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Draft Joint Employment Report 2002

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INTRODUCTION

Title VIII of the Treaty establishing the European Community lays down the principles and procedures for developing a co-ordinated strategy for employment. Article 128 sets out the specific steps leading to the formulation of such a strategy including, on an annual basis, guidelines for employment, possible recommendations to the Member States and a joint report by the Council and the Commission to the European Council, which describes the employment situation in the Community and the implementation of the guidelines. Each Member State is to provide the Council and the Commission with an annual report on the principal measures taken to implement its employment policy in the light of the guidelines for employment. The European Employment Strategy which has been developed according to the above institutional framework is a major contribution to the wider EU political agenda defined at the Lisbon Summit and subsequent European Councils.

The present Joint Employment Report provides an overview of the employment situation and a political assessment of the progress made by Member States in the implementation of the Employment Guidelines in the year 2001¹. The remaining challenges for the Member States are also highlighted.

The Joint Report contains both an analysis of progress across the EU under the major agreed objectives and guidelines, and a brief country by country review. Key common indicators underpin the analysis and are summarised in the annexes.

A more detailed analysis of recent developments under each guideline and for each Member State is provided in a supporting document of the Commission services².

¹ Council Decision on Guidelines for Member States' employment policies for the year 2002 (2002/178/EC); OJEC L 60/70 of 01.03.2002.

² SEC(2002) 1204

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EXECUTIVE SUMMARY

After five years of implementation, the European Employment Strategy is at a crossroads. Launched in 1997, with the fight against unemployment as a priority, its focus has progressively shifted to support the wider Lisbon Strategy commitment towards more and better jobs in an inclusive society. Achieving the agreed employment targets and raising labour force participation has become a central concern. A major evaluation of this first period has been conducted at EU level, which has reported encouraging findings.

EU employment performances in 2001 must be seen in the context of a sharp deterioration in the economic climate, with GDP growth halved compared to 2000 and serious uncertainties about the future. In spite of these less favourable conditions, performances both in terms of employment (+0,6%) and unemployment (-0,6%) continued to improve, albeit more slowly. While the EES five year evaluation pointed to structural improvements in the EU labour market, serious weaknesses remain in terms of unemployment levels, participation and employment rates, gender gaps, quality of employment, productivity growth and regional disparities. These weaknesses need to be addressed as a matter of urgency to prepare the EU labour market for challenges ahead.

The overall clarity and coherence *of the NAPs* has improved. However, the use of national targets, reporting on the impact of measures on the labour market, budgetary information, evidence of the use of structural funds to support the EES and the involvement of key stakeholders all appear largely insufficient.

The response to the *horizontal objectives* has improved compared to last year, particularly as regards efforts to *raise employment rates*. While encouraging progress was made towards the Lisbon and Stockholm EU targets overall and for women, reaching the overall target for 2010 will require -particular efforts in those Member States which have not contributed enough so far to the overall improvement in employment. The wide gap between the current situation and the 50% employment rate target for older workers raises serious cause for concern and a stronger focus on the gender dimension of the ageing problem is crucial. The issue of *quality in work* is still dealt with in a piecemeal way, focussing largely on aspects such as job flexibility, health and safety and education and training while insufficient attention is given to other dimensions, such as the intrinsic quality of jobs and the quality of social dialogue. The *development of lifelong learning strategies is progressing*, all Member States have now laid the groundwork for comprehensive strategies, although full implementation will take time. Some progress, though at a slower pace, can be seen on making these strategies more coherent, in particular the transitions within and between education and training systems and the labour market are not addressed in a comprehensive manner. A growing number of

Member States are setting targets for educational participation and attainment and the increase in expenditure on human resources visible in the majority of Member States testifies to their strengthened commitment, despite the continuing lack of national targets on investment. The widening gap in the take-up of education and training opportunities between those with low and high skills and between older and younger age groups gives cause for serious concern.

In a majority of Member States *the social partners have played a stronger role in the NAPs this year*, although little progress has generally been made -on the social partners' own process of implementing the European Employment Strategy. The social dialogue at *European level* has produced a number of important initiatives. These include the joint declaration of the European social partners to the European Council in Laeken underlining the need to further develop the autonomous social dialogue, the planned submission of a multi-annual social partner work programme and the social partners' framework for action on skills and competencies development, which was submitted to the Barcelona Summit. Despite this, the contribution of the social partners to the Strategy in a more coherent and visible way remains to be developed.

The NAPs reflect a better *policy mix*, with more emphasis given to the Equal Opportunities and the Entrepreneurship pillars compared to previous years. *Regional disparities* remain a serious issue. The *use of indicators* based on national sources is uneven, with particular weaknesses in relation to disadvantaged groups, employment transitions, care provision (quality at work indicators), labour market bottlenecks and mobility, and the effectiveness of activation policies.

Under the *Employability Pillar*, Member States have worked on consolidating and improving the quality and coverage of measures. *Preventive approaches* are now in place in the majority of the Member States, and are being better tailored to personal needs. Far-reaching reforms of *Employment Services* are continuing, with a clear trend towards a mixed public/private market for employment services. The target of 20% of the unemployed benefiting from *active labour market measures* has generally been far exceeded. There is evidence of a greater emphasis being placed on *basic skills*, especially adult literacy. The main *e-learning targets* are close to being met. More attention has been given to *preventing and combating bottlenecks* from a long-term perspective. More integrated *inclusion policies* are being put in place and greater synergy is being developed between the Employment and Social Inclusion NAPs.

On the other hand, only five Member States have so far successfully implemented the *preventive approach*, in the sense that they have substantially reduced flows into long-term unemployment. There is also a general need to improve information on the *effectiveness of activation measures*. The *school drop-out rate* is decreasing only very gradually and it is doubtful whether the common target of halving the rate by 2010 can be achieved. Only a few

Member States are pursuing comprehensive, employment-friendly *tax-benefit reforms* and insufficient attention has been given to addressing the interaction between tax and benefit schemes. National *active ageing strategies* are largely lacking and working capacity and incentives for employers to recruit or to retain older workers in particular are inadequately addressed. With regard to *social inclusion*, demand-side measures, such as non-discrimination, are generally neglected and the number of Member States setting specific national targets continues to be very low. The failure of the majority of Member States to use the commonly agreed employment indicators in this area has hampered the analysis of the relevant policy measures.

Most NAPs have given a higher profile to actions under the *Entrepreneurship Pillar* than in previous years, although employment growth in small businesses, in services and in self-employment was adversely affected in 2001 by the general economic slowdown. Particular emphasis has been placed on measures to facilitate *business registration*, to encourage *self-employment* and to develop an *entrepreneurial culture*, notably amongst women. New initiatives were taken to create job opportunities in *knowledge-based services* and the *environment* sector. Most Member States have implemented or announced new initiatives to combat *undeclared work*. In spite of these positive developments, more targeted support is called for to make entrepreneurship a driver for growth and employment. More action would seem to be necessary with respect to promoting start-ups, notably through improved access to finance. The upward trend in the tax burden on labour has been reversed but *labour taxes remain high*, even for low-paid workers and insufficient attention has been given to the employment impact of social security contributions.

The development of the *territorial dimension of the EES* has entered a phase of consolidation. In addition to the NAPs, regional action plans are in place in four Member States. Territorial Employment Pacts remain important in a few Member States, but much could still be done to develop the partnership approach at local level.

Under the *Adaptability Pillar*, a more balanced approach between *flexibility and security* in employment relationships is being sought in a number of Member States. The trend towards increased flexibility of working time and work organisation is continuing and steps are being taken to ensure the *equal treatment* of workers under different working arrangements. Improvements are also reported in the field of *health and safety* at work. There are interesting initiatives in the field of *work organisation* which deserve wider dissemination. The social partners are playing an increasingly important role in promoting *lifelong learning* in the workplace, but a comparative lack of visibility of their actions remains, which might be partly due to the unstructured reporting. Some progress is being made towards meeting the objective of all workers achieving ICT literacy by the end of 2003. However, more information is needed on measures to promote workers' ICT literacy to assess progress more accurately.

Under the *Equal Opportunities Pillar*, clear progress has been made towards the *employment rate targets for women*, even though there are still a few countries lagging behind and greater efforts are needed to retain women longer on the labour market. The implementation of the *gender mainstreaming* approach has progressed but remains incomplete. Although initiatives have been introduced to reduce the *gender pay gap* by addressing the underlying factors, these still tend to be inadequate and insufficient commitment is demonstrated by the social partners in this respect. *Gender segregation* continues to be addressed, especially by those countries with high levels of segregation, but results are difficult to assess in the short-term. Efforts to *reconcile work and family life* have been intensified, but adequate, high quality and affordable *childcare services* are still not sufficiently accessible to reach the targets set by the Barcelona European Council. *Leave arrangements* have been expanded in many Member States, even though there are only a few countries specifically encouraging the take-up of parental leave by men.

The assessment of national employment performance and policies in 2001 confirms the main outcomes of the evaluation for the period 1997-2001, and provides a strong basis to design the next generation of the European Employment Strategy. While structural labour market reforms have paid dividends so far, major weaknesses remain. Faced with the current economic slowdown Member States should intensify structural reforms including those of labour markets in order to support adaptation to change of workers as well as firms. There is already a broad consensus on a number of elements for an effective new EES, including the focus on the Lisbon objectives, a stable strategy over the medium term, a reduced number of guidelines more focussed on results to be achieved, and an improved co-ordination with other relevant processes, in particular the Broad Economic Policy Guidelines.

In the light of remaining weaknesses, the future generation of guidelines should explicitly address the three key priorities of raising employment and participation rates, improving quality and productivity at work and promoting an inclusive labour market. In all these areas much progress is still required if the overall goals of the Lisbon strategy are to be reached.

1. THE POLITICAL AND ECONOMIC CONTEXT

The EES at a crossroads after 5 years

Since its launch at the Luxembourg Jobs Summit in 1997, the European Employment Strategy (EES) has undergone a number of changes to take account of the evolving political and economic situation. Following the mid-term review of the first three years of implementation, the Employment Strategy was strengthened at the Lisbon European Council (2000) and integrated into a broader political agenda with the aim of making the European Union the most dynamic and competitive knowledge-based economy of the world, capable of sustainable economic growth while providing more and better jobs and greater social cohesion.

The Lisbon European Council agreed the objective of achieving an employment rate as close as possible to 70% overall, and exceeding 60% for women, on average in the EU, by 2010. A global strategy was defined, aiming at preparing the transition to a knowledge-based economy, modernising the European social model and sustaining favourable growth prospects.

The *Nice* European Council of December 2000 introduced the issue of quality as the guiding thread of the Social Policy Agenda, and in particular quality in work as an important objective of the EES. It stressed the multidimensional character of the *quality* issue, concerning both job characteristics and the wider labour market context, and stated that it should be promoted through actions across all the pillars.

Confirming the Union and the Member States' commitment to the goal of full employment, the *Stockholm* European Council in 2001 set intermediary employment targets of 67% overall and 57% for women by 2005, as well as a target of 50% employment for older workers (aged 55 to 64) by 2010. Responding to the Stockholm request, the Commission and Council jointly examined the conditions required to raise labour force participation in the EU, and submitted corresponding proposals to the European Council of Barcelona³.

The *Göteborg* European Council completed the political commitment with a sustainable development strategy and added the environmental dimension to the Lisbon strategy, recognising the link between environment, economic growth and employment.

³ Increasing labour force participation and promoting active ageing Council document N° 6707 of 8 March 2002, adopted on the basis of COM(2002)9 final, 24.01.2002.

The *Barcelona* European Council in March 2002 identified "Active policies towards full employment: more and better jobs" amongst the three areas requiring a specific impetus. It underlined that the goal full employment in the EU is at the core of the Lisbon strategy and constitutes the essential goal of economic and social policies. In light of the above, the European Council called for a reinforced Employment Strategy and provided directions for the future of the EES. It welcomed the Commission's Action Plan on skills and mobility which was followed up by a Council Resolution⁴.

The present Joint Employment Report reviews progress made in 2001 – an important milestone since it marks the 5th year of implementation of the European Employment Strategy. An evaluation of the impact of the Strategy between 1997 and 2001 has been jointly carried out by the Commission services and the Member States⁵ to prepare for the future development of the EES.

Less favourable economic context in 2001: a test for the EES

In stark contrast to the positive climate in 2000 which saw the strongest employment growth for ten years, the first half of 2001 was characterised by economic uncertainties followed by a general slowdown after the events of September 11.

Between 2000 and 2001 *GDP growth and labour productivity growth fell drastically* from 3.3% to 1.6% and from 1.6% to 0.3% respectively. Between the first and the second halves of 2001 employment growth slowed down from 1.5% to 1%. The economic slowdown that was initially deemed to be short-lived has developed into a sluggish performance. Economic recovery has failed to gain momentum and is not expected before 2003, and there has been an increase in major lay-offs within the Euro zone. Public finances have improved further, with several Member States having achieved or sustained sound budgetary positions. However, in the current period of weak growth the budgetary framework is strained and credibility put into question, with some Member States having failed to fully meet the budgetary commitments under the Stability and Growth pact. Inflation increased from 2.1% in 2000 to 3.4% in May 2001 and subsequently declined to 2% by the end of the year and is expected to increase to 2.2% in 2002.

⁴ 9614/02, 03 June 2002.

⁵ COM(2002)416, 17 July 2002.

Slower pace of improvement in employment performances ...

Assessment of performances must be seen in the above context of the deterioration in the economic climate. Although the employment rate increased only marginally (from 63.3% in 2000 to 63.9% in 2001, adding 2.06 million people to total employment) it is still in reach of the EU target, although achievement will require specific and sustained efforts. The total unemployment rate fell by 0.6%, compared with the starting level in 2001 but the rate increased slightly over the first few months of 2002 (from 7.4% to 7.6%). Overall, youth and long-term unemployment rates decreased in 2001, with the highest decrease for women.

Since 1997 the *employment gender gap has slowly declined* by almost 2 percentage points reaching an employment rate of 54.9% for women, in sight of the EU target. The *employment rate for older workers* rose to 38.5% in 2001 (37.7% in 2000), but *still falls far short of the EU target of 50% by 2010*.

...in a context of structural changes in European labour markets

In recent years, the *EU employment performance has visibly improved*, with more than 10 million new jobs created since 1997 (6 million of which have been taken up by women) and 4 million less unemployed, while the active population continued to grow by 5 million people. The evaluation of the European Employment Strategy confirms the structural character of these improvements, through reductions in levels of structural unemployment, a more employment-intensive pattern of economic growth and a more rapid labour market response to economic and social changes⁶. The *implementation of structural labour market reforms paved the way for these improvements*. The overall good performance in the 90s suggests that the rise in employment rates and decreases in unemployment rates are sustainable and structural in nature. These positive outcomes are not explained by cyclical improvements alone. Since 1997 the decline in structural unemployment has accelerated and has been accompanied by intense job creation. The European Employment Strategy created the conditions for these improvements to be sustainable, by its commitment to fully utilise the potential labour supply with more and better jobs. The social partners also made an important contribution to the improved employment performance, in particular by pursuing employment-friendly wage agreements.

⁶ 'Taking stock of five years of the European Employment Strategy', COM(2002) 416 – Employment in Europe 2002.

Remaining structural weaknesses need to be addressed

Although progress has been made, a number of key structural weaknesses persist:

- Stubbornly high levels of unemployment and long-term unemployment need to be further reduced in order to achieve an inclusive labour market; the inclusiveness of labour markets needs to be better developed; in spite of the progress made, the employment position of disadvantaged people remains weak. This calls for better tailored policies, comprehensive approaches involving both the supply and the demand side and a close link with the wider policies for social inclusion;
- Sustained commitment will be needed to achieve the EU employment rate targets, in particular the target for older workers. The Joint Report⁷ on increasing labour force participation estimated the necessary increases in employment between 2002 and 2010 at 15,4 million, of which 9,6 for women and 7,4 for older workers;
- Differences in productivity between the US and the EU are still continuing to widen, but are much more pronounced for labour productivity per person employed than for labour productivity per hour worked, for the latter even a slight decrease is forecast⁸. As stated in the recent Commission communication "Productivity: the key to Competitiveness of European Economies and Enterprises"⁹, productivity growth depends on the quality of physical capital, upgrading the skills of the labour force, technological advances and new ways of organising these inputs. The positive link between job quality and productivity should also be exploited to bridge this gap, but quality of employment has not yet received sufficient attention. Progress here can only be clearly identified with regard to participation in training and gender gaps in employment, whereas in other areas much remains to be done; and;
- Regional differences, both in terms of employment and unemployment, remain a problem in several Member States.

It is vital that reforms to address these weaknesses are pursued vigorously in the coming period so that the EU labour market can absorb the medium-term challenges in terms of

⁷ 'Increasing labour force participation and promoting active ageing' Council document N° 6707 of 8 March 2002, adopted on the basis of COM(2002) 9 final, 24.01.2002.

⁸ Where as the labour productivity (GDP in PPS per person employed) of the US was 116.1 in 1997 (EU-15 = 100), it increased to 117.5 in 2000 (forecast 2001: 117.7); the respective figures for labour productivity in PPS per hour worked were 102.6 in 1997 and at 103.2 in 2000 (forecast 2001: 103.0).

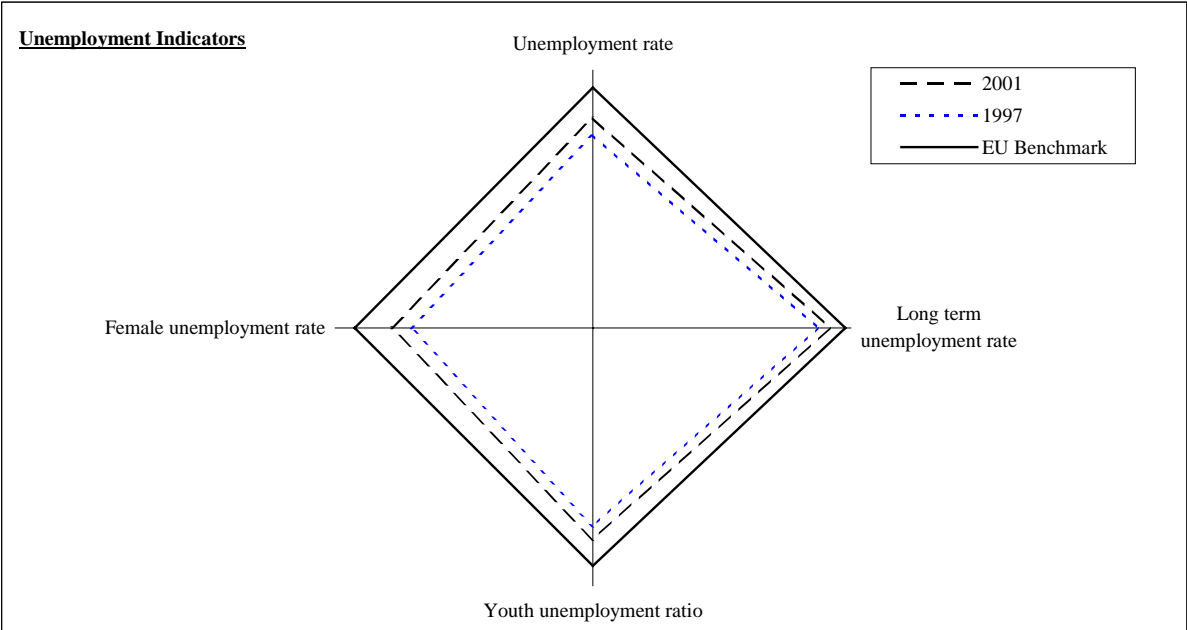
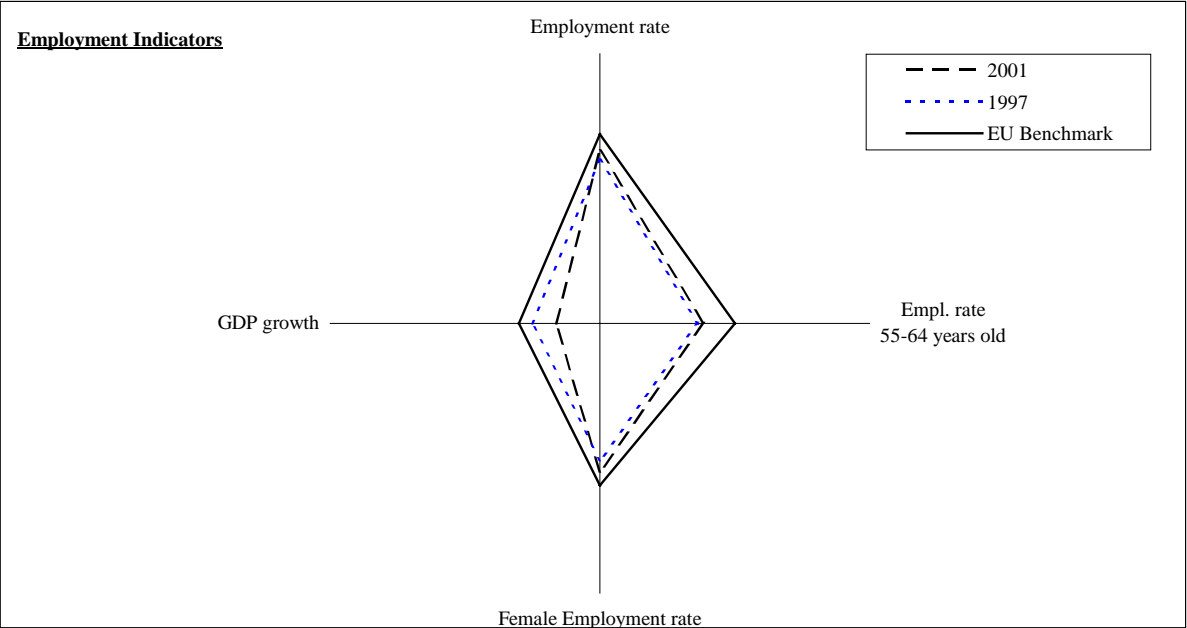
⁹ COM(2002)262 final.

demographic trends, emerging bottlenecks, ongoing economic and social restructuring, globalisation and enlargement.

Graph 1: Overview of employment and unemployment performance in the European Union, 1997 and 2001.

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 63.9 | 60.5 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 38.5 | 36.3 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 54.9 | 50.6 | 60 (2010 target, Lisbon summit) |
| GDP growth | 1.6 | 2.5 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 7.4 | 10.1 | 2.7 (average of 3 best performers:LU,NL,AT) |
| Long term unemployment rate | 3.3 | 5.1 | 0.8 (average of 4 best performers:LU,NL,DK,AT) |
| Youth unemployment ratio | 7.1 | 9.2 | 3.1 (average of 3 best performers:LU,AT,IE) |
| Female unemployment rate | 8.7 | 11.7 | 3.0 (average of 3 best performers:LU,NL,IE) |

Section 3 presents the diamond per Member State.

2. IMPLEMENTATION OF THE 2002 EMPLOYMENT GUIDELINES AND RECOMMENDATIONS: ASSESSMENT OF PERFORMANCES AND POLICIES ACROSS THE EUROPEAN UNION

Taking account both of the time needed to implement the substantial changes which were introduced into the Employment Guidelines for 2001, following the mid-term review and the Lisbon European Council, and of the fact that the Strategy was due to be revised for 2003 on the basis of the evaluation of the experience of the first five years, it was decided to maintain as much stability as possible in the Employment Guidelines for 2002. Only two main new elements were introduced concerning respectively the adaptation of the employment rate targets to take account of the objectives set at the Stockholm European Council, and the introduction of a new, cross-cutting objective on job quality following the intense political debate at European level on the various dimensions of quality in work culminating in the adoption of a list of indicators at the Laeken European Council in December 2001.

The 2002 NAPs

The 2002 National Action Plans for Employment (NAPs) continue the trends towards improved clarity and comprehensiveness in the presentation of Member States' employment policies. They also reveal a more balanced coverage of the policy-mix across the four pillars of the European Employment Strategy. Most Member States continue to be reluctant to take up the Guidelines' invitation to set national targets. Although Member States have developed many employment measures, assessment of their impact is generally lacking. The budgetary dimension of policies (especially the contributions of the Structural Funds) should also be made more transparent. In spite of an overall improvement in information provided, it is still not easy to identify the extent to which Member States have used the Structural Funds to support their activities under the four pillars. This difficulty exists not only with regard to quantitative aspects but also with regard to whether the Funds have been used strategically to provide added value (for example to explore new active labour market policies beyond traditional national policies and procedures). The new role for the Structural Funds to underpin the EES objectives introduced in the revision of the Regulations in 1999 needs to be taken up much more vigorously. As regards process, although the social partners are increasingly involved in the preparation of the NAPs, their role in implementation and follow-up is still often not visible. The integration of other potential stakeholders, such as the regional and local levels and representatives of civil society, has not improved.

In line with the Lisbon Strategy *Knowledge based society issues have become a central element in all Pillars*. In addition to the considerable efforts undertaken in the context of the Employability Pillar, more attention to ICT is evident in the 2002 NAPs within the Entrepreneurship Pillar.

Encouraging, although uneven, responses to Recommendations

The table below shows that the response to the 2002 policy Recommendations varies across countries.

Most Member States have introduced or announced policy initiatives in response to the Recommendations concerning prevention and activation, labour supply, lifelong learning, the tax burden on labour, regional imbalances and the policy mix.

Recommendations made on the issues of older workers and migrants have not generally elicited sufficient policy changes.

Reactions to the recommendations concerning equal opportunities differ greatly between Member States. In most cases political decisions have been taken, but remain to be implemented. No policy changes, or only marginal changes, have been introduced in Germany, Austria and Finland (on the pay gap); Greece, Spain and Italy (on gender mainstreaming); Luxembourg and Portugal (on gender segregation).

The response to recommendations concerning the social partners is also generally weak. Greece and Portugal, in particular, need to introduce and implement policy changes and Austria, Italy and Spain should strive to get the partnership with the social partners back on track.

Table 1: Response to the 2002 Recommendations by Member States, by theme

| | BE | DK | DE | EL | ES | FR | IE | IT | LUX | NL | AU | PT | SF | SW | UK |
|---|-----|----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| PREVENTION/ACTIVATION POLICY | | | | | | | | | | | | | | | |
| Prevention | +/- | | +/- | | | +/- | | +/- | | | | | | | +/- |
| Reform of PES | | | | - | +/- | | | +/- | | | | | | | |
| Effective Active labour market policies | | | | | | | | +/- | | | | | +/- | +/- | |
| LABOUR SUPPLY | | | | | | | | | | | | | | | |
| Tax-benefit system (including gender issue) | | | - | +/- | | +/- | + | +/- | | +/- | | | +/- | +/- | |
| Women | - | | | +/- | +/- | | + | +/- | +/- | | +/- | | | | |
| Older workers | | | +/- | - | | - | | | - | - | - | | +/- | | |
| Disabled | | | | | | | | | | - | | | | | |
| Migrants | | - | | | | | | | | | | | | | |
| LIFE LONG LEARNING | + | | | + | + | + | + | - | + | | +/- | + | | | |
| TAX BURDEN ON LABOUR | + | + | +/- | | | | | +/- | | | | | | | + |
| EQUAL OPPORTUNITIES | | | | | | | | | | | | | | | |
| Gender mainstreaming approach | | | | - | - | | | - | | | | | | | |
| Improving childcare facilities and reconciliation of work and family life | | | +/- | + | +/- | | +/- | +/- | | | +/- | +/- | | | + |
| Pay gap | | | - | | | | +/- | | +/- | | - | | - | | + |
| Gender segregation | | | | | | | | | - | | | - | + | + | +/- |
| REGIONAL IMBALANCE | | | - | | | | +/- | - | | | | | +/- | | |
| SOCIAL PARTNERS | | | | | | | | | | | | | | | |
| Work organisation | | | | +/- | - | | | | | | | + | | | +/- |
| Balance flexibility and security | - | | +/- | +/- | +/- | +/- | | - | | | | | | | |
| POLICY MIX | | | | +/- | | | | | | | | | | | |

blank = no recommendation; + = significant policy change +/- = policy change introduced, impact still to be demonstrated - = marginal or no policy change.

2.1. The overall policy framework: reflecting the horizontal objectives of the 2002 Guidelines

The horizontal objectives featured in the 2002 Guidelines set the overall policy framework for implementation of the European Employment Strategy, reflecting the Lisbon Summit's ambition of achieving full employment in a knowledge-based society.

Moving closer to the Lisbon and Stockholm targets

Horizontal Objective A calls on Member States to enhance job opportunities and provide adequate work incentives so as to raise employment rates in line with the Lisbon and Stockholm targets. The NAPS show that, despite the economic slowdown, progress is continuing. Member States' relative situations remain mixed but the EU overall rate is within just over three percentage points of the 2005 target of 67% and the women's employment rate is within just over 2 percentage points of the 2005 target of 57%. The rate for older workers has increased by nearly one percentage point since 2000, but nonetheless remains over 11 percentage points off the 2010 target of 50%.

The facts on employment rates (see table 2)

- *Between 2000 and 2001 the overall employment rate in the EU increased to 63.9% (+0.6 percentage points), for women to 54.9% (+0.9pp) and for older workers to 38.5% (+0.8 pp).*
- *Significant differences exist between Member States in terms of the levels reached and the pace of improvement. The best performing countries, with employment rates above 70%, as in the previous year were: Denmark, the Netherlands, Sweden and the United Kingdom. Lowest rates are again registered for Greece, Italy and Spain.*
- *Employment rates have increased across all age groups in 2001 by 0.4 percentage points in the 15-24 age group and by 0.5 percentage points in the 25-54 age group.*
- *While differences across Member States are narrowing in the prime-age group, differences for the young and older workers persist or are increasing. The low employment rates for young people reflect an increase in the proportion of young people in further or higher education.*

Based on current scenarios, the Lisbon target of 70% overall employment rate is only within reach if the recent structural improvements in the working of the European labour markets and if increases in female participation are sustained up to 2010 and, where necessary, strengthened. It is necessary for employment performance in those Member States with relatively weak contributions in the past to improve significantly before the end of the decade, in particular in Greece and Italy among the low employment level countries, Belgium and France in the middle group and Austria and Germany among those above average but below the 70% target.

Table 2: Employment rates

| | EMPLOYMENT RATES IN 2001 | | | | | GROWTH (PERCENTAGE POINTS) COMPARED TO 1997 | | |
|-------|--------------------------|-------|-----------------------------|---------------------------|-------------------------|--|------------|--------------------------|
| | Overall | Women | Older Workers Overall | Older Workers Women | Older Workers Men | Overall | Women | Older Workers Overall |
| AT | 68,4 | 60,1 | 28,6 | 17,9 | 40,0 | 0,6 | 1,5 | 0,1 |
| BE | 59,9 | 50,5 | 24,1 | 14,3 | 34,4 | 3,0 | 4,0 | 2,0 |
| DE | 65,8 | 58,8 | 37,7 | 29,5 | 46,1 | 2,1 | 3,5 | 0,4 |
| DK | 76,2 | 72,0 | 58,0 | 49,8 | 65,5 | 1,3 | 2,9 | 6,3 |
| ES | 56,3 | 41,9 | 38,9 | 21,8 | 57,4 | 8,1 | 8,3 | 5,4 |
| EU-15 | 63,9 | 54,9 | 38,5 | 28,8 | 48,6 | 3,4 | 4,3 | 2,2 |
| FI | 68,1 | 65,4 | 45,7 | 44,8 | 46,7 | 4,8 | 5,1 | 10,0 |
| FR | 63,1 | 56,1 | 31,0 | 26,7 | 35,4 | 3,6 | 3,7 | 1,9 |
| GR | 55,4 | 40,9 | 38,0 | 22,5 | 55,0 | 0,3 | 1,6 | 2,9 |
| IE | 65,7 | 55,0 | 46,8 | 28,8 | 64,7 | 8,2 | 9,1 | 6,5 |
| IT | 54,8 | 41,1 | 28,0 | 16,2 | 40,4 | 3,6 | 4,7 | 0,1 |
| LUX | 62,9 | 50,9 | 24,4 | 14,0 | 34,8 | 3,0 | 5,6 | 0,5 |
| NL | 74,1 | 65,2 | 39,6 | 28,0 | 51,1 | 6,1 | 7,8 | 7,8 |
| PT | 68,9 | 61,1 | 50,3 | 40,6 | 61,6 | 4,9 | 5,0 | 3,0 |
| SE | 70,9 | 69,4 | 64,9 | 62,2 | 67,7 | 3,6 | 3,8 | 4,7 |
| UK | 71,7 | 65,1 | 52,3 | 43,1 | 61,7 | 1,7 | 1,9 | 4,0 |

Source: Eurostat, Labour Force Survey (QLFD).

Gaps in employment rates within Member States are gradually closing. However, important gender gaps remain, despite the fact that employment rates for women are increasing at a faster pace than the overall rate. When looking at changes over time (1997 - 2001), the main sources of growth differ, but *women have contributed most to overall growth*. The growth rate for women's employment has exceeded the overall growth rates in all Member States. However, *the employment rate for older women is a cause of particular concern* (28.9%, 9.6 percentage points lower than the overall rate for the age group).

Member States appear to be adopting a more strategic approach to the challenge of raising employment rates through the identification of labour reserves and subsequent targeting of actions on the groups with the most potential. The priority given to this issue is reflected in new institutional arrangements (for example the "Equal Studies Unit" within the "Equality Authority" in Ireland, an "Older Workers Task Force" in the Netherlands, the "Cellule de consolidation de l'emploi" in Belgium). Only a few Member States are pursuing comprehensive, employment-friendly tax-benefit reforms.

The NAPs show that all Member States consider older workers to be the most important source of labour potential, and efforts are being undertaken either to discourage early exit or to provide incentives for staying longer in the labour market, and sometimes to create a framework which facilitates a gradual phasing out from working life combining the two approaches. However, policies addressing the particularly low employment rate for women belonging to the critical age group have not been put in place and a *gender dimension of active ageing policies* remains to be developed. For older workers as a whole, the ability of the EU to reach the target set is seriously called into question by the combination of a low employment rate plus moderate employment rate growth, only slightly above the overall growth rate.

Table 3: Employment rate targets in NAPs 2002

| MEMBER STATES | NATIONAL TARGETS (%) | | | COMMENTS |
|--------------------|----------------------------------|--|--------------------------|--|
| | TOTAL | WOMEN | OLDER WORKERS | |
| Austria | | | | No targets set. |
| Belgium | Flanders 67 (2004) and 70 (2010) | Wallonia: increase of employment rate for women by 2004 by 30% more than the overall rate of increase. | | |
| Denmark | 75.7 (2010) ¹⁰ | | | |
| France | 65.1 (2006) | 59.1 (2006) | 35 (2006) | . |
| Finland | 69 (2005) and >70 (2010) | Above 68 (2010) | 53 (2005) and 55 (2010). | |
| Germany | | | | No targets set ¹¹ . |
| Greece | | | | No targets set. |
| Italy | 58.5 (2005), 61.3 (2010) | 46 (2005) | 40 (2005) | |
| Ireland | | | | No targets set. |
| Luxembourg | | | | No targets set. |
| Netherlands | | 65 (2010) | | Increase of participation of older people by 0.75% per year. |

¹⁰ According to Eurostat the total employment rate is already 76.2% in 2001. The target set is based on national figures and is aiming at a 0.5% increase between 2000 (75.3% according to national data) and 2010.

