden (-1.8%). These countries, except Finland, experienced GDP growth below 1.5% in 1996. In **Finland**, where GDP increased by 3.3% in 1996, the **stagnation of the employment rate**, despite a growth in employment of 1.4%, is essentially accounted for by a strong rise of the **population of working age** (+1.4%).

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## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	2,4	1,5	3,2	1,8	1,5
Nominal compensation per employee (1)	7,0	4,1	3,3	3,1	3,5
Nominal unit labour costs (1)	4,5	2,6	0,1	1,3	1,9
Real growth of GDP (1)	1,0	-0,4	2,9	2,4	1,6
Inflation rate (2)	4,7	4,0	3,3	3,0	2,7
Public deficit / GDP ratio	-5,1	-6,2	-5,5	-5,0	-4,3
Long-term interest rate 5 y	9,8	8,0	8,2	8,4	7,1
<b>Labour market indicators</b>					
Activity rate (3)	68,1	67,7	67,6	67,6	67,8
Men	80,0	79,1	78,5	78,2	78,0
Women	56,4	56,5	56,8	57,1	57,5
Employment rate (3)	61,8	60,4	60,1	60,3	60,4
Men	73,5	71,4	70,6	70,8	70,5
Women	50,2	49,6	49,6	49,9	50,3
Employment rate in full time equivalent	57,0	55,6	55,1	55,2	55,2
Men	71,7	69,6	68,8	68,7	68,4
Women	42,8	42,1	41,8	42,0	42,2
Employment growth rate	-1,2	-1,8	-0,3	0,7	0,4
Men	-1,8	-2,3	-0,7	0,5	0,0
Women	-0,4	-1,1	0,2	1,0	1,0
Share of long-term unemployed (4)	40,6	43,2	47,4	49,2	48,3
Men	39,6	41,0	46,0	48,3	46,6
Women	41,7	45,7	48,9	50,0	50,1
Unemployment rate	9,3	10,7	11,1	10,7	10,9
Men	8,1	9,7	10,0	9,4	9,6
Women	10,9	12,2	12,7	12,5	12,6
Youth unemployment rate: 15-24y	18,2	21,4	22,2	21,6	21,8
Men	17,3	20,9	21,4	20,2	20,6
Women	19,2	22,0	23,0	23,2	23,3

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

Source: Commission services (DGII, DG V, EUROSTAT)

# AUSTRIA

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	0,9	1,1	2,2	1,7	1,7
Nominal compensation per employee (1)	5,8	4,4	3,4	3,7	1,9
Nominal unit labour costs (1)	4,9	3,3	1,2	2,0	0,2
Real growth of GDP (1)	1,3	0,6	2,3	1,4	1,0
Inflation rate (2)	3,9	3,3	2,9	1,3	2,0
Public deficit / GDP ratio	-2,1	-4,2	-4,9	-5,3	-3,9
Long-term interest rate 5 y	8,3	6,6	6,7	7,1	6,3
<b>Labour market indicators</b>					
Activity rate (3)	73,3	73,8	73,3	73,6	72,8
Men	83,5	83,7	82,9	82,7	81,4
Women	63,1	63,8	63,7	64,5	64,1
Employment rate (3)	70,7	70,9	70,5	70,8	69,8
Men	81,3	81,2	80,5	80,4	78,9
Women	60,1	60,6	60,5	61,3	60,7
Employment rate in full time equivalent	66,1	66,3	65,9	66,2	65,0
Men	79,8	79,7	79,0	78,9	77,3
Women	53,3	53,7	53,7	54,4	52,6
Employment growth rate	1,9	0,7	0,1	0,5	-1,3
Men	2,1	0,5	-0,6	-0,2	-1,7
Women	1,7	0,9	0,9	1,3	-0,8
Share of long-term unemployed (4)	na	na	na	28,0	25,7
Men	na	na	na	25,0	23,5
Women	na	na	na	31,3	29,1
Unemployment rate	3,5	3,9	3,8	3,8	4,1
Men	2,6	3,0	2,9	3,0	3,1
Women	4,7	5,0	4,9	5,0	5,3
Youth unemployment rate. 15-24y	5,8	6,3	5,7	5,5	6,0
Men	4,6	5,2	4,5	4,5	5,0
Women	7,0	7,6	7,0	6,7	7,1

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-54

(4) Percentage unemployed

# BELGIUM

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	2,1	-0,3	3,1	1,4	1,3
Nominal compensation per employee (1)	5,9	3,8	4,6	2,3	1,8
Nominal unit labour costs (1)	3,7	4,1	1,5	0,9	0,5
Real growth of GDP (1)	1,7	-1,4	2,3	1,9	1,4
Inflation rate (2)	2,1	3,0	3,2	1,6	2,0
Public deficit / GDP ratio	-7,2	-7,4	-5,1	-4,1	-3,4
Long-term interest rate 5 y	8,6	7,2	7,8	7,5	6,5
<b>Labour market indicators</b>					
Activity rate (3)	61,3	61,8	62,3	62,8	62,8
Men	72,6	72,3	72,7	73,0	72,8
Women	49,9	51,1	51,7	52,4	52,5
Employment rate (3)	56,8	56,3	56,0	56,6	56,6
Men	68,8	67,3	66,9	67,4	67,3
Women	44,8	45,1	45,0	45,7	45,8
Employment rate in full time equivalent	53,2	52,5	52,2	52,7	52,5
Men	68,0	66,6	66,1	66,4	66,2
Women	38,5	38,7	38,8	39,1	39,1
Employment growth rate	1,4	-0,7	0,1	1,2	-0,1
Men	-0,2	-1,7	0,2	0,9	-0,2
Women	3,9	0,8	-0,1	1,6	0,2
Share of long-term unemployed (4)	59,0	52,9	58,3	62,4	61,2
Men	56,5	45,3	53,2	61,5	59,1
Women	60,9	59,1	62,7	63,5	63,0
Unemployment rate	7,3	8,9	10,0	9,9	9,8
Men	5,3	6,9	7,9	7,8	7,6
Women	10,2	11,8	12,9	12,9	12,8
Youth unemployment rate, 15-24y	16,2	21,8	24,2	23,9	22,9
Men	14,3	20,7	22,6	21,5	19,4
Women	18,2	23,0	26,1	26,7	27,2

