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## TABLE OF CONTENT

1.	THE ECONOMIC CONTEXT .....	4
2.	OVERALL ASSESSMENT OF PERFORMANCES WITH REGARD TO THE EU EMPLOYMENT OBJECTIVES .....	4
2.1	ACHIEVING FULL EMPLOYMENT .....	5
2.2	IMPROVING QUALITY AND PRODUCTIVITY AT WORK.....	9
2.3	STRENGTHENING SOCIAL COHESION AND INCLUSION.....	13
3.	OVERALL ASSESSMENT OF THE IMPLEMENTATION OF POLICIES .....	15
3.1	INCREASING ADAPTABILITY OF WORKERS AND ENTERPRISES.....	15
3.2	ATTRACTING MORE PEOPLE TO ENTER AND REMAIN ON THE LABOUR MARKET: MAKING WORK A REAL OPTION FOR ALL.....	22
3.3	INVESTING MORE AND MORE EFFECTIVELY IN HUMAN CAPITAL AND LIFELONG LEARNING.....	34
3.4	ENSURING EFFECTIVE IMPLEMENTATION OF REFORMS THROUGH BETTER GOVERNANCE .....	37
4.	ASSESSMENT OF PERFORMANCES AND POLICIES OF THE MEMBER STATES .....	43
	AUSTRIA.....	43
	BELGIUM.....	46
	CYPRUS .....	50
	CZECH REPUBLIC .....	53
	GERMANY.....	56
	DENMARK.....	60
	ESTONIA.....	63
	GREECE .....	66
	SPAIN .....	70
	FINLAND .....	74
	FRANCE.....	77
	HUNGARY.....	81
	IRELAND .....	85
	ITALY .....	88

LITHUANIA.....	92
LUXEMBOURG.....	95
LATVIA.....	99
MALTA.....	102
The NETHERLANDS.....	105
POLAND.....	109
PORTUGAL.....	113
SWEDEN.....	117
SLOVENIA.....	120
SLOVAK REPUBLIC.....	123
UNITED KINGDOM.....	128
Annex 1: Overview of policy response to the country-specific EU Recommendations.....	131
Annex 2: Progress against the targets.....	134
Annex 3: Key and Context Indicators.....	163

## **1. THE ECONOMIC CONTEXT**

In the period 2001-2003, economic growth in the EU25 has been slow. Performances in the recently-acceded Member States have been more favourable, therefore catching up in relative terms, while economic growth in EU15 has been sluggish. The subdued level of domestic demand is the main cause explaining growth below potential<sup>1</sup>.

These recent economic performances are in sharp contrast with the more favourable experience of the EU15 over 1997-2001, a period of comparatively high economic growth. The then favourable economic environment combined with structural improvements in the labour market resulted in a high level of job creation in the late 1990s.

The recently-acceded Member States achieved reasonably strong economic growth in 2003 but this continues to be driven by strong productivity increases, while employment growth actually declined by 0.2%. This pattern of productivity-driven/jobless economic growth may continue for some years to come as a result of intense economic restructuring.

Economic forecasts show cautious signs of recovery for the EU25 in 2004 and subsequent years, supported by domestic demand. This, in turn, would lead to improved performances of the labour market. For the year 2004, employment growth is expected to rise at 0.4% in the EU25 (the equivalent of 0.8 million net new jobs) and to move up to 0.7% in 2005 and 0.8% in 2006. The unemployment rate is expected to remain close to 9% in 2004, before edging downwards in 2006.

However, this forecast is subject to a number of downside risks, notably the correction of major imbalances of the US economy which may act as a brake on European growth through the combined effect of lower foreign demand and an appreciation in the euro. This is particularly worrisome for the EU, as its recovery has so far relied mainly on external demand. Volatility in commodity markets, in particular the oil price hike, may also discourage investment, affect consumers' confidence and lower employment growth as a result.

## **2. OVERALL ASSESSMENT OF PERFORMANCES WITH REGARD TO THE EU EMPLOYMENT OBJECTIVES**

Within the framework of the European Employment Strategy (EES), Member States are committed to foster the three overarching and interrelated objectives of full employment, quality and productivity at work, and social cohesion and inclusion. Reflecting the Lisbon agenda, these objectives should be pursued in a balanced manner.

When assessing progress over time, it is important to bear in mind the implications of the EU enlargement and of the resulting increase in disparities on the overall EU performance. In statistical terms, the EU averages for measuring employment, quality and productivity at work and social cohesion and inclusion