¹¹ However, on 17 April 2002, the German government approved a national sustainability strategy ("Perspectives for Germany. Our Strategy for Sustainable Development"), in which an overall employment rate target is set (70% by 2010, page 122).

| | | | | |
|-----------------------|------------|--|--|--|
| Portugal | | | | The Government objective is to maintain for 2002 all three employment rates reached in 2001. In addition, target of reducing the unemployment gender gap by 25% (2003). |
| Spain | | | | No targets set. |
| Sweden | 80 (2004) | | | Target for 2004 and age group 20-64. |
| United Kingdom | >75 (2010) | | | Completed by other targets ¹² . |

Quality in work not yet adequately prioritised

Horizontal Objective B seeks to ensure that Member States policies lead to an improvement in quality in work. In general, although progress has been made under a number of relevant aspects, quality in work still tends to be dealt with *in a piecemeal way* which does not reflect the multi-dimensional character of the concept set out in the European Commission Communication of June 2001¹³. The ten dimensions of quality in work defined by the Commission, and used by the Council as a basis for the definition of appropriate indicators, are unevenly covered by Member States' policies. The response to this new objective focuses strongly on the relative merits of different contractual relationships, particularly regarding the balance between flexibility and security. Whilst health and safety, education and training and reconciliation of family and working life are also generally well covered, other dimensions, such as the intrinsic quality of jobs or the quality of social dialogue are not yet integrated into an overall approach to quality at work.

As regards performance, trends which are unambiguously positive can only be identified for a few areas (increasing participation in education and training and decreasing gender gaps in employment). In other areas there is evidence of stability or stagnation, which is partly the result of changed circumstances, for example the recent low increase in labour productivity due to the cyclical downturn in 2001. Data do not yet permit an in-depth, comprehensive assessment of developments over time, particularly since for some of the indicators no time series is available.

¹² To ensure by 2004:
- the gap in employment rates is closed for the over 50s, ethnic minorities, disabled people and other disadvantaged groups and areas.

To ensure by 2010:
- a higher percentage of people in employment than ever before - taking account of the economic cycle, at least three quarters of people of working age in work;
- an increase to 70% in the proportion of lone parents (95% of whom are women) in work.

¹³ Employment and social policies: A framework for investing in quality, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, COM(2001)313 final. European Council (2001), "Indicators of Quality in Work", Report by the Employment Committee to the Council, 14263/01.

Table 4: Main facts on quality in work

| <u>Quality in work: dimensions and indicators</u> | <u>Main facts</u> (based on most recent available data) |
|--|---|
| <p>Intrinsic job quality</p> <p>Indicators: Transitions between non-employment and employment and within employment.</p> | <p>The transition from fixed-term to permanent contracts is not automatic: only 34% of those employed in fixed-term contracts in 1997 had a permanent contract in 1998 and 24% became unemployed while 92% of those with permanent contracts remained in permanent contracts. Only 11% of non-employed persons in 1997 became employed with a fixed-term or part-time contract in 1998. Compared to unemployment, a fixed term job reduces the probability of being in inactivity and unemployment after two years by about 2/3, and increases the probability of moving to a high quality job within two years by a factor of more than 3.</p> |
| <p>Skills, lifelong learning and career development</p> <p>Indicator: % of adult population participating in education and training.</p> | <p>Significant increase in the participation rate for the 25-64 age group (from 5.8% in 1997 to 8.4% in 2001). It is higher for women (9%) than for men (8%) and very low for the 55-64 aged group (3%) and for those with a low educational or skill level (2%). Best rates in 2001: the United Kingdom, Sweden, Finland, Denmark and the Netherlands.</p> |
| <p>Gender equality</p> <p>Indicators: ratio of women's hourly gross earnings to men's; gender employment and unemployment rates gaps.</p> | <p>Gender <u>pay gap</u> remains high: 16.2 percentage points in 1998 (23.7 p.p. in the private sector). Highest gaps: the United Kingdom, Austria, the Netherlands, Germany and Ireland.</p> <p>High gender <u>employment gap</u> (18 percentage points in 2001). It was highest in Greece, Spain, Italy, Luxembourg and Ireland.</p> <p>Gender <u>unemployment gap</u>: 2.3 percentage points in 2001 with significant differences across countries (highest gap: Greece, Spain, Italy and France).</p> |
| <p>Health and safety at work</p> <p>Indicator: number of accidents at work per 100.000 persons in employment.</p> | <p>High incidence rate: 4.87 million accidents resulting in more than 3 days' absence from work occurred in EU as a whole in 2001. It increased in recent years in some of the MS (Sweden, Denmark, the United Kingdom, the Netherlands, Belgium, Luxembourg, Portugal and Spain).</p> |
| <p>Flexibility and security</p> <p>Indicator: % of employees working part-time and with fixed-term contracts.</p> | <p><u>Part-time</u> employment: 17.9% in 2001 as EU average, of which around 80% is voluntary part-time. Highest rates: The Netherlands, the United Kingdom and Denmark. Lowest rates: Greece, Italy and Spain. Significant gender differences in part-time rates (one third of women against 6% of men).</p> <p>13.4% of employees in 2001 worked under <u>fixed-term</u> contracts.</p> |

| | |
|---|---|
| | Highest rates: Spain and Portugal. |
| Inclusion and access to the labour market Indicator: transitions between employment, unemployment and inactivity. | Relatively poor performance on transitions from unemployment to employment: only 30% of unemployed in 1997 found a job in 1998. Better performances can be found in Denmark, Greece, Spain, Portugal, Austria and the United Kingdom. |

| | |
|---|---|
| Work organisation and work-life balance Indicator: employment rates with or without any 0-6 aged children. | Negative effect of parenthood on women's employment rates. Positive effect of parenthood on men's employment rates. Average employment rate in 2001 for women with a child aged 0-6 was 12.4 percentage points below that of women without children. The corresponding figure for men was 9.5 percentage points higher rates with a child than without. |
| Social dialogue and worker involvement Indicators: the number of days lost and % of employees covered by collective agreements. | Coverage by collective agreements: highest (more than 90%) in 2000 in Austria, Belgium, France and Finland and lowest in the United Kingdom. The highest rates in days lost by strikes in 2000 were found in Spain, France, Denmark and Finland and the lowest rates in Austria, the Netherlands, Luxembourg, Sweden and Germany. |
| Diversity and non-discrimination Indicators: employment rate of 55-64 years. | Employment rate of 55-64 years olds: 38.5% in 2001. Lowest rates: Belgium, Luxembourg, Italy, Austria and France. Highest rates: Denmark, Portugal, the United Kingdom and Sweden. |
| Overall work performance Indicator: Growth in labour productivity. | Decrease of average growth in labour productivity per hour worked: from 1.6% in 2000 to 0.3% in 2001. It was negative in Belgium, Finland, France. |

Better developed lifelong learning strategies

Some promising progress has been made in the areas of education and lifelong learning covered by horizontal Objective C. Since 1997 there has been a gradual increase in the percentage of the adult population *participating in education and training* and all Member States are in the process of designing their education and training systems in a more integrated way to cover the whole life cycle. Lifelong learning is seen not only as a way to improve workers' employability and the adaptability of the labour force but also as a policy instrument to increase both labour supply and the participation of groups underrepresented in the labour market and to tackle social exclusion. However, *lifelong learning is still far from*

being a reality for all and there are signs of a widening gap in the take-up of learning opportunities between those with low skills and the higher educated and between younger and older age groups. Measures to broaden access and increase participation levels therefore need to be vigorously pursued, with particular attention paid to those adults least inclined, or with the least opportunity to learn.

The Recommendations issued to the majority of Member States on the development of lifelong learning strategies for the past two years have resulted in an *improvement in overall performance*, with the most visible strides being made in some of the Member States which previously had the least developed comprehensive approaches (see table 5). Last year's assessment was that half of the Member States had comprehensive and coherent strategies whilst this year *all have now laid the groundwork for comprehensive strategies* covering the whole spectrum of learning - from compulsory education to workplace training, and steps towards better recognition and validation of non formal learning. Incremental progress on improving the coherence of lifelong learning strategies is also visible, although moving at a slower pace since it requires more far-reaching reforms of systems and practices. Institutional arrangements to improve co-operation between the various Ministries concerned are emerging in many Member States but the question of how best to facilitate transitions within and between education and training systems and the labour market is not yet addressed in a comprehensive manner. The quality and labour –market-relevance of lifelong learning provision also need to be further improved.

In spite of the fact that Member States again failed to set targets on investment in human capital, *public expenditure on human resources has generally risen* and there is also increasing evidence of shared responsibility for financing, including through a rise in businesses' expenditure on continuing training. However, an increase in the overall rates of public and private investment needs to be combined with a redistribution of resources across the learning spectrum and with the further development of fiscal and other incentives for learning. Moreover, investment in education and training needs to be accompanied by an evaluation of the efficiency of the education systems and training programmes and, where necessary, measures to improve it.

The pace of change taking place now and in the future will require more action from Governments, enterprises, individuals, social partners and the Commission to raise the both the quality and the levels of investment in human resources and to bring about a cultural change to promote ongoing investment in people over a lifetime.

Table 5: Member States' positions on developing lifelong learning strategies

| CHARACTERISTICS | BE | DK | DE | EL | ES | FR | IRL | IT | LUX | NL | AU | PT | SF | SW | UK |
|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| COMPREHENSIVENESS OF STRATEGIES | | | | | | | | | | | | | | | |
| Compulsory education | P | A | A | P | P | A | P | A | P | A | P | P | A | A | A |
| Formal adult education/training | P | A | A | P | P | P | A | P | P | A | P | P | A | A | A |
| Workplace/other non-formal/ recognised prior learning | P | A | A | P | P | A | P | P | P | A | P | P | A | A | A |
| Focus on disadvantaged groups | P | A | P | A | P | P | P | I | P | P | P | P | A | A | P |
| Overall investment / funding schemes | P | A | P | P | P | P | P | P | P | A | P | P | A | A | P |
| COHERENCE OF STRATEGY | | | | | | | | | | | | | | | |
| System development (policy needs, planning, targets, implementation, monitoring) | P | A | P | P | A | A | P | I+ | P | A | P | P+ | A | A | P+ |
| Partnership working (social partners, public authorities, learning providers, civil society) | P+ | A | A | I+ | P | P | A | P | P | A | P | P+ | A | A | A |
| Cross-cutting aspects (advice/guidance services, education/training mobility) | P | A | P | P | P | A | P | P | P | P | I+ | P | A | A | A |

Notes:

A Adequate. 'Adequate' denotes that a particular criterion is given appropriate priority within both the Member State's strategy and concrete actions.

P Partial. 'Partial' indicates that some attention is given to the criterion in both the strategy and actions *or* that it given appropriate priority in one or the other.

I Insufficient. 'Insufficient' refers to when the particular criterion is absent from both the strategy and the actions or is given some attention in one or the other.

Letters in **bold and grey cells** indicate changes compared to last year.

+ indicates improvements compared to last year.

Stronger social partner role at both national and European level

Horizontal Objective D highlights the importance of comprehensive partnerships with the social partners. The 2002 NAPs show that *in a majority of Member States the social partners are more strongly involved in the NAPs*. The strongest degree of partnership is still to be found in Ireland, Belgium, Luxembourg, Portugal, Finland and, to a lesser extent, in the Netherlands, Greece and Germany. In other Member States like Denmark and Sweden the social partners themselves continue to play an important role in implementing the guidelines especially addressed to them. While *tensions* between the governments, and notably, the Trade Unions emerged in Italy, Austria and Spain, and *created a context less favourable for co-operation in the NAP process, bilateral or trilateral agreements have nevertheless been concluded which deal with a number of important issues addressed in the Guidelines*. However, in Spain relationships have improved recently. The contribution of the social partners was mainly on quality in work, lifelong learning, the increased labour market participation of older people and the promotion of gender equality. In the latter case, however, a higher policy priority needs to be given to this area and concrete action needs to be intensified.

The *reinvigorated social dialogue* at European level has led to several initiatives which have helped take forward the European Employment Strategy in a number of areas. For example, the report concerning the future of industrial relations in Europe, a joint declaration of the European social partners to the European Council in Laeken underlining the necessity to further develop the autonomous social dialogue, the planned submission, in Autumn 2002, of a multi-annual work programme drawn up by the social partners, the social partners' framework for action on skills and competencies development submitted to the Barcelona Summit and an agreement on telework signed by the European social partners.

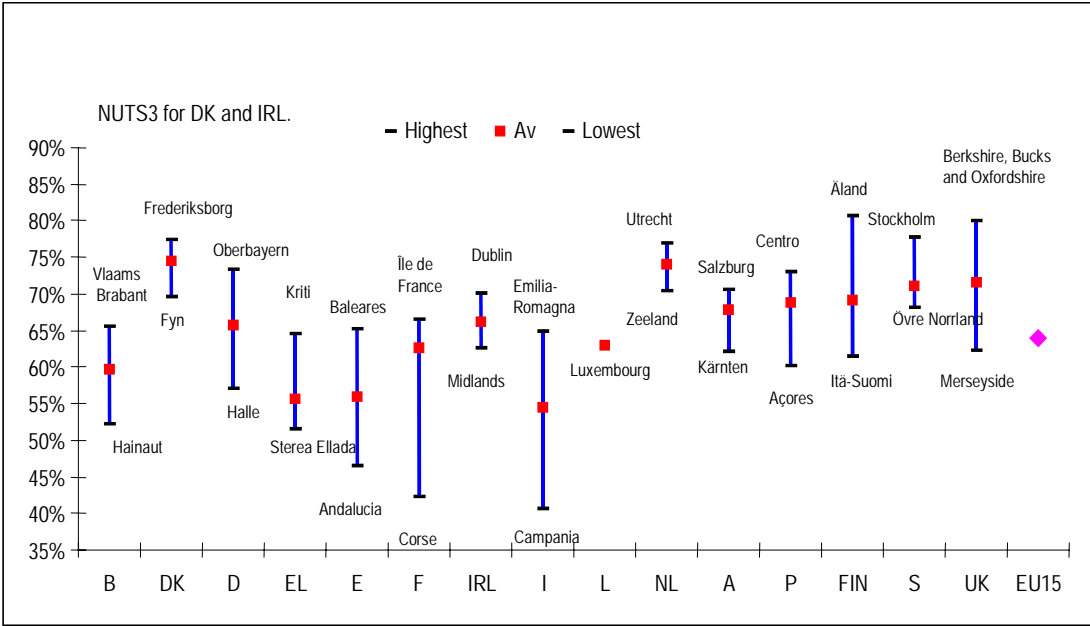
A more balanced policy-mix but regional disparities remain a serious problem

Horizontal Objective E urges Member States to respect the integrated nature and equal value of the Guidelines across the four pillars and to give adequate attention to the regional dimension. Compared to previous years, *more emphasis has been given to the Equal Opportunities and Entrepreneurship Pillar*, redressing the balance somewhat, although the main focus continues to be on the Employability Pillar. *The coverage of the Adaptability Pillar tends to under-report the efforts undertaken by the social partners*. A rebalancing of the policy mix is particularly visible in Spain, Austria, Luxembourg and Ireland.

Belgium, Germany, Spain, Italy and Finland are the Member States most seriously affected by regional disparities. Disparities are, in general, more pronounced for unemployment

(measured by the coefficient of variation¹⁴) than for employment. More Member States experienced deterioration (Germany, Greece, Italy, the Netherlands, Austria and the United Kingdom) in unemployment than in employment (Germany, Austria and Finland). Germany and Austria are the only Member States where disparities are widening for both employment and unemployment (although in Austria, it is still at a very low level). The priority given to this issue varies widely from one Member State to another. However, all continued to give increased attention to the territorial dimension of employment policies and the need to design policies and instruments in a way which facilitates flexible adaptation to specific needs at regional, and, in some cases, also local level.

Graph 2: Employment rates in NUTS2 regions in 2001 (% of population 15-64)



Source: Labour Force Survey NUTS2 level, Eurostat. DK and IRL NUTS3 from national LFS¹⁵.

¹⁴ The Coefficient of Variation is obtained by dividing the Standard Deviation by the average-weighted mean value (weighted average of the employment/unemployment rate in a country).
¹⁵ Data for Ireland: Central Statistics Office Ireland. Employment from Quarterly National Household Survey. Working-age population from 'Population and Migration Estimates April 2001'.
 Data for Denmark: Provided by Arbejdsministeriet. Danmarks Statistik, Labour Force Survey 2001. Employment rates defined as persons in employment aged 16-66 in their working-age population.
 Data for France do not take into account the French Départements d'outre-mer (DOM).

Improved monitoring, but more development needed on a number of national sources

Horizontal Objective F stresses the importance of strengthening indicators to evaluate progress under all four pillars. Significant improvements have been made in most Member States in developing and using common indicators to be provided in the NAPs, especially on *prevention and activation*.

The situation is unsatisfactory as regards several indicators based on national sources which are necessary to monitor progress in quality in work. Thus common indicators on *disadvantaged groups* (ethnic minorities, migrant workers and disabled people) are lacking, and only three Member States have provided indicators on *transitions* between non-employment and employment. More data have been submitted on *childcare provision* and some data on *care facilities for other dependant persons*, even though they are still lacking for many Member States and in most cases they only partially comply with the agreed indicators.

Most Member States have not submitted either the necessary information allowing an assessment about labour market *bottlenecks* or *of the impact of active labour market measures* in terms of effective integration into the labour market.

2.2. Assessment of the progress made under the four Pillars of the 2001 Guidelines

2.2.1. Employability

The recent increases in unemployment and widespread company restructuring, combined with emerging bottlenecks, highlight the relevance of the concept of employability. Whereas, at the launch of the EES, employability was mainly seen as a way of helping unemployed people back into work, it has progressively developed into a broader approach covering the whole life-cycle and is key to facilitating adaptation to change. Raising the employment rates to the ambitious levels set at Lisbon and Stockholm requires not only action to prevent and combat unemployment but also to mobilise untapped potential to increase participation in the labour market. In this context, preventing early school leaving, increasing access to an inclusive labour market, enhancing the capacity of workers to remain active, reforming tax and benefit systems to make them more employment friendly and promoting the continued updating of skills and tackling bottlenecks are particularly important.

Thus, Member States have often concentrated on the *consolidation and improvement of the effectiveness* of measures under this Pillar in 2001 through such a wider approach.

The facts on unemployment

- *Unemployment decreased in 2001 both among young people and among adults. The overall rate of unemployment fell from 7.9% in 2000 to 7.4% in 2001 and that of women from 9.7% to 8.7%. The unemployment ratio for young people dropped from 7.4% to 7.1%¹⁶. However, in the first four months of 2002 the overall unemployment rate climbed back up to 7.6%.*
- *The overall long-term unemployment rate decreased more than the total unemployment rate; from 3.7% in 2000 to 3.3% in 2001. For women it declined 0.5 percentage points, from 4.4% to 3.9%. There are wide variations between Member States, with rates of less than 1% in Austria, Denmark, Luxembourg and the Netherlands and more than 5% in Greece, Spain and Italy.*
- *The share of long-term unemployed amongst all unemployed dropped from 46% in 2000 to 42% in 2001.*
- *The inflow to long-term unemployment also varies considerably ranging from 2.1% in Sweden to 36.2% in Belgium concerning young people and from 0.6 % in Austria to 23% in the Netherlands concerning adult people. The rate of women's entry into long-term unemployment is higher than that of men in all Member States, except for Denmark, Finland, Sweden and the United Kingdom.*

Shifting from passive to active labour market measures and from a curative to a preventive approach in the fight against unemployment were key guiding principles of the Employment Strategy from its inception. Two targets were set at the Luxembourg Summit: a) by 2002, to offer all unemployed people a new start before reaching 6 months of unemployment, in the case of young people, and 12 months for adults; and b) to achieve a minimum level of 20% of unemployed people benefiting from active measures. These aims have been met with only mixed success.

More active labour market policies ...

As regards activation the target of 20% had already been surpassed by all Member States in 2000 except for the UK, and the average of the three most advanced Member States reached 51% in 2001. *Activation rates have continued to increase.* This is the combined result of the declining number of registered unemployed and the increased number of persons benefiting from active measures. Moreover, the share of spending on active measures has increased in relation to total labour market policy expenditure, reflecting a continued emphasis on activation.

¹⁶ The unemployment ratio for young people is the total amount of unemployed young people (15 - 24 years) as a share of the total population in the same age bracket.

Training is the most common tool to integrate unemployed people into the labour market. More than half of the general increase in active measures is due to a rise in training initiatives. These initiatives aim to combat skill shortages and the tendency towards co-operation with employers in the design of measures has been consolidated so the measures are gradually becoming more demand led.

The facts on activation

- *All Member States but the United-Kingdom exceed the 20% target. The three Member States with the highest activation rates are Sweden (60%), Belgium (50%) and Ireland (38%).*
- *Compared to 2000 the **activation rate** increased in Austria, Belgium, Denmark, Spain, Ireland, Italy, Luxembourg, Portugal and Sweden. The rate remained unchanged in Germany and decreased in Finland and in the Netherlands.*
- *The number of participants in **all active measures** compared to 2000 increased by 7%. In Austria, Belgium, Denmark, Germany, Spain, Ireland, Italy, Luxembourg, Portugal and Sweden the increase was 8%. There was a decrease in Finland and the Netherlands.*
- *Between 1999 and 2000 the share of spending on active measures out of total LMP expenditure increased in most Member States (except Denmark and Portugal). The highest shares are in Ireland, Sweden and Denmark, whereas the lowest shares are in the United Kingdom, Portugal and Austria. However, LMP expenditure on active measures in relation to GDP decreased slightly in 2000, averaging 0.9% in the EU. Three countries have shares above 1% (Denmark, Sweden and Belgium). Lowest expenditure is in the United Kingdom, Greece and Portugal.*
- *Training measures represent about half of the total measures undertaken and in general the number of participants in **training measures** rose by 4%. In Belgium, Denmark, Germany, Spain, Luxembourg, Austria and Portugal the rise was around 6%. In Ireland, Finland and Sweden there was a decrease.*
- *Of the seven Member States (Austria, Belgium, Denmark, Finland, Sweden, Spain, Germany) which provided **activation rates by sex**, in five (Austria, Belgium, Denmark, Finland, Sweden) the activation rate for women is higher than that of men.*

... but further emphasis is needed on prevention ...

The situation with regard to achievement of the prevention target is less satisfactory. The agreed indicators to measure progress concern both the implementation of early intervention policies (the extent to which unemployed young people and adults are provided with individual action plans before reaching 6 and 12 months unemployment) and the achievement of results (the extent to which inflows into long-term unemployment are cut). Although the majority of Member States have put in place a preventive approach, it is not always effective as revealed by insufficient levels of coverage of those at risk of unemployment (see annex 2: indicator of effort), or by high levels for the indicator of non-compliance (see also annex 2).

On this basis, only five Member States - Austria, Sweden, Finland, the United Kingdom and the Netherlands (for young unemployed) - can be considered as complying fully with the objective. The recent surge in unemployment makes it all the more important to improve performance on preventive policies.

The facts on prevention

- *Austria, Sweden, Finland, the United Kingdom and the Netherlands (the latter for young people, but not for adults) have satisfactory results both as regards early intervention and reduction of inflows to long-term unemployment.*
- *Italy and Greece are still in the process of adapting their structures to be able to intervene in time and to systematically offer individual action plans.*
- *Denmark, Ireland, Spain and France have succeeded in slowing down flows into long-term unemployment (because their labour markets are sufficiently strong to enable the majority of unemployed people to find employment on their own initiative during their first months of unemployment), but a high proportion of unemployed people are still not benefiting from early intervention policies.*
- *Germany, Luxembourg, Portugal and Belgium have increased the numbers of unemployed people reached by preventive policies but without substantially slowing down the inflow into long-term unemployment.*

... and on effectiveness

Generally not enough is known about the effectiveness of activation measures in terms of sustained integration into a regular job and in terms of their relative efficiency. More attention needs to be given to qualitative aspects, in particular monitoring sustained integration into a regular job. The same seven countries as last year (Austria, Denmark, Germany, Spain, Finland, Sweden and the United Kingdom) provide figures on either the rate of return to unemployment or the flow into employment after participation in an active measure. It appears that the rate of return to unemployment varies from 19% to 45% (after 3 months), and from 29% to 61% (after 6 months). The flow into employment after participation in a measure varies from 50% (after 6 months) to 67% (after one year). The available evaluation data¹⁷ suggests that combining training with other measures such as work experience increases success. Experience has also shown that, although different contexts lead to differences in the effectiveness of the measures, *individualised active policies* are crucial. The activation requirements need to *focus on results, rather than on numbers of beneficiaries in preferred types of measures*, by taking into account both the characteristics of the individual and labour market conditions.

¹⁷ In particular on the basis of the evaluation of the European Employment Strategy completed in 2002, see http://europa.eu.int/comm/employment_social/empl&esf/ees.

The current indicators on prevention do not capture differences in the quality of the approach used. The impact evaluation of the Employment Strategy has shown that the concept of a "new start" has been interpreted in very different ways between Member States, ranging from an interview to a specific ALMP, through individual action plans of varying depth and quality. Prevention is often seen as early activation of job seekers instead of early identification of needs to prevent a drift into long-term unemployment making it *difficult to distinguish clearly between prevention and activation*. Cross-country comparison is also problematic because of variations in the way breaks in unemployment spells to take part in an active measure are treated.

The strong focus on quantitative targets in the monitoring process for both activation and prevention, although effective in reorienting priorities in line with the Guidelines, may have unwittingly contributed to a *relative neglect of the dimension of effectiveness and efficiency*. The EES evaluation suggests that what is vital is *making the right offer at the right time to the right person based on an early identification of needs*.

Central role of Employment Services

Effectiveness depends strongly on the national and economic context, and in particular on the efficiency of Employment Services. The impact evaluation confirmed that the strategy of activation and prevention has triggered a *comprehensive remodelling of Public Employment Services operations*. The movement towards more of a partnership approach, with the PES increasingly a main integrating player in a wider private and public delivery system is continuing. In 2001 a clear trend is discernible within several Member States (Italy, Austria, Germany, Belgium, Denmark and the Netherlands) towards a *mixed market of public and private employment services*. Several Member States are further liberalising regulations on private employment agencies, including temporary work agencies (Italy, Austria, Germany, Belgium). Others (Germany, Denmark and the Netherlands) are introducing procedures whereby private employment services can participate in the delivery of public service programmes and some are increasingly investing in more and better *services to enterprises* (the United Kingdom, Finland, the Netherlands). Almost all Member States are using information and communication technologies to significantly *expand electronic self-service facilities* and many Member States are continuing developments to strengthen services at the regional or local level (France, Spain, Greece, Italy). However, reform of the institutional structures for implementing active labour market policy and redesigning the complex methodology of employment service delivery need to be pursued.

Tax reductions and improving the interaction of tax and benefits

In 2001 most Member States further reduced taxes on labour income (personal income taxes plus employee's social security contributions) particularly for those at the *lower end of the wage scale* although tax cuts have not always been targeted strictly on low paid labour. Others have undertaken tax reforms by introducing modest general tax reductions. A small, though growing, number of Member States (Belgium, France, the Netherlands, the United Kingdom, Denmark) are addressing the *interaction between tax and benefit schemes*. The rapid withdrawal of benefits as people earn income from taking up work is now *widely recognised* as a major disincentive to seek employment and Member States implemented *a variety of measures* to address this issue. However, concerning the unemployment benefits a more effective enforcement of eligibility criteria is needed, as well as a better interaction with active labour market policies and giving more attention to the way benefit systems are administered. This would *reduce work disincentives* while preserving an adequate degree of social protection for the unemployed.

Incentives to take up work have been improved by making increasing use of employment-conditional benefits. Several Member States (the United Kingdom, Ireland, Finland France, Belgium, Italy and the Netherlands) are extending the use of In-work Tax Credit schemes. Some Member States have implemented targeted measures which are related to *changes in minimum wages and child benefits structure* (the United Kingdom, Ireland, Austria, Sweden) or combine benefits with part-time work and training (Sweden, Denmark, Portugal, Austria). Member States do not, however, address the possible *gender effects of tax-benefit reforms*.

Active ageing: comprehensive approach needed

In addition to the target agreed in Stockholm to raise the employment rate for older workers to 50% by 2010, the Barcelona European Council called for a progressive increase of about five years in the effective average exit age from the labour market by 2010.

The facts on older workers

- *The employment rate for the 55-64 age group was 38.5% in 2001 compared to 74.7% for the 45-54 year olds, 77.1% for the 25-54 age group and 40.7% for the 15-24 year olds.*
- *The statutory retirement age has been increased in Finland, Denmark and Sweden and the age threshold for women has been brought into line with that of men in Belgium, Germany, the United Kingdom and Portugal. However the average effective exit age from the labour in the EU remains low, except in a few countries where it has increased, such as Finland.*

- *The participation rate of 55-64 year olds in education and training was 3% in 2001 compared to 8.4% for the adult working age population. Sweden, the United Kingdom, Denmark and Finland are the best performers with an average older worker participation rate of 10.9%.*

All Member States have given increased attention to promoting the issue of older workers in 2001 and are implementing a wide variety of policies.

Few Member States (Finland, Denmark, the United Kingdom and Sweden) have developed fully-fledged national active ageing strategies. Most promote some training and reskilling for older employed and/or unemployed people. Several Member States are promoting more flexible working arrangements and an improved working environments, including workplace health initiatives. Some are implementing awareness-raising campaigns for employers to encourage more positive attitudes to the potential of older workers, but changes of this type require sustained action over a long period of time.

Efforts are being made to discourage early exit or to provide financial and other incentives for staying longer in the labour market, although little attention is given on promoting flexible forms of work combining gradual retirement with part-time work. Overall, Member States concentrate on reforming the regulatory framework for benefits, and give less attention to improving working conditions or providing effective incentives for employers to retain or to recruit older workers. The tendency is to cover a broader age group than those aged 55-64 and to focus on older workers in employment rather than the unemployed (with the exception of the United Kingdom, Denmark, Greece, Austria, and Belgium).

The continuing low employment rate for older workers coupled with the *tendency to continue to use early retirement schemes*, which is visible in some Member States, are causes for real concern. There is also a risk of *substitution effects* between different sections of the social security systems, such as retirement and invalidity.

Based on current employment scenarios, the EU employment rate target for older workers will remain out of reach unless Member States design and implement comprehensive strategies for active ageing. The Commission report on "Increasing labour force participation and promoting active ageing"¹⁸ outlined the elements of such a comprehensive approach, based on a life cycle approach. In the framework of four objectives (more jobs and better quality in work; making work pay; providing higher and adaptable skills at work; and making work a real option for all) five priority actions were identified: retain workers longer in employment; review tax/benefit systems; tackle gender gaps in pay and labour market access; promote the participation of persons with care responsibilities; reduce school drop-out rates.

¹⁸ COM(2002)9 final, 24 January 2002.

When developing and implementing respective policies, the gender dimension of active ageing also needs to be addressed better. The active support and contribution of the Social Partners is crucial to success.

Encouraging progress in Life long learning policies

The facts on lifelong learning

- *There has been a slowdown in educational attainment, the adult population (25-64) with at least upper secondary level education rose by only 0.2% in 2001 to 63.8% compared to a rise of 1.2% in 2000. The rate for women has generally increased at a faster pace than that of men and the gender gap has been reduced to just over 5 percentage points.*
- *The participation rate for the adult population in education and training continues to be low and has stayed stable at 8.4%. Rates vary widely between the different age groups and attainment levels. Those aged 25-34 are nearly five times more likely to take part in education and training than those aged between 55-64 and those with low skills are over 6 times less likely to participate than those with high skills. Women participate more than men (9% compared to 7.9%).*
- *The early school leaving rate¹⁹ (those aged 18-24 leaving the education system prematurely, with lower secondary education or less) fell only marginally from 19.7% in 2000 to 19.4% in 2001. The rate remains persistently high especially in Portugal (over 45%) and in Spain and Italy (over 25%). The EU average male rate is considerably higher than for females (21.9% compared to 16.8%).*
- *E-learning: The EU average rate of access to the Internet for all educational levels was 93% in 2002 compared to 89% in 2001. Over the same period the rate for secondary schools rose from 96% to 98% and from 84% to 90% for primary schools. The ratio of students to on-line computers decreased from 15 in 2000 to 10 in 2002. While, in 2002, 74% of primary and 65% of secondary teachers of non-computer subjects use computers regularly in the class room, 40% of primary and 47% of secondary teachers have not received any ICT related training.*

The emergence of bottlenecks and skills gaps has underlined the importance of competence development throughout the whole life cycle and has encouraged Member States to reinforce their lifelong learning policies. Increasing attention is being given to *basic skills* and improvement in *adult literacy* has emerged as a particular priority area in some Member States. The social partners are playing an ever more important and wide-ranging role in lifelong learning in all the Member States. Many actions have been taken to promote a *better match between education and training supply and labour market demand*, including through steps to make initial education more vocationally relevant, to expand and reform apprenticeship systems and, in a few Member States, through mechanisms to better anticipate

¹⁹ The EU average excludes the United Kingdom due to the lack of comparable data. For Ireland after 1997 the results of that year are used. Data for Sweden lacks comparability between 2000 and 2001 due to changes in the survey sample design. For France the information is collected only if education or training is under way on the date of the survey.

skill needs. However, overall, *provision remains supply-led* and the responsiveness of systems needs to be further enhanced and more account taken of mobility issues.

A *stronger regional dimension* in lifelong learning policy is apparent in a majority of Member States (promoted through regional development strategies, learning partnerships and, in some cases, through increased budgets for regional authorities) and many have expanded local learning centres to bring opportunities closer to people. Most Member States have reinforced information, advice and guidance services and are developing financial incentives aimed at both enterprises and individuals to encourage take-up of learning provision. However, the continuing low participation rate in education and training and the slowdown in the upskilling of the population highlights the necessity for sustained action. *Two thirds of Member States have now set national targets on participation and attainment.* However, there is a tendency to focus more on the younger age-groups and, whilst this is important, attention also needs to be given to how to better reach older age groups, the low-skilled, vulnerable groups, SME employees and those on atypical contracts. Equally, more attention needs to be given to *promoting a broader culture which values learning.*

Although tangible progress has been made in the development of national lifelong learning strategies, further emphasis needs to be given to *workplace and other non-formal learning, disadvantaged groups, monitoring systems and better co-ordinated guidance services.*

The *school drop out rate* has gradually decreased but the pace of progress calls into question the feasibility of meeting the common target of cutting the rate in half by 2010. In addition to intensifying support more individually tailored approaches and intervention at an earlier stage are called for. The problem is particularly difficult to tackle amongst males and a thorough analysis of the situation and evaluation of the effectiveness of measures is needed.

Member States have intensified efforts to promote the development of ICT skills, in general, and e-learning, in particular. Specific efforts are being made to equip members of priority groups, including older workers and unemployed people, with basic ICT skills to *prevent the development of a digital divide.* The important role of ICTs in supporting learning and teaching is reinforced. E-learning is used not only to improve access to learning but also to improve the quality of the learning process. On the *common e-learning targets* the majority of Member States are close to achieving an internet access rate of 100% although progress in primary schools is lagging behind a little. The ratio of students to on-line computers is steadily improving but there is cause for concern regarding ICT training of teachers since nearly half of all secondary school teachers have still not received any training even though the use of computers by teachers is steadily rising. In general, there is little attention on the gender dimension of lifelong learning, and especially on e-learning.

Stronger focus on the prevention of bottlenecks

The facts on occupational mobility

- *Between 1997 and 2001 in the EU as a whole the change in the occupational structure (used as a proxy for occupational mobility) went up from 1.9% to 2.9%²⁰. The change was higher in Denmark, Greece, Italy, Austria, Sweden and the United Kingdom.*

The facts on geographical mobility

- *In 2001 15.2% of the population who changed residence within the EU (including within the same city) did so for occupational reasons²¹. Above average are Austria (18.3%), Germany (19.3%), France (21.1%) and Greece (17.1%). Substantially below average are Belgium (9.3%), Ireland (10.9%), the Netherlands (8.5%) and Portugal (8.9%).*
- *The percentage of people changing residence between regions (in the same or another Member State) between 1997 and 2001 in the EU as a whole increased from 1.2% to 1.4%. The highest increase was in France and Austria. The greatest downward trend can be observed in Italy (1.1% to 0.6%) and Belgium (1.2% to 0.1%). The increase for males (0.2%) was somewhat higher than for females (0.1%).*

Despite the fact that changes in the economic context have resulted in a lessening of short term tensions on the labour market, Member States have given greater attention to combating bottlenecks than in the past. Aware that economic growth will increasingly become dependent on a more active management of labour supply, and prompted by demographic changes, most Member States have stressed the *development of monitoring systems* to better identify and analyse labour market developments in order to prevent future bottlenecks. They also stress the *need for intensified active labour market policies* (especially for disadvantaged groups) and *education policies*.