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

# GERMANY

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	4.1	0.6	3.6	2.3	2.5
Nominal compensation per employee (1)	10.6	4.3	3.4	3.6	2.5
Nominal unit labour costs (1)	6.2	3.7	-0.1	1.3	-0.1
Real growth of GDP (1)	2.2	-1.1	2.9	1.9	1.4
Inflation rate (2)	4.8	3.9	2.7	1.9	1.8
Public deficit / GDP ratio	-2.8	-3.5	-2.4	-3.5	-3.8
Long-term interest rate 5 y	8.0	6.3	6.7	6.5	5.6
<b>Labour market indicators</b>					
Activity rate (3)	70.6	69.7	69.6	69.5	69.4
Men	80.4	79.1	78.7	78.4	78.1
Women	60.7	60.0	60.3	60.4	60.5
Employment rate (3)	65.9	64.0	63.6	63.6	62.9
Men	76.2	73.8	72.9	72.7	71.5
Women	55.4	54.1	54.1	54.4	54.1
Employment rate in full time equivalent	60.9	59.0	58.4	58.1	57.6
Men	74.9	72.5	71.6	71.2	70.0
Women	46.8	45.3	45.1	44.9	44.7
Employment growth rate	-1.8	-1.8	-0.7	-0.3	-1.1
Men	-1.5	-1.7	-1.1	-0.7	-1.7
Women	-2.3	-1.8	-0.1	0.4	-0.4
Share of long-term unemployed (4)	33.4	40.3	44.3	48.7	48.7
Men	37.0	36.9	41.2	45.9	45.9
Women	30.6	43.5	47.2	51.3	51.3
Unemployment rate	6.6	7.9	8.4	8.2	9.0
Men	5.2	6.6	7.2	7.1	8.1
Women	8.5	9.6	10.1	9.8	10.2
Youth unemployment rate, 15-24y	6.4	7.9	8.7	8.8	9.6
Men	5.8	7.8	8.8	8.9	10.3
Women	7.0	8.1	8.6	8.7	8.8

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed



# FINLAND

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	3,7	5,7	5,8	2,9	1,9
Nominal compensation per employee (1)	1,9	1,0	3,5	4,3	3,2
Nominal unit labour costs (1)	-1,8	-4,4	-2,2	1,4	1,3
Real growth of GDP (1)	-3,6	-1,2	4,5	4,5	3,3
Inflation rate (2)	4,1	4,2	1,4	0,2	1,2
Public deficit / GDP ratio	-5,9	-8,0	-6,1	-5,0	-2,6
Long-term interest rate 5 y	12,0	8,2	8,4	7,9	6,1
Labour market indicators					
Activity rate (3)	75,0	74,0	73,6	73,9	73,0
Men	78,3	77,5	76,5	76,2	75,1
Women	71,7	70,6	70,6	71,7	70,9
Employment rate (3)	65,3	61,1	60,5	61,7	61,7
Men	66,8	63,0	62,1	63,5	63,8
Women	63,8	59,3	58,8	59,9	59,5
Employment rate in full time equivalent	62,0	58,0	57,4	58,5	58,3
Men	64,5	60,8	60,0	61,3	61,4
Women	59,7	55,4	55,1	56,1	55,5
Employment growth rate	-7,2	-6,1	-0,7	2,2	1,4
Men	-8,0	-5,5	-1,1	2,4	2,6
Women	-6,3	-6,9	-0,4	2,0	0,0
Share of long-term unemployed (4)	na	na	na	37,2	35,9
Men	na	na	na	42,3	40,4
Women	na	na	na	31,6	31,0
Unemployment rate	13,0	17,5	17,9	16,6	15,7
Men	14,8	19,0	18,9	16,7	15,2
Women	11,0	16,0	16,8	16,6	16,2
Youth unemployment rate, 15-24y	32,6	41,8	42,2	38,2	38,2
Men	34,6	42,9	42,9	36,7	37,4
Women	30,5	40,7	41,5	39,9	39,0

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

# SPAIN

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	2,3	1,8	2,7	1,1	0,8
Nominal compensation per employee (1)	10,4	6,7	2,2	2,2	4,6
Nominal unit labour costs (1)	8,0	4,8	-0,5	1,2	3,7
Real growth of GDP (1)	0,7	-1,2	2,1	2,8	2,2
Inflation rate (2)	6,4	5,6	4,8	4,7	3,6
Public deficit / GDP ratio	-3,6	-6,8	-6,3	-6,6	-4,4
Long-term interest rate 5 y	12,2	10,2	9,7	11,0	8,2
<b>Labour market indicators</b>					
Activity rate (3)	59,4	59,7	60,0	60,2	60,7
Men	77,0	76,4	75,6	75,1	75,4
Women	42,3	43,4	44,7	45,6	46,3
Employment rate (3)	48,4	46,1	45,5	46,4	47,2
Men	65,8	61,8	60,7	61,5	62,1
Women	31,4	30,7	30,6	31,7	32,6
Employment rate in full time equivalent	46,9	44,5	43,7	44,5	45,1
Men	65,2	61,0	59,8	60,6	61,0
Women	29,1	28,1	28,0	28,7	29,5
Employment growth rate	-1,9	-4,3	-0,9	2,7	2,9
Men	-2,8	-5,3	-1,4	1,9	2,2
Women	0,0	-2,1	0,1	4,1	4,4
Share of long-term unemployed (4)	44,0	46,2	52,7	54,6	52,9
Men	34,8	37,8	46,3	49,0	45,9
Women	52,7	55,5	59,5	60,0	59,6
Unemployment rate	18,5	22,8	24,1	22,9	22,2
Men	14,5	19,1	19,7	18,2	17,6
Women	25,6	29,3	31,4	30,5	29,5
Youth unemployment rate, 15-24y	34,6	43,4	45,0	42,5	41,9
Men	29,9	40,0	40,9	36,9	36,2
Women	40,6	47,6	50,1	49,0	48,7

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed



# GREECE

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	-0,9	-0,5	0,3	1,1	1,5
Nominal compensation per employee (1)	10,7	8,1	12,2	12,5	11,7
Nominal unit labour costs (1)	11,7	8,7	11,8	11,3	10,1
Real growth of GDP (1)	0,5	0,2	2,2	2,0	2,6
Inflation rate (2)	15,0	13,8	10,8	9,3	8,3
Public deficit / GDP ratio	-12,3	-14,2	-12,1	-9,2	-7,4
Long-term interest rate 5 y			19,0	17,1	14,9
<b>Labour market indicators</b>					
Activity rate (3)	60,2	60,4	61,4	62,0	63,0
Men	78,9	78,7	79,7	80,0	80,3
Women	42,8	43,3	44,3	45,3	47,0
Employment rate (3)	55,4	55,2	55,9	56,4	56,9
Men	74,9	74,2	74,9	75,1	75,4
Women	37,2	37,4	38,2	39,1	39,7
Employment rate in full time equivalent	54,2	54,1	54,7	55,2	55,5
Men	74,2	73,4	73,9	74,2	74,4
Women	35,7	36,0	36,7	37,5	38,1
Employment growth rate	1,3	1,0	1,9	0,9	1,2
Men	-0,3	0,7	1,3	0,0	0,7
Women	4,5	1,4	3,0	2,6	2,2
Share of long-term unemployed (4)	49,8	50,8	50,5	51,3	56,7
Men	38,2	41,7	41,7	42,2	47,1
Women	57,4	57,3	57,3	58,1	62,6
Unemployment rate	7,9	8,6	8,9	9,1	9,6
Men	5,0	5,7	6,0	6,2	6,0
Women	13,0	13,6	13,7	13,8	15,4
Youth unemployment rate, 15-24y	25,2	26,8	27,7	28,5	31,0
Men	17,4	18,9	19,7	19,8	21,4
Women	34,3	36,1	37,0	38,3	41,1

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

# FRANCE

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	1,9	-0,2	2,9	1,0	1,5
Nominal compensation per employee (1)	4,2	2,8	2,2	2,3	2,6
Nominal unit labour costs (1)	2,3	2,9	-0,7	1,4	1,1
Real growth of GDP (1)	1,2	-1,3	2,8	2,2	1,3
Inflation rate (2)	2,4	2,2	2,1	1,7	1,8
Public deficit / GDP ratio	-4,1	-5,6	-5,6	-4,8	-4,1
Long-term interest rate 5 y	8,6	6,8	7,4	7,5	6,3
<b>Labour market indicators</b>					
Activity rate (3)	68,4	68,4	68,5	68,4	68,7
Men	77,2	76,4	76,0	75,7	75,9
Women	60,0	60,6	61,2	61,3	61,7
Employment rate (3)	61,4	60,4	60,2	60,5	60,3
Men	70,8	68,8	68,1	68,4	68,0
Women	52,3	52,3	52,4	52,8	52,8
Employment rate in full time equivalent	57,7	56,5	56,0	56,0	55,9
Men	69,6	67,6	66,7	66,9	66,4
Women	46,7	46,2	46,0	46,2	46,2
Employment growth rate	-0,7	-1,2	-0,1	1,0	0,0
Men	-1,1	-2,3	-0,6	0,8	-0,2
Women	-0,3	0,4	0,6	1,2	0,3
Share of long-term unemployed (4)	34,6	33,3	37,5	40,2	38,3
Men	32,1	31,2	36,8	39,2	36,4
Women	36,7	35,2	38,1	41,1	39,8
Unemployment rate	10,4	11,7	12,3	11,6	12,3
Men	8,3	10,0	10,4	9,7	10,4
Women	13,0	13,8	14,5	14,0	14,4
Youth unemployment rate, 15-24y	23,4	27,3	29,0	27,5	28,9
Men	20,1	25,1	26,2	23,9	26,0
Women	26,8	29,7	32,0	31,2	32,1

(2) Annual consumption deflator

(1) Annual percentage change

(4) Percentage unemployed

(3) Percentage of population 15-64

# THE NETHERLANDS

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	1,0	0,9	3,3	0,2	1,0
Nominal compensation per employee (1)	4,7	3,3	2,4	2,0	1,2
Nominal unit labour costs (1)	3,7	2,5	-0,8	1,8	0,2
Real growth of GDP (1)	2,0	0,8	3,4	2,1	2,8
Inflation rate (2)	3,1	2,1	2,7	0,9	2,0
Public deficit / GDP ratio	-3,9	-3,2	-3,4	-4,0	-2,4
Long-term interest rate 5 y	8,1	6,7	7,2	7,2	6,5
Labour market indicators					
Activity rate (3)	67,4	67,7	68,2	68,7	69,7
Men	79,6	79,4	79,2	79,0	80,0
Women	54,9	55,7	56,9	58,1	59,2
Employment rate (3)	63,5	63,2	63,2	63,9	65,1
Men	76,2	74,9	74,1	74,3	75,7
Women	50,6	51,2	52,1	53,1	54,3
Employment rate in full time equivalent	51,1	50,6	50,2	50,3	51,5
Men	69,5	68,4	67,4	67,4	68,9
Women	32,7	32,7	32,8	33,4	34,1
Employment growth rate	1,5	0,0	0,7	1,7	2,1
Men	-0,2	-0,9	-0,4	1,2	2,0
Women	4,3	1,5	2,5	2,4	2,3
Share of long-term unemployed (4)	43,9	52,3	49,5	46,7	49,0
Men	47,2	52,4	50,0	52,4	53,7
Women	41,3	52,0	48,8	41,1	45,3
Unemployment rate	5,6	6,6	7,1	7,0	6,6
Men	4,3	5,6	6,3	5,8	5,4
Women	7,6	7,9	8,3	8,6	8,4
Youth unemployment rate, 15-24y	8,5	11,1	11,4	12,0	11,5
Men	8,5	12,0	12,2	11,3	10,8
Women	8,6	10,1	10,7	12,7	12,2