In all Member States *vocational education and training of the employed and the unemployed* are important components of the policy to reduce bottlenecks in specific sectors (especially ICT, health, care and education) and occupations (higher technical staff). Member States which foresee continued, or even worsening, bottlenecks in the years to come are seeking to develop *pro-active education and training programmes*, in many cases linked with the development of a comprehensive system for life-long learning. There is also recognition that resolving bottlenecks involves more than recruitment and training operations: packages of measures to enhance the attractiveness of the public sector and action to reduce absenteeism

²⁰ The percentage results from adding up all the absolute values of changes in the occupational structure in the Member States, eg 3% more office clerks, 2% less elementary occupations etc...For Sweden the data is only available for the period 1998 - 2000 and for Finland only for the period 1998 - 2001.

²¹ Based on the outcomes of the Eurobarometer 54.2, February 2001.

are being implemented. However, only one country (Denmark) sees the reduction of gender segregation as a way to help solving the problem of bottlenecks.

Geographical mobility policies are also given a higher profile this year. Some of these policies concern *inter-regional mobility* within the national labour market, which Member States encourage through various incentives (for example in Germany, France, Spain, Italy or Belgium). Several Member States present *labour immigration* as part of the solution to labour shortages, thus recognising the importance of a better-integrated European labour market. Many Member States have taken steps to improve the job-matching capacities of their employment services. Most are developing electronic databases of vacancies and CVs, connected through EURES.

More integrated inclusion policies but reinforcement of demand-side measures needed

As in previous years a majority of Member States considers integration into the labour market as the best way to promote social inclusion. However, there is increasing recognition that this is not an immediate option for all disadvantaged people and there is therefore an emphasis on a broader range of *complementary policies contributing to social inclusion* (housing, health, urban and rural regeneration policies). The *influence of the Inclusion Process is evident* in the development of this more global approach and half of the Member States make an explicit reference to their national action plans on social inclusion in this context.

The gap between the overall employment and unemployment rates and those of specific groups with an over-representation of disadvantaged persons such as the disabled, ethnic minorities or immigrants continues to be high, despite the fact that most Member States have intensified active labour market measures. This underlines the fact that, in addition to raising employability and addressing broader social inclusion needs, the demand side of the market has to be tackled to combat discrimination against disadvantaged persons. Steps are being taken in this direction as some Member States report initiatives which *combine employability measures for disadvantaged persons with an increased emphasis on encouraging recruitment* (awareness raising and anti-discrimination in general). These actions need to be expanded and continued. The transposition of the Article 13 anti-discrimination directives into national legislation underpins these efforts.

Evaluation of the effectiveness of measures to integrate disadvantaged persons into the labour market and to prevent discrimination is severely hampered by differences in the definition of the groups and a lack of statistical data.

2.2.2. *Entrepreneurship*

Improving conditions for entrepreneurship is essential in promoting sustainable growth and job creation. The Entrepreneurship Pillar is about providing conditions which favour the creation of new jobs. It aims at facilitating the development of an environment favourable to start-ups and to business growth and at exploiting effectively the employment potential of the knowledge society and of the services sector. It places an emphasis on employment friendly taxation which, together with better access to finance for start ups and early development phases, is crucial in promoting a favourable entrepreneurial environment. Its objective is also to stimulate action for employment at regional and local level.

More targeted action is needed in making entrepreneurship a key driver for growth and employment

Efforts to reduce administrative burdens for business are not sufficiently developed. Policy attention is being focused on the complexity and delays of business registration procedures. There is a focus on the *simplification of registration procedures*, mainly by using ICT, and some Member States have set quantitative targets²², such as reducing by half the time and costs of setting up a company (Spain, Portugal), or reducing the overall administrative burden by 25% by the end of the current legislative term (Belgium and Portugal). Assessment of the respective *impact of legislation on business* is only made with regard to existing legislation and an ex-ante evaluation of new legislation is not considered in most Member States (except in the United Kingdom, Sweden, Luxembourg and Denmark). Apart from the growing number of one-stop shops across the EU is complemented by the progress in legislative actions to facilitate start-ups, though there is scope for improvement in some MS. Access to finance - a crucial factor for entrepreneurial performance - especially in stimulating the supply of risk capital for the start up and early stage of the lifecycle of businesses has not received much attention.

The importance of self employment in job creation is recognised by all Member States. Sweden has even set a specific target concerning the number of self-employed people. However, *more targeted support is needed to exploit the potential for self employment* by encouraging existing employees or unemployed to become self-employed. The share of self-employment on total employment decreased from 14.9% in 1997 to 14% in 2001, the decline being stronger for men than for women. This development might simply be the result of a gradual structural change, i.e. traditional sectors in which self-employment is relatively strong make room for new sectors where self-employment is a less characteristic feature. Cultural reasons and relatively large actual and perceived difficulties in setting up a business seem to

²² Cf. COM(2002)610.

deter people from becoming entrepreneurs in several Member States. Tax levels on self-employment and small businesses appear to be decreasing and steps have been taken towards removing tax burdens from potential self-employed, and several Member States are making concerted and sustained efforts to promote female entrepreneurship.

The positive developments in education for entrepreneurship need to be strengthened. The education of potential and existing entrepreneurs sees a wide number of initiatives by most Member States. *Promoting entrepreneurship within the education system* is an important development towards overcoming the cultural and attitudinal blocks against self-employment but efforts need to be intensified and structured, and emphasis placed on training of teachers. Member States offer a diverse spectrum of training opportunities for entrepreneurs and potential entrepreneurs outside and, to varying degrees, inside the education system. Such opportunities have been created by various institutions, business support organisations and professional organisations, but need to be better targeted to the needs of users, particularly with regard to sources of financial support while paying more attention to training opportunities for women and young people.

Despite the slowdown in the employment growth of the services sector, *its full potential needs to be exploited with particular emphasis on knowledge-based services.* The employment of the services sector continued to increase in 2001 but at a lower pace, 1% at EU average, which is below the overall employment growth (1.2%). The growth rate was higher for women than for men in most Member States. The employment rate in services increased throughout the period 1997-2001 by almost 4 percentage points to 44.4% in 2001. This rate is slightly higher for women (45.6%) than for men (43%). Only few Member States have detailed their efforts in the removal of barriers to the provision of services (Denmark, Germany), but most of them are concentrating on investment in knowledge-based services. This concerns not only support in the start-up phase, but also support to existing enterprises with a view to developing their activities, to boost innovation and to create new job opportunities. A range of new initiatives promoted in several Member States aim at creating job opportunities in knowledge-based services and in the environmental domain. Some Member States have intensified their efforts to increase employment in the environmental sector (Austria, Belgium, Denmark, Germany).

Some progress has been made in combating *undeclared work* but efforts need to be strengthened and the monitoring and reporting of implementation improved. Member States are addressing undeclared work through general labour market reforms. Their efforts concentrate on: simplifying procedures for the declaration of new jobs, increased inspection and control campaigns; combining job incentives with sanctions, including measures to combat tax and social insurance fraud; reduction of the VAT rate in labour-intensive services enabling more equal competition with the same services provided through the informal

economy; and developing legislation to control the undeclared or illegal work of immigrants. Most Member States have implemented or announced *new initiatives* in these areas (the United Kingdom, Portugal, Italy, Germany, France, Austria, Belgium, Spain, the Netherlands and Greece). More needs to be done by pursuing co-ordinated efforts involving all services concerned in close co-operation with the social partners.

Despite reductions the tax burden on labour remains high

Key facts on taxation in the EU

- *The overall tax burden in the EU, measured by the ratio of total tax revenues to GDP, increased from 41.5% in 1996 to 41.9% in 1999, with a tendency to decline in 2001 just below its 1996 level (41.3%).*
- *The adjusted implicit tax rate²³ on labour which relates to the evolution in the overall tax burden on wages in the EU, after reaching its peak of nearly 37.8% in 1998 was subsequently reduced by 1 percentage point to about 36.8% in 2001.*
- *The reduction in the tax burden on low-paid labour appears to be more significant. An EU average tax reduction of 3 percentage points over the period 1997-2001, to 37.8% in 2001, being observed for all Member States although to varying degrees.*

The general tax environment should favour enterprise and encourage risk taking. The overall tax burden increased over the period 1996-1999. Thereafter the trend was reversed for many Member States. Nevertheless, in several of them (Sweden, Denmark, Belgium, Finland, France and Austria) the tax rate remains high, exceeding 45% of GDP.

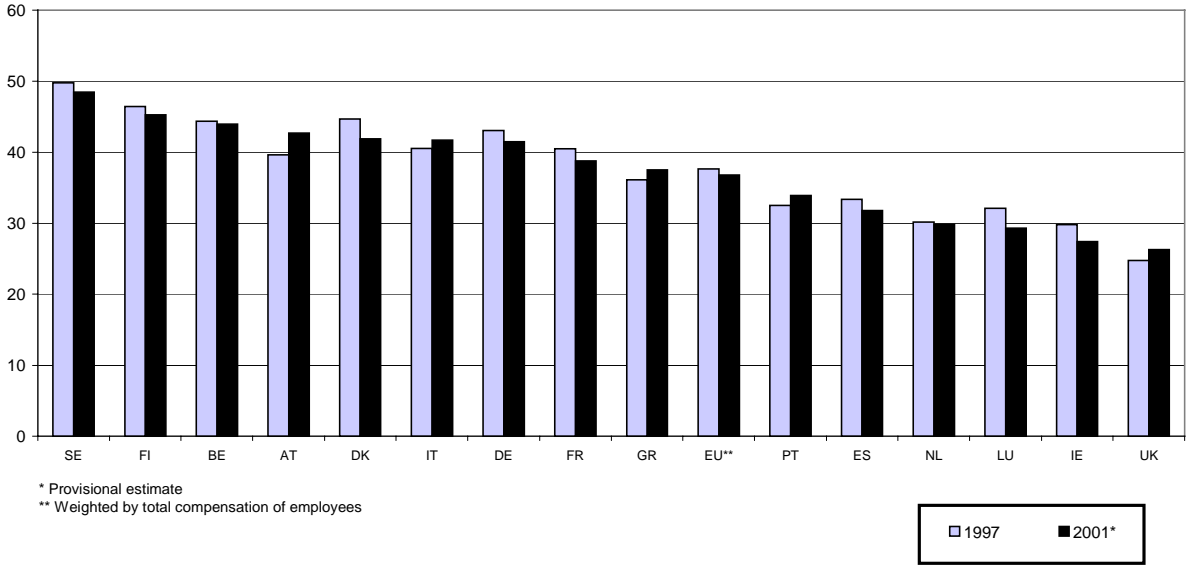
Positive developments in reducing the tax burden on labour are observed in all Member States. Most Member States are committed to the objective of reducing the tax burden on labour, failing though to set national targets. The tax burden on labour, as measured by the adjusted implicit tax rate on labour, was reduced²⁴ in the EU by 1 percentage point between 1996-2001, to 36.8% in 2001, mainly through reductions in social security contributions (SSC). The reduction in labour taxes is most visible for the low-paid (about 3 percentage

²³ The adjusted implicit tax rate is defined as the total of direct- and indirect taxes on labour income (personal labour income tax plus payroll taxes) plus employees' and employers' SSC as a percentage of total labour costs, including pay roll taxes. It is a backward looking empirical measure of the actual tax burden on labour income and therefore relies on the observed aggregate data on tax revenues and incomes.

²⁴ The figures for the implicit tax rate are based on National Accounts and additional estimates provided by the Member States (source: Commission services, DG TAXUD). The "tax wedge" on labour measures the difference between the wage costs incurred by the employer and the net pay received by the employee for a single worker earning 67% of the average production worker's wage (source: OECD in co-operation with Member States). The data is based on tax indices that are constructed for hypothetical households.

points), as measured by the tax wedge on labour for the single worker earning 67% of the average production worker (APW) wage.

Graph 3: Adjusted implicit tax rate on employed labour



Source: Eurostat, the structure of the taxation systems in the EU', updated by the Commission Services, DG TAXUD.

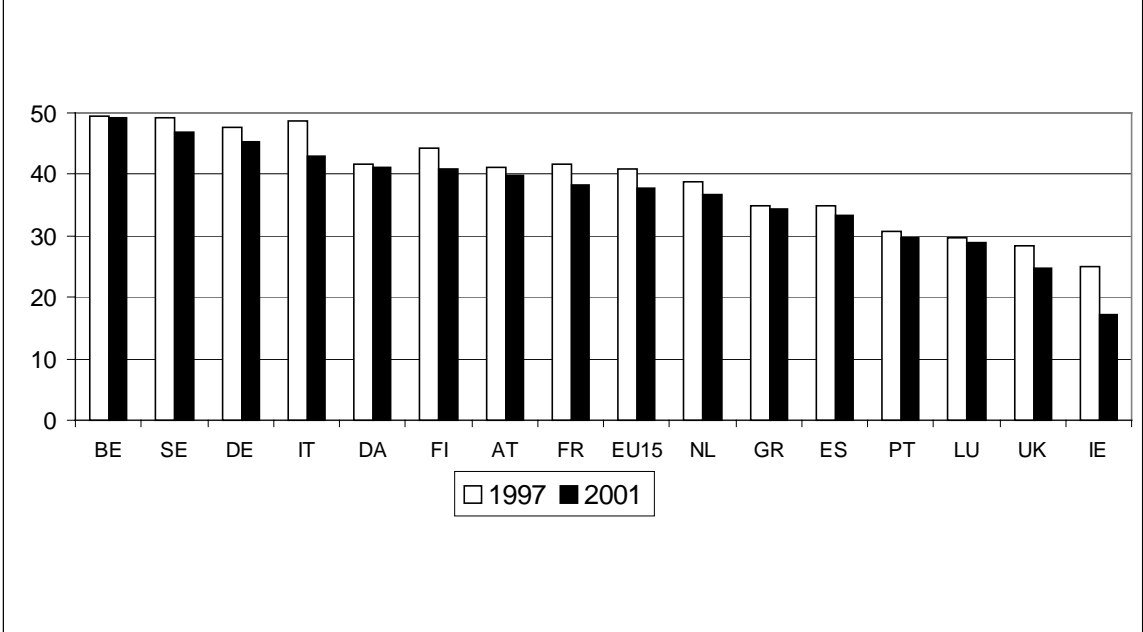
The picture by Member State is very uneven with substantial shifts in the composition of the tax wedge on labour in recent years. Ireland and Italy recorded the highest cuts in the total tax wedge followed by the United Kingdom, Finland and France. Over the period 1997-2001, most Member States have reduced the tax wedge on low- and/or average wage earners.

Most Member States report *significant reductions in personal income tax and social security contributions* in 2001-2002, as part of their tax reforms to reduce the tax burden on labour (France, the Netherlands, Ireland, Denmark, Finland, Sweden, Germany, the United Kingdom, Luxembourg and Belgium). Reductions in the statutory income tax rates have been an important device. Several Member States have at the same time raised the minimum exemption thresholds. Most Member States give priority to reductions for the low-paid, e.g. special tax liability credits or tax base deductions on labour were introduced in many Member States (Belgium, France, Finland, Sweden, Ireland, the United Kingdom and the Netherlands²⁵). These instruments operate in the sense that the tax reductions normally phase

²⁵ The Netherlands is the exception to the rule that the tax credit phases out for higher incomes.

in for low-income workers, and subsequently phase out for higher incomes. Targeted reductions in SSC (mainly employers' contributions) have also been introduced particularly for the low-paid, for hiring new staff and for the long-term unemployed, for keeping older workers on the payroll, school leavers (Belgium, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Sweden, Denmark and Portugal).

Graph 4: Tax rate for a single person on 67% of the APW



Source: OECD, "Taxing wages-taxes on wages and salaries, social security contributions for employees and their employers, child benefits", calculations by the Commission Services based on OECD database 1996-2001.

Given the fact that the tax burden on labour has been continuously increasing since the early 1970s in most Member States, the recent reversal of the trend in the tax burden on labour in most Member States is a significant result. However, despite this positive development labour taxes still remain high in a number of Member States, particularly in comparison to labour taxes in the USA and Japan. This underlines the need to step up efforts on reducing the tax burden for the low-paid and on striking a balance in the mix of the various tax measures, taking account of the labour market specificities.

The tax incentives for raising investment in human resources need to be strengthened. The tax reforms undertaken by Member States are intended not only to promote jobs but also to eliminate financial barriers to training for both the enterprise and the individual. An increasing number of Member States are *promoting investment in human capital through tax*

incentives to enterprises encouraging training (Spain, Austria, the Netherlands, Sweden, the United Kingdom). Some Member States promote non tax-related measures to encourage training for the individual or the enterprise, re-allocation of green tax revenues to individual's skills development or innovative funding mechanisms focused on individuals such as skills bonus linked to skills savings accounts (Sweden) and tax credits (the United Kingdom). However, as the geographical mobility of workers and their tendency to change employer more often increases, enterprises are discouraged from undertaking training initiatives.

Little progress is made in shifting taxes from labour income to alternative sources. Some Member States (Denmark, Germany, Netherlands, Sweden and the United Kingdom) have introduced or raised green taxes, particularly energy taxes, to meet primarily environmental objectives rather than counterbalancing labour tax reductions. Several Member States continue to implement tax measures contributing to shifting the (indirect) tax burden away from labour intensive services through reduced VAT rates on such services (Belgium, Spain, France, Italy, Luxembourg, the Netherlands, Portugal and the United Kingdom). This provision initiated in 2000 for a 3-year period is to be extended for one more year, up to 2003, to allow the Commission to evaluate its effectiveness on the basis of national reports and allow a decision to be made for its extension to other Member States or its abolition.

The development of a territorial dimension of the EES has entered a phase of consolidation

Local employment strategies must be framed in accordance with the specific circumstances prevailing in the local situation. Member States have continued to implement measures and policy changes initiated earlier and only few have introduced new measures on local and regional actions for employment. There is a growing tendency towards decentralisation of employment policies, in many cases influenced by the European Employment Strategy and the Structural Funds. The need for a more strategic approach in developing employment at local level seems to be widely accepted, and this is increasingly reflected in the NAPs. Such an approach calls for increased coherence and more rigorous design and evaluation of territorial employment policies.

The regional action plans have been further developed and are in place in four Member States (Belgium, Portugal, Spain and the United Kingdom). In Finland, from 2002 onwards regional plans will be integrated into the NAPs, with ministries and their respective regional bodies negotiating annual targets and resources for the regions. The Territorial Employment Pacts remain important instruments for the implementation of employment policies at local/regional level in some Member States (Italy, Portugal, Austria).

The partnership approach needs to be strengthened. Participation of local and regional authorities in the NAP process is, in most Member States, limited to the implementation

phase. The NAPs are prepared primarily by the central government in consultation, but rarely in partnership with other actors. There is a growing interest in Member States in the role of territorially-based, integrated strategies, and in partnerships as instruments of active labour market policy; strategic partnerships at the local level are often mentioned, but are rarely described in detail, and often the partnerships mentioned are linked with Structural Funds programmes. The ongoing processes of decentralisation of Public Employment Services imply increased flexibility at local level and autonomy in as much as they can increasingly select measures or instruments, decided at national or regional levels, to match local needs. The role of social partners in employment creation at local level is not discussed in detail and other potential actors are mentioned even more briefly, mainly in the context of the *social economy*.

2.2.3. *Adaptability*

Actions under this pillar of the European Employment Strategy focus on the joint efforts of governments and social partners, through a partnership approach, to improve the level and quality of employment via an adaptation of work organisation and the implementation of lifelong learning strategies at enterprise level. These actions aim at increasing the capacity of the labour market and its actors to adapt to structural change, notably by making enterprises adaptable, reducing barriers to employment and providing the appropriate balance of flexibility and security. In addition to broadening of the scope of the Employment Guidelines in 2001, notably in respect of health and safety at work and in terms of a target for information society literacy to be achieved by 2003, the Guidelines in 2002 specifically insist on a contribution to improvements in quality in work in the context of the modernisation of work organisation.

Steps towards an improved balance between flexibility and security

Flexibility and security: building on synergies

As the notions of flexibility and security themselves evolve to reflect changes in our societies, the concept of a balance between both – which is essential to the adaptability pillar – needs to be better explored.

- *Flexibility*, or the capacity for firms to adjust to market demand, can take many forms in relation to employment. *External flexibility* in terms of the capacity to "hire and fire" (including the use of temporary or fixed term contracts) constitutes an immediate reaction and allows firms to adapt to unforeseen circumstances and changing trends such as changing demands or skill requirements and allows firms to adjust their production quickly. *Internal flexibility*, implying re-organisation of the existing workforce (working time, working methods, training, mobility) constitutes a longer term approach to managing change and to the development of skills and competencies, with clear advantages in terms of productivity and capacity to adjust. These forms of flexibility are complementary and each has its specific advantages and costs for individuals, firms and society.

- *Security*, under a static approach, is focussed on the stability of the working relationship and the availability of a safety net in case of job loss. In a more *dynamic* perspective, security encompasses non-discrimination between forms of working contracts and arrangements, and the acquisition and preservation of employability, so as to facilitate adaptation to change and mobility within and between jobs. In this light, access to training and career development are essential aspects of job security.

Flexibility and security can be designed in a *mutually re-inforcing way*. A proper balance fosters the acceptance of innovation and change, as well as diversity on the labour market. It is an important component of quality at work. It serves the interests both of employers and workers.

Along with the moderate increase in part-time work and fixed-term contracts (see box below), the long-standing trend towards the increased flexibility of working time arrangements continued in 2001. In Germany, Greece, Austria, Italy, Luxembourg and Belgium *working time corridors and extended periods to calculate average working time* have been implemented in a large number of collective agreements. Legal and collective actions to reduce *overtime* are being undertaken in Luxembourg, Belgium, Germany, Greece and Austria. The reduction in working hours initiated in France and Belgium has been pursued, but in ways tailored to diverse needs through appropriate agreements. In that sense they also often result in increased flexibility.

To respond to the specific needs of their labour market, several Member States are trying to modify the current balance between different types of contractual and working time arrangements. Spain, for example, attempts to reduce the share of fixed-term contracts, while Greece aims at increasing the attractiveness of part-time and Sweden to encourage full time work. These efforts may progressively lead to greater convergence of working patterns amongst EU Member States.

Flexibility of work

- There was a **moderate but steady increase** in the recourse to **part-time work** in the period 1997-2001. The percentage of part-time employees as a share of all employees rose from 17.7% to 17.9%. In Member States with high part-time rates, like Denmark and Sweden, a decrease can be found over time; the lowest part-time rates continue to be found in Portugal and Greece, between 4.8% and 3.5%.
- The share of **fixed-term contracts** rose from 12.2% in 1997 to 13.2% in 2001. Spain has the highest share of over 31%, with a declining trend in recent years; low rates are registered in Ireland (strongly declining) and in Luxembourg with a slightly increasing trend.
- Whereas part-time work is a **voluntary** decision according to around 80% of people questioned on this point, fixed-term employment is mostly **involuntary** (also 80%).

Balancing this trend towards increased flexibility, important steps to *ensure equal treatment* have been undertaken by many Member States, largely based on the relevant EU-Directives on part-time work and fixed-term employment relationships (Italy, Greece, Portugal, Luxembourg, Spain, Germany, Belgium). In Ireland, Germany, Sweden, Luxembourg and Denmark *part-time workers* have obtained more rights. In Portugal, Greece, the Netherlands and Spain measures have been taken to make part-time work more attractive and in France involuntary part-time work has diminished as a result of working time reduction. With regard to *fixed-term contracts* action has been undertaken, notably in Greece, Portugal, the United Kingdom, Finland, Italy, Sweden, Germany and Spain, to improve working conditions and/or to discourage short-term contracts. To reduce insecure jobs, certain restrictions on fixed-term contracts have been introduced in France and Germany.

Both legislative and/or collectively agreed improvements in *health and safety* matters are reported in all Member States and are seen as a key element of quality improvement in work. In many cases reforms are ongoing to strengthen preventive action, to enhance the coverage and to disseminate best practice. The involvement of the social partners (notably in Finland, Italy, France, Sweden, Spain, Austria and Portugal) has been on the increase as evidenced by their participation in preparing and implementing measures. A fundamental overhaul of existing legislation is planned in Ireland and Denmark focusing on the definition of new risks. In the Netherlands so-called industry-level covenants have been concluded and more are envisaged this year to improve prevention of exposure to major risks. With regard to *accidents at work* (covering the period 1994-99) comparatively high figures indicate that more preventive action is required especially in Sweden, Denmark, Spain, Belgium, Greece and Ireland.

At European level two sectoral (commerce, telecommunication) and one significant overarching interprofessional agreement on *telework* have been signed between the social partners. The implementation of these agreements at national level sets a framework for a socially responsible treatment of this form of work. Teleworking has been directly addressed by social partners in Austria, Italy, the United Kingdom and Portugal.

Initiatives on modernising work organisation deserve wider dissemination

Modernisation of work organisation goes well beyond flexibility of contractual arrangements and working hours. It encompasses a variety of workplace related initiatives which contribute to an optimal use of resources and competencies. Modern work organisation can play a major role in promoting quality at work, productivity and competitiveness of firms. More generally, it can greatly facilitate the adaptation to change of individuals as well as organisations.

A number of interesting initiatives have been taken by Member States to encourage innovation and dissemination of good practices in this field. Finland follows a holistic approach in this respect notably through the Workplace Development and the National Productivity Programmes. Other noteworthy initiatives, often involving local actors or the social partners, are taken in the UK (eg CBI projects), Portugal and Spain (government initiatives aiming at promoting the implementation and dissemination of good practices), Ireland (National Center for Partnership and Performance) and Germany (Works Constitution Act and Insti programme).

In spite of such initiatives, the dissemination of successful organisational innovation remains weak so far in the EU. This may be attributed to a number of mutually reinforcing factors including low levels of awareness of innovative practice and its benefits, poor access to evidence-based methods and resources capable of supporting organisational learning and innovation, and the failure of training systems to provide knowledge and skills relevant to new forms of work organisation.

Training of employees receives more attention ...

Agreements on vocational training at cross-industry and/or at sectoral level exist in nearly all Member States and very often collective agreements set the framework for continuing training actions. More Member States are experimenting with various forms of financial incentives for skills development including individual training accounts, vouchers, training levies and fiscal reforms. Initiatives linking working time with training (for example working time accounts, educational and training leave and job rotation schemes are continuing. Efforts to develop accreditation systems for non-formal learning are being taken forward. There are some signs of a movement towards a longer-term, more strategic approach to workforce development and the promotion of more integrated packages of measures promoting lifelong learning but generally little attention has been given to promoting a broader culture of learning in the workplace. Entitlement of workers to individual training plans is becoming more common (Belgium, Denmark, the Netherlands, Finland, Sweden and the United Kingdom), and, in a few cases, a broader entitlement to a minimum number of hours training per year is being introduced (Portugal, Finland). However, it is too early to see the results. A concrete follow-up of such entitlement schemes should be organised with a view to maximise their efficiency.

Few Member States provide data on the numbers of workers covered by agreements (Belgium, Germany, Ireland, Spain and the United Kingdom). In future, more systematic information needs to be provided on the coverage and budget of agreements in the field of lifelong learning. The recently adopted framework for action on skills and competences developed by the social partners at EU-level could help to overcome some of the current reporting shortcomings.

Some Member States report an increase on expenditure by enterprises on continuing vocational training (for example Ireland, Belgium and the United Kingdom) and this is confirmed as a general trend by European data²⁶. Some Member States also highlight a rise in public spending and overall, *an upward trend is visible in expenditure* and with some movement towards greater sharing of the costs between all the actors concerned. The ESF often plays an important role in underpinning continuing training.

... but the objective of ICT literacy for all workers cannot be achieved without a redoubling of efforts

Although more and more workers are using computers at work, *Member States continue to give little attention to the objective of giving every worker the opportunity to achieve information society literacy by 2003*. In many Member States it seems to be subsumed within broader action aimed at promoting ICT literacy for all citizens (Belgium, Finland, Luxembourg, Sweden). Others, like the United Kingdom, Portugal, Greece and Ireland, report on some more specific initiatives targeted at workers.

European data²⁷ shows that some progress is being made towards the achievement of the target with *just over 29% of the total workforce having received basic ICT training* in 2001 (compared to just under 23% in 2000). However, training efforts are largely focused on management and white-collar workers whilst the vast majority of manual workers continues to remain excluded from upskilling in ICT. Workers in small and micro enterprises also have very few opportunities to benefit from training. *A considerable intensification of efforts is urgent if the objective of providing opportunities for all workers by the end of 2003 is to be achieved*.

2.2.4. Equal opportunities

To help raise labour participation and achieve the employment rate targets for 2010 set out at the Lisbon and Stockholm European Councils, governments and social partners are called on to strengthen equal opportunities policies for women and men in the labour market. This is sought through a gender mainstreaming approach across all pillars, reducing gender gaps in unemployment and employment rates, tackling gender segregation and pay gaps, and promoting policies oriented at reconciling work and family life, including the provision of childcare services.

²⁶ CVTS data (Continuing Vocational Training Surveys 1 & 2 reference years 1993 and 1999) show that companies are increasingly investing in continuing vocational training (CVT) but nonetheless levels remain generally low, ranging from just over 1% of the labour costs of all enterprises in Portugal to 3% in Denmark.

²⁷ Eurobarometer survey on ICT and Employment, 2000 and 2001.

Developments in this area should be examined also in the light of the Joint report from the Commission and the Council on increasing labour force participation²⁸, which calls for a strong initiative to reduce gender disparities in both the public and private sectors. Measures would include tackling the gender pay gaps and facilitating labour market access by, inter alia, reviewing constraints on labour market choices for women and men and reviewing job classification and wage formation processes.

The facts on gender gaps: decreasing, but only slowly

- *In 2001 **employment** rates for women increased in all Member States (except Belgium and Greece) and the gender gap in employment declined slightly. However, the employment rate for women in the EU (54.9%) is still 18 percentage points below the male rate (73%). Sweden, Finland and Denmark have the narrowest gender gaps in employment rates. Greece, Spain, Italy, Luxembourg and Ireland have the largest gender gaps, above 20 percentage points.*
- *In most Member States the **unemployment** rate remains higher for women than for men (except the United Kingdom, Sweden and Ireland). In 2001, the unemployment gender gap decreased to 2.3 percentage points. Greece, Spain, Italy and France have the largest gender gaps.*
- *Women's average gross hourly **earnings** (employees at work for 15 hours or more) in 1998 were 83.8 % of men's (a pay gap of 16.2 percentage points)²⁹. The gender pay gap was higher in the private sector (23.7 percentage points) than in the public sector (10.7 percentage points). The lowest pay gaps in 1998 were in Portugal, Italy and Belgium. The highest pay gaps were in the United Kingdom, Austria, the Netherlands, Germany and Ireland.*
- *Gender **segregation** in sectors and occupations has remained stable since last year (17,7% in sectors and 25,2% in occupations)³⁰. By sectors, Finland, Sweden, Portugal, Ireland and Austria have the highest segregation, with an index above 20%. By occupation, Finland, Sweden, Austria and Denmark have the highest segregation index which ranges from 27% to 30%.*
- *The presence of children influences differently the participation of women and men in the labour market. Data³¹ for 2001 show that the presence of a child (0-6 years) decreases women's employment rate by 12 percentage points on average in the EU, whereas men's employment rate increases by 9 percentage points. The negative **impact of parenthood** on employment for women is particularly strong in Germany, the United Kingdom and Spain (more than 20 percentage points)³².*

²⁸ "Increasing labour force participation and promoting active ageing", joint report from the Commission and the Council.

²⁹ Last year the indicator on gender pay gaps was based on net earnings. As comparison of net pay across countries is made difficult by the variation of tax systems between countries, this year the indicator is based on gross earnings. Therefore no comparison with previous year is possible. No data available for Finland, Luxembourg and Sweden.

³⁰ Gender segregation in sectors and occupations is measured as follows: the average national share of employment for women and men is applied to each sector/occupation. The differences are added up to produce a total amount of gender imbalance. This figure is presented as a proportion of total employment.

³¹ No data available for Denmark, Finland, Ireland and Sweden.

³² The impact of parenthood on employment is monitored by comparing the employment rate of men and women (aged 20-50) with and without children (0-6 years).

Progress towards the employment targets, but efforts required for older women

Despite the progress observed in 2001 in women's employment rates and the fact that some of the Member States (Austria, Denmark, the Netherlands, Finland, Portugal, Sweden and the United Kingdom) already exceed the female employment rate target of 60% for 2010, the employment rate in the EU as a whole is still 5.1 percentage points below the target and 2.1 percentage points below the intermediate target of 57% for 2005. Further growth in the female employment rate is also critical to the achievement of both the objective of raising the overall employment rate to 70% and the employment rate among older workers to over 50% by 2010 (see also section 2.1).

Measures vary between Member States, but generally a combination of efforts to reduce female unemployment and policies to encourage participation of women in the labour force are made. Initiatives vary from training of women returners (Ireland, Austria, the Netherlands and Luxembourg), policies aimed at active ageing (Sweden), review of tax, benefit and pension systems (Belgium, Ireland, Sweden and the Netherlands), encouraging entrepreneurship (Greece, Sweden and Luxembourg) and better care services for children and other dependants (e.g. Ireland, Greece, Italy, Luxembourg and the United Kingdom). There are also examples of specific measures, such as reducing employers' contributions for hiring women on permanent jobs (Spain), campaigns (Austria) and improvements of gender equality at enterprise level (France).

Five countries (Belgium, Finland, France, Italy and the Netherlands) set national targets for increasing women's share of employment³³ (see table 3 in section 2.1). For the first time Belgium (Wallonia), Italy and Finland set employment targets. Achieving the employment targets appears within reach, but *more focused and target-based strategies are need in those countries with low female employment rates*, namely Italy, Spain and Greece. Moreover, particular attention is needed to encourage women to remain longer in the labour market.

Gender mainstreaming: from political statements to more operational measures, but implementation is still inadequate

Progress in implementing gender mainstreaming is evident, but its *implementation remains incomplete* with most Member States focusing on a specific aspect or policy area and failing to promote a comprehensive approach³⁴. Austria, Belgium, France and Germany, which do not have a long tradition of implementing gender mainstreaming, have continued to put in

³³ The United Kingdom has also set a target for increasing the employment rate of lone parents (of which 95% are women). Portugal will aim at keeping the employment rate in 2001 for 2002.

³⁴ Successful gender mainstreaming of employment policies depends on the implementation of co-ordinated measures covering inter-institutional co-operation (including gender equality bodies), gender impact assessment procedures of new proposals, provision of appropriate indicators and statistics, awareness raising in the form of information, training and surveys.

place interesting and integrated initiatives, especially in terms of co-ordination mechanisms, training and other tools. Ireland, Finland, Sweden, Denmark and the United Kingdom have slightly extended their existing initiatives. Some small, but nonetheless positive changes are visible in Spain and Greece, although most of the initiatives are isolated and still at a very early stage of implementation. Italy and to some extent Luxembourg have paid little attention to gender mainstreaming. In general, however, the effectiveness of the gender mainstreaming initiatives and their full integration into the policy-making process is difficult to assess in the short-term.

There is significant variation between Member States in the treatment of gender mainstreaming within policy areas under the first three pillars. Whilst there are signs of new developments in the policies on prevention and activation (Sweden and the Netherlands), review of tax and benefit systems (Germany, Ireland, the Netherlands and the United Kingdom), reform of the Public Employment Services (Austria, Denmark, Italy and Germany), entrepreneurship (Ireland, Spain, Finland, Germany, Belgium, Luxembourg, Sweden and Greece) and working time arrangements (Germany, Ireland, Denmark and the Netherlands), other key policy areas have barely been touched by gender mainstreaming, such as *active ageing, combating bottlenecks, development of e-learning and lifelong learning*.