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

# IRELAND

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	3,8	3,2	4,2	5,6	4,5
Nominal compensation per employee (1)	6,8	6,9	2,6	0,7	2,7
Nominal unit labour costs (1)	2,9	3,6	-1,6	-4,7	-1,7
Real growth of GDP (1)	4,6	3,7	7,3	10,7	8,4
Inflation rate (2)	2,5	1,9	2,6	2,0	1,7
Public deficit / GDP ratio	-2,5	-2,4	-1,7	-2,0	-0,9
Long-term interest rate 5 y	9,1	7,8	8,1	8,3	7,5
<b>Labour market indicators</b>					
Activity rate (3)	62,0	62,6	63,0	63,3	63,9
Men	79,3	78,7	80,1	78,7	78,2
Women	44,5	46,2	48,4	47,9	49,5
Employment rate (3)	52,4	52,7	54,0	55,5	56,3
Men	67,3	66,5	68,7	69,1	69,1
Women	37,3	38,7	41,3	41,9	43,3
Employment rate in full time equivalent	49,8	49,6	51,0	51,8	52,6
Men	65,9	65,0	66,4	67,2	67,3
Women	33,8	34,5	35,9	36,9	38,5
Employment growth rate	1,3	0,5	4,5	4,6	3,6
Men	-1,0	-1,2	3,3	4,0	2,4
Women	5,9	3,7	6,7	5,6	5,7
Share of long-term unemployed (4)	59,3	59,2	58,9	61,3	59,6
Men	63,3	63,2	62,9	66,7	64,8
Women	51,4	53,2	51,9	52,4	51,5
Unemployment rate	15,4	15,6	14,3	12,4	12,3
Men	15,1	15,4	14,1	12,2	11,9
Women	16,0	16,0	14,6	12,6	13,0
Youth unemployment rate, 15-24y	24,4	25,2	22,8	19,4	18,1
Men	25,8	27,0	24,7	20,7	18,9
Women	22,8	23,1	20,6	17,9	17,2

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

# ITALY

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	1,6	1,8	3,6	3,2	0,5
Nominal compensation per employee (1)	5,8	3,7	2,9	4,8	5,5
Nominal unit labour costs (1)	4,1	1,9	-0,6	1,6	4,9
Real growth of GDP (1)	0,6	-1,2	2,2	2,9	0,7
Inflation rate (2)	5,6	5,4	4,6	5,8	4,3
Public deficit / GDP ratio	-9,6	-10,0	-9,6	-7,0	-6,7
Long-term interest rate 5 y	13,7	11,3	10,6	11,8	8,9
<b>Labour market indicators</b>					
Activity rate (3)	59,2	58,8	58,3	58,1	58,4
Men	75,9	75,5	74,2	73,5	73,4
Women	43,0	42,6	42,7	43,0	43,6
Employment rate (3)	53,8	52,7	51,6	51,2	51,4
Men	70,9	69,7	67,6	66,8	66,5
Women	37,2	36,3	36,0	36,0	36,6
Employment rate in full time equivalent	52,9	51,7	50,4	50,0	50,0
Men	70,4	69,2	67,2	66,2	65,9
Women	35,9	34,8	34,3	34,1	34,7
Employment growth rate	-0,6	-2,7	-1,8	-0,3	0,5
Men	-1,1	-2,3	-2,4	-0,6	-0,2
Women	0,3	-3,3	-0,6	0,2	1,7
Share of long-term unemployed (4)	58,2	57,7	61,5	63,6	65,6
Men	58,3	55,4	59,7	62,7	64,1
Women	58,2	59,8	63,3	64,4	67,1
Unemployment rate	9,0	10,3	11,4	11,9	12,0
Men	6,5	7,8	8,9	9,2	9,4
Women	13,2	14,8	15,7	16,4	16,2
Youth unemployment rate, 15-24y	27,1	30,4	32,3	33,3	33,5
Men	23,4	26,6	29,0	29,1	29,2
Women	31,7	35,1	36,4	38,6	38,9

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

**LUXEMBOURG**  
**Macro-Economic and Employment Indicators**

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	1,9	6,8	1,6	1,3	1,2
Nominal compensation per employee (1)	5,3	5,1	4,0	2,2	1,6
Nominal unit labour costs (1)	3,4	-1,6	2,3	1,0	0,4
Real growth of GDP (1)	4,5	8,7	4,2	3,8	3,6
Inflation rate (2)	3,4	4,1	2,3	0,7	1,9
Public deficit / GDP ratio	0,8	1,7	2,9	1,7	2,7
Long-term interest rate 5 y	7,9	6,9	6,4	6,1	5,2
<b>Labour market indicators</b>					
Activity rate (3)	63,3	63,1	62,8	60,1	61,5
Men	78,2	78,8	77,5	75,8	76,7
Women	47,9	46,2	47,6	44,2	45,9
Employment rate (3)	62,0	61,4	60,8	58,3	59,6
Men	76,8	77,0	75,4	74,3	75,0
Women	46,6	44,6	45,6	42,2	43,8
Employment rate in full time equivalent	59,8	59,2	58,3	55,9	57,4
Men	76,5	76,7	75,1	74,0	74,8
Women	42,6	40,5	41,2	37,9	40,0
Employment growth rate	2,5	1,7	2,6	2,5	2,6
Men	0,0	2,7	1,6	5,0	1,1
Women	7,1	0,0	4,3	-1,8	5,4
Share of long-term unemployed (4)	na	50,0	33,3	40,0	33,3
Men	na	50,0	33,3	50,0	33,3
Women	na	50,0	33,3	33,3	33,3
Unemployment rate	2,1	2,7	3,2	2,9	3,2
Men	1,7	2,3	2,7	2,0	2,2
Women	2,8	3,4	4,2	4,4	4,8
Youth unemployment rate, 15-24y	4,0	5,4	7,3	7,4	9,1
Men	4,2	5,2	7,5	7,1	9,9
Women	3,7	5,6	7,2	7,8	8,2

(2) Annual consumption deflator

(4) Percentage unemployed

(1) Annual percentage change  
(3) Percentage of population 15-64

# PORTUGAL

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	3.6	2.4	1.7	3.3	2.4
Nominal compensation per employee (1)	15.9	6.2	10.7	2.5	6.5
Nominal unit labour costs (1)	11.9	3.7	8.8	-0.8	4.1
Real growth of GDP (1)	1.8	0.3	0.8	2.3	3.0
Inflation rate (2)	9.1	6.6	4.8	4.2	3.1
Public deficit / GDP ratio	-3.6	-6.2	-6.4	-6.0	-4.1
Long-term interest rate 5 y	15.4	12.5	10.8	10.3	7.3
<b>Labour market indicators</b>					
Activity rate (3)	71.7	70.9	70.8	70.6	71.2
Men	84.8	82.4	81.7	80.4	81.0
Women	59.9	60.4	60.7	61.5	62.0
Employment rate (3)	68.7	66.9	65.8	65.5	66.0
Men	81.8	78.4	76.7	75.1	75.8
Women	56.9	56.3	55.8	56.5	56.9
Employment rate in full time equivalent	66.7	64.8	63.4	63.3	63.8
Men	80.6	77.1	75.2	74.0	74.5
Women	54.4	53.6	52.8	53.5	53.8
Employment growth rate	-1.9	-1.7	-0.2	-0.7	0.7
Men	-3.2	-2.4	-0.7	-1.5	0.7
Women	-0.1	-0.8	0.5	0.3	0.6
Share of long-term unemployed (4)	30.9	37.9	43.2	50.8	53.0
Men	24.4	35.4	42.3	48.1	51.3
Women	36.8	40.2	44.0	53.5	54.7
Unemployment rate	4.2	5.7	7.0	7.3	7.3
Men	3.6	4.8	6.1	6.5	6.5
Women	5.0	6.8	8.0	8.2	8.3
Youth unemployment rate, 15-24y	10.1	12.9	15.1	16.6	16.7
Men	9.1	10.8	13.5	15.1	14.3
Women	11.3	15.3	17.0	18.5	19.9

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

# SWEDEN

## Macro-Economic and Employment Indicators

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	3.2	3.2	4.4	2.0	1.7
Nominal compensation per employee (1)	3.9	4.4	4.8	2.9	7.4
Nominal unit labour costs (1)	0.8	1.2	0.3	0.8	5.5
Real growth of GDP (1)	-1.4	-2.2	3.3	3.6	1.1
Inflation rate (2)	2.2	5.7	3.0	2.4	1.2
Public deficit / GDP ratio	-7.8	-12.3	-10.3	-7.7	-3.6
Long-term interest rate 5 y	10.0	8.6	9.5	10.2	7.9
<b>Labour market indicators</b>					
Activity rate (3)	82.0	80.0	79.1	79.5	79.5
Men	84.1	82.1	81.5	82.0	80.1
Women	79.8	78.0	76.7	76.8	76.1
Employment rate (3)	77.2	72.5	71.4	72.1	70.3
Men	78.3	72.9	72.4	73.7	71.6
Women	76.1	72.0	70.3	70.5	69.0
Employment rate in full time equivalent	67.7	63.5	62.5	63.2	63.2
Men	73.3	68.3	67.8	69.0	67.3
Women	62.3	58.9	57.5	57.6	56.8
Employment growth rate	-4.3	-5.8	-0.9	1.5	-0.6
Men	-4.9	-6.5	-0.1	2.3	-0.9
Women	-3.5	-5.1	-1.7	0.6	-0.3
Share of long-term unemployed (4)	8.0	11.0	11.0	20.2	19.1
Men	8.3	12.1	12.1	23.4	21.3
Women	7.5	9.1	9.1	15.9	16.0
Unemployment rate	5.8	9.5	9.8	9.2	10.0
Men	6.9	11.1	11.2	10.1	10.5
Women	4.7	7.7	8.2	8.2	9.4
Youth unemployment rate, 15-24y	13.6	22.6	22.6	19.6	21.1
Men	16.0	26.0	25.3	20.8	21.7
Women	11.1	19.0	19.8	18.4	20.4

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed



# UNITED KINGDOM

## Macro-Economic and Employment Indicators

Macro-Economic Indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	1,6	3,7	3,4	1,3	1,4
Nominal compensation per employee (1)	5,0	4,4	3,6	2,4	3,6
Nominal unit labour costs (1)	3,4	0,7	0,3	1,1	2,2
Real growth of GDP (1)	-0,5	2,1	3,9	2,5	2,1
Inflation rate (2)	5,0	3,4	2,5	2,6	2,8
Public deficit / GDP ratio	-6,3	-7,8	-6,8	-5,6	-4,4
Long-term interest rate 5 y	9,1	7,8	8,1	8,3	8,1
<b>Labour market indicators</b>					
Activity rate (3)	77,2	76,5	76,2	76,0	76,0
Men	87,2	85,6	85,2	85,0	84,5
Women	67,2	67,2	67,0	67,0	67,5
Employment rate (3)	69,4	68,5	68,8	69,3	69,8
Men	76,8	75,1	75,5	76,3	76,4
Women	62,0	61,8	62,0	62,3	63,1
Employment rate in full time equivalent	59,4	58,6	58,8	59,1	59,3
Men	73,6	71,8	72,1	72,4	72,5
Women	46,0	46,2	46,3	46,5	47,0
Employment growth rate	-1,7	-1,1	0,7	1,1	0,9
Men	-3,0	-2,0	0,9	1,4	0,5
Women	0,1	0,0	0,4	0,7	1,5
Share of long-term unemployed (4)	35,4	42,5	45,4	43,5	39,8
Men	39,7	47,3	51,2	49,6	45,9
Women	26,6	32,5	33,9	32,3	28,1
Unemployment rate	10,1	10,5	9,6	8,8	8,2
Men	11,9	12,3	11,3	10,1	9,5
Women	7,8	8,1	7,5	7,0	6,5
Youth unemployment rate, 15-24y	16,7	17,9	17,0	15,9	15,5
Men	19,7	21,0	19,7	18,1	18,0
Women	13,0	14,2	13,7	13,3	12,5