More determination is needed to reduce gender pay gaps

The gender pay gap in the EU is still wide (16.2%) and important pay differentials exist between age groups and by levels of education. Gender pay gaps are wider for older workers (30.6%) and highly educated persons (20.8%). There is a growing awareness that *gender pay gaps do not decrease as an automatic by-product of the growing female participation rate* as they are linked to structural gender inequalities in the labour market. Moreover, results need to be monitored and assessed in the medium- and long-term and in relation to gender segregation.

Although some initiatives have been introduced, they tend to be mainly research- or analysis oriented rather than concrete and target-based measures. The United Kingdom, Denmark and Sweden have further amended their legislation or fully implemented new legal provisions in order to enhance transparency. Awareness raising and information campaigns are also popular methods for addressing pay differentials (Denmark, the Netherlands and the United Kingdom). Whilst in some countries the social partners have started addressing the issue (Denmark, Ireland and Spain), *reducing gender pay gaps is not a priority for most social partners* in the Member States.

Gender segregation is addressed, but not visible in the short-term

Generally, countries with high female employment rates tend to have highly segregated labour markets, whereas the opposite can be observed for countries with low female employment. While one of the main objectives of the Lisbon agenda is to increase the employment rate of women, gender segregation remains a structural problem in the labour market. Gender segregation has a negative effect on labour market functioning, by excluding many well suited and skilled people from working in sectors and occupations where they could be more productive. Reducing segregation could help address other problems on the labour market, such as bottlenecks and the gender pay gap. Many factors contribute to gender segregation, such as educational choices, stereotypes, attractiveness of given sectors for men or women, including possibilities of reconciliation of professional and family life. These factors, and therefore the degree of segregation of the labour market, take time to influence.

Countries with a highly segregated labour market are continuing to implement, and also reinforce, integrated measures aimed at reducing gender segregation (Denmark and Sweden). However, results are more likely to appear in the medium- and long-term. Finland's strategy aims at both influencing the educational and training choices of men and women, work place culture and practice within the Public Employment Services. In Denmark, the results of last year's report on actions to be put in place to tackle gender segregation show that the gender equality projects which have been initiated in the Public Employment Services can significantly contribute to dismantling segregation on the labour market and to preventing bottlenecks. A positive development is that there are now many interesting examples of *new measures to increase the number of women in the decision-making process*, for example via recruitment targets, positive measures and other actions to ensure equal access to positions with responsibility (Germany, the Netherlands, France, Italy, Denmark, Sweden and the United Kingdom).

Childcare provision has improved, but is still far from the Barcelona targets

At the Barcelona European Council, Member States agreed targets for childcare provision. Childcare should be provided for at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years by 2010. Even though a growing number of Member States have introduced new measures, quantitative targets and deadlines to improve childcare facilities, good and affordable services are still *not sufficient to meet the demand or to reach the new Barcelona targets* (see Table 6). In addition, it is difficult to assess the effect of the initiatives because of the *lack of appropriate and/or comparable data*. The issue of improving *care for other dependants* has, as last year, received very little attention.

Table 6: Childcare and elderly care – data and targets set in 2002 NAPs

| MEMBER STATES | CHILDCARE INDICATOR ³⁵ | ELDERLY CARE INDICATOR ³⁶ | TARGETS SET IN NAP 2002 |
|---------------|--|--|---|
| Austria | <u>Children in day-care facilities (2000/2001):</u> 0-1 years: 0.3% 1-2 y.: 6.1% 2-3 y.: 16.3% 3-4 y.: 57.9% 4-5 y.: 86.4% 5-6 y.: 90.1% | - | - |
| Belgium | <u>Children under 3 years (2001):</u> Flemish community: 31.4% French community: 23.8% | <u>Persons over 75 years living in specialised institutions (2001):</u> French community: 14.7% Brussels region: 15.9% | <u>2001 regional targets are confirmed:</u> Flanders +2,500 places per year 2001-2004, Brussels double places by 2002, German community double childcare places by 2004. |
| Denmark | <u>Children cared for (2001):</u> 0-2 years: 68% 3-5 y.: 93% 6-9 y.: 79% | - | - |
| Finland | <u>Coverage of public childcare (2001):</u> 0-5 years: 42.7% 6 y.: 63.8% 7 y. (outside school hours): 10.1% | - | - |
| France | - | - | +32.000 places by 2004; +10.000 places outside school hours for children 3-16 years old. |
| Germany | <u>Places available for children (1998):</u> 0-3 years: 7% 3-6.5 y.: 89.5% 6-10 y. (outside school hours): 12.6% | - | No target set in the NAP ³⁷ . |
| Greece | <u>Number of childcare establishments (2002):</u> 0-6 years: 4392 <u>Number of children covered:</u> | <u>Number of elderly care establishments (2002):</u> 714 | Detailed targets for children and elderly. |

³⁵ Children cared for (other than by the family) as a proportion of all children of the same age group. Breakdown by: before entry into the non-compulsory pre-school system (during the day); in the non-compulsory or equivalent pre-school system (outside pre-school hours); and in compulsory primary education (outside school hours).

³⁶ Dependant elderly men and women (unable to look after themselves on a daily basis) over 75 as a proportion of men and women over 75. Breakdown by: living in specialised institutions; who have help (other than the family) at home; and looked after by the family.

³⁷ However, on 17 April 2002, the German government approved a national sustainability strategy ("Perspectives for Germany. Our Strategy for Sustainable Development"), in which a target is set of 30% for all-day childcare facilities in the Western Länder by 2010. Moreover, the Government has announced its intention to spend 4 billion EURO for all-day schools in the next years.

| | | | |
|--------------------|--|---|--|
| | 162,008 | | |
| Italy | <u>Children cared for (1998):</u> 0-2 years: 6.3% 3-5 y.: 4.5% 6-10 y. (outside school hours): 4% 11-13 y. (outside school hours): 1.2% <u>Children cared for at least a few times a week (1998):</u> 0-2 years: 57.5% 3-5 y.: 54.8% 6-10 y. (outside school hours): 49.7% 11-13 y. (outside school hours): 37.2% | <u>Persons over 65 living in specialised institutions (1999):</u> 1.34% | - |
| Ireland | - | - | <u>2001 target confirmed:</u> Increasing childcare places 30% by 2003. |
| Luxembourg | <u>Childcare places (2001):</u> 1975 | - | 17% proportion of children 0-3 years old + 3000 places in school by 2004. |
| The Netherlands | <u>Children cared for (2001):</u> 0-3 years: 25% 4-12 y. (outside school hours): 8% | - | + 33.000 childcare places by end 2002. |
| Portugal | - | - | <u>2001 data are confirmed:</u> Pre-school education for all children under 5 years by 2006. 75% coverage for 3-4 years old (including 1,800 new classrooms). 100,000 children up to 3 years will be received in day nurseries. |
| Spain | <u>Children cared for (2000/2001):</u> 0-2 years: 8.6% 3-5 y.: 92.4% | <u>Number of persons over 65 receiving help at home (1999):</u> 112,797 <u>Number of places in specialised institutions:</u> 208,513 | 15% coverage for 0-2 years old and 94% for 3 years old. |
| Sweden | <u>Children cared for (2001):</u> 1-5 years: 77% 6-9 y. (outside school hours): 68% 10-12 y. (outside school hours): 8% | <u>Persons over 65 receiving care and assistance (2001):</u> 18% -at home: 9.4% -special institutions: 8.6% | - |
| The United-Kingdom | - | - | <u>2001 target is confirmed:</u> +1.6 million children cared by 2004 = + 900 neighbourhood nurseries for disadvantaged areas by 2004. <u>New targets:</u> A childcare place for every lone parent entering employment and up to 100 |

| | | | |
|--|--|--|--|
| | | | Early Excellence Centres by 2004. + 100.000 new full-time places for 3 and 4 year olds in schools. |
|--|--|--|--|

Source: National data. Data is not comparable between countries.

Continued improvement of reconciliation policies

Better reconciling *working time* with family life contributes to quality in work and increasing employment rates. A large number of activities have been reported in this respect. In Belgium, Ireland, Greece and the United Kingdom care leave, shorter working hours for family reasons and career break measures have been initiated or extended, while employment rights are protected. In Austria, Sweden and Finland the social partners are active in fostering gender mainstreaming and a better work-life balance in collective agreements. The Netherlands in particular is continuing to develop a very comprehensive approach in this context (important legislation being the Work and Care Act and the Working Time Act).

Many Member States are expanding *leave arrangements* (Denmark, France, Finland, Spain, Sweden, the United Kingdom, Ireland, Austria and the Netherlands). Whilst this is a positive development, given the gender imbalance in the approach to caring with the responsibility continuing to fall on women, there is the danger that long periods of leave could have a negative impact on women's participation rate, widen gender pay differentials and increase gender segregation. *Only a few countries have introduced initiatives to encourage men to use parental leave schemes* (Finland, France, Sweden, Denmark and Luxembourg). On the other hand, a positive development is that more countries now address the issue of *encouraging men to take greater responsibility for family tasks* (Belgium, Luxembourg, Germany, the United Kingdom, Spain, Portugal and Austria).

3. IMPLEMENTATION OF THE 2002 EMPLOYMENT GUIDELINES AND RECOMMENDATIONS: ASSESSMENT OF PERFORMANCES AND POLICIES PER MEMBER STATE

BELGIUM

Key performances in 2001: *The economic slowdown in 2001 had a delayed impact on labour market developments: while employment growth still reached 1.2% and the unemployment rate decreased slightly to 6.6%, the positive evolution of the employment rate since 1997 was interrupted. Long-term unemployment continued to fall, but the Belgium labour market is still characterised by high inflows into long-term unemployment, low labour market participation especially for women and older persons, substantial geographical divergences and still high tax and non-tax burden on labour.*

General assessment of the employment policy: *The Belgian NAP 2002 is a continuation of the previous NAP. It gives a good and coherent overview of the policy mix implemented by the different Belgian authorities in response to the European Employment Strategy. Initiatives have been taken to harmonise the high number of federal activation measures, but further integration of federal and regional labour market policies is needed. While no national target is set, the NAP identifies regional targets for the employment rate that reflect the different points of departure. The overall employment strategy relies mainly on the reduction of labour costs in combination with active labour market policies, including targeted measures to raise the employment rate of older workers. Quality in work is a prime concern and addressed in many dimensions. Measures to reduce working time have been taken and progress has been made in the development of regional lifelong learning strategies. Gender mainstreaming initiatives tackle the underlying factors of the gender pay gap. Several measures aim at ensuring that flexibility is not achieved at the expense of job quality and security. Initiatives to address regional disparities remain limited in scope. Social partners play a key role in the development and implementation of the Belgian employment policy and they have been actively involved in the preparation of the NAP. Although policy is of inclusive character in that it caters well for groups with a weak position on the labour market, links to the inclusion process are absent from the NAP.*

Response to the Recommendations: *The preventive approach has been strengthened but still does not provide a comprehensive and systematic intervention for unemployed adults. The NAP recognises active ageing as a key priority and positive measures have been taken to enhance the capacity of older workers to remain at work and to promote their reintegration, but it remains to be seen whether these measures will suffice to raise the employment rate of*

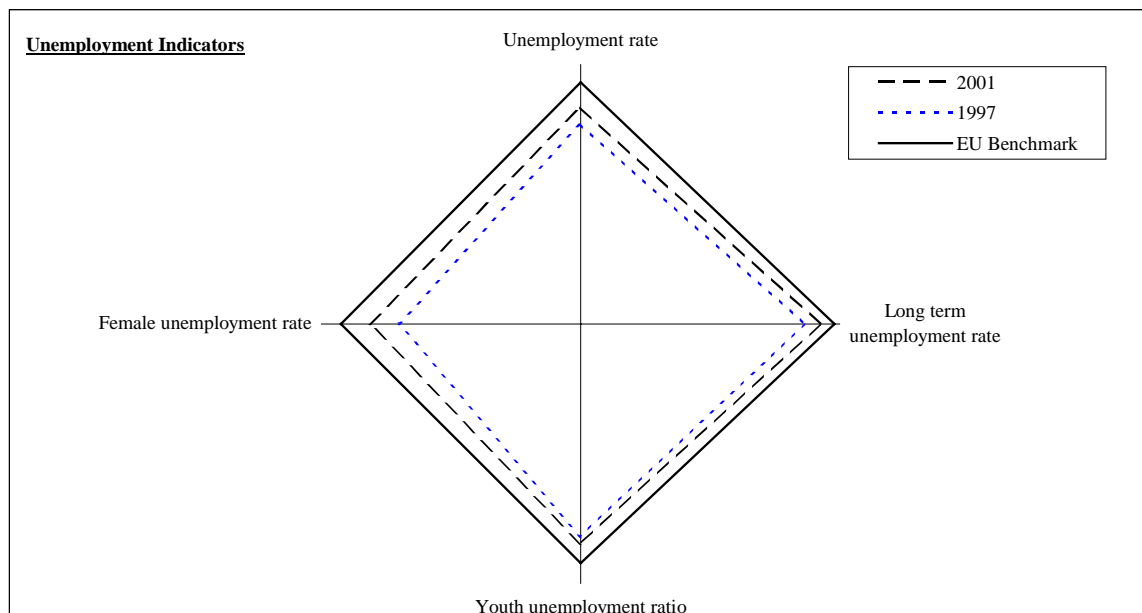
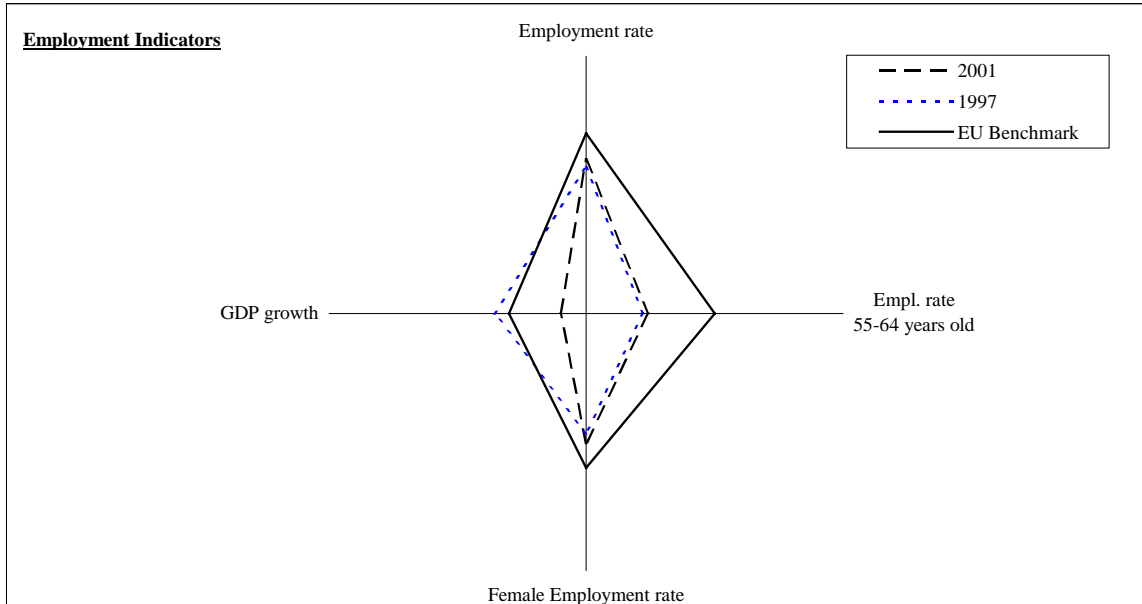
older workers substantially in the economic downturn. The previously decided comprehensive tax reform is being implemented gradually from 2002 to 2005, and should, together with cuts in social security contributions, reduce the overall tax burden on labour. However, strong increases in real unit labour costs in 2001 risk jeopardising their beneficial effects. A common view on lifelong learning among all authorities involved is emerging. Action plans elaborated on regional level should develop into coherent and comprehensive regional lifelong learning strategies. The NAP does not present new initiatives to achieve greater labour market flexibility. Despite persistent regional disparities, measures to increase labour mobility are of limited scope and there is room for improvement in the co-ordination between regional labour market policies.

Key issues for the future: The implementation of the tax reform and wage moderation with a view to increasing the overall employment rates, the monitoring of the impact of recent measures aimed at removing work disincentives and the development of effective strategies to raise labour market participation among women and older people remain important tasks for Belgium. With regard to the latter, further measures appear necessary to curb early withdrawal. Action to prevent adult job seekers from becoming long-term unemployed could be intensified. Measures to increase labour market flexibility without jeopardising job security would appear necessary. In view of the substantial regional and sub-regional disparities in labour market performance, better co-ordination and co-operation among the regional public employment services seems to be called for and federal and regional policies could be integrated better. The development of a comprehensive strategy for lifelong learning may require greater policy effort.

BELGIUM

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 59.9 | 56.9 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 24.1 | 22.1 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 50.5 | 46.5 | 60 (2010 target, Lisbon summit) |
| GDP growth | 1.0 | 3.6 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|--------------------------|------|------|--|
| Unemployment rate | 6.6 | 9.2 | 2.7 (average of 3 best performers:LU,NL,AT) |
| LTU rate | 3.0 | 5.5 | 0.8 (average of 4 best performers:LU,NL,DK,AT) |
| Youth unemployment ratio | 6.1 | 7.2 | 3.1 (average of 3 best performers:LU,AT,IE) |
| Female unemployment rate | 7.4 | 11.9 | 3.0 (average of 3 best performers:LU,NL,IE) |

DENMARK

Key performances in 2001: *The economic slowdown in 2001 led to the forecast GDP growth of 1.5% being even lower, 1% as compared to 3% in 2000. However, the macroeconomic situation remains positive, and Denmark continues to have employment rates well above the EU targets (total 76.2%, women 72% and 58% for those aged 55-64). Employment growth was also low, at 0.2%, but the employment rate of older workers went up by 2.3%. Unemployment has remained stable and, at 4.3%, relatively low.*

General assessment of the employment policy: *The political agenda remains focused on the long-term challenges to Danish society, such as the ageing population, potential shortages of labour, the difficult labour market position of ethnic minorities, the numbers on transfer incomes, the relatively high taxation rate, and the need to upgrade qualifications in line with international changes. Though new policy actions are mostly concentrated under the Employability pillar, including increasing the workforce and a tax freeze, the government has also presented a competitiveness package aimed at improving conditions for business. To meet the needs of the labour force, a target has been set for an expansion of 67 000 persons by 2010, to be met mainly through increased integration of immigrants and earlier entry of young people to the labour market. Compliance with the target of ensuring that all unemployed receive a new start before 6 or 12 months unemployment has still to be achieved. Measures to promote an inclusive labour market, both in the private and public sector, are being developed on an ongoing basis with the development of existing and conclusion of new agreements between the social partners. The NAP makes no mention of the Social Inclusion Process. The government continues to work closely with the social partners under all the Pillars to ensure quality at work, though it is dubious about the indicators, and none are given. Some earlier initiatives through the PES on reducing gender segregation are beginning to show results.*

Response to the recommendations: *The two recommendations addressed to Denmark are closely linked to the two main planks of national employment policy. The final elements of the 1999 tax reform take place in 2002 and imply, inter alia, a broadening of the tax base and lower marginal rates. The tax freeze instituted by the new government should mean that the latest reductions will not, as in earlier years, be partly offset by increased local taxes. It is intended to lower taxation on earned income from 2004 if other actions prove effective, particularly the raising of numbers at work. The reforms of early pension schemes continue to bear fruit, but this will not be sufficient. New reforms aim at increasing the numbers of immigrants at work, and encouraging the under-30s to join the labour force earlier. Agreements have been reached with the social partners for the better integration of immigrants, mainly through the workplace, and ways of reducing the length of tertiary*

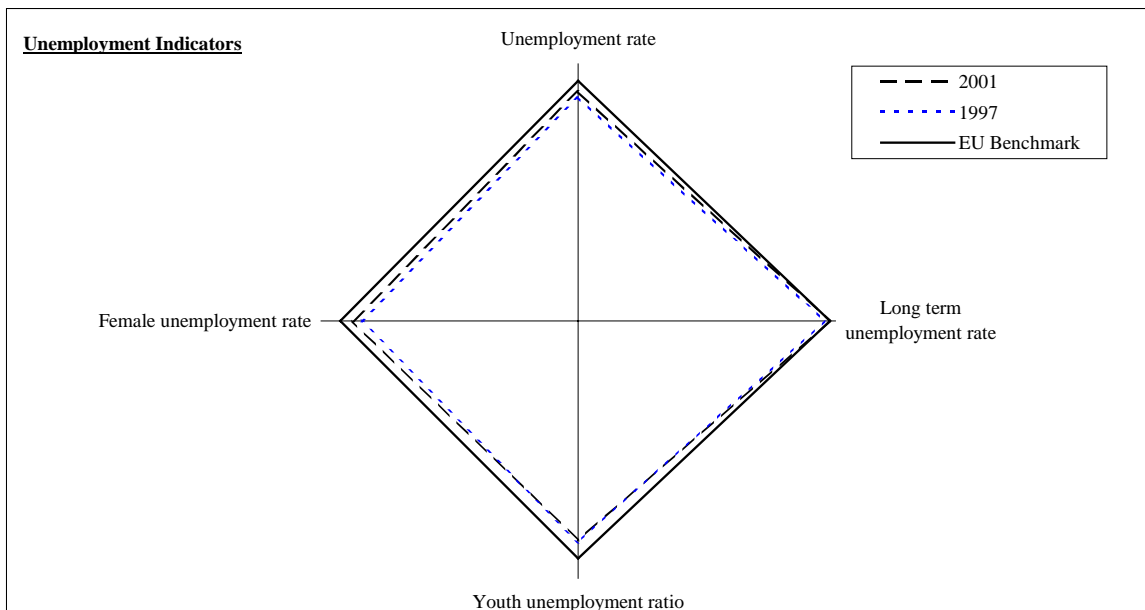
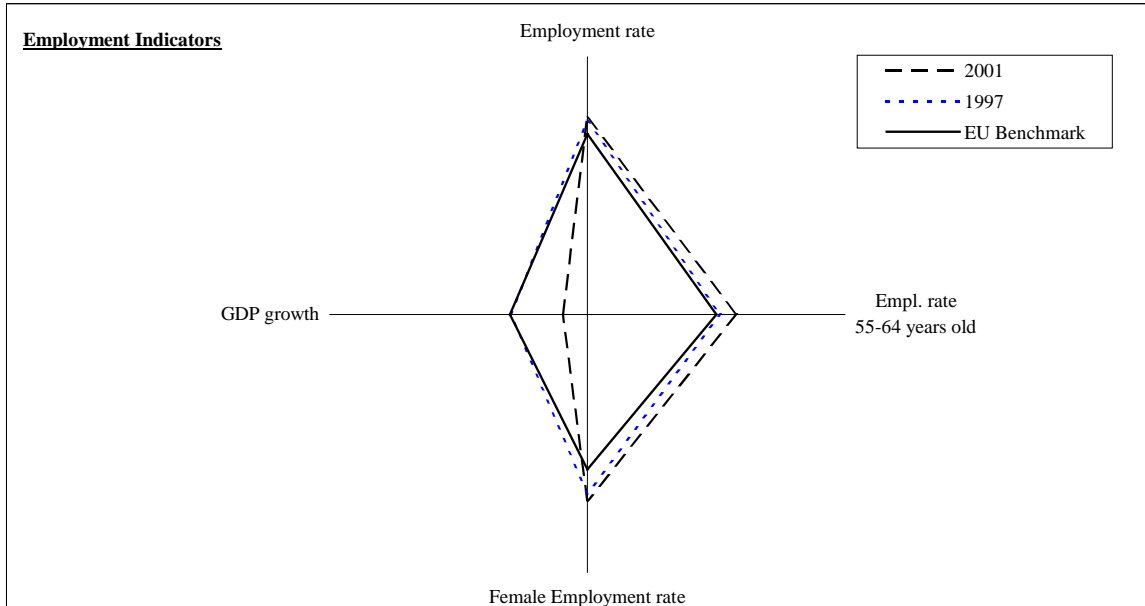
education are also being studied. The problem of work incentives with respect to benefits has been approached selectively: a new "starting allowance" has been introduced, for new entrants to the country, much lower than the present social assistance. The government plans to extend the youth scheme to those between 25 and 29. The general benefit level will remain untouched, as it is seen as providing the security to offset the considerable flexibility of the Danish labour market.

Key issues for the future: *In view of the ageing of the labour force, Denmark may need to ensure an adequate labour supply, in order to safeguard growth potential and the welfare model built over decades. Continuous monitoring of the effects of the on-going reforms, particularly the tax reform, seems needed. It seems important to closely follow the new initiatives to strengthen labour market integration of immigrants and track the impact of the reduced benefits on income levels to ensure they strike the right balance between increasing economic incentives and avoiding social exclusion. There is a risk that sectoral bottlenecks could appear in the long-term, particularly in the health, education and social sector, where there is overrepresentation of employees aged over 50. The statistical information on the unemployed is not complete without the data on those not covered by unemployment insurance.*

DENMARK

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 76.2 | 74.9 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 58.0 | 51.7 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 72.0 | 69.1 | 60 (2010 target, Lisbon summit) |
| GDP growth | 1.0 | 3.0 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 4.3 | 5.2 | 2.7 (average of 3 best performers: LU, NL, AT) |
| Long term unemployment rate | 0.9 | 1.7 | 0.8 (average of 4 best performers: LU, NL, DK, AT) |
| Youth unemployment ratio | 5.9 | 5.6 | 3.1 (average of 3 best performers: LU, AT, IE) |
| Female unemployment rate | 4.9 | 6.2 | 3.0 (average of 3 best performers: LU, NL, IE) |

GERMANY

Key performances in 2001: *The global economic slowdown in 2001 brought real GDP growth down to 0.6%, the lowest rate since 1993. Employment growth was also very limited (0.2%). Unemployment (7.9%) is stagnant and not expected to fall until 2003. The number of jobs declined in the Eastern part of the country where unemployment remains high. Long-term unemployment (3.9%), while gradually decreasing, remains above the EU average. The overall employment rate has risen by 2 percentage points since 1997. The rate for women has been increasing even faster (+3.5 percentage points) and is higher than the 2005 interim EU-target. Although the employment rate for older workers (55-64 years) is close to the EU average, it remains below the very low starting level of 1997.*

General assessment of the employment policy: *The general overall employment rate is approaching the EU-target for 2005. The employment rate of older workers remains a concern. The economic strategy of the federal government intends to combine a macroeconomic anti-inflationary, growth and employment oriented policy, with microeconomic structural reforms to reduce market rigidities and increase adaptability. In 2002, the co-operation of the Social Partners through the (tripartite) 'Job Alliance' lost momentum and needs to be re-launched. Actions under the Employability Pillar have been strengthened but need more focus, coherence and effectiveness. More efforts are required to address the structural problems of the Eastern Länder and to improve the consistency between employment and inclusion policies. The strategy to increase quality in work focused on health and safety at work and on improving the security of part-time workers. Encouraging the regional dimension, supporting the preventive approach and promoting gender mainstreaming have enhanced the relevance and the value added of the European Social Fund co-financed activities.*

Response to the Recommendations: *The new Job-AQTIV Act intends to strengthen the preventive approach, and reduce inflows into long-term unemployment. Its effectiveness for young people, and adults, in particular in the Eastern Länder, and for immigrants (including second and third generation of immigrants) will be closely monitored and evaluated. The undergoing reform of the PES represents an opportunity to strengthen the guidance and placement functions and give a greater focus to regional needs. The ESF interventions have significantly helped develop a more preventative ALMP approach.*

The age threshold of eligibility for retirement for women and for certain other groups has been, or will be, raised. To improve the employability of older workers, a further intensification of tailor-made approaches are needed.

There are visible improvements in continuing training and lifelong learning which should be furthered. Policies require forceful implementation, with partnership between the federal government, the Länder, all players in education and training, and the Social Partners. Special attention should be given on one hand to set up overarching systems for the accreditation and recognition of formal and non-formal learning and the development of common quality standards for providers, and on the other hand to raise the participation rate to continuous training of low qualified people and SME workers.

The 'Mainz model' intends to improve the employment opportunities at the lower end of the pay scale. The effectiveness and the impact of the measure reducing taxation and non-wage labour cost have to be comprehensively analysed.

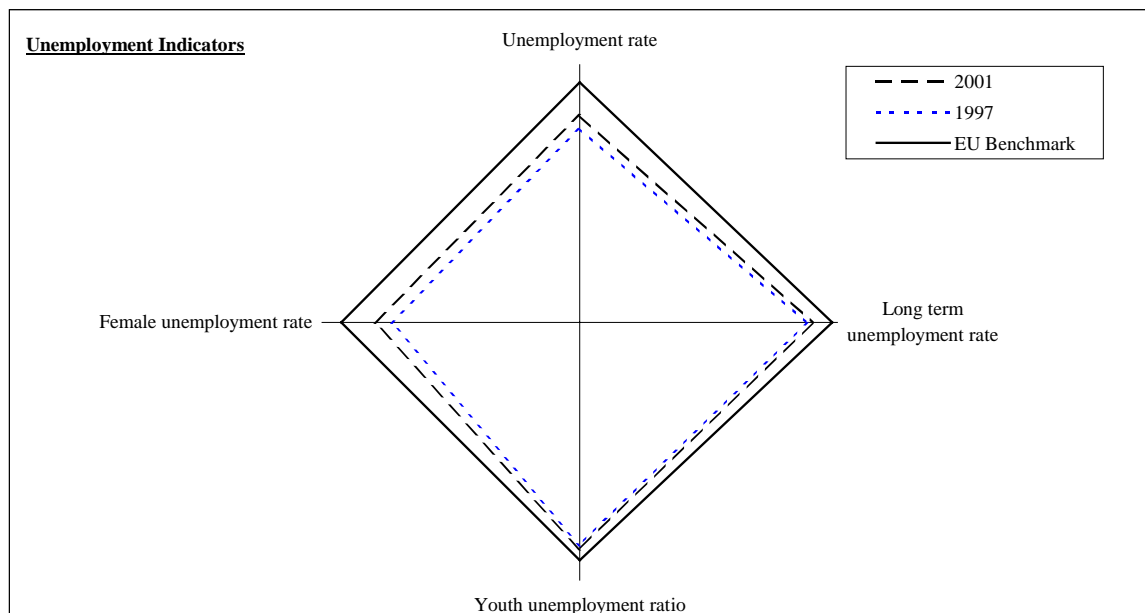
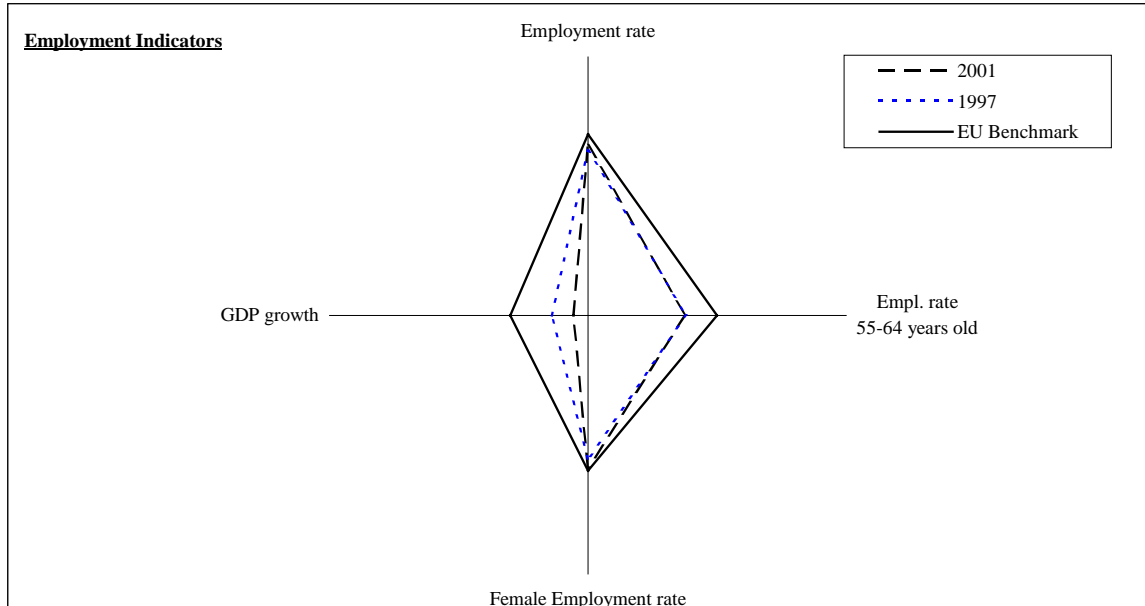
Germany commits itself to increase the proportion of all-day childcare facilities in the Western Länder to 30% by 2010. The 'Report on the Occupational and Income Situation of Women and Men' was published and its conclusions need to be translated into concrete action, with an active participation of Social Partners from the private sector.

Key issues for the future: *A large job deficit remains, notably in the Eastern Länder. Regional disparities on the labour market could increase further. A comprehensive approach in the Eastern Länder combining regional, labour market and structural policies seems needed to support employment creation and reduce inflows into long-term unemployment. The reform of the PES offers an opportunity to enhance the efficiency of ALMPs, notably by improving their monitoring and evaluation. Special attention when implementing the preventive approach needs to be directed at people threatened by exclusion. Improved employment opportunities for the low-paid could help build an inclusive labour market, but the interaction of taxes and benefits needs to provide appropriate incentives to take up work. Appropriate qualitative and quantitative targets for lifelong learning seem needed, especially concerning the participation of low skilled groups and SME workers. A lack of childcare facilities and full-day schools continue to hinder the labour market participation of women, especially in Western Germany. Providing more and affordable (child)care facilities and full-day schools, reducing fiscal and non-wage labour cost related disincentives to work, and eliminating gender pay differentials remain important issues for improving the labour market participation of women.*

GERMANY

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 65.8 | 63.7 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 37.7 | 38.1 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 58.8 | 55.3 | 60 (2010 target, Lisbon summit) |
| GDP growth | 0.6 | 1.4 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 7.9 | 9.9 | 2.7 (average of 3 best performers: LU, NL, AT) |
| Long term unemployment rate | 3.9 | 4.9 | 0.8 (average of 4 best performers: LU, NL, DK, AT) |
| Youth unemployment ratio | 4.8 | 5.4 | 3.1 (average of 3 best performers: LU, AT, IE) |
| Female unemployment rate | 8.1 | 10.7 | 3.0 (average of 3 best performers: LU, NL, IE) |

GREECE

Key performances in 2001: *Despite the recent global slowdown of economic growth in the latter half of 2001, the Greek economy grew by 4.1%, accompanied by improved labour productivity. However, total employment fell by 0.3%. The main structural problems of the Greek labour market persist: the low employment rate of 55.4% is far below the EU average of 63.9%. The unemployment rate although declined from its peak of 11.9% in 1999 to 10.5% in 2001 is still above the EU average of 7.4%. The unemployment rate for women of 15.6% is more than double the rate for men. The gender gaps in both employment and unemployment rates remain high. Long-term unemployment declined to 5.4%, but is still above the EU average of 3.3%.*

General assessment of the employment policy: *Greece falls considerably short of the quantitative targets set at Lisbon and Stockholm, as employment growth continues to be sluggish. Recent labour market policies aim at raising employment, reducing unemployment, and combating labour rigidities. Their implementation must be accelerated and monitored, if concrete and meaningful results are to be expected. Currently, the pension system is undergoing reform and new legislation has been adopted, which rationalises provisions and aims to ensure the economic viability of the pension system. Financially, employability remains the most important pillar and ESF resources contribute the most in implementing the ALMPs. The implementation of the preventative and personalised approach is underway, but further action is necessary to speed up the reform of the Public Employment Services. Several measures taken to improve entrepreneurship are in the right direction, such as tax incentives, administrative simplification, support start-ups and female entrepreneurship. The NAP Employment illustrates the issue of quality of work and certainly efforts have been made. However, ample room to increase the efficiency of interventions pursued, still exists. Social partners have been involved in policy definition and implementation, which could lead in adapting the education system to labour market needs. Numerous measures of the CSF are being implemented in the field of lifelong learning and training, the knowledge-based society and the information society, entrepreneurship and equal opportunities. Finally, NAP Employment 2002, considers the NAP Inclusion 2001 and synergies between the two plans are evident.*

Response to the Recommendations: *There is visible progress towards a more comprehensive and strategic method of policy making and the proposed measures are better focused on the Employment Guidelines, while a sound policy follow-up system still needs to be established.*

The reform of the Public Employment Services has begun, but more vigour is needed in order to overcome a number of obstacles (administrative, technical, cultural) to ensure full implementation of the preventative and personalised approach. Priority actions should be

undertaken to improve statistics in order to develop and run a comprehensive statistical monitoring system.

Tax reforms to encourage labour market participation go in the right direction, but new provisions are not expected to have a major impact on employment levels.

Measures to co-ordinate education, training and employment systems have been announced. Efforts to develop a comprehensive and coherent lifelong learning strategy have already started and move in the right direction although much remains to be done in order to better match the labour market needs.

The partnership approach has improved through the involvement of social partners in policy formulation, the examination of existing legislation and the finance of education programmes for the staff of small businesses. Their involvement will also lead to the modernisation of work organisation and to the reduction of structural labour market imbalances.

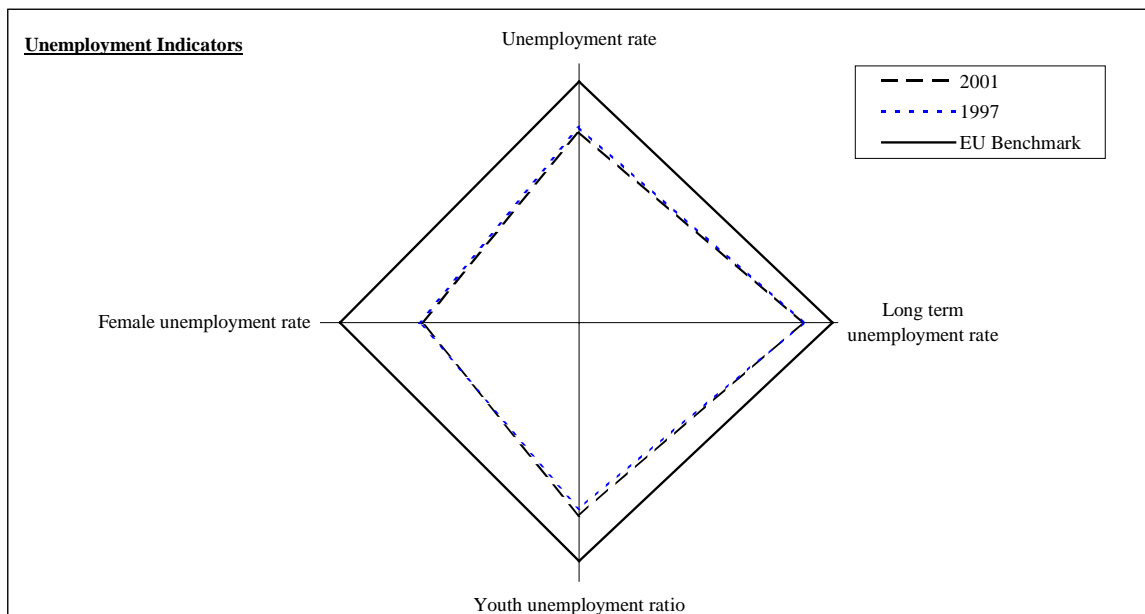
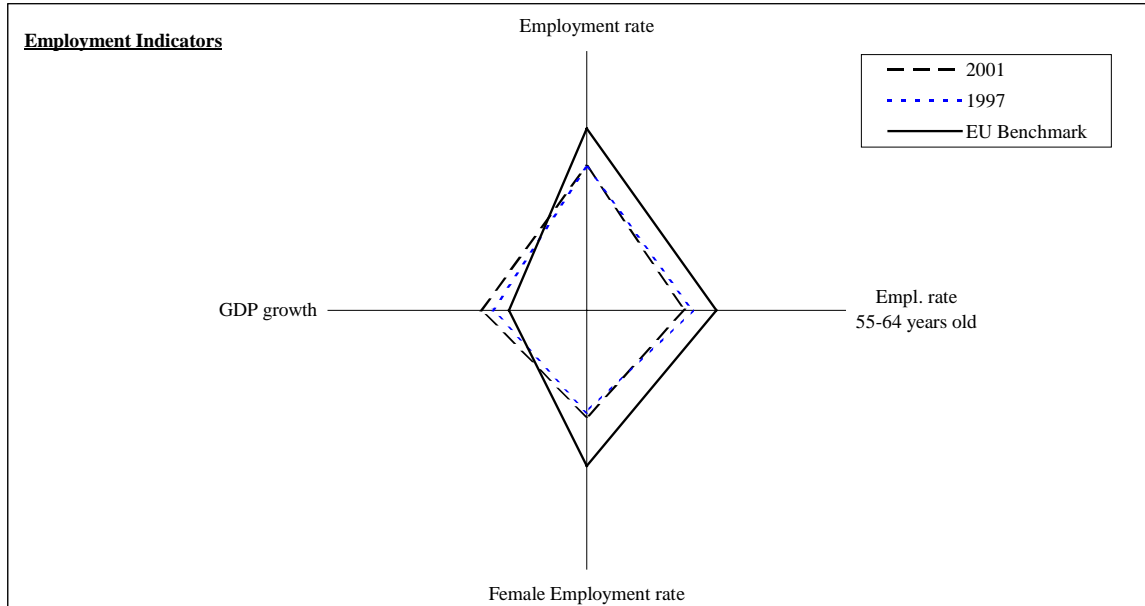
A gender mainstreaming approach is being developed within institutions, even though slow progress has been made to lower the so-called "equality deficit". Greater participation of women in the labour market is foreseen through proposals for opening up part time job opportunities and incentives to enter the labour market. Progress in relation to the provision of care facilities, for both children and other dependants, are also visible.

Key issues for the future: *Despite the progress achieved in setting up policy and improving legislation, raising the employment rate remains the main concern. Measures to reduce the non-wage labour cost (notably for the low paid), the offer of greater incentives to encourage part-time employment, and completing the reform of Public Employment Services appear necessary. Employment rates, particularly for women and young people, could be increased by speeding up the implementation of preventative and personalised approaches, as well as strengthening active policies. For older people this could be addressed via active ageing policies. Continuous improvement of the statistical monitoring system would be a priority. Further actions seem necessary aiming at improving incentives to work. The economic relevance of education and vocational training could be improved by strengthening links to labour market needs. Further development and implementation of a comprehensive lifelong strategy, including promotion of active ageing, is important. Full implementation of the labour market reform package and monitoring of its impact seem necessary to ensure the modernisation of work organisation with a view to ensuring a proper balance between flexibility and security. There is a need to significantly improve female employment from both a quantitative and qualitative point of view in order to reduce the gender gap, especially in terms of Job segregation and pay gaps.*

GREECE

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 55.4 | 55.1 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 38.0 | 40.9 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 40.9 | 39.3 | 60 (2010 target, Lisbon summit) |
| GDP growth | 4.1 | 3.6 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 10.5 | 9.8 | 2.7 (average of 3 best performers:LU,NL,AT) |
| Long term unemployment rate | 5.4 | 5.3 | 0.8 (average of 4 best performers:LU,NL,DK,AT) |
| Youth unemployment ratio | 10.2 | 11.2 | 3.1 (average of 3 best performers:LU,AT,IE) |
| Female unemployment rate | 15.6 | 15.2 | 3.0 (average of 3 best performers:LU,NL,IE) |

SPAIN

Key performances in 2001: *The Spanish economy has been influenced by the international economic slowdown, although less than other EU countries. Growth slowed to 2.8% in 2001 from 4.1% in 2000. Labour productivity growth was only of 0.3%. Employment growth decreased to 2.5% in 2001 from 3.1% in 2000, still double the EU average. The employment rate increased 1.5 percentage points to 56.3% and the unemployment rate decreased to 10.6%. This reduction was larger for women and the long-term unemployed. A high share of fixed-term contracts, and a low share of part-time work, well below the EU average, remain worrisome features of the Spanish labour market. Large regional unemployment disparities coexist with labour shortages in some sectors and occupations.*

General assessment of the employment policy: *The objective of moving towards full employment has been explicitly adopted by the Spanish Government, but the NAP does not set any intermediate target in order to contribute to the overall European objective. A preventive approach has been adopted and progressively achieved all along the subsequent NAPs, reinforcing employability measures for unemployed before they reach long term unemployment. The issue of maintaining and improving quality at work has been addressed mainly through four aspects: training (the Law for Vocational Training, announced in last year's NAP, has been adopted in June 2002); job stability (measures implemented in previous years have led to only a slight reduction in the rate of fixed-term employment); health and safety at work (not developed to the full extent in the NAP); and equal opportunities (actions have been reinforced in the 2002 NAP compared with previous years). The relations between the Government and the social partners have been very good during recent years. Although they have worsened as a consequence of the disagreement between the Government and the Trade Unions on the reform of the labour market recently adopted, they have started to improved again. The policy mix: Since 1997, the Spanish employment strategy has centred on Pillars I and II, promoting employability, promoting stable hiring and facilitating enterprise creation. A growing concern in Pillar IV has been clearly conveyed by the government and the social partners, and measures favouring hiring of women and the socially excluded have been adopted. The NAP establishes a group of measures which are complementary to those developed in the Social Inclusion NAP 2001.*

Response to the Recommendations:

In the 2001 NAP, the quantified intermediate targets are not put forward explicitly, although the goal of full employment has been set. As for the completion of modernisation of PES, the accomplishment of the information system "SISPE" has been announced, as well as the continuation of the decentralisation process for the implementation of active policies.

Measures for reducing the gender gaps focus on improving reconciliation between work and family life have been taken (Integrated Family Support Plan 2001-2004) A clearer formulation of the principle of equal pay has been introduced in the Workers' Statute.

The announced Law on Vocational Training has recently been adopted, It integrates the three subsystems in the field of training. Stable employment has grown faster than fixed-term employment. However, the rate of fixed-term employment remains high at about 31%, while part-time employment has not experienced a significant increase.

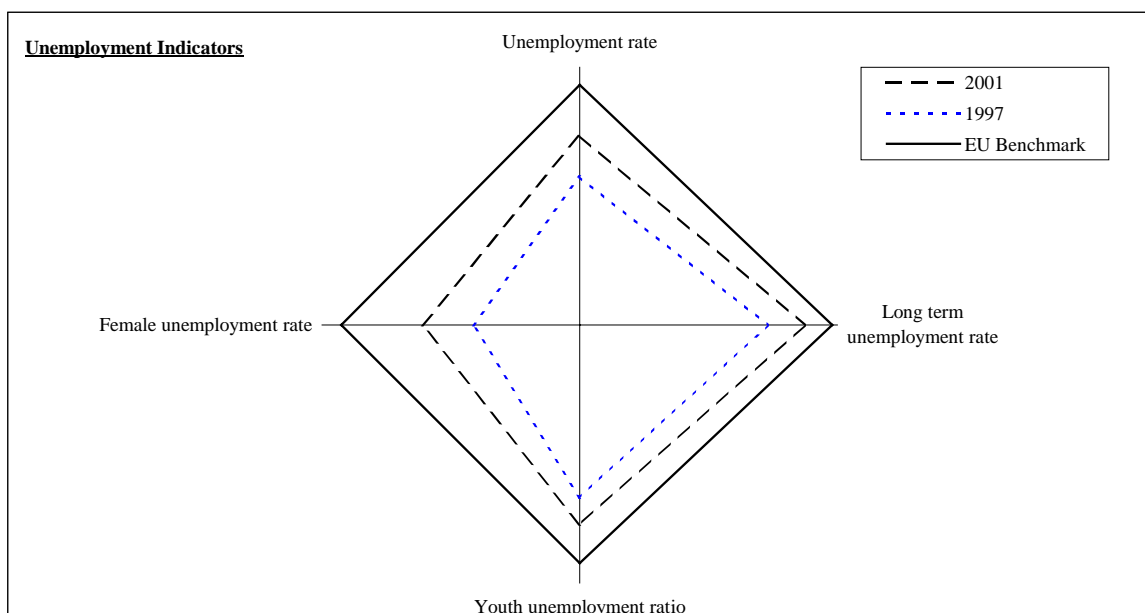
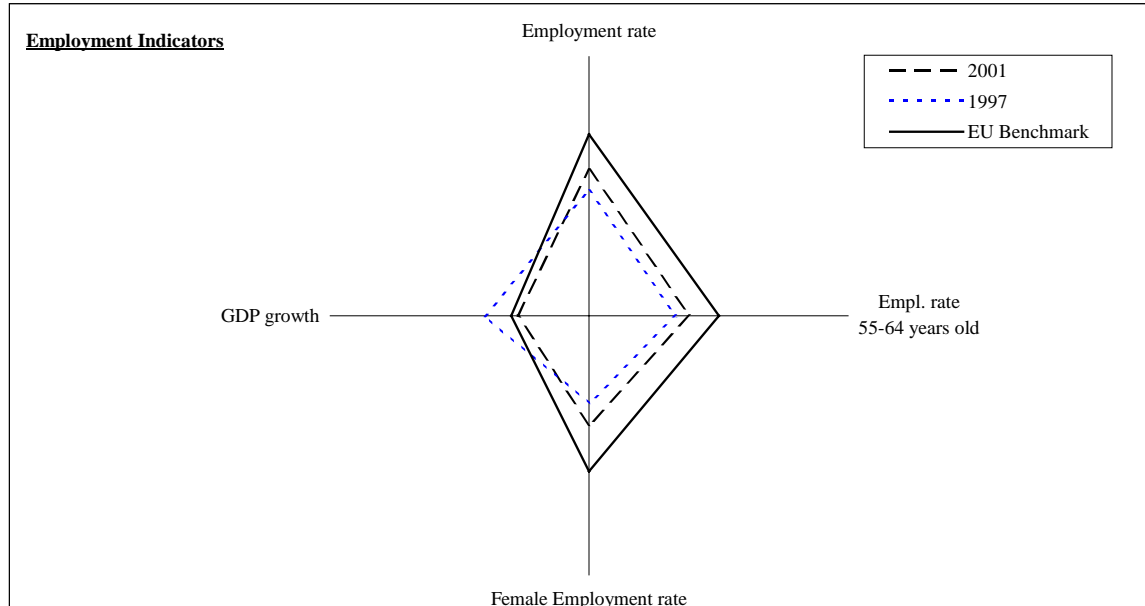
No additional measures have been adopted in order to reduce regional disparities in employment and unemployment. Given the scale of regional disparities, which are, although improving, still among the most pronounced in the EU, a greater effort is needed.

Key issues for the future: *Reducing the rate of unemployment and increasing the rate of employment call for further efforts. These rates are still significantly lower than the EU average, despite the impressive efforts made in recent years. It is important to complete the modernisation of the PES and to increase co-ordination between regional employment services. An adequate balance between regional development and functional and geographical mobility seems needed. The rate of female unemployment, which is still double the rate for men, needs to be reduced, and progress is required to reconcile family and work, in particular via the provision of child and dependant care. Notwithstanding the efforts already made, a reduction in fixed-term contracts and a greater use of part-time contracts remain important challenges. Therefore it seems essential to give a new momentum to the social dialogue. The adoption of the Law for Vocational Training is part of an overall strategy for lifelong learning, and it is desirable that it is implemented with a view to enhance coherence with educational policy and non formal learning at all levels.*

SPAIN

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 56.3 | 48.2 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 38.9 | 33.5 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 41.9 | 33.6 | 60 (2010 target, Lisbon summit) |
| GDP growth | 2.8 | 4.0 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 10.6 | 17.0 | 2.7 (average of 3 best performers:LU,NL,AT) |
| Long term unemployment rate | 5.1 | 10.8 | 0.8 (average of 4 best performers:LU,NL,DK,AT) |
| Youth unemployment ratio | 9.1 | 13.2 | 3.1 (average of 3 best performers:LU,AT,IE) |
| Female unemployment rate | 15.5 | 23.4 | 3.0 (average of 3 best performers:LU,NL,IE) |

FRANCE

Key performances in 2001: *Despite economic growth slowing to 1.8%, employment increased by 1.9% and the 2001 unemployment rate was brought down to 8.6%, although the 9% mark was overstepped at the end of the year. Since the launch of the Luxembourg process in 1997, the employment rate has increased from 59.5% to 63.1%, with an overall gain of 2 million jobs. The female employment rate has increased from 52.4% to 56.1%, exceeding the EU average. The employment rate of older people remains static at around 30% (31% in 2001). Although unemployment has fallen considerably over the last five years (900 000 fewer people), it is still above the EU average. Lastly, labour productivity turned negative (-0.4%) and the increase in the unit labour cost (1.3%) is above the EU average (0.6%).*

General assessment of the employment policy: *The Luxembourg process has encouraged a structured view of employment policy and action against unemployment, serving in part as the reference framework. The shift from a classic approach to a preventive one was seen mainly in the generalisation of the "new start" action plan (July 2001), with greater reliance on social dialogue (933 agreements signed in 2001). Other elements include a lowering of charges and the introduction of various schemes for getting low-skilled and young people back to or into work. Whilst aiming at the common objectives, France has followed its own agenda of statutorily reducing working time to 35 hours. In relation to the common challenges, the attention given to the active ageing policy and reduction of pockets of unemployment has not yet produced adequate results. There is some tie-in with the Inclusion NAP, particularly as regards prevention and activation. The European objective of enhancing the quality of work occupies a significant place in the Employment NAP, implementation of which is primarily the responsibility of the social partners.*

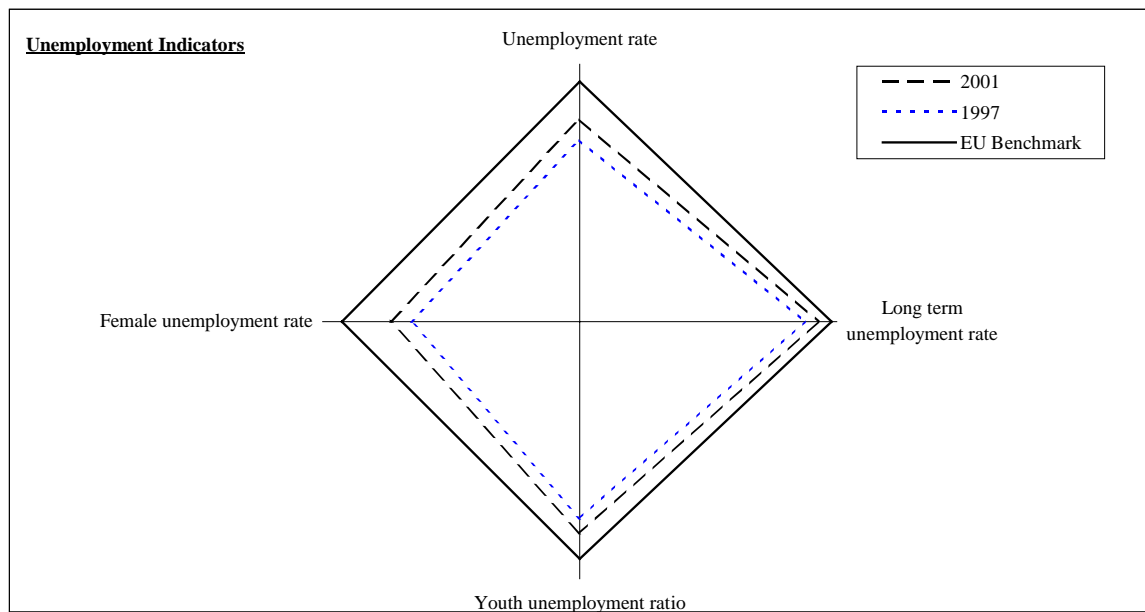
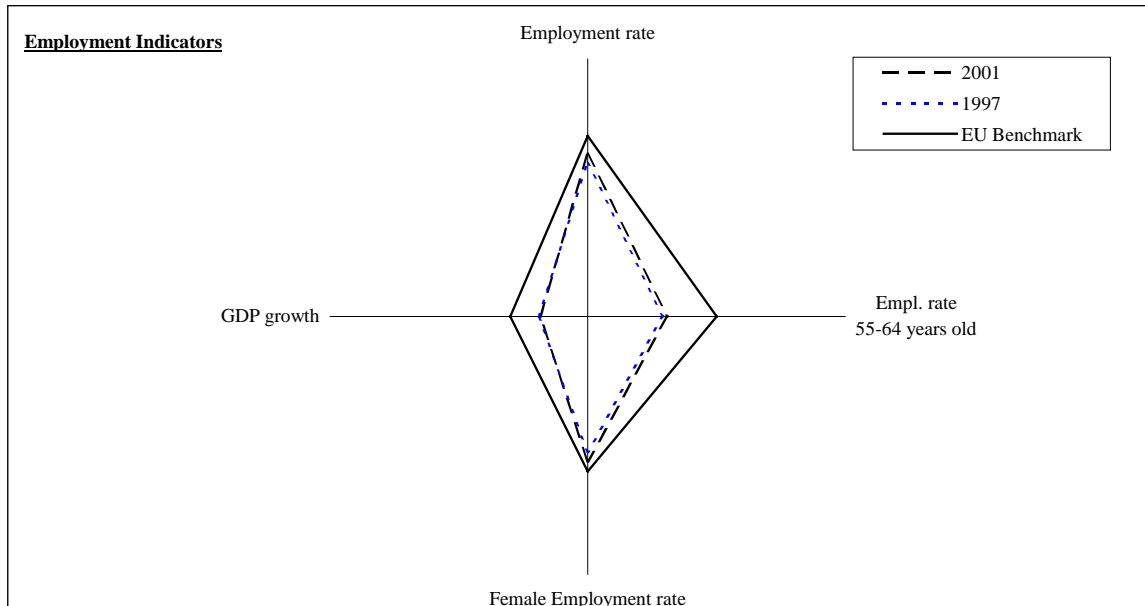
Response to the Recommendations: *With the generalisation of the "new start" action plan, 2001 saw the application of schemes tailored for young and adult unemployed persons, and preventive measures. Arrangements for reducing charges on the low-paid and measures to give young people work have contributed to a sharp rise in jobs, an appreciable lowering of labour costs for low-skilled sectors or people with little experience, and a reduction of "inactivity traps". Although boosted particularly by the 35-hour agreements, the social dialogue is far from becoming the rule. It could, however, prove useful in matters concerning wage policy, quality of work and lifelong learning, particularly in SMEs and for the benefit of poorly skilled or older workers. The employment rate for older workers remains low and the average retirement age is 58. Despite this glaring inconsistency with the common objectives, there has been little in the way of discussion or effort to limit early retirements.*

Key issues for the future: *The forthcoming introduction of reduced working time in 1.3 million small businesses may call for appropriate back-up measures to guarantee the necessary flexibility. Social dialogue could be given priority in matters relating to organisation of working time, lifelong learning and starting and ending working life. Charges on labour could be reduced further, whilst avoiding distortions on the labour market according to employee categories. There is an ongoing problem of recruitment, which tends to be acute in certain occupations. Other problem areas have to do with school-leavers without qualifications and persistent pockets of worsening unemployment. Lastly, could be taken to ensure greater participation of older workers in economic life calls for vigorous measures and. In spite of positive signs, the definition of a coherent strategy for lifelong learning is still on the agenda.*

FRANCE

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark | |
|----------------------------|------|------|--------------|-------------------------------------|
| Employment rate | 63.1 | 59.5 | 70 | (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 31.0 | 29.1 | 50 | (2010 target, Stockholm summit) |
| Female Employment rate | 56.1 | 52.4 | 60 | (2010 target, Lisbon summit) |
| GDP growth | 1.8 | 1.9 | 3 | (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark | |
|-----------------------------|------|------|--------------|--|
| Unemployment rate | 8.6 | 11.8 | 2.7 | (average of 3 best performers: LU, NL, AT) |
| Long term unemployment rate | 2.9 | 5.0 | 0.8 | (average of 4 best performers: LU, NL, DK, AT) |
| Youth unemployment ratio | 7.1 | 9.4 | 3.1 | (average of 3 best performers: LU, AT, IE) |
| Female unemployment rate | 10.5 | 13.7 | 3.0 | (average of 3 best performers: LU, NL, IE) |

IRELAND

Key performances in 2001: Ireland experienced a sharp slowdown in economic growth in the latter half of 2001. However, despite the slowdown, Ireland continued to record remarkable employment outcomes, mainly due to the persistence of the strong performance from the previous year. This resulted in overall employment (65.7%) increasing by 2.9%, unemployment decreasing to just 3.8% and long term unemployment to 1.3%. The growth in employment was more in favour of women and older workers while unemployment is now higher amongst men than women in all categories. Despite the improvements in relation to women, there is still a significant gap (18%) between the employment rate for women and men.

General assessment of the employment policy: Steady progress is being made towards meeting the targets set at Lisbon. Ireland has, for the first time, set explicit targets in the area of long-term unemployment and employment for vulnerable groups and has made good linkages with the Social Inclusion NAP. Social partnership in Ireland is a strong factor in employment success and could be further strengthened by increasing the regional and local dimension. Recent legislative initiatives for part-time workers and family carers should assist in retaining/encouraging women into the labour force and improve the work-life balance. The main emphasis on quality in work is pay and working time although the NAP also refers to new national partnership arrangements and new legislation that will help to improve work life balance.

Response to the Recommendations: Ireland's success in tackling unemployment means that those who remain unemployed are the most disadvantaged in society. A new 'high supports' process and mainstreaming of programmes for people with disabilities will provide greater support to those who are most vulnerable. An overall appraisal of active labour market policies is at an advanced stage as part of the national partnership agreement. Continued tax reform and an increase in the national minimum wage provides an incentive for the unemployed and the low paid to re-enter/remain in the labour force. There is no discernible improvement in the gender pay gap or occupational segregation. Good progress has been made in the provision of childcare places but there is still a major problem in relation to childcare affordability.

The delay in finalising an overall strategic framework for lifelong learning is discouraging in view of the previous emphasis on this issue although significant efforts are being made to address the literacy and numeracy problems affecting one in four of the population. Similarly, impetus is lacking in relation to in-company training, particularly in view of trends indicating

that changes taking place in the occupational pattern of employment will favour those who are most educated.

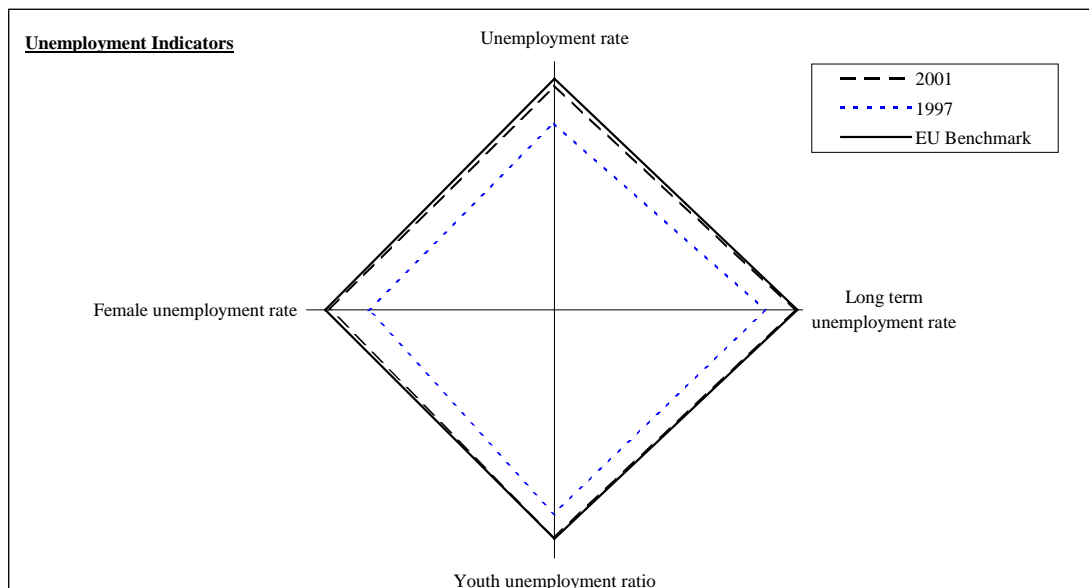
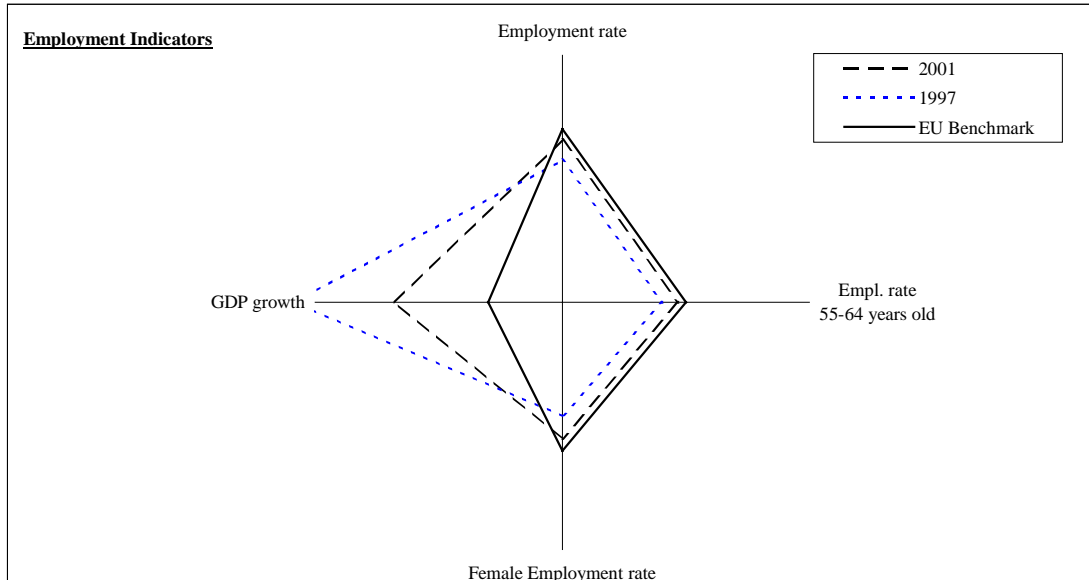
The delay in finalising the National Spatial Strategy does not allow for a complete assessment to be made. Although it is recognised that policies adopted have had an impact in reducing regional imbalance, it is disappointing to note that the slowdown in economic growth and consequent increase in unemployment, has had greatest impact in the Border, Midlands and Western Region, the poorer of the two regions in Ireland

Key issues for the future: *The current strategies have proven to be successful in increasing labour supply but it seems important to ensure that programmes are correctly targeted at those who suffer the greatest disadvantage, with the emphasis on future employability. To address low educational levels and workforce skills it seems necessary that Government and social partners expedite the development and implementation of the long awaited lifelong learning strategy and also, intensify efforts to promote in-company training, in particular for older workers. The gender pay gap calls for a more proactive policy response that is measurable over time. The provision of childcare and in particular the problem of childcare affordability requires further action in view of the major barrier it presents to working mothers. Finally, it is expected that the imminent National Spatial Strategy will contain policies to address the problem of regional imbalance.*

IRELAND

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark | |
|----------------------------|------|------|--------------|-------------------------------------|
| Employment rate | 65.7 | 57.5 | 70 | (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 46.8 | 40.3 | 50 | (2010 target, Stockholm summit) |
| Female Employment rate | 55.0 | 45.9 | 60 | (2010 target, Lisbon summit) |
| GDP growth | 6.8 | 10.8 | 3 | (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark | |
|-----------------------------|------|------|--------------|--|
| Unemployment rate | 3.8 | 9.9 | 2.7 | (average of 3 best performers:LU,NL,AT) |
| Long term unemployment rate | 1.3 | 6.1 | 0.8 | (average of 4 best performers:LU,NL,DK,AT) |
| Youth unemployment ratio | 3.3 | 7.1 | 3.1 | (average of 3 best performers:LU,AT,IE) |
| Female unemployment rate | 3.7 | 9.9 | 3.0 | (average of 3 best performers:LU,NL,IE) |

ITALY

Key performances in 2001: *Following the general world economic slowdown, in 2001 real GDP growth was almost 1% less than in 2000. Employment growth (1.6%) was only marginally affected, due to the increase in permanent jobs and the female component, while the employment rate for older people increased only by 0.3%. This performance lowered the unemployment rate to 9.5%. Despite an improvement in employment since 1997, the wide gap with the EU partners remained substantially unchanged. Total employment rate is equal to 54.8%, 41.1% for women, and 28% for older people; rates for women, youth, and long term unemployment remain high. The main challenge is the geographical segmentation: the unemployment rate in the South is more than 19%, against the 5% in the Centre-North.*

General assessment of the employment policy: *The NAP presents broad proposals which should reform labour market regulation, while less attention is given to actions which have already been implemented. As a major part of the document is concerned with broad proposals which are not detailed yet, an adequate evaluation will be possible only after their translation into concrete actions. For the first time, the Regions contributed and indicated the ESF as the main financial instrument for regional active policies. The policy agenda is well described and is based on legislation against undeclared work, educational and training system reform (extension of compulsory education, increased flexibility, emphasis on IT and languages, increase and facilitate apprenticeships, etc.) and labour market flexibility. This policy mix, centered on employability and adaptability, is expected to influence equal opportunities through an easier recourse to part-time work, and to increase quality in work through reducing undeclared work and the reducing the disparity between protected and flexible work, while security in work and other quality aspects are not analysed. The entrepreneurship pillar does not present relevant innovations. In general, the actions proposed in the NAP do not seem sufficient to address the problems identified for the South, though the agreement called "Patto per l'Italia", drawn up after the NAP, partly fills this gap, especially in the chapter on the investment for the South. It remains to be seen if all the measures announced in this Pact will be implemented, given the budgetary restrictions currently faced by the country. The government's main aim is to increase employment rates, in line with the Lisbon strategy. Thus the NAP quantifies the employment targets for women (46%) and for older people (40%) for 2005. It also presents a new framework for the relationship with the Social Partners, aimed at moving from traditional long-term tripartite agreements on income policy to specific agreements. Social dialogue facilitated the transposition of certain directives. The government proposal to revise Art 18 of the Workers Statute ended with a tripartite agreement on labour policies with the majority of trade unions and the employers. The NAP makes a reference to the NAP inclusion and emphasizes the contribution of EQUAL and the role of the Regions and local communities, also through the ESF.*

Response to the 2001 Council Recommendations: The NAP presents broad proposals which should increase employment rates particularly for women and older people, but the policy mix appears unbalanced and doubts remain on whether the reforms will improve the labour market in the South, without complementary actions on the demand side, although this was set out in the "Patto per l'Italia". The government presented the employment targets for women and older people for 2005. The latter is, to say the least, ambitious: for its realisation the government relies also upon a new proposal to reform the pension system whose timing is not certain. Provisions are made to combat the undeclared economy, but they are not described in detail and, in the light of the "100 days Law" results, their contribution is controversial and will lead to new negotiations between the government and social partners.