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

**U.S.A.  
Macro-Economic and Employment Indicators**

Macro-Economic indicators	Annual data				
	1992	1993	1994	1995	1996
Labour productivity (1)	2,6	1,6	0,1	0,5	1,0
Nominal compensation per employee (1)	5,3	3,5	1,8	3,4	3,7
Nominal unit labour costs (1)	2,6	1,9	1,7	2,9	2,7
Real growth of GDP (1)	2,5	3,4	4,1	2,0	2,4
Inflation rate (2)	2,8	2,4	2,1	2,4	2,1
Public deficit / GDP ratio	-4,9	-4,1	-2,8	-2,3	-1,9
Long-term interest rate 5 y	7,7	6,6	7,4	6,9	6,7
<b>Labour market indicators</b>					
Activity rate (3)					
Men					
Women					
Employment rate (3)					
Men					
Women					
Employment rate in full time equivalent					
Men					
Women					
Employment growth rate					
Men					
Women					
Share of long-term unemployed (4)					
Men					
Women					
Unemployment rate					
Men					
Women					
Youth unemployment rate, 15-24y					
Men					
Women					

(1) Annual percentage change  
(3) Percentage of population 15-64

(2) Annual consumption deflator  
(4) Percentage unemployed

# JAPAN

## Macro-Economic and Employment Indicators

	Annual data				
	1992	1993	1994	1995	1996
<b>Macro-Economic indicators</b>					
Labour productivity (1)	0,0	-0,3	0,4	0,9	2,9
Nominal compensation per employee (1)	1,3	0,8	1,3	1,1	0,7
Nominal unit labour costs (1)	1,3	1,0	1,0	0,2	-2,1
Real growth of GDP (1)	1,1	0,1	0,5	0,9	3,6
<b>Labour market indicators</b>					
<b>Labour market indicators</b>					
Activity rate (3)					
Men					
Women					
Employment rate (3)					
Men					
Women					
Employment rate in full time equivalent					
Men					
Women					
Employment growth rate					
Men					
Women					
Share of long-term unemployed (4)					
Men					
Women					
<b>Unemployment rate</b>					
Men					
Women					
Youth unemployment rate, 15-24y					
Men					
Women					

(1) Annual percentage change

(2) Annual consumption deflator

(3) Percentage of population 15-64

(4) Percentage unemployed

**Source**

**Macro-Economic indicators**

Labour productivity (1) EC Economic Pocket Book database, DG II and Eurostat  
 Nominal compensation per employee (2) EC Economic Pocket Book database, DG II and Eurostat  
 Nominal unit labour costs (3) EC Economic Pocket Book database, DG II and Eurostat  
 Real growth of GDP EC Economic Pocket Book database, DG II and Eurostat  
 Inflation rate (4) EC Economic Pocket Book database, DG II and Eurostat  
 Public deficit / GDP ratio (5) New Cronos, Eurostat Database  
 Long-term interest rate 5 y (6) EC Economic Pocket Book database, DG II and EMI

**Labour market indicators**

Activity rate Eurostat Database  
 Employment rate Eurostat Database  
 Employment rate in full time equivalent (7) Alphametries. Employment from Eurostat Benchmark series, except for L which is from LFS. Working-age population and hours worked from LFS  
 Alphametries employment benchmark series  
 Employment growth rate (2) Eurostat Database  
 Share of long-term unemployed Eurostat Database  
 Unemployment rate Eurostat Database  
 Youth unemployment rate, 15-24 y Eurostat Database

**Footers**

- (1) % change p.a. in GDP at constant market prices per person employed
- (2) % change p.a. D incl. the new German Länder
- (3) % change p.a.; compensation of employees adjusted for the share of self-employed in occupied population per unit of GDP at constant prices
- (4) Annual consumption deflator.
- (5) D: Excluding unification-related debt and asset assumptions by the federal government in 1995 equal to 229 bn. DEM. NL: Excluding for 1995 a net amount of 32,84 bn. NGL of exceptional expenditure related to the reform of the financing of the social housing societies
- (6) Yield on public sector bonds. EU 15: weighted geometric mean. weights: GDP at current market prices and PPS
- (7) No data on ratio of full-time/total usual hours worked for A, FI and S for 1992-94 - 1995 ratios used instead.  
 Employment in terms of full-time equivalents is calculated as the number employed weighted by average hours worked relative to average hours worked by people in full-time employment in each Member State (ie someone who works full-time hours is assigned a weight of 1, someone who works half full-time hours, a weight of 0.5 and someone who works 20% longer than full-time hours, a weight of 1.2). In practice, average hours are taken as average usual hours worked per week (as given in the Community Labour Force Survey). The weighted sum so derived is then expressed as a percentage of population aged 15 to 64 (as also given in the Community LFS)

## ANNEX 2

### LIST OF EXAMPLES OF BEST PRACTICE SUGGESTED BY MEMBER STATES

1.	Network for the integration of hard-to-place young people	F
2.	Decentralisation of delivery of active measures	F + D+ IRL+I
3.	Promotion of new activities for youth employment	F
4.	Promotion of jobs in household services	F
5.	Reform and reduction of working time	F
6.	Reform of the financing of social protection	F
7.	Employment agreements on wage moderation and redistribution of work	B
8.	Local Employment Agencies (ALE)	B
9.	First Work Experience (PEP)	B
10.	Guaranteed income Allowance for part-time workers	B
11.	Career breaks	B
12.	Reduction of labour cost through cuts in social insurance contributions	B
13.	Community Employment Scheme	IRL
14.	Back to Work Allowance	IRL
15.	Welfare to work - the New Deal	UK
16.	Transition from School to Work (Target 2000)	UK
17.	Low non-wage labour costs	UK
18.	Liberalisation of product markets	UK
19.	Dual Training System	D + A + L
20.	Wage policy	A
21.	Labour Foundations	A

22.	Insertion grant for Social Employment (GEB)	A
23.	Adult Education and Higher Education for life-long learning	S+ FIN
24.	Active Labour Market Policies	S + FIN
25.	Agreements for Employment Stability in the framework of social dialogue	E
26.	Workshop Schools	E
27.	System of Qualification and Certification	E
28.	Traineeship contracts	E + L
29.	Management of job vacancies by INEM through television	E
30.	Multi-Annual Employment Programme	E
31.	Temporary Auxiliaries Division (DAT)	L
32.	Re-employment Aid	L
33.	Tax Relief	L
34.	Made to measure training and re-training for unemployed persons	L
35.	Solidarity agreements for reduction of working time	I
36.	Support to youth entrepreneurship in the Mezzogiorno	I
37.	Area contracts and Territorial Pacts	I
38.	Extensive tripartite co-operation	FIN
39.	Early identification and early action to prevent long-term unemployment	FIN
40.	Activation of unemployed young people	FIN + DK
41.	Integrated Programme of Intervention	GR
42.	Subsidised working posts for special groups of unemployed	GR
43.	Schools of Technical Apprenticeship	GR
44.	Measures on activation	DK
45.	Job rotation	DK
46.	Measures to prevent bottlenecks at the regional level	DK