The strategy centres on the increase of labour market flexibility (flexible contracts – part time and interim - and relaxation of some rules on individual dismissal). The ways to combine flexibility and security are not detailed and the policy mix could lead to marginalisation -of "disadvantaged" groups and generally in the South also due to the reliance on tax credits which do not seem to favour unemployed people in the area. The government proposed a benefit system reform aimed at guaranteeing broader coverage and at eliminating differences of treatment between categories: if the "Patto per l'Italia" is implemented, the Financial Act for 2003 should finance the extension in quantity and time of the unemployment benefits. As for the pension system, the government presented a proposal aimed at extending people's working life. In the "Patto per l'Italia" the government also committed itself to make tax cuts of 5,500Meuro for those on low incomes in 2003.

Despite improvements in the creation of employment centres, mainly financed by the ESF, the 2002 targets will be probably reached in the Centre-North, but probably not in the South. A new Law on the job placement system aims at removing from the Register of workers those who do not accept a reasonable job/training offer and a "Legge delega" proposes more competition between private and public agencies and a new role for Temporary Work Agencies. However, the interactions between the previous and the current reforms are not analysed. A labour information system is still missing and input and output indicators cannot be provided. The NAP does not present new policies for unemployment, implicitly relying on the planned reforms - though without specifying how these could affect the persistent levels of youth and long-term unemployment in the South.

Greater use of part time work should raise the employment rate for women. To increase childcare facilities, a National Plan for kindergartens was presented, though the NAP is not completely informative on that point, and financial provisions for childcare facilities for single parent families were made. However, no targets were set and the proposed measures are likely to have only a limited impact.

The NAP devotes increased attention to lifelong learning policies. Regional and national education and university reforms were partly implemented with the support of the ESF and

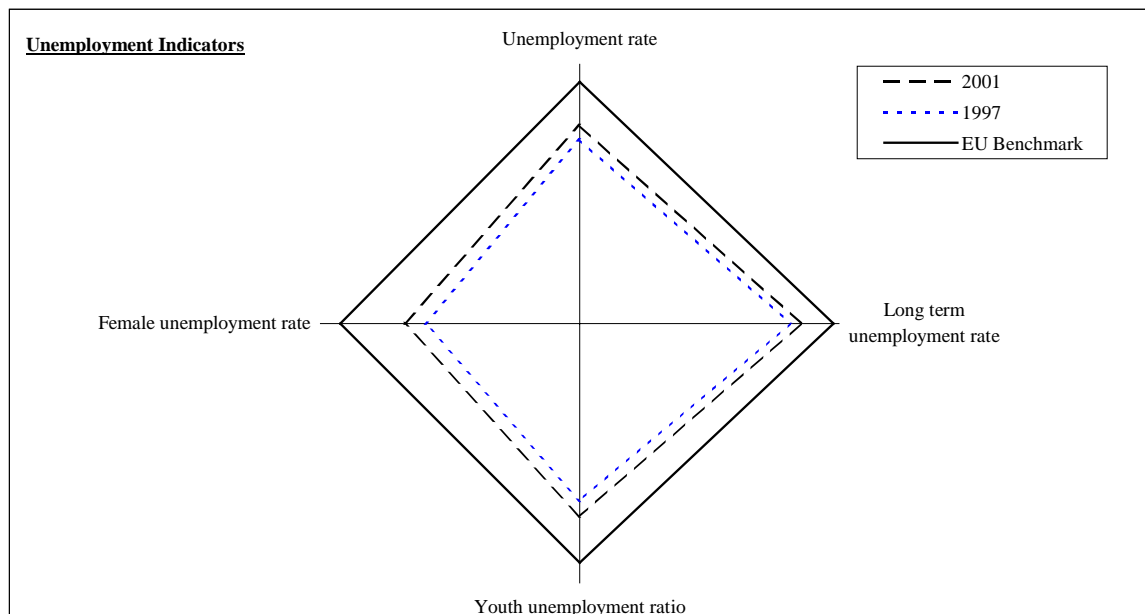
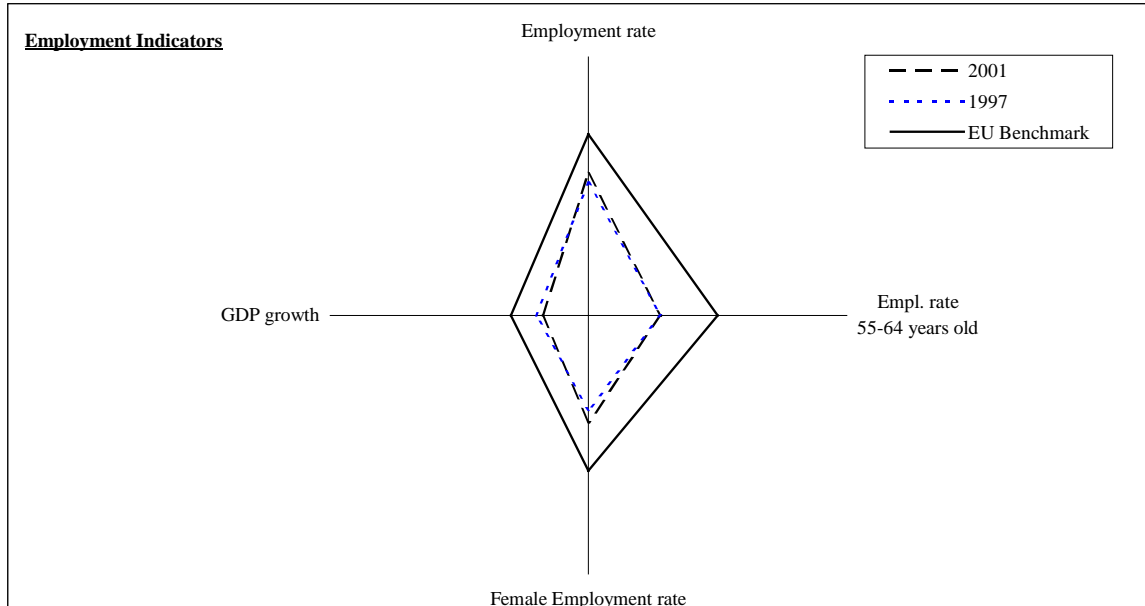
show an evolution towards a more flexible and open learning system. However, the training supply from social partners did not particularly improve. The "Tremonti bis" gives financial provision for training, but Social Partners normally do not participate in the training offer within enterprises and the Funds for continuous training are still not operative.

Key issues for the future: *In order to increase the still-low employment rates, Italy could make better use of the labour supply of older people and women, and address regional disparities and undeclared work. In particular, the positive female employment trend could be accelerated by enhancing the provision of care services for children and other dependants. For older workers, further vigorous measures (including training programmes) appear needed to increase the effective retirement age. Once the proposed measures for flexibility are implemented, particular attention seems necessary for the security and quality aspects in order to avoid the risk of marginalisation for the long-term unemployed and women, especially in the South. Key issues remain the reduction of tax burden on labour, especially for low-paid workers, and the role of the PES at regional level in providing active and preventive measures, together with the essential data collection system. Full implementation of a lifelong learning strategy in Italy is needed, both at the national and regional levels, particularly as far as the continuous training offer by social partners is concerned.*

ITALY

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 54.8 | 51.2 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 28.0 | 27.9 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 41.1 | 36.4 | 60 (2010 target, Lisbon summit) |
| GDP growth | 1.8 | 2.0 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 9.4 | 11.6 | 2.7 (average of 3 best performers:LU,NL,AT) |
| Long term unemployment rate | 5.9 | 7.5 | 0.8 (average of 4 best performers:LU,NL,DK,AT) |
| Youth unemployment ratio | 10.2 | 12.6 | 3.1 (average of 3 best performers:LU,AT,IE) |
| Female unemployment rate | 12.9 | 16.1 | 3.0 (average of 3 best performers:LU,NL,IE) |

LUXEMBOURG

Key performances in 2001: *The economic slowdown resulted in less growth than in 2000 (3.5% against 7.5%), although in excess of the EU average (1.6%), giving a further rise in total employment of 5.6%. With cross-border workers accounting for a large proportion of the jobs created (65%), the national employment rate improved only slightly (0.2%) and fell short of the EU average (62.9% against 63.9%). The female employment rate is steadily increasing (1.4 points per year on average since 1997). The employment rate for workers over the age of 55, already poor, is falling (24.4%). The unemployment rate (2.0%) remains the lowest in the EU, but rose towards the end of the year.*

General assessment of the employment policy: *The Luxembourg process, as the reference framework for employment policy, has engendered an inter-ministerial approach and involvement of the social partners. The general employment rate is rising as a result of the increased participation of women in the labour market, and is on track for meeting the Stockholm 2005 objective. Despite increased efforts, the rate of entry into long-term unemployment is on the rise, especially among young people (although the rising number of people undergoing training, who are kept on the lists of registered unemployed, seems to be one of the reasons). As far as older workers are concerned, the measures taken have proven to be inadequate for raising the employment rate, and it is doubtful whether the measures adopted in the Employment NAP will be enough to dissuade people from taking early retirement. With regard to lifelong learning, the success of the proposed reform will depend inter alia on consensus being achieved between the various partners involved. Clear links with the Inclusion NAP have been created, particularly in terms of prevention and activation. The objective of enhancing the quality of work occupies a significant place in the Employment NAP. Implementation of this objective is primarily the responsibility of the social partners.*

Response to the Recommendations: *In the case of older workers, incentives are geared to a mix of work and retirement, either resumption of activity for persons unable to work or revaluation of pension rights if working life is extended. Two draft laws aimed at promoting the extension of working life and the reintegration of people unable to work were voted on in June 2002. Assessments are planned for 2002 prior to any new measure being taken. Women's access has been facilitated through support and integration measures, childcare facilities, and parental leave, although such measures remain partial. Further progress has been made on the education/training front, focusing on the three priorities set out in the recommendations: effective application of the framework law on continuing vocational training (in 2001, 50% increase in applications for approval and State co-financing); action against school dropouts through different measures involving support, programmes and certification; review of the apprenticeship and training system, with the introduction of a*

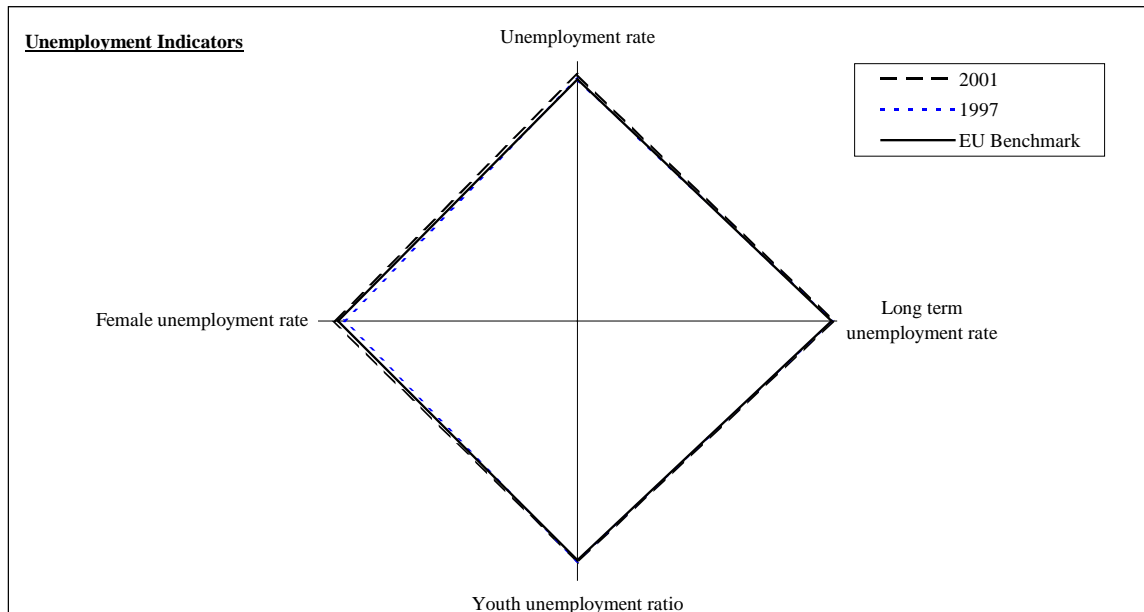
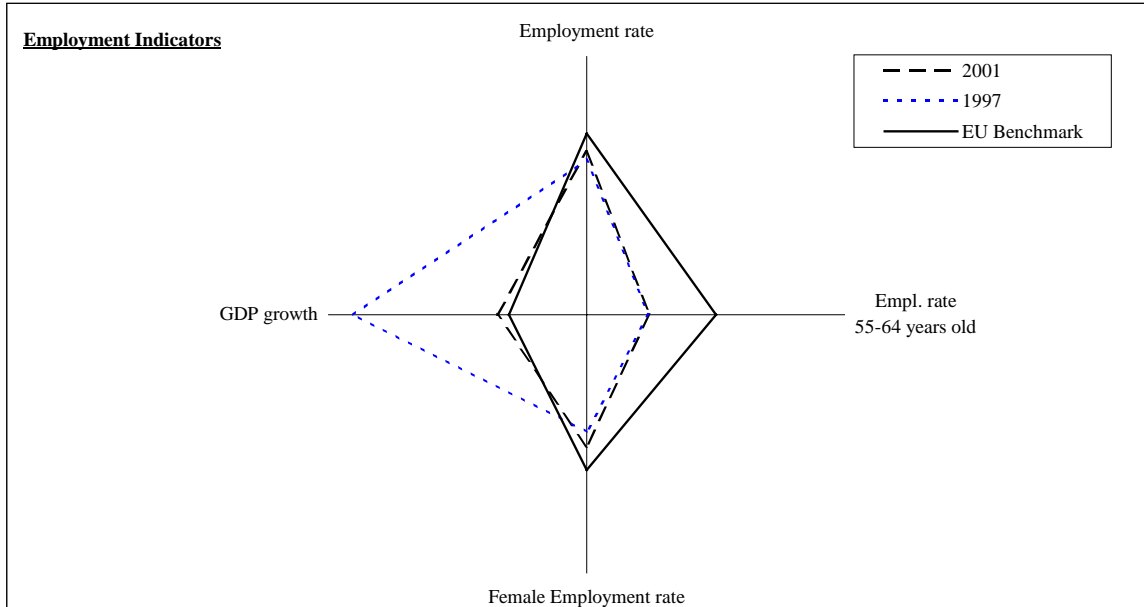
general concept of lifelong learning, validation and certification of achievements, extension of basic vocational training and occupational reintegration. The absence of statistical data, however, makes it impossible to measure the effects of key decisions taken or envisaged.

Key issues for the future: *The employment rate of older workers needs to be increase appreciably. There is a risk that the progress achieved in raising the female employment rate could let-up in a less dynamic labour market. There is also a problem of young people without vocational qualifications to be addressed . In relation to these aspects (young people, women and the older population) and others, such as the quality of work or wage gaps between men and women, appropriate indicators would be needed to verify the impact of the measures and reforms decided on since the first Employment NAP.*

LUXEMBOURG

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 62.9 | 59.9 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 24.4 | 23.9 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 50.9 | 45.3 | 60 (2010 target, Lisbon summit) |
| GDP growth | 3.5 | 9.0 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 2.0 | 2.7 | 2.7 (average of 3 best performers: LU, NL, AT) |
| Long term unemployment rate | 0.5 | 0.9 | 0.8 (average of 4 best performers: LU, NL, DK, AT) |
| Youth unemployment ratio | 2.7 | 2.9 | 3.1 (average of 3 best performers: LU, AT, IE) |
| Female unemployment rate | 2.4 | 3.9 | 3.0 (average of 3 best performers: LU, NL, IE) |

THE NETHERLANDS

Key performances in 2001: *The impact of the 2001 global economic slowdown is reflected in slow growth in The Netherlands (1,1%) and, for the first time in years, an increase in unemployment in the first quarter of 2002. Labour productivity turned negative in 2001 (-0,9%). However, with 74.1% overall and 65.2% for women, the employment rate continues to score well above the Lisbon targets. Since 1997, the employment rate for older workers improved considerably: from 31.8%, far below the EU average, to 39.6% in 2001, slightly above it. The tight labour market and considerable policy efforts resulted in a substantial decrease of the unemployment rate for ethnic minorities. However, it remains three times higher than for the native Dutch.*

General assessment of the employment policy: *Despite increased labour market participation, as well as continuing labour market shortages, a considerable share of the working-age population (the low-skilled, partially disabled, older workers and ethnic minorities) still depends on social security benefits, in particular the disability schemes. According to national estimates, approximately a quarter of the inactive would have any realistic chance of short term reintegration in the labour market. Against this background, LLL policies do not yet sufficiently bridge the gap between labour market supply on the one hand and demand on the other. The Lisbon target to halve the number of early school leavers by 2010 is not yet likely to be achieved. The weak Dutch performance regarding the comprehensive approach for adults (66% non-compliance and 23% entries into LTU) is of concern. The stress in active ageing policy is on restrictive measures discouraging older workers from leaving the labour market. Approximately €5.800 million was spent on ALMP in 2002, an increase of 37% on the 1997 figure. The ESF mainly finances projects that help to comply with the first guidelines of the EES. Government action aimed at **reducing the administrative burden of businesses** has been insufficient over the past years. The gender pay gap is one of the largest in the EU. Quality policies, addressed in close consultation with the social partners, are generally well developed. The emphasis is on balancing legislation, self-regulation, tax concessions and other incentives aimed at better combining work and care. Some progress is made in shortening child care waiting lists and a structural solution is expected from the introduction of a private market for child care in 2004. Life cycle approaches are currently being developed. Dutch employment and inclusion policies coherently fit together although tackling the poverty trap remains a point for attention.*

Response to the 2001 Recommendations: *Although the recent agreement on the reform of the disability scheme can be welcomed, it takes a rather one-sided approach as it merely addresses inflows. The in- and outflow to and from the scheme also depend on the practical implementation of medical examination criteria as well as on the implementation of*

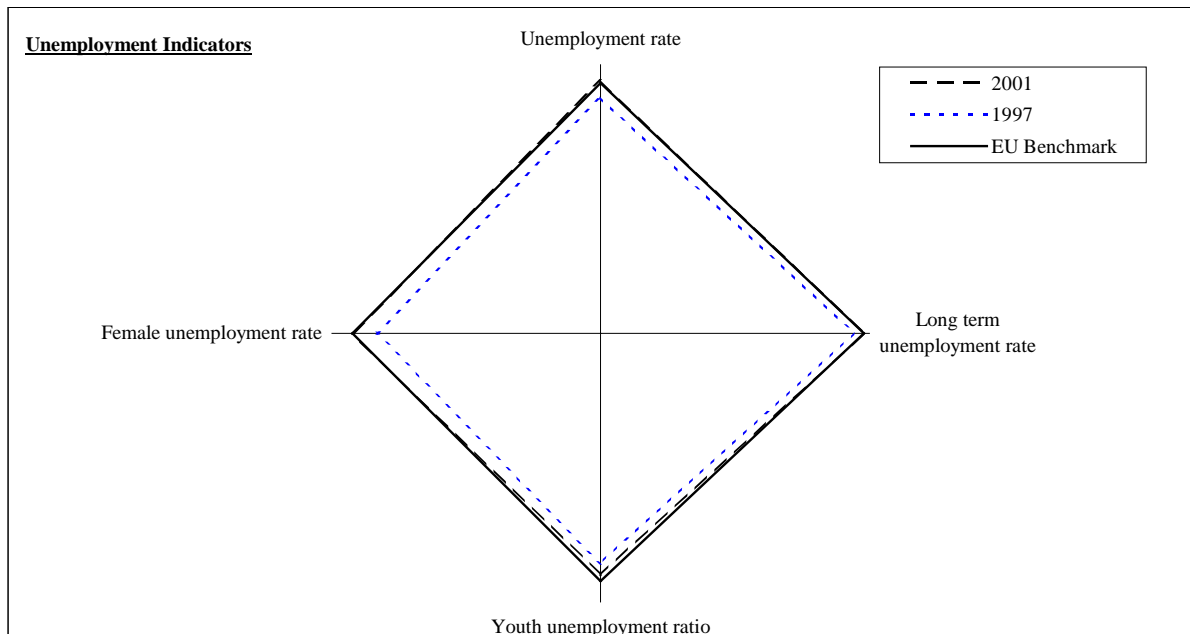
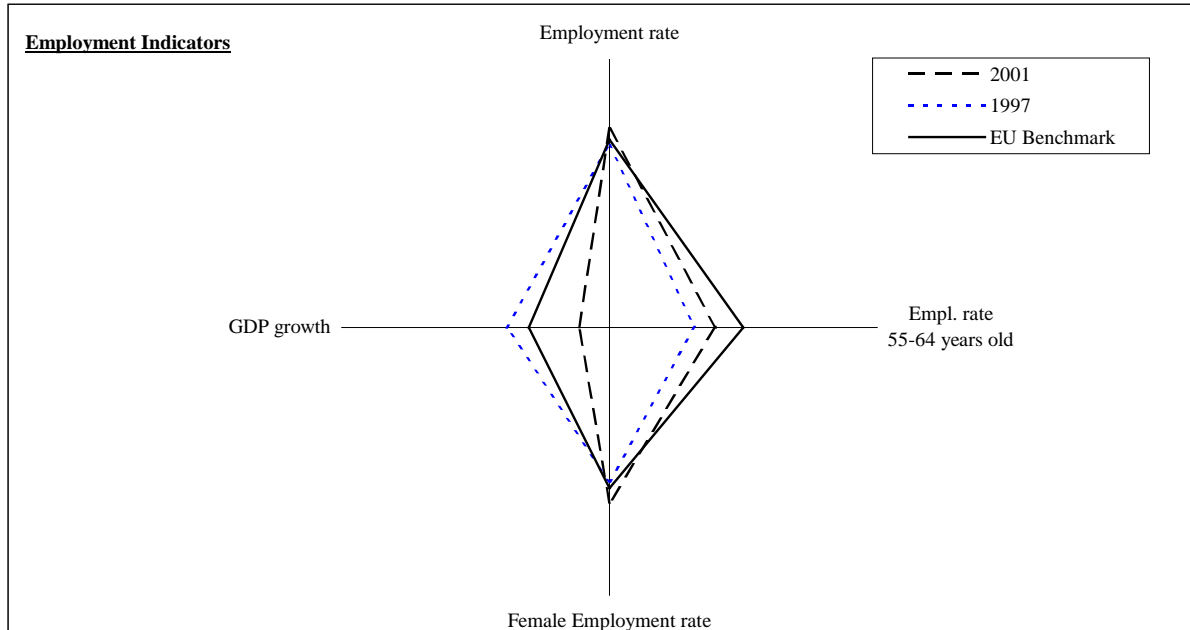
reintegration plans. Figures on the participation of disability benefit recipients in reintegration programmes leave serious doubts about their sufficiency and efficiency. In addition, the overrepresentation of women, young people and ethnic minorities in the scheme requires more specific attention. Considerable efforts have been made to tackle the poverty trap but the likely impact differs considerably according to household type. Lack of transparency and (possible) disincentives, deriving from the cumulation of income support established at the various government levels, still stand in the way of making work really pay for all households.

Key issues for the future: *There is a need to substantially enhance participation of disabled workers, adapted to their remaining work capacity, which would help tackle bottlenecks on the labour market. The implementation of the reform of the disability scheme needs to be carefully monitored. Furthermore, the substantial unexploited supply of labour could be addressed by fully applying the preventive (comprehensive) approach to adults and by eliminating the remaining poverty traps. The gender pay gap is still too high. As regards education and training, the link in lifelong learning policies between labour supply and demand could be strengthened, in co-operation with the social partners, and the prevention of school drop out calls for action, paying special attention to ethnic minorities.*

NETHERLANDS

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 74.1 | 68.0 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 39.6 | 31.8 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 65.2 | 57.4 | 60 (2010 target, Lisbon summit) |
| GDP growth | 1.1 | 3.8 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 2.4 | 4.9 | 2.7 (average of 3 best performers: LU, NL, AT) |
| Long term unemployment rate | 0.8 | 2.3 | 0.8 (average of 4 best performers: LU, NL, DK, AT) |
| Youth unemployment ratio | 4.1 | 5.8 | 3.1 (average of 3 best performers: LU, AT, IE) |
| Female unemployment rate | 3.0 | 6.6 | 3.0 (average of 3 best performers: LU, NL, IE) |

AUSTRIA

Key performances in 2001: Economic growth slowed to 1% in 2001 leading to employment growth of only 0.2%. This left the employment rate unchanged at 68.4%. There was an increase in the female employment rate to just over 60% but a decline of the male rate to 76.7%. The low employment rate for older workers declined further to 28.6%, remaining one of the lowest in the EU. The unemployment rate declined further from 3.7% in 2000 to 3.6% in 2001, but started to increase from mid 2001. The long-term unemployment rate continued to fall, but the youth unemployment ratio increased from 2.9% in 2000 to 3.2% in 2001.

General assessment of the employment policy: Low growth in 2002 is expected to impact negatively on the labour market, with total employment expected to fall by 0.4%. Austria may fail to reach its 3.5% national unemployment target for 2002 and also its national employment target, *inter alia*, because of unfavourable economic conditions. The employment rates are already close to the Lisbon targets and no additional measures have been taken. Quality in work is largely linked to opportunities to secure more and better qualifications. Although there is no comprehensive strategy, there are a large number of isolated initiatives. The involvement of the Social Partners in the NAP process has become less intense, but a collective agreement for temporary agency workers was reached after long negotiations. The policy mix remains unchanged in 2001. Although active labour market policies under the employability pillar have been given a sharper focus, they have been reduced for young people. Under the entrepreneurship pillar, a number of successful initiatives have been pursued, notably the Territorial Employment Pacts, which seem to be the key to unlocking regional growth potential. There has been some progress in respect of policies under the adaptability pillar, such as collective agreements concerning flexible working models. Action under the equal opportunities pillar remains limited to a number of innovatory projects. The gender pay gap has not narrowed. The NAP presents a wide range of individual policies, but it is difficult to detect an overall strategic approach. A link to the social inclusion action plan has not been established.

Response to the recommendations:

Active labour market policy actions and measures to reduce skill gaps have been enhanced in 2001, including for disabled persons. Further extension of tax and benefit reforms to increase the participation of older workers, the low skilled and ethnic minorities is required. The very low employment rate for older workers does not show any sign of improvement. Current measures including the part-time retirement of older workers do not seem likely to produce the expected results.

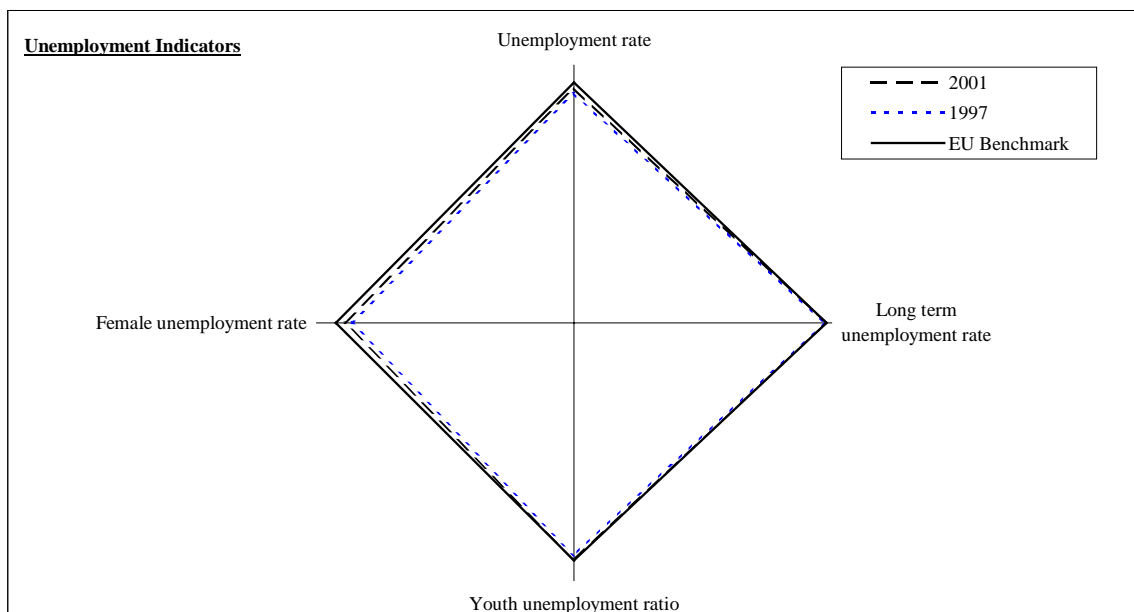
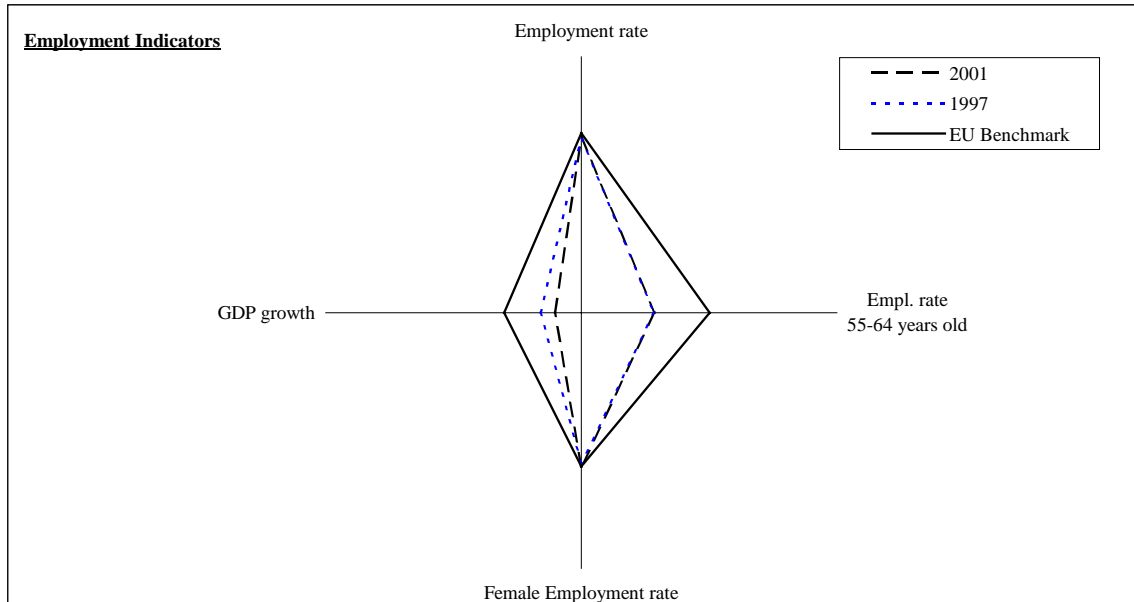
Under equal opportunities and gender mainstreaming little has been implemented other than the introduction of the childcare allowance. The NAP fails to address further action which is needed to extend childcare facilities. The new childcare allowance might actually reduce women's incentives to work. It is too early to assess whether this policy leaves sufficient financial room for further complementary measures. The large gender wage gap has not been reduced. Initial steps have been taken to implement a comprehensive and coherent strategy on lifelong learning, but the required indicators, and quantitative targets on financial resources and participation are still lacking.

Key issues for the future: *Overcoming labour market shortages, advancing gender mainstreaming and fixing national medium term targets for employment constitute major policy issues. A medium term strategy seems needed to substantially increase the employment rate for older workers and the participation rate of low skilled workers. The issue of quality in work could be addressed more comprehensively and underpinned by relevant indicators. More emphasis could be given to the development and implementation of a coherent and comprehensive strategy, and the setting of quantitative and qualitative targets for lifelong learning, especially in adult education and continuing training. A more structured approach regarding the reduction of gender gaps and the extension of childcare facilities in line with the Barcelona Council conclusions seems needed.*

AUSTRIA

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 68.4 | 67.8 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 28.6 | 28.5 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 60.1 | 58.6 | 60 (2010 target, Lisbon summit) |
| GDP growth | 1.0 | 1.6 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|--------------------------|------|------|--|
| Unemployment rate | 3.6 | 4.4 | 2.7 (average of 3 best performers:LU,NL,AT) |
| LTU rate | 0.9 | 1.2 | 0.8 (average of 4 best performers:LU,NL,DK,AT) |
| Youth unemployment ratio | 3.2 | 3.9 | 3.1 (average of 3 best performers:LU,AT,IE) |
| Female unemployment rate | 4.3 | 5.4 | 3.0 (average of 3 best performers:LU,NL,IE) |

PORTUGAL

Key performances in 2001: Although the general economic indicators deteriorated in 2001, the employment rate continued to increase. This growth has been shared by both genders, but has been particularly significant for women. All age groups have increased their employment rates in 2001, with the exception of the 55-64 age group (-0.7 p.p.). The total unemployment rate continued to be one of the lowest in the EU, but in 2001 the youth unemployment ratio increased by 0.4 p.p. for both genders in contrast with the trend since 1997. A continued positive indicator is the decrease of the long-term unemployment rate for both genders. However, for the 55-64 age group, the proportion of LTU in total unemployed, has increased between 1997 and 2001, and is now more than 63%. The Labour productivity level continues to be the lowest in the EU, and stagnated in 2001, thus further widening the gap with the EU average, and jeopardising the prospect of convergence.

General assessment of the employment policy: Progress towards achieving the targets established in both the Lisbon and Stockholm Summits has been very positive. Only the total employment target of 70% for 2010 has not yet been accomplished (still 68.9% in 2001, but above the 67% target for 2005). The Government aims to increase the quality of job/s by encouraging negotiations between the Social Partners, improving qualified employment, and fighting various forms of illegal work. The NAP's diagnosis has identified a set of structural weaknesses of the Portuguese employment system. To address these weaknesses, policies have focused on three strategic priorities; (i) the sustainability of employability levels through the National Lifelong Learning Strategy, (ii) the integration into the labour market of socially excluded people or those at risk of being excluded, through the National Action Plan for Inclusion, (iii) employment quality issues namely through the improvement of education and professional qualifications levels and of working conditions and labour relations. Almost 66% of funding for actions under the 2002 NAP will be provided by ESF and ERDF.

Response to the Recommendations: A comprehensive strategy was set out in 2001. The results of the LLL strategy can only be expected in the long-term. Over the last decade, progress has been made, in particular at the level of school age youth. However, Portugal's labour force continues to reveal serious qualification weaknesses. The process of training and certification of competencies in ICT needs to be closely followed to recover from implementation delays. To implement an approach based on partnership and support for the commitments of the social partners, three tripartite agreements were signed in 2001. These agreements are expected to have a decisive role in the effort to overcome the Portuguese structural weaknesses. The social partners have progressively integrated some of the issues of the EES in their collective bargaining. However, the on-going talks to sign an agreement in the areas of wage policy and productivity, as well as the reform of labour legislation should

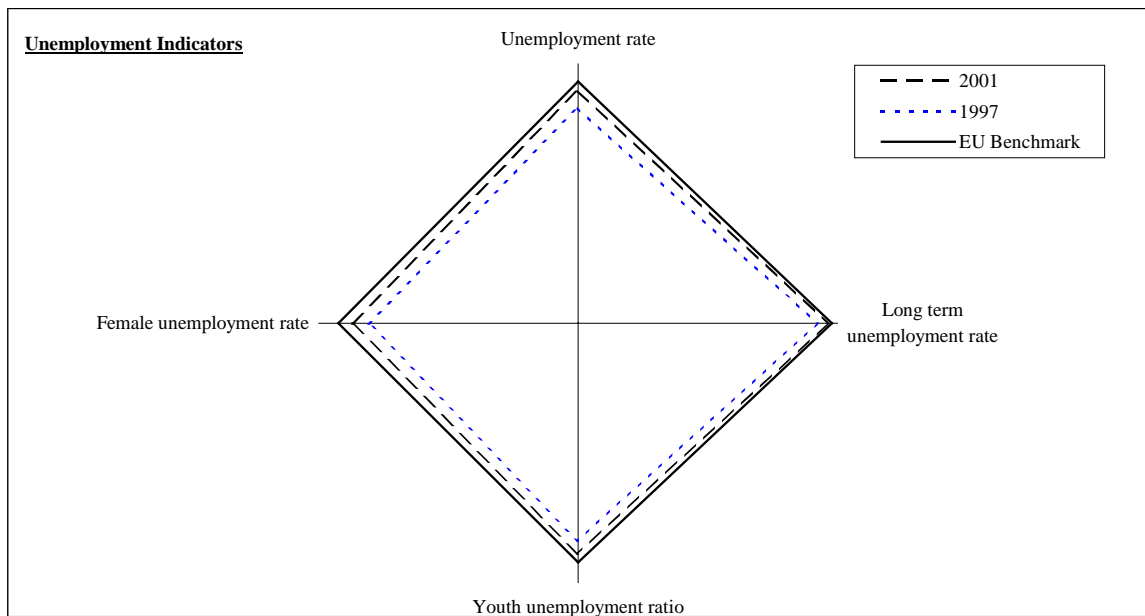
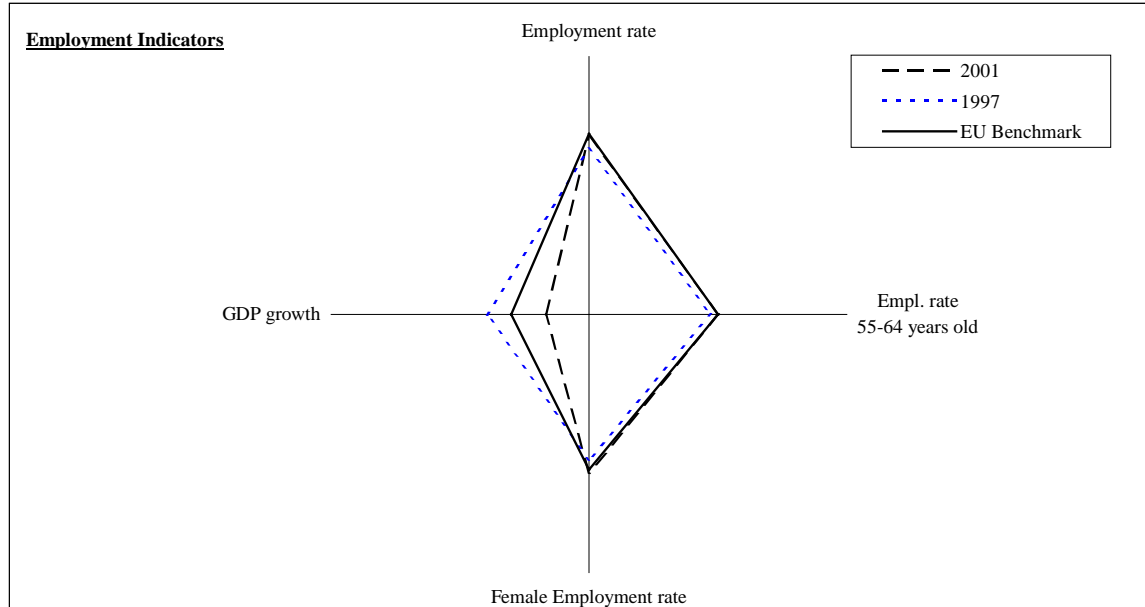
be steadily pursued. These are strategic areas that would contribute to ensuring better employment quality, higher competitiveness and productivity, more employment security and better adaptability of enterprises. In spite of significant progress in the involvement of social partners in the employment process, there is still great dependency on the central role played by the government. To pursue efforts to reconcile family and working life, the Government has given priority to improve the supply of family support services and childcare facilities. This includes the expansion of the network of facilities for early childhood care, and a progressive universal access to pre-school education. To reduce the gender gap at the sectoral level the government has focused on training actions intended to change traditional attitudes in society. However, these actions aimed at changing cultural perceptions will only produce results in the very long-term. The index of sectoral gender segregation in Portugal, continues to be higher than the European average. Although the global gender pay gap in Portugal is among the lowest in the EU (5.9% in 1998), according to the NAP 2002 the women's gross average earnings in the private sector is only just under 77% of men's.

Key issues for the future: *The successful implementation of the lifelong learning strategy adopted in 2001 is crucial to address the low educational levels, the high level of school drop outs and weaknesses of workforce qualifications. The agreements signed between the Government and social partners demand a strong commitment by all signatories, to implement and monitor its operational measures. Continued efforts seem necessary to reconcile family and working life, the gender pay-gap in the private sector, and sectoral segregation. The reduction of employment disparities between regions requires that the PES continue their efforts to provide adequate responses. There is still a strong need to increase productivity and quality in work. Reconciling this need, in a period of economic slowdown, with the government's aim to maintain employment growth and low unemployment, while at the same time restructuring the economy as well as public administration, will be a major challenge.*

PORTUGAL

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 68.9 | 64.0 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 50.3 | 47.3 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 61.1 | 56.1 | 60 (2010 target, Lisbon summit) |
| GDP growth | 1.7 | 3.9 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 4.1 | 6.8 | 2.7 (average of 3 best performers: LU, NL, AT) |
| Long term unemployment rate | 1.5 | 3.2 | 0.8 (average of 4 best performers: LU, NL, DK, AT) |
| Youth unemployment ratio | 4.5 | 6.4 | 3.1 (average of 3 best performers: LU, AT, IE) |
| Female unemployment rate | 5.1 | 7.6 | 3.0 (average of 3 best performers: LU, NL, IE) |

FINLAND

Key performances in 2001. *The global economic slowdown in 2001 had a sharp impact on the Finnish economy. GDP growth dropped to 0.7% after 5.6% in 2000. However, employment still continued to increase slightly to 68.1%; 70.9% for men and 65.4% for women. The employment rate for those aged 55-64 reached 45.7%. Accordingly, unemployment decreased to 9.1%, but remained above the EU average. The labour market continued to be characterised by high structural unemployment together with recruitment problems and large regional variations.*

General assessment of the employment policy. *The Finnish NAPs have moved in a more strategic direction and towards long-term planning as part of the Government's economic policy since 1998. The target is to raise the overall employment rate to 70%, the female employment rate to 68% and the employment rate for those aged 55-64 to 55% by 2010. Because of a less favourable economic situation, Finland has realistically given up its previous target to raise employment to 70% by 2005. The interim overall employment target and the Lisbon target for women have been exceeded. All pillars are well presented, and emphasis is put on the first pillar. Pillar IV has received a more equitable status over the years, although gender mainstreaming remains weak. Finland is one of the Member States most exposed to the effects of an ageing population. Thus, ensuring the availability of labour is further emphasised throughout the pillars as a prerequisite for achieving the employment targets. Promoting the employability of vulnerable groups is part of this approach, which is challenging because two thirds of all unemployed are judged to be hard-to-place. The NAP is coherent with the NAP on Inclusion. Development of quality of work is being promoted in co-operation with social partners mainly in terms of working life development programmes and labour legislation reforms, combining flexibility and security aspects. Finland continued to have a comprehensive life-long learning strategy, though without national targets for human resources investment. In order to make regional policies more effective, Finland is introducing new legislative and operational tools, whose impact needs to be monitored. A large range of measures for promoting entrepreneurship have been launched in recent years, but the threshold for business start-ups still seems to be rather high. The role of social partners in the formulation of employment policy is well established and there is a trend towards higher participation of relevant actors in the NAP process at all levels. However, the regional and local dimension of the process needs to be consolidated. Most of the common indicators and some quality indicators are presented in the NAP. There are only partial financial data. The ESF programmes are contributing to the implementation of all pillars.*

Response to the recommendations. *As regards the tax burden on labour, Finland had exceeded the present Government's targets for tax reductions and will study the need to make*

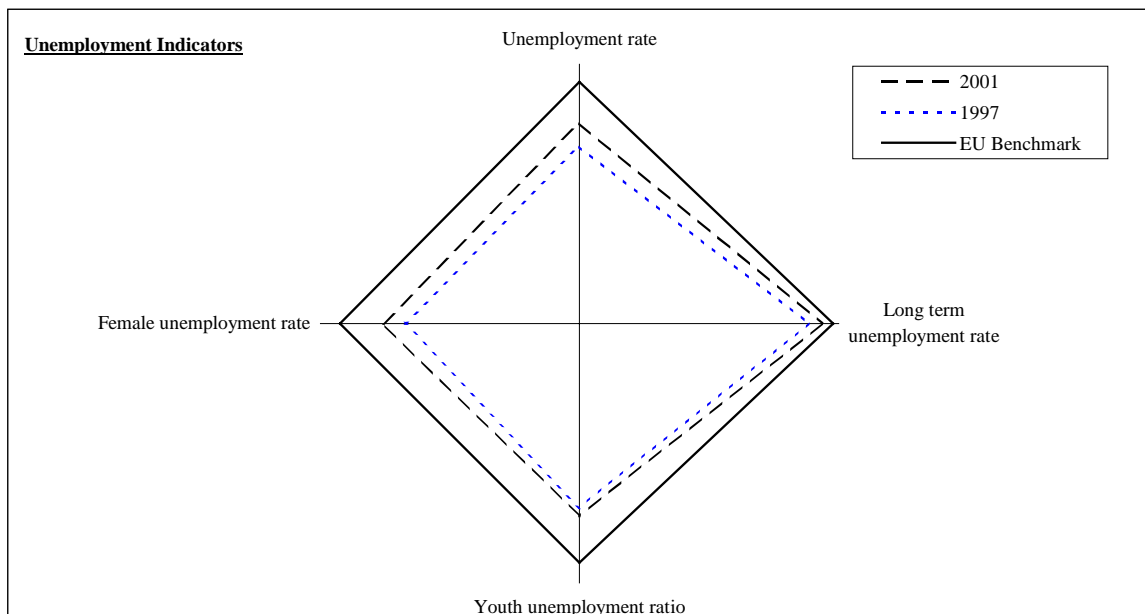
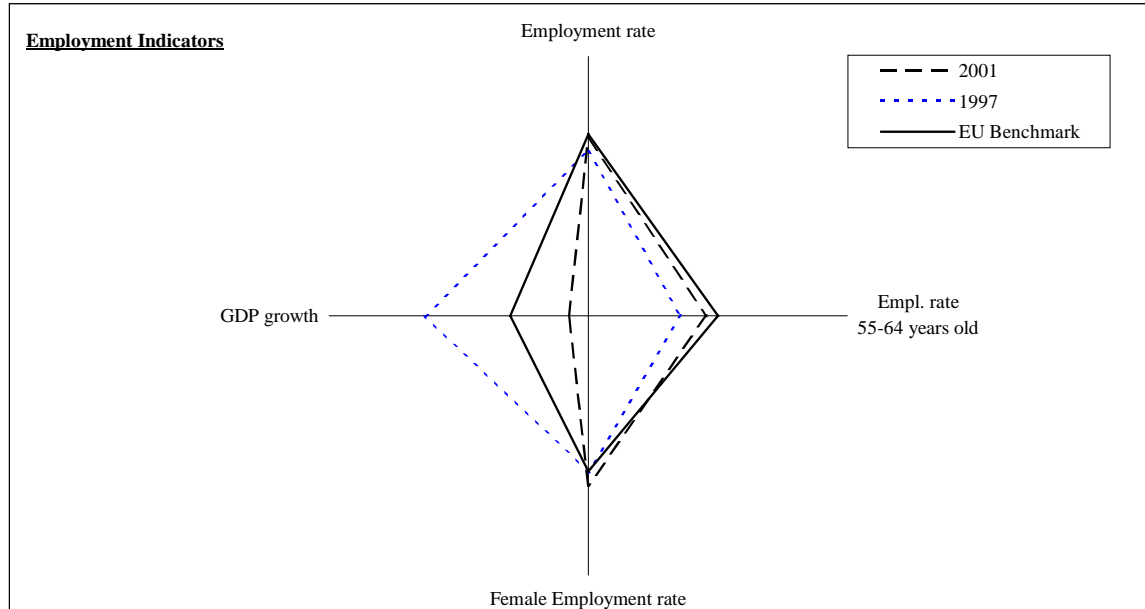
further changes in taxation for use by the next Government. The problems of low-paid labour still exist and call for further targeting of measures. As far as benefit systems are concerned, the extensive reform of the pension system was agreed through tripartite co-operation in 2001. The aim is to increase the flexibility both of the retirement age and incentives to remain longer in the labour force. However, the long phasing-out (2007-2014) of the existing unemployment pension scheme may risk delaying the achievement of a higher effective retirement age. Related to improving the effectiveness of active labour market programmes, several experiments and measures have been launched with the aim of finding more effective employment policies. The results cannot be seen yet. As regards gender segregation and pay gaps, there are no positive trends to report so far. Various actions are underway and a few new initiatives have been introduced. A more strategic approach is needed in order to reduce gender pay gaps.

Key issues for the future. *There is still a need to reduce the high level of structural unemployment and to increase the supply of labour, notably that of older workers in view of population ageing. Further attention could be given to the relatively high degree of fixed term contracts in the labour market. The large regional variations as well as the gender imbalance and gender gap call for further action. Tax and benefit schemes, especially for the low-paid, still deserve attention.*

FINLAND

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 68.1 | 63.3 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 45.7 | 35.7 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 65.4 | 60.3 | 60 (2010 target, Lisbon summit) |
| GDP growth | 0.7 | 6.3 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 9.1 | 12.7 | 2.7 (average of 3 best performers:LU,NL,AT) |
| Long term unemployment rate | 2.5 | 4.7 | 0.8 (average of 4 best performers:LU,NL,DK,AT) |
| Youth unemployment ratio | 10.3 | 11.6 | 3.1 (average of 3 best performers:LU,AT,IE) |
| Female unemployment rate | 9.7 | 13.0 | 3.0 (average of 3 best performers:LU,NL,IE) |

SWEDEN

Key performances in 2001: *The Swedish economy experienced a sharp slowdown in 2001 and real GDP growth decelerated to 1.2% from 3.6% in 2000, heavily influenced by the global economic slowdown and in particular the slump in the ICT sector. Employment growth has been robust in recent years and was still 1.9% in 2001. The rise in employment has led to a decline in unemployment to 5.1% last year. However, the slowdown in the economy will mean that the unemployment rate will increase to some extent this year. The unemployment rate is expected to fall again next year when the economy gains momentum.*

General assessment of the employment policy: *To achieve more and better jobs the Swedish government emphasises the importance of having a good policy mix and letting several policy areas interact. Policy areas which are important for reaching this are to have an active labour market policy, to set national targets for the employment rate, to improve incentives to take up a job, to bring in reforms aiming at making it possible for older workers to stay longer in working life as well as to take initiatives for improved quality in work and lifelong learning. The social partners have taken an active role in developing this year's NAP and their contribution is clear. However, the evaluation of the EES shows that the social partners have not increased their influence on policy over the last 5 years. Even though measures for disabled people and immigrants can be found there is no reference in the NAP to the social inclusion NAP. Furthermore, much attention is given to the need to increase labour force participation, mainly by stimulating young people, older workers, women and immigrants to increase their labour force participation. Given the present situation in the Swedish labour market, with an urgent need for more labour, a priority should be to stimulate increased labour force participation among immigrants, young people and older people. The rapidly increase in long-term sick leave will be combated by the new eleven-point programme consisting of three overall priorities; measures to enhance the working environment and a clearer employer responsibility, measures for a quick return to the labour market after a period of sick leave and, finally, research. It remains to be seen if this is sufficient.*

Response to the recommendations: *On the recommendation to reduce the tax burden on labour some new initiatives can be found, although there is still a high overall tax burden on labour. A third step in the on-going process of the tax reform that started two years ago has been taken. It will reduce marginal taxation for low- and medium wage earners by about 1.5 percentage points. Furthermore, on the tax and benefit schemes, participation in ALMP will not give entitlement to a new benefit period for unemployment insurance and benefit can be received for a maximum of 600 benefit days. The response on the recommendation on the gender segregated labour market is good. The Swedish government is aware of the problem and has taken some new measures to reduce the imbalance. The National Labour Market*

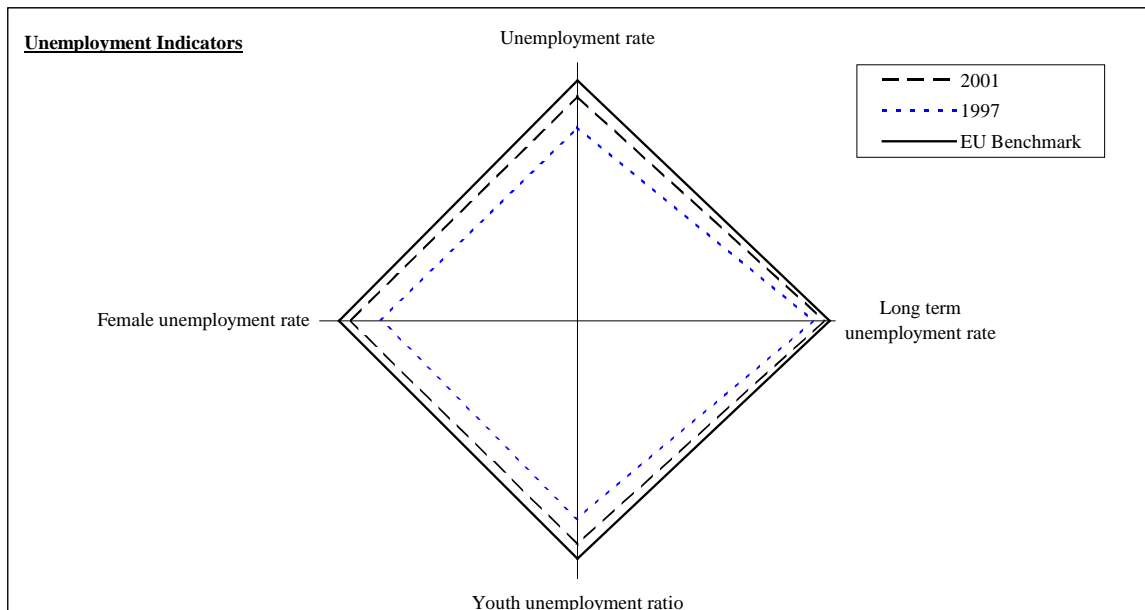
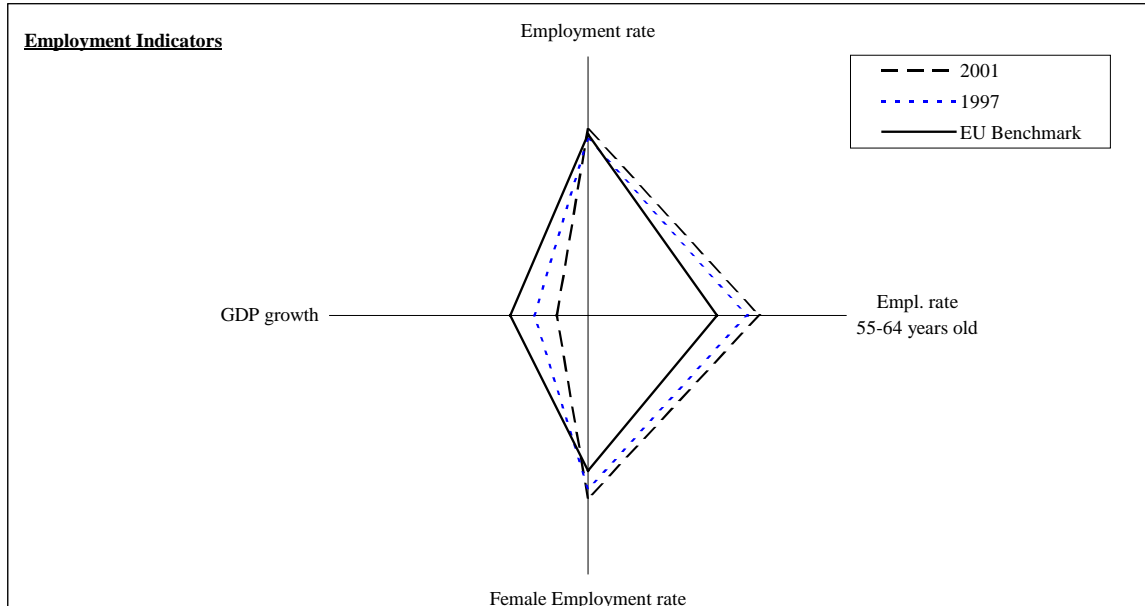
Board (AMS) was given special funds for a project called "Break Through" which aims to break the gender segregation in the labour market. The response to the third recommendation on ensuring the effectiveness of the ALMP is good. The ALMP is continuously followed-up and evaluated by the Institute for Evaluation of Labour Market Policy. The effectiveness of the ALMP is also ensured by the government's setting of quantitative targets and continuous monitoring of AMS's activities, by requiring more report back to the government on the effectiveness in the ALMP's.

***Key issues for the future:** Changes have been made to the tax and benefit systems resulting in lower marginal effects although the tax burden on labour remains high. Some benefit systems are quite generous, but include tight eligibility criteria. The need to increase the labour force is likely to become one of the main challenges ahead for Sweden. In this light, one of the government's and the social partners' most important challenges ahead seems to be to ensure that the rapid increase in sick leave, especially the long-term sick leave, is reduced. The promotion of labour force participation of immigrants could also help*

SWEDEN

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 71.7 | 68.1 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 66.5 | 61.8 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 70.4 | 66.6 | 60 (2010 target, Lisbon summit) |
| GDP growth | 1.2 | 2.1 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 5.1 | 9.9 | 2.7 (average of 3 best performers: LU, NL, AT) |
| Long term unemployment rate | 1.8 | 3.4 | 0.8 (average of 4 best performers: LU, NL, DK, AT) |
| Youth unemployment ratio | 5.2 | 9.3 | 3.1 (average of 3 best performers: LU, AT, IE) |
| Female unemployment rate | 4.9 | 9.5 | 3.0 (average of 3 best performers: LU, NL, IE) |

UNITED KINGDOM

Key performances in 2001: *The global economic slowdown has so far had little impact on the UK labour market. Employment growth continued for a fifth successive year. An extra 1.5 million people have moved into work since 1997. This growth was broadly based, increasing the overall employment rate to 71.7% and the rates for males, females and older workers. Nevertheless some structural challenges remain. The numbers of people claiming sickness and disability benefit continued to rise to almost 3 million, of which 2.5 million have been claiming for over a year. Although unemployment has fallen in all regions, regional disparities are rising. Non-employment remains concentrated within deprived communities, among workless families, and among certain disadvantaged groups (lone parents, certain ethnic minorities, male older workers, and the disabled). 40% of those on benefits have literacy and numeracy problems.*

General assessment of the employment policy: *The UK exceeds the quantitative targets set at Lisbon. Policy has become more ambitious since the beginning of the Employment Strategy with a goal to deliver full employment. Entrepreneurship and Employability policies aim to promote social inclusion, with local initiatives addressing geographical variations in job creation. Links with the Social Inclusion NAP are not well demonstrated. Adaptability policy concentrates on promoting flexible working practices, combined with minimum levels of security. Recent policy should improve the work-life balance and the NAP illustrates that gender issues are better mainstreamed throughout policy development. The UK's strategy to increase quality in work centres on providing greater choice in the range of jobs available. The NAP recognises the benefits if employers explore ways to improve the quality in work, noting that this can improve productivity, but it is unclear how employers will be encouraged to address this. The prospects of temporary agency workers have improved while they remain potentially more vulnerable than other workers.*

Response to the Recommendations: *At the enterprise, local, regional and national level, Social Partners have become more closely involved in policy delivery since 1997. At the national level the Government approach remains to consult Social Partners on policy implementation "where appropriate", with no general framework for their involvement. The Social Partners joint Productivity Report is an important contribution to the workforce skills agenda. A range of policies linked to modernising work organisation, implemented after the involvement of the Social Partners, should contribute to raising quality in work.*

The UK Government recognises that the gender pay gap is unacceptably high. Government Departments are to prepare Action Plans to reduce any gaps. Other developments concentrate on research to better understand the issue. The number of women working part-

time (often on low pay) is a major contributor to the pay gap and the ability of these women to progress often depend upon acquiring new skills. Efforts to address the provision and affordability of childcare have delivered results. However the gap between supply and demand remains significant so momentum should continue.

Under the common definition of the indicator for Guideline 2, 14.2% of the unemployed participated in an active measure in 2001. The NAP argues that the active benefit regime and the dynamic UK labour market make setting a training focused target inappropriate. In-flows into long-term unemployment (9.1%) fell again but remain above levels of the best performing Member States. To balance the emphasis on active job search, and given that those reaching the New Deal are the hardest to help, policies to identify and address basic skills deficiencies are very important.

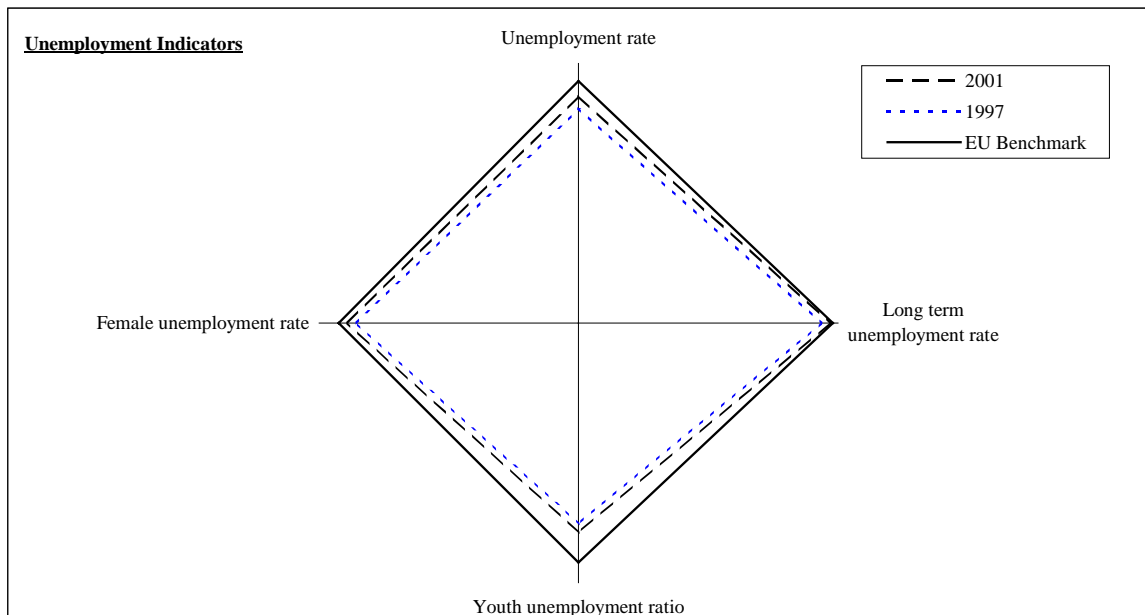
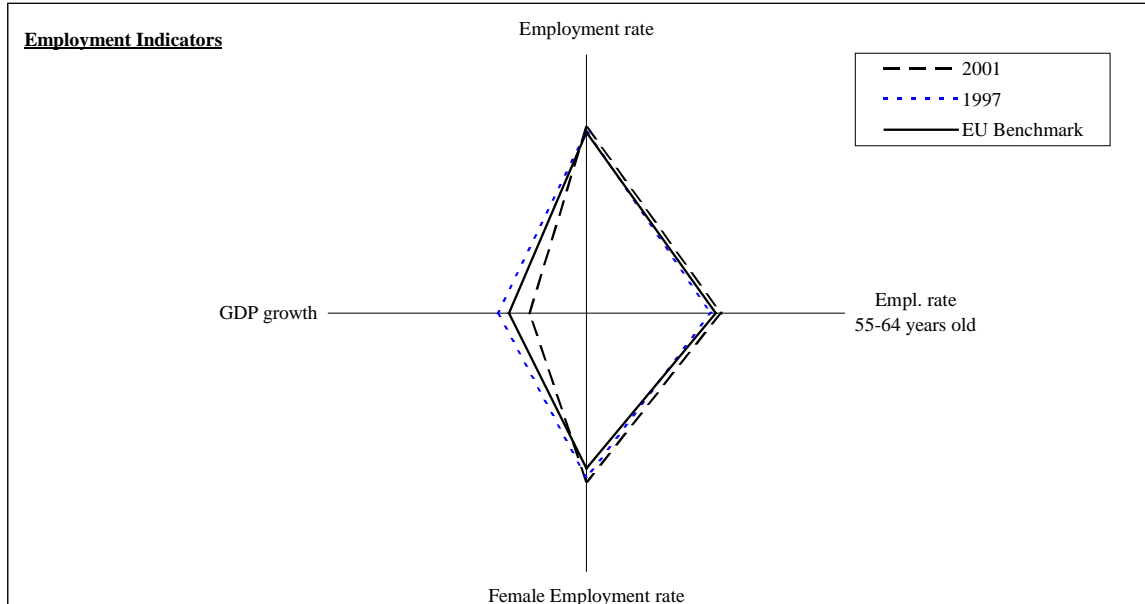
The English Learning and Skills Councils (LSCs) and their equivalents in the Devolved Administrations have the central role for workforce development, with the key actions at the local level. LSC's have responsibility for the new "Employer Training Pilots", which provide training entitlements for low skilled employees, and support for employers whose staff take time off to train. Government research suggests the unskilled, part-timers and older workers are among the least likely to receive work-based training. Policies in place could be complemented by providing further incentives to those most in need and to employers least able to afford to pay for the training (SME's) would complement the approach.

Key issues for the future: The continuing rise in numbers claiming Sickness and Disability Benefit represent a potential constraint to further increases in labour supply. Further challenges include increasing regional employment disparities and the gaps in employment rates between a range of disadvantaged groups and the rest of the workforce. Earlier intervention for more of the unemployed would complement a preventative approach that emphasises active job search. To address workforce skill gaps and low productivity, the Government and Social Partners could encourage work-based training (particularly amongst small firms). Encouraging employers to train women working in low paid part-time work could help address an unacceptably wide gender pay gap. At national level it is important to build upon the increasing role of the Social Partners in delivering policy, in particular to raise quality in work.

UNITED KINGDOM

Note: The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

| | 2001 | 1997 | EU Benchmark |
|----------------------------|------|------|---------------------------------------|
| Employment rate | 71.7 | 70.0 | 70 (2010 target, Lisbon summit) |
| Empl. rate 55-64 years old | 52.3 | 48.3 | 50 (2010 target, Stockholm summit) |
| Female Employment rate | 65.1 | 63.2 | 60 (2010 target, Lisbon summit) |
| GDP growth | 2.2 | 3.4 | 3 (base line scenario, Lisbon summit) |



| | 2001 | 1997 | EU Benchmark |
|-----------------------------|------|------|--|
| Unemployment rate | 5.0 | 6.9 | 2.7 (average of 3 best performers: LU, NL, AT) |
| Long term unemployment rate | 1.3 | 2.6 | 0.8 (average of 4 best performers: LU, NL, DK, AT) |
| Youth unemployment ratio | 7.7 | 9.1 | 3.1 (average of 3 best performers: LU, AT, IE) |
| Female unemployment rate | 4.4 | 5.8 | 3.0 (average of 3 best performers: LU, NL, IE) |

4. THE WAY FORWARD

This report's review of the major developments in national employment policies and performances in 2001 completes and largely confirms the lessons learned from the evaluation of the first years of the European employment strategy. There is now a strong basis on which to design the future generation of the EES, responding to the call from the Barcelona European Council for a reinforced Employment Strategy.

Need to pursue structural reforms of the labour markets

Policy measures taken by Member States to improve the functioning of their labour markets have paid dividends, as demonstrated in the evaluation report. But the relatively weak position of the EU as a whole in terms of employment and participation levels, unemployment and productivity per worker shows that major weaknesses remain. In addition, wide disparities persist on the labour market whether in terms of gender, age, people at a disadvantage or between regions within Member States. Considerable differences persist between Member States as regards levels of performance and the speed of structural reforms.

It is all the more important to pursue reforms in order to strengthen the EU position in the face of emerging challenges. These include the ageing and declining working age population, the insufficiently developed dimensions of quality in employment and inclusiveness of labour markets, the globalisation of the world economy, the rapid pace of economic and social restructuring and the emergence of bottlenecks in certain sectors and regions. Candidate countries, due to join the EU shortly, are still undergoing major economic restructuring and face acute challenges in terms of employment and the functioning of their labour markets.

Faced with the current economic slowdown Member States should intensify structural reforms including those of labour markets in order to support adaptation to change of workers as well as firms. On the contrary a successful implementation of the EES will help to stabilise expectations and limit the rise in unemployment and long-term unemployment while preparing the labour force for the next upswing. Reforms in the labour market must be accompanied by other structural reforms, notably in the products, capital and services markets, as they are largely inter-dependant.

Broad consensus on the main elements for an effective new EES

The Commission Communication on "Taking stock of five years of the EES"³⁸ identified key issues for the debate on the future of the EES. This, coupled with a complementary Communication on "Streamlining the annual economic and employment policy co-ordination cycles"³⁹, provided the basis for an active debate at all levels. The European Parliament adopted a resolution in September⁴⁰ and the Council held a first debate in October. Based on these and other elements, a broad consensus has emerged on some key features for a reinforced EES.

- the main focus of the EES should be on delivering the Lisbon objectives of more and better jobs and greater social cohesion in the wider context of progress towards a knowledge based economy and of the pursuit of sustainable development. These objectives are complementary and closely interlinked;
- the EES should be designed as a medium-term strategy with a 2010 horizon and a mid-term review in 2006. Changes in the Employment Guidelines in the intermediary years should be avoided;
- the Employment Guidelines should cover a broad employment policy agenda in an integrated way, whilst focussing on key priorities, underpinned by appropriate targets, and being more result-oriented;
- an annual review of progress towards the agreed objectives should be continue to take place, based on the National Action Plans for Employment, and relying on effective indicators;
- the different processes contributing to the implementation of the Lisbon agenda should be streamlined. This involves in particular a synchronisation of the employment co-ordination process with the Broad Economic Policy Guidelines and a better complementarity and consistency between them, recognising their respective roles; and
- The EES should be underpinned by improved governance.

Priorities for the future

³⁸ COM(2002) 416 final, 17 July 2002.

³⁹ COM(2002)487 final, 3 September 2002.

⁴⁰ Assessment of the first five years of the guidelines on employment, PE 316.370, 25 September 2002.

Successful employment policies responding to the above framework conditions are central to achieving the overall objectives of the Lisbon strategy, namely sustainable economic growth, full employment, competitiveness and strengthened social cohesion.

The EES so far has succeeded in promoting a better interaction between a range of policies that contribute to employment and in fostering a convergence of national employment policies towards the Employment Guidelines' commitments (see the Commission Communication "Taking stock of five years of the European Employment Strategy"). The future EES must build on this experience and maintain the momentum of structural reforms. By doing so it will continue to be a strategy for promoting and managing change in order to facilitate and accompany the deep economic and social transformations in the new as well as the current Member States.

A strengthened Employment Strategy would thus pursue three mutually reinforcing objectives: increasing employment and participation rates, raising quality and productivity at work and promoting an inclusive labour market. The modalities of its implementation also deserve better attention in order to improve governance.

Investment in human capital, skills development and lifelong learning are key to responding to these challenges. Moreover the integration of a gender perspective, both through the use of gender mainstreaming and, where necessary, through specific measures is also an essential dimension.

Policy efforts to support an enhanced EES must be based on strong commitments by Member States in terms of resources, both administrative and financial, leading in some cases to a redirecting of public expenditure.

Raising employment and participation rates

Achieving the employment objectives set by the Lisbon and Stockholm European Councils is crucial for EU economic growth as well as for the sustainability of our social protection systems.

Success depends on a wide range of policies as outlined in the Joint Report on raising labour force participation, which was presented by the Commission and the Council to the Barcelona European Council⁴¹. In particular, macro-economic policies and appropriate wage developments should continue to support investment, growth and employment and the

⁴¹ Increasing labour force participation and promoting active ageing, COM(2002) 9 final, 24 January 2002, Council document N° 6707 of 8 March 2002.

business environment should facilitate entrepreneurship and job creation. It is important to maintain - and in some countries to accelerate - growth in the employment of women. The low employment rate of older workers calls for comprehensive and determined policy responses. The implementation of effective and efficient active and preventive policies for the unemployed and the inactive should be pursued, and further reforms of tax/benefit systems to make work pay should be undertaken, while preserving adequate levels of social protection. The fight against undeclared work should be intensified, with a view to replacing it with regular employment. In the face of recruitment bottlenecks, mobility should be facilitated and well-managed immigration from third countries could be seen as a useful additional source of labour supply. Persistent regional disparities in terms of employment and unemployment also call for appropriate responses.

Building on synergies between productivity and quality at work

Quality at work is a multidimensional concept as recognised by the Laeken European Council in December 2001, which agreed a set of indicators to monitor progress achieved by Member States in this respect. Experience so far shows that Member States are starting to integrate a quality dimension into their employment policy, but, for the most part, still only in a partial way. Further progress needs to be achieved, considering that improving quality at work is a condition for a sustainable increase in employment as well as for further increases in the productivity of labour.

In particular, diverse patterns of employment relationships and innovative approaches to work organisation should continue to be encouraged to respond to the needs both of firms and workers. In this context, it is important to address and avoid labour market segmentation and to achieve a good balance between flexibility and security by ensuring that workers employed under different contractual and working time arrangements have equal access to security, career development and training. Increasing investment in human capital is a crucial priority and it is essential to provide adequate incentives for implementing life-long learning strategies. In order to retain more people longer in employment, there is a need to ensure quality in workplaces, including through improving health and safety. Measures to improve quality at work are also particularly relevant to increase the participation of women and older workers.

The conditions available to facilitate the access of young people to the labour market and their career progression through quality employment deserves special attention. The quality of social dialogue in general and negotiated agreements in collective bargaining play a crucial role in promoting quality at work under these different aspects.

Promoting an inclusive labour market

Employment is a major factor of social cohesion and inclusion. The EES has therefore a major role to play in promoting the Lisbon objective of an inclusive society. In particular it should aim at reducing the wide disparities persisting on the labour markets between women and men, between able-bodied and disabled persons and between nationals and non-nationals. These disparities are reflected both in terms of long-term unemployment – which bears a high risk of exit from the labour market and social exclusion – and in terms of inactivity. Problems are often exacerbated by a strong regional concentration and a concentration in urban as well as rural areas.

Experience shows that successful integration of less favoured categories on the labour market depends on a comprehensive approach based on the anticipation and the prevention of needs, combining:

- well-targeted active and preventive labour market measures to enhance their employability, taking into account the personal characteristics of the people concerned;
- measures to promote the creation of adequate job opportunities, together with raising awareness-raising and recruitment incentives for employers, and non-discrimination legislation and policies. In this context, opportunities for job creation in the social economy or in sectors responding to new demands should be further exploited; and
- as well as support from a wider set of accompanying measures, making work a real option for those concerned. The availability of care services for children and other dependants is particularly important in this respect.

Better governance

The Commission Communication and the evaluation of the EES already identified better governance of the EES as a key issue for the future, highlighting in particular the need for a stronger involvement of social partners and other relevant actors, the need for a territorial dimension for the EES as well as the importance of inter-departmental co-operation at national and EU levels.

In its Resolution of 25 September 2002⁴² on the future of the EES, the European Parliament laid strong emphasis on the need for the EES to be better integrated in national policy making. The Commission welcomes in particular the call for greater involvement of national Parliaments in the elaboration of the National Action Plans for Employment. Such involvement, which is already organised in a few Member States, would certainly increase the added-value of the EES and its impact. Steps should also be taken to ensure greater visibility of the EES with stakeholders and the public at large.

In particular, a closer involvement of social partners and a greater visibility of their contribution to the EES must be encouraged, building on their joint declaration to the Laeken Summit and their joint work programme at EU level. In the context of the framework for actions with regard to skills and competencies development submitted to the Barcelona Council the social partners have already committed themselves to regularly monitoring these developments at all levels and to undertake an evaluation in 2006. In its Communication on "the European social dialogue, a force for innovation and change"⁴³, the contribution of the social partners to the success of the Lisbon strategy is underlined. Concerted action between the social partners will be strengthened by way of a Council decision to establish a "tripartite summit for growth and employment", to meet on the eve of the Spring European Council.

Similarly, a close association of regional and local actors and representatives of civil society in the development and implementation of the strategy would be beneficial.

The involvement of these stakeholders should enhance social capital, i.e. the support provided by institutions, services and informal networks to those out of work and wanting to find a job.

⁴² Assessment of the first five years of the guidelines on employment, PE 316.370, 25 September 2002.

⁴³ COM(2002)341.

Follow-up

The coming months will provide an opportunity for further debate on proposals for the future of the EES. In January 2003, the Commission will present a Communication proposing an outline for the revised strategy, with concrete objectives and targets. Following the Spring European Council, the Commission will, in April 2003, make a formal proposal of Employment Guidelines and Recommendations, with a view to its adoption by the Council at the end of the first semester 2003.

ANNEX 1: OVERVIEW OF THE 2001 PERFORMANCE AND KEY INDICATORS⁴⁴

| | BE | DK | DE | GR | ES | FR | IE | IT | LUX | NL | AU | PT | SF | SW | UK | EU15 |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Employment Indicators | | | | | | | | | | | | | | | | |
| Total Employment Rate | 59.9 | 76.2 | 65.8 | 55.4 | 56.3 | 63.1 | 65.7 | 54.8 | 62.9 | 74.1 | 68.4 | 68.9 | 68.1 | 71.7 | 71.7 | 63.9 |
| <i>Males</i> | 69.1 | 80.2 | 72.6 | 70.8 | 70.9 | 70.3 | 76.4 | 68.5 | 74.8 | 82.8 | 76.7 | 76.9 | 70.9 | 73.0 | 78.3 | 73.0 |
| <i>Females</i> | 50.5 | 72.0 | 58.8 | 40.9 | 41.9 | 56.1 | 55.0 | 41.1 | 50.9 | 65.2 | 60.1 | 61.1 | 65.4 | 70.4 | 65.1 | 54.9 |
| 15-24 | 32.7 | 62.3 | 46.5 | 26.0 | 33.1 | 29.5 | 49.6 | 26.3 | 32.4 | 70.4 | 51.2 | 43.8 | 41.7 | 36.6 | 56.9 | 40.7 |
| 25-54 | 75.9 | 84.4 | 79.3 | 70.1 | 68.8 | 79.9 | 76.4 | 69.2 | 78.7 | 82.8 | 82.7 | 82.4 | 81.6 | 83.1 | 80.6 | 77.1 |
| 55-64 | 24.1 | 58.0 | 37.7 | 38.0 | 38.9 | 31.0 | 46.8 | 28.0 | 24.4 | 39.6 | 28.6 | 50.3 | 45.7 | 66.5 | 52.3 | 38.5 |
| Full-time eq. Employment rate ⁴⁵ | 55.7 | 69.8 | 58.6 | 55.1 | 53.8 | 59.9 | 60.7 | 52.7 | 60.0 | 58.1 | 63.4 | 67.4 | 65.7 | 65.1 | 62.1 | 58.5 |
| <i>Males</i> | 68.6 | 76.9 | 70.9 | 71.2 | 70.3 | 70.3 | 75.6 | 67.6 | 74.9 | 75.0 | 76.0 | 77.5 | 69.8 | 70.0 | 74.8 | 71.3 |
| <i>Females</i> | 43.0 | 63.0 | 46.5 | 40.0 | 37.8 | 50.0 | 45.7 | 38.1 | 45.1 | 41.6 | 50.9 | 57.7 | 61.8 | 60.2 | 50.2 | 46.0 |
| Unemployment Indicators | | | | | | | | | | | | | | | | |
| Total Unemployment Rate | 6.6 | 4.3 | 7.9 | 10.5 | 10.6 | 8.6 | 3.8 | 9.4 | 2.0 | 2.4 | 3.6 | 4.1 | 9.1 | 5.1 | 5.0 | 7.4 |
| <i>Males</i> | 6.0 | 3.8 | 7.7 | 7.0 | 7.5 | 7.1 | 3.9 | 7.3 | 1.7 | 1.9 | 3.0 | 3.2 | 8.6 | 5.2 | 5.5 | 6.4 |
| <i>Females</i> | 7.4 | 4.9 | 8.1 | 15.6 | 15.5 | 10.5 | 3.7 | 12.9 | 2.4 | 3.0 | 4.3 | 5.1 | 9.7 | 4.9 | 4.4 | 8.7 |
| Youth Unemployment Ratio | 6.1 | 5.9 | 4.8 | 10.2 | 9.1 | 7.1 | 3.3 | 10.2 | 2.7 | 4.1 | 3.2 | 4.5 | 10.3 | 5.2 | 7.7 | 7.1 |
| <i>Males</i> | 6.3 | 5.5 | 5.6 | 8.4 | 7.8 | 7.0 | 3.8 | 10.1 | 3.2 | 3.5 | 3.0 | 3.9 | 10.3 | 5.2 | 9.1 | 7.2 |
| <i>Females</i> | 5.9 | 6.3 | 4.0 | 11.9 | 10.3 | 7.1 | 2.8 | 10.4 | 2.1 | 4.6 | 3.4 | 5.1 | 10.2 | 5.2 | 6.3 | 7.0 |
| Long-Term Unemployment Rate | 3.0 | 0.9 | 3.9 | 5.4 | 5.1 | 2.9 | 1.3 | 5.9 | 0.5 | 0.8 | 0.9 | 1.5 | 2.5 | 1.8 | 1.3 | 3.3 |
| <i>Males</i> | 2.8 | 0.8 | 3.7 | 3.2 | 3.1 | 2.4 | 1.6 | 4.5 | 0.5 | 0.7 | 0.9 | 1.2 | 2.7 | 2.1 | 1.7 | 2.8 |
| <i>Females</i> | 3.4 | 1.0 | 4.1 | 8.7 | 8.1 | 3.5 | 0.8 | 8.0 | 0.5 | 1.0 | 1.0 | 1.9 | 2.3 | 1.5 | 0.8 | 3.9 |
| Economic Indicators | | | | | | | | | | | | | | | | |
| Total Employment Growth | 1.2 | 0.2 | 0.2 | -0.1 | 2.5 | 1.9 | 2.9 | 1.6 | 5.6 | 2.1 | 0.2 | 1.6 | 1.2 | 1.9 | 0.8 | 1.2 |
| Real GDP Growth | 1.0 | 1.0 | 0.6 | 4.1 | 2.8 | 1.8 | 6.8 | 1.8 | 3.5 | 1.1 | 1.0 | 1.7 | 0.7 | 1.2 | 2.2 | 1.6 |
| Labour Productivity Growth (capita) | -0.2 | 0.8 | 0.4 | 4.2 | 0.3 | -0.4 | 3.7 | 0.2 | -2.0 | -0.9 | 0.8 | 0.0 | -0.5 | -0.6 | 1.4 | 0.4 |
| Labour Productivity Growth (hourly) | -0.2 | 1.0 | 0.4 | 4.2 | 0.3 | 0.1 | 3.7 | 0.2 | -2.1 | -0.9 | 0.8 | 0.0 | -0.5 | -0.6 | 1.2 | 0.3 |
| Real Unit Labour Costs | 1.3 | 0.9 | -0.1 | -1.2 | 0.0 | 1.3 | 0.3 | -0.1 | 7.1 | 1.0 | 0.1 | 0.8 | 2.8 | 2.3 | 1.3 | 0.6 |
| Other key indicators | | | | | | | | | | | | | | | | |

⁴⁴ For further explanation of the indicators see annex 3.

⁴⁵ Data for Spain for 2001 are provisional.

| | | | | | | | | | | | | | | | | |
|---|------|------|------|-------|-------|------|------|-------|------|------|------|------|------|------|------|------|
| Participation in education and training | 7.3 | 17.8 | 5.2 | 1.4 | 4.7 | 2.7 | 5.2 | 5.1 | 5.3 | 16.3 | 7.8 | 3.3 | 19.3 | 17.5 | 21.7 | 8.4 |
| <i>Males</i> | 7.7 | 16.4 | 5.7 | 1.5 | 4.1 | 2.5 | 5.2 | 4.9 | 5.9 | 17.0 | 9.0 | 3.0 | 17.1 | 15.4 | 18.0 | 7.8 |
| <i>Females</i> | 6.9 | 19.1 | 4.8 | 1.2 | 5.2 | 3.0 | 5.3 | 5.2 | 4.7 | 15.5 | 6.7 | 3.7 | 21.4 | 19.7 | 25.6 | 8.9 |
| Investment expenditure on education | | | | 3.5 | 4.4 | 5.7 | | 4.5 | | 4.9 | | | | 8.3 | | |
| Share of teachers with IS literacy | | | | | | | | | | | | | | | | |
| <i>Computer training</i> | 51 | 68 | 35 | 40 | 63 | 44 | 74 | 58 | 41 | 62 | 64 | 37 | 76 | 63 | 74 | 54 |
| <i>Internet training</i> | 34 | 59 | 22 | 24 | 47 | 29 | 49 | 33 | 21 | 35 | 43 | 21 | 56 | 52 | 56 | 36 |
| Rate of early school leaving | 13.6 | 16.8 | 12.5 | 16.5 | 28.3 | 13.5 | 18.9 | 26.4 | 18.1 | 15.3 | 10.2 | 45.2 | 10.3 | 7.7 | | 19.4 |
| <i>Males</i> | 15.0 | 16.9 | 12.2 | 20.4 | 34.7 | 15.0 | 22.6 | 30.2 | 19.0 | 16.5 | 9.7 | 52.3 | 13.0 | 9.2 | | 21.9 |
| <i>Females</i> | 12.3 | 16.7 | 12.8 | 13.0 | 21.8 | 12.0 | 15.1 | 22.6 | 17.2 | 14.1 | 10.7 | 38.0 | 7.7 | 6.2 | | 16.8 |
| Internet Coverage in Schools | 91 | 98 | 94 | 45 | 94 | 84 | 98 | 89 | 92 | 93 | 72 | 62 | 99 | 100 | 95 | 89 |
| <i>Primary</i> | 90 | 98 | 90 | 22 | 91 | 63 | 96 | 87 | 86 | 91 | 53 | 56 | 99 | 100 | 93 | 84 |
| <i>Secondary</i> | 96 | 99 | 98 | 58 | 95 | 97 | 99 | 98 | 100 | 100 | 95 | 91 | 99 | 100 | 98 | 96 |
| <i>Tertiary</i> | 94 | 100 | 97 | 85 | 98 | 98 | 100 | 97 | 100 | 100 | 96 | 100 | 97 | 100 | | 97 |
| Rate of self-employed | 13.2 | 8.0 | 9.9 | 31.6 | 18.4 | 9.8 | 17.0 | 23.7 | 6.7 | 10.8 | 10.8 | 25.0 | 12.3 | 10.6 | 11.3 | 14.0 |
| <i>Males</i> | 16.3 | 12.2 | 12.8 | 37.9 | 21.3 | 13.0 | 24.3 | 28.6 | 8.0 | 12.7 | 12.8 | 27.4 | 16.0 | 15.2 | 15.1 | 17.8 |
| <i>Females</i> | 9.1 | 3.2 | 6.4 | 21.3 | 13.6 | 5.9 | 6.5 | 15.4 | 4.7 | 8.4 | 8.4 | 22.1 | 8.3 | 5.6 | 6.5 | 9 |
| Employment Rate in Services | | 56.4 | | 33.0 | 35.9 | | 42.1 | 36.0 | | 56.9 | 42.4 | 40.3 | 45.3 | 52.5 | 52.9 | 44.4 |
| <i>Males</i> | | 50.5 | | 38.0 | 37.3 | | 38.5 | 40.2 | | 55.6 | 39.6 | 38.7 | 37.1 | 44.2 | 48.7 | 43.0 |
| <i>Females</i> | | 62.3 | | 28.3 | 34.3 | | 45.8 | 31.8 | | 58.2 | 45.0 | 41.6 | 53.6 | 61.1 | 57.2 | 45.6 |
| Adjusted implicit Tax Rate on employed Labour | 44.0 | 41.5 | 38.8 | 37.5 | 31.5 | 37.9 | 27.4 | 41.3 | 29.8 | 31.6 | 41.7 | 33.9 | 45.3 | 48.5 | 28.3 | 36.4 |
| Tax Rate on low wage earners | 49.1 | 41.1 | 45.4 | 34.3 | 33.3 | 38.4 | 17.3 | 42.9 | 28.8 | 36.8 | 39.9 | 29.6 | 40.9 | 47.0 | 24.8 | 37.8 |
| Accidents at work (reference year 1999) | 4924 | 4908 | 3031 | 2740 | 7027 | 4991 | 1291 | 4067 | 4973 | 4223 | 3301 | 5048 | 3137 | 1425 | 1606 | 4088 |
| Non-standard Employment | 13.0 | 18.1 | 7.7 | 11.5 | 24.6 | 14.9 | 15.6 | 9.3 | 7.7 | 33.4 | 6.5 | 14.7 | 20.8 | 23.6 | 9.2 | 13.4 |
| <i>Part-time</i> | 20.2 | 20.8 | 20.8 | 3.5 | 8.4 | 17.1 | 17.7 | 9.6 | 11.5 | 43.1 | 17.3 | 4.8 | 11.8 | 22.7 | 25.1 | 18.9 |
| <i>Fixed-term</i> | 8.8 | 9.4 | 12.4 | 12.9 | 31.5 | 14.9 | 3.7 | 9.5 | 4.4 | 14.3 | 8.1 | 20.3 | 17.9 | 14.7 | 6.7 | 13.2 |
| Gender Segregation | | | | | | | | | | | | | | | | |
| <i>Occupations</i> | 26.1 | 28.1 | 27.0 | 21.7 | 25.0 | 26.6 | 26.8 | 21.9 | 26.8 | 25.0 | 27.2 | 26.5 | 29.6 | 29.0 | 26.7 | 25.2 |
| <i>Sectors</i> | 18.1 | 19.0 | 18.2 | 15.5 | 19.5 | 17.4 | 20.7 | 15.2 | 19.6 | 18.1 | 20.3 | 21.5 | 21.9 | 21.8 | 18.8 | 17.7 |
| Gender Gap in the employment impact of parenthood (ratio) | 1.15 | | 1.53 | 1.29 | 1.40 | 1.34 | | 1.30 | 1.26 | 1.23 | 1.18 | 1.08 | | | 1.47 | 1.36 |
| Employment Impact of parenthood | | | | | | | | | | | | | | | | |
| <i>Males</i> | -9.7 | | -7.6 | -15.2 | -14.1 | -9.3 | | -13.9 | -7.2 | -4.3 | -6.3 | -9.6 | | | -5.8 | -9.5 |
| <i>Females</i> | 1.7 | | 21.9 | 4.2 | 8.2 | 11.9 | | 4.9 | 9.2 | 12.0 | 6.8 | -2.0 | | | 21.6 | 12.2 |
| Gender Pay Gap (reference year 1998) | 7 | 10 | 19 | 13 | 14 | 11 | 20 | 9 | | 21 | 21 | 6 | | | 24 | 16 |

ANNEX 2: OVERVIEW OF THE COMMON AGREED INDICATORS ON PREVENTION AND ACTIVATION FOR 2000 AND 2001⁴⁶

Table A: Common agreed indicators on prevention. Young unemployed people

| | 2000 | | | | | | | | | 2001 | | | | | | | | |
|------------|--------------|------|------|----------------------|------|------|--------------|------|------|--------------|----------|----------|----------------------|----------|----------|--------------|------|------|
| | Effort (C/A) | | | Non-compliance (D/B) | | | Output (B/A) | | | Effort (C/A) | | | Non-compliance (D/B) | | | Output (B/A) | | |
| | Total | H | F | Total | H | F | Tot | H | F | Total | H | F | Total | H | F | Tot | H | F |
| BE | 53,3 | 53,2 | 53,2 | 21,7 | 19,7 | 23,6 | 44,9 | 42,9 | 46,9 | 57,9 | 59,3 | 56,3 | 29,0 | 27,8 | 30,3 | 36,2 | 35,5 | 36,9 |
| DK | 1,0 | 1,0 | 1,0 | 81,0 | 83,0 | 80,0 | 6,0 | 6,0 | 7,0 | 1,0 | 1,0 | 1,0 | 83,0 | 84,0 | 82,0 | 6,0 | 6,0 | 6,0 |
| DE | 65,6 | 66,5 | 64,2 | 18,5 | 18,1 | 19,1 | 16,6 | 16,0 | 17,5 | 76,3 | 76,1 | 76,6 | 17,7 | 15,0 | 22,9 | 16,2 | 15,8 | 16,7 |
| EL | | | | | | | | | | | 10,6 | 10,1 | | | | | 39,5 | 44,7 |
| ES | 39,0 | 42,0 | 37,0 | 37,0 | 36,0 | 38,0 | 8,0 | 7,0 | 9,0 | 32,0 | 33,0 | 31,0 | 46,0 | 47,0 | 45,0 | 10,0 | 8,0 | 13,0 |
| FR | 5,9 | 5,2 | 6,7 | 59,9 | 59,4 | 60,3 | 14,8 | 12,8 | 16,8 | 6,4(a) | 5,6 (a) | 7,2 (a) | 53,8 (a) | 54,5 (a) | 53,3 (a) | 14,1 | 13,0 | 15,2 |
| | | | | | | | | | | 55,9 (b) | 54,0 (b) | 57,9 (b) | 79,0 (b) | 80,0 (b) | 78,1 (b) | | | |
| IE | 4,3 | | | 60,9 | | | 8,1 | | | 3,8 | | | 59,0 | | | 7,2 | | |
| IT | | | | | | | | | | | | | | | | | | |
| LUX | 40,7 | | | 11,8 | | | 21,8 | | | 43,5 | | | 8,2 | | | 26,8 | | |
| NL | 100 | | | 0 | | | 10,0 | | | 100 | | | 0 | | | 10,0 | | |
| AU | 58,4 | 56,2 | 61,3 | 15,2 | 18,5 | 12,8 | 2,8 | 2,2 | 3,6 | 60,7 | 58,5 | 63,6 | 13,9 | 15,8 | 12,3 | 2,5 | 2,0 | 3,2 |
| PT | 36,1 | 34 | 37,3 | 6,8 | 7,5 | 6,4 | 12,1 | 9,5 | 13,8 | 34,9 | 33,5 | 35,7 | 23,9 | 26,3 | 22,7 | 17,4 | 15,0 | 18,8 |
| FIN | 99,0 | 98,8 | 99,2 | 10,9 | 11,0 | 10,7 | 9,1 | 10,8 | 7,8 | 99,5 | 99,4 | 99,5 | 8,7 | 10,1 | 7,5 | 8,6 | 10,0 | 7,4 |
| SW | 98,7 | 98,4 | 98,9 | 9,6 | 10,3 | 8,5 | 1,3 | 1,6 | 1,1 | 97,9 | 97,5 | 98,3 | 1,1 | 1,2 | 0,9 | 2,1 | 2,5 | 1,7 |

⁴⁶

For explanation of the indicators see annex 3.

| | | | | | | | | | | | | | | | | | | |
|-----------|-----|-----|-----|---|---|---|----|----|----|-----|-----|-----|---|---|---|----|----|----|
| UK | 100 | 100 | 100 | 0 | 0 | 0 | 16 | 16 | 15 | 100 | 100 | 100 | 0 | 0 | 0 | 16 | 16 | 15 |
|-----------|-----|-----|-----|---|---|---|----|----|----|-----|-----|-----|---|---|---|----|----|----|

Table B: Common agreed indicators on prevention. Adult unemployed people

| | 2000 | | | | | | | | | 2001 | | | | | | | | |
|------------|--------------|------|------|----------------------|------|------|--------------|------|------|--------------|----------|----------|----------------------|------|----------|--------------|------|------|
| | Effort (C/A) | | | Non-compliance (D/B) | | | Output (B/A) | | | Effort (C/A) | | | Non-compliance (D/B) | | | Output (B/A) | | |
| | Tot | H | F | Tot | H | F | Tot | H | F | Tot | H | F | Tot | H | F | Tot | H | F |
| BE | 47,8 | 49,6 | 46,3 | 38,0 | 36,0 | 39,6 | 35,0 | 33,5 | 36,3 | | | | | | | | | |
| DK | 1,0 | 1,0 | 1,0 | 66,0 | 75,0 | 58,0 | 3,0 | 3,0 | 3,0 | 1,0 | 1,0 | 1,0 | 60,0 | 68,0 | 53,0 | 3,0 | 3,0 | 3,0 |
| DE | 67,2 | 68,2 | 65,8 | 23,6 | 21,0 | 26,3 | 17,3 | 15,0 | 20,4 | 74,3 | 69,7 | 70,9 | 22,4 | 22,0 | 22,9 | 20,7 | 19,2 | 23,8 |
| EL | | | | | | | | | | | | | | | | | | |
| ES | 30,0 | 29,0 | 30,0 | 62,0 | 66,0 | 59,0 | 8,0 | 7,0 | 9,0 | 23,0 | 21,0 | 25,0 | 62,0 | 66,0 | 58,0 | 9,0 | 8,0 | 11,0 |
| FR | 6,6 | 5,3 | 7,9 | 50,6 | 55 | 45,9 | 13,3 | 12,1 | 14,6 | 7,6 (a) | 5,9 (a) | 9,4 (a) | 39,1 (a) | | 29,0 (a) | 12,3 | 11,6 | 13,0 |
| | | | | | | | | | | 53,4 (b) | 52,6 (b) | 54,1 (b) | 75,3 (b) | | 74,9 (b) | | | |
| IRL | | | | | | | | | | 7,7 | | | 48,5 | | | 12,7 | | |
| IT | | | | | | | | | | | | | | | | | | |
| LUX | 27,3 | | | 38,2 | | | 14,6 | | | 32,1 | | | 21,9 | | | 15,3 | | |
| NL | 12,0 | | | 66,0 | | | 21,0 | | | 15,0 | | | 66,0 | | | 23,0 | | |
| AU | 54,6 | 49,5 | 67,0 | 16,9 | 18,7 | 15,3 | 0,9 | 0,6 | 1,7 | 56,3 | 50,9 | 70,0 | 14,8 | 15,8 | 13,7 | 0,6 | 0,5 | 0,9 |
| PT | 35,8 | 37,2 | 35,1 | 11,6 | 11,4 | 11,8 | 14,4 | 16,7 | 13,2 | 34,1 | 35,3 | 33,6 | 21,7 | 22,7 | 21,0 | 17,6 | 20,1 | 16,3 |
| FIN | 98,6 | 98,0 | 98,9 | 14,1 | 14,6 | 13,6 | 10,2 | 14,1 | 7,9 | 99,4 | 99,1 | 99,6 | 9,7 | 13,9 | 7,4 | 9,5 | 13,6 | 7,3 |
| SW | 93,3 | 92,2 | 94,4 | 0,8 | 0,7 | 0,8 | 6,7 | 7,8 | 5,6 | 95,6 | 94,8 | 96,4 | 0,1 | 0,1 | 0,1 | 4,4 | 5,2 | 3,6 |
| UK | 100 | 100 | 100 | 0 | 0 | 0 | 10 | 11 | 7 | 100 | 100 | 100 | 0 | 0 | 0 | 9 | 10 | 7 |

Country-specific remarks concerning annex 2

BE: 2000 figures cover the period 07/99-06/00 for young persons and 01/00-12/00 for adults. 2001 figures cover the period 07/00 – 06/2001 for young persons. 2001 figures for adults are not available.

DK: Insured unemployed only. 2000 figures cover the period 2nd half of 1999 – 2nd half of 2000 and 2001 figures cover the period 2nd half of 2000 – 2nd half of 2001 for young persons.

DE: Adult data include all unemployed.

EL: Indicators are not available.

ES: 2001 figures cover the period 01/04/2001 – 31/03/2002.

FR: Due to methodological and implementation changes put in place by the new PAP/ND ("personalised action programme for a new start"), as from 1 July 2001, the input indicators are separated into two periods: (a) 1st semester of 2001; and (b) 2nd semester of 2001

NL: Prevention indicators are based on newly unemployed only. Data on young unemployed is based on situation 12 months after registration.

PT: In 2001 the data cover for the first time the whole territory.

ANNEX 3: INDICATORS: SOURCES AND DEFINITIONS

Data used in this report mainly originates from Eurostat, the Statistical Office of the European Communities. Some data is also provided in the National Action Plans on Employment. The main Eurostat data sources are:

- the European Community Labour Force Survey (LFS),
- the Eurostat Quarterly Labour Force Data series (QLFD),
- the European harmonised series on unemployment, and
- the European Community Household Panel (ECHP).

The European Community Labour Force Survey (LFS) is the EU's harmonised survey on labour market developments. Some Member States provide quarterly results from a continuous labour force survey, others conduct a single annual survey in the spring.

The Eurostat Quarterly Labour Force Data series (QLFD) is a harmonised series of quarterly employment statistics based on LFS and on national sources where applicable. The QLFD consist of two sets of quarterly series: 1) population, employment and unemployment by sex and age, mainly based on the Community LFS results, and 2) employment by economic activity and employment status (mainly based on the ESA 1995 national accounts employment data), further broken down by sex and by some job characteristics.

The European Community Household Panel (ECHP) is an annual longitudinal survey of a representative panel of households launched in 1994, covering living conditions, employment status, health, education and income. Data were available for the first four waves of the panel (1994-1998) at the time of publication of this report. The survey is based on a harmonised Eurostat questionnaire, adapted by national institutes.

Performance indicators

EMP1/EMP2/EMPc2 Employment rates by age groups (15-64,15-24,25-54,55-64) and gender

Definition: Employed persons as a share of total population of same gender and age.

Source: Eurostat QLFD

EMPC3 Full time equivalent employment rates by gender in the age bracket 15-64

Definition: Full time equivalent employment as a share of total population of same gender and age (full time equivalent employment being defined as total hours worked divided by the annual average number of hours worked in full time jobs).

Source: Labour Force Survey

UNEMP1 Unemployment rates by gender

Definition: Unemployed as a share of active population of same gender and age.

Source: Eurostat harmonised series on unemployment

UNEMPC1 Youth unemployment ratio by gender

Definition: Unemployed people aged 15-24 as a share of total population of same gender and age.

Source: Eurostat harmonised series on unemployment

UNEMP2 Long-term unemployment rates by gender

Definition: Long-term unemployed (12 months duration or more) as a share of active population of same gender.

Source: Eurostat QLFD

EMPC1 Employment growth

Definition: Annual change in population employed by resident producer units.

Source: QLFD

ECON1, ECONc1, ECONc2 Other economic related employment indicators (real GDP growth, labour productivity growth and real unit labour costs) are provided by DG ECFIN (AMECO database), based on national accounts (ESA-95 definitions) and on spring forecasts. The data are average annual change from previous year (in percentage).

Key indicators

PREV1 Prevention: Effort indicator

Definition: Share of young/adult unemployed becoming unemployed in month X and having started an individual action plan before reaching 6/12 months unemployment (by gender).

Source: National Action Plans

PREV2 Prevention: Non compliance indicator

Definition: Share of young/adult becoming unemployed in month X, still unemployed in months X+6/12 and not having started an individual action plan (by gender).

Source: National Action Plans

PREV3 Prevention: Output indicator: Rate of inflow into long-term unemployment

Definition: Share of young (adult) persons who are still unemployed at the end of month X+6 (12) without any break (by gender).

Source: National Action Plans

ACT1 Activation: Activation rate

Definition: Number of participants in training and similar measures who were previously registered unemployed related to the number of registered unemployed (including persons in measures) (yearly averages). Broken down by types of measure and by gender.

Source: National Action Plans

ACT2 (ACT3) Effectiveness of activation: Rate of return to employment (unemployment)

Definition: Rate of return to employment (unemployment) after participation in a measure.

Source: National Action Plans

LLL1 Investment expenditure on education/GDP

Definition: Total public expenditure on education as a percentage of GDP.

Source: UNESCO/OECD/EUROSTAT annual data.

LLL2 Participation in education and training

Definition: Percentage of working age population participating in education and training.

Source: Labour Force Survey

LLL3 Rate of early-school leaving

Definition: Percentage of 18-24 year olds having achieved lower secondary education (ISCED level 2) or less and not attending further education or training and by working status.

Source: Labour Force Survey

LLL4 Internet coverage in schools

Definition: Percentage of schools connected to the internet by level and type of education (primary, secondary, professional/technical - INSED levels 1 and 2-3).

Source: Eurobarometer Flash 102 and 119.

LLL5 Share of teachers with IS literacy

Definition: Percentage of teachers, having acquired digital literacy skills (i.e. trained in the use of computers and the internet) or using computers (off-line/on-line) by school level and type of education (primary, secondary, professional/technical) – INSED levels 1 and 2-3).

Source: Eurobarometer Flash 102 and 119.

ENTR3 Rate of self-employment

Definition: Number of self-employed as a percentage of number of employed persons.

Source: Labour Force Survey.

ENTR4 Employment rate in services

Definition: Number of employed persons working in the services sector (in main job) aged 15-64 as percentage of the population aged 15-64.

Source: Eurostat QLFD

TAX1 Adjusted implicit tax rate on employed labour

Definition: Ratio of total taxes on employed labour (personal income taxes plus employees' and employers' social security contributions plus payroll taxes) divided by the total compensation of employees plus payroll taxes paid by the employers.

Source: Eurostat "The structures of the taxation systems in the EU" as updated by the Commission services- DG TAXUD, 2002.

TAX2 Tax rate on low wage earners

Definition: Ratio of income tax plus employee and employer social contributions including payroll taxes less cash benefits divided by the labour costs for a low-wage earner (single person without children with a wage of 67% of the average production worker's wage).

Source: OECD, "Taxing wages- taxes on wages and salaries, social security contributions for employees and their employers, child benefits ", calculations by the Commission services based on OECD database 1996-2001.

HSW1 Accidents at work

Definition: The evolution of the incidence rate, defined as the number of accidents at work per 100 000 persons in employment.

Source: European Statistics on Accidents at Work (ESAW)

NFW1 New forms of work (non-standard employment)

Definition: Number of employees working voluntary and involuntary part-time as % of total number of employees and of those with voluntary and involuntary fixed-term contracts as % of total number of employees.

Source: Labour Force Survey

EO1 Absolute unemployment gap

Definition: The difference in unemployment rates between women and men in absolute figures (percentage points).

Source: Eurostat harmonised series on unemployment

EO2 Absolute employment ga

Definition: The difference in employment rates between women and men in absolute figures (percentage points).

Source: Eurostat QLFD

EO3 Index of gender segregation in occupations

Definition: The average national share of employment for women and men is applied to each occupation, the differences are added up to produce a total amount of gender imbalance. This figure is presented as a proportion of total employment.

Source: Labour Force Survey.

EO4 Index of gender segregation in sectors

Definition: The average national share of employment for women and men is applied to each sector, the differences are added up to produce a total amount of gender imbalance. This figure is presented as a proportion of total employment.

Source: Labour Force Survey.

EO5 Gender pay gap

Definition: Ratio of women's hourly gross earnings index to men's for paid employees at work 15+ hours. Breakdown by private and public sectors.

Source: European Community Household Panel (ECHP).

EO6 Gender gap in the employment impact of parenthood

Definition: The ratio between employment rates of men, with and without children, and the employment rates of women, with and without children, age group 20-50. Children aged 0-6 years are included. $(M_c/M_{nc})/(W_c/W_{nc})$, where M_c =men with children, W_c =women with children, M_{nc} =men with no children, W_{nc} =women with no children. The closer the value is to 1, the more similar the impact of parenthood is on women and men. Values over 1 indicate that the impact of parenthood on women is larger than on men.

Source: Labour Force Survey.

EO7 Employment impact of parenthood

Definition: The absolute difference in employment rates without the presence of any children and with the presence of a child aged 0-6 (age group 20-50), by gender.

Source: Labour Force Survey.