47.	Programme of support to the long-term unemployed	P
48.	Training and technical assistance to micro and small enterprises	P
49.	Local networks for employment	P
50.	Sectoral human resources programmes	P
51.	Promotion of economic growth and employment creation	NL
52.	Flexibility and security in employment	NL
53.	Activation of social security	NL
54.	Improved intermediation in the labour market	NL
55.	Promotion of jobs for the long-term unemployed	NL

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## **COUNCIL RESOLUTION on the 1998 employment guidelines**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Whereas under Article 2 of that Treaty the Community has as its task the promotion, in particular, of a high level of employment,

In accordance with the conclusions of the Amsterdam European Council and the Resolution on Growth and Employment which referred to the procedure as envisaged in the new Title on employment in the Amsterdam Treaty and stated that the Council should seek to make those provisions immediately effective,

On the basis of the conclusions of the extraordinary European Council meeting on Employment of 20 and 21 November 1997,

Having regard to the draft from the Commission and the Commission communication "Proposal for Guidelines for Member States' Employment Policies 1998" of 1 October 1997,

Having regard to the Resolution embodying the contribution of the European Parliament to the extraordinary European Council meeting on Employment,

Having regard to the Opinion of the Economic and Social Committee on the Commission communication,

Having regard to the contribution of the Committee of the Regions to the extraordinary European Council meeting on Employment,

Having regard to the opinion of the Employment and Labour Market Committee,

Having regard to the Social Partners' contribution to the extraordinary European Council meeting on Employment,

Having regard to the contribution of the Member States to the preparation of the extraordinary European Council meeting on Employment,

Whereas the issue of employment is central to the concerns of Europe's citizens and every effort must be made to combat unemployment, the unacceptable level of which poses a threat to the cohesion of our societies;

Whereas the Luxembourg European Council marks a new departure in the thinking and action upon which the Union's Member States have been embarked since the Essen European Council meeting;

Whereas the Luxembourg European Council agreed upon an overall strategy involving three aspects:

- (1) the continuation and development of a coordinated macro-economic policy, underpinned by an efficient internal market,
- (2) the harnessing of all Community policies in support of employment in accordance with the principles of the Treaty, and



- (3) the coordination of Member States' employment policies, based on common lines of approach for both objectives and means, with a resolve to converge towards jointly set, verifiable, regularly updated targets which should be incorporated in the national action plans for employment drawn up by the Member States;

Whereas this coordination of Member States' employment policies should be implemented through the adoption by the Council, having received the opinion of the Employment and Labour Market Committee acting in close cooperation with the Economic Policy Committee, of employment guidelines, which are compatible with the broad economic policy guidelines and which set specific targets, the achievement of which is regularly monitored under a common procedure for assessing results;

Whereas the implementation of the guidelines may vary according to their nature, their impact on Member States and the parties to whom they are addressed; whereas they must respect the principle of subsidiarity and Member States' responsibilities with regard to employment;

Whereas these guidelines centre on four main lines of action: improving employability, developing entrepreneurship, encouraging adaptability of businesses and their employees to enable the labour market to react to economic changes and strengthening the policies for equal opportunities;

Whereas the implementation of this strategy calls for the combined efforts of all concerned: Member States, regions, social partners and Community institutions, and whereas the European Parliament and the European Investment Bank have demonstrated their commitment in this regard;

Whereas the differing situations of the Member States in relation to the problems addressed by the guidelines will result in differing solutions and emphases in line with individual situations;

Whereas the objective of these measures is to arrive at a significant increase in the employment rate in Europe on a lasting basis;

Whereas preventive measures are of particular importance in reversing the trend of youth unemployment and long-term unemployment through early identification of individual needs and tailor-made responses systematically giving precedence to active employability measures rather than passive support measures;

Whereas common indicators, based on comparable statistics, are important for the effective monitoring and assessment of employment policies and for the identification of good practices,

HEREBY ADOPTS THIS RESOLUTION:

1. The 1998 Employment Guidelines appended hereto are adopted.
2. The guidelines will have to be incorporated into national employment action plans drawn up in a multiannual perspective so that they are given practical effect in the form of national objectives which are quantified wherever possible and appropriate, followed by their transposition into national regulatory, administrative and other measures. The differing situations of the Member States in relation to the problems addressed by the guidelines will result in differing solutions and emphases, in line with individual situations.

3. National employment action plans will set deadlines for achieving the desired result in the light, *inter alia*, of the administrative and financial resources which can be drawn upon.
4. Each Member State will, every year, send the Council and the Commission its national employment action plan, in which it frames its policy with regard to each of the guidelines, together with a report on the manner of its implementation.
5. Member States are invited to submit in 1998 their first national employment action plan based on these guidelines to the Council and the Commission for examination in sufficient time before the Cardiff European Council.
6. The Council undertakes to:
  - (a) carry out in the second half of 1998, on the basis of the information provided by the Member States, and after receiving the report of the Employment and Labour Market Committee, an examination of the manner in which the Member States have transposed the guidelines in their national policy;
  - (b) and, in parallel, prepared jointly with the Commission, taking account of that examination, a report on the employment situation in the Community and on the main measures taken by the Member States to implement their employment policy in the light of these guidelines, which report will be submitted to the Vienna European Council.
7. The Council notes that the Commission undertakes to prepare and submit in due course the reports requested by the European Council.
8. The Council notes that the Commission undertakes to communicate by 15 October 1998 draft guidelines for Member States' employment policies in 1999.
9. The Council affirms that the social partners at all levels will be involved in all stages of this approach and will make an important contribution to the implementation of these guidelines and the promotion of a high level of employment. That contribution will be regularly assessed.
10. The Council will organize regular contacts with the social partners to allow for proper preparation of their six-monthly meetings with a troika of Heads of State or Government and the Commission.

## THE 1998 EMPLOYMENT GUIDELINES

### I. IMPROVING EMPLOYABILITY

#### Tackling youth unemployment and preventing long-term unemployment

In order to influence the trend in youth and long-term unemployment the Member States will develop preventive and employability-oriented strategies, building on the early identification of individual needs; within a period to be determined by each Member State which may not exceed five years and which may be longer in Member States with particularly high unemployment, Member States will ensure that:

- *every unemployed young person is offered a new start before reaching six months of unemployment, in the form of training, retraining, work practice, a job or other employability measure;*
- *unemployed adults are also offered a fresh start before reaching twelve months of unemployment by one of the aforementioned means or, more generally, by accompanying individual vocational guidance.*

These preventive and employability measures should be combined with measures to promote the re-employment of the long-term unemployed.

#### Transition from passive measures to active measures

Benefit and training systems – where that proves necessary – must be reviewed and adapted to ensure that they actively support employability and provide real incentives for the unemployed to seek and take up work or training opportunities. Each Member State:

- *will endeavour to increase significantly the number of persons benefiting from active measures to improve their employability. In order to increase the numbers of unemployed who are offered training or any similar measure, it will in particular fix a target, in the light of its starting situation, of gradually achieving the average of the three most successful Member States, and at least 20%.*

#### Encouraging a partnership approach

The actions of the Member States alone will not suffice to achieve the desired results in promoting employability. Consequently:

- *the social partners are urged, at their various levels of responsibility and action, to conclude as soon as possible agreements with a view to increasing the possibilities for training, work experience, traineeships or other measures likely to promote employability;*

- *the Member States and the social partners will endeavour to develop possibilities for lifelong training.*

#### Easing the transition from school to work

Employment prospects are poor for young people who leave the school system without having acquired the aptitudes required for entering the job market. Member States will therefore:

- *improve the quality of their school systems in order to reduce substantially the number of young people who drop out of the school system early;*
- *make sure they equip young people with greater ability to adapt to technological and economic changes and with skills relevant to the labour market, where appropriate by implementing or developing apprenticeship training.*

## II. DEVELOPING ENTREPRENEURSHIP

Making it easier to start up and run businesses by providing a clear, stable and predictable set of rules and by improving the conditions for the development of risk capital markets. The new facilities offered by the European Investment Bank combined with the Member States' efforts will enable new businesses to be set up more easily. The Member States should also reduce and simplify the administrative and tax burdens on small and medium-sized enterprises. To that end the Member States will:

- *give particular attention to reducing significantly the overhead costs and administrative burdens for businesses, and especially small and medium-sized enterprises, in particular when hiring additional workers;*
- *encourage the development of self-employment by examining, with the aim of reducing, any obstacles which may exist, especially those within tax and social security regimes, to self-employment and the setting up of small businesses.*

#### Exploiting the opportunities for job creation

If the European Union wants to deal successfully with the employment challenge, all possible sources of jobs and new technologies and innovations must be exploited effectively. To that end the Member States will:

- *investigate measures to exploit fully the possibilities offered by job creation at local level in the social economy and in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures.*

**Making the taxation system more employment-friendly** and reversing the long-term trend towards higher taxes and charges on labour (which have increased from 35% in 1980 to more than 42% in 1995). Each Member State will:

- *set a target, if necessary and taking account of its present level, for gradually reducing the overall tax burden and, where appropriate, a target for gradually reducing the fiscal pressure on labour and non-wage labour costs, in particular on relatively unskilled and low-paid labour, without jeopardizing the recovery of public finances or the financial equilibrium of social security schemes. It will examine, if appropriate, the desirability of introducing a tax on energy or on pollutant emissions or any other tax measure;*
- *examine, without obligation, the advisability of reducing the rate of VAT on labour-intensive services not exposed to cross-border competition.*

### III. **ENCOURAGING ADAPTABILITY IN BUSINESSES AND THEIR EMPLOYEES**

#### **Modernizing work organization**

In order to promote the modernization of work organization and forms of work:

- *the social partners are invited to negotiate, at the appropriate levels, in particular at sectoral and enterprise levels, agreements to modernize the organization of work, including flexible working arrangements, with the aim of making undertakings productive and competitive and achieving the required balance between flexibility and security. Such agreements may, for example, cover the expression of working time as an annual figure, the reduction of working hours, the reduction of overtime, the development of part-time working, lifelong training and career breaks;*
- *for its part, each Member State will examine the possibility of incorporating in its law more adaptable types of contract, taking into account the fact that forms of employment are increasingly diverse. Those working under contracts of this kind should at the same time enjoy adequate security and higher occupational status, compatible with the needs of business.*

#### **Support adaptability in enterprises**

In order to renew skill levels within enterprises Member States will:

- *re-examine the obstacles, in particular tax obstacles, to investment in human resources and possibly provide for tax or other incentives for the development of in-house training; they will also examine any new regulations to make sure they will contribute to reducing barriers to employment and helping the labour market adapt to structural change in the economy.*

#### IV. STRENGTHENING THE POLICIES FOR EQUAL OPPORTUNITIES

##### Tackling gender gaps

Member States should translate their desire to promote equality of opportunity into increased employment rates for women. They should also pay attention to the imbalance in the representation of women or men in certain economic sectors and occupations. Member States will:

- *attempt to reduce the gap in unemployment rates between women and men by actively supporting the increased employment of women and will act to reverse the under-representation of women in certain economic sectors and occupations and their over-representation in others.*

##### Reconciling work and family life

Policies on career breaks, parental leave and part-time work are of particular importance to women and men. Implementation of the various Directives and social-partner agreements in this area should be accelerated and monitored regularly. There must be an adequate provision of good quality care for children and other dependents in order to support women's and men's entry and continued participation in the labour market. The Member States will:

- *strive to raise levels of access to care services where some needs are not met.*

##### Facilitating return to work

The Member States will:

- *give specific attention to women, and men, considering a return to the paid workforce after an absence and, to that end, they will examine the means of gradually eliminating the obstacles in the way of such return.*

##### Promoting the integration of people with disabilities into working life

The Member States will:

- *give special attention to the problems people with disabilities may encounter in participating in working life.*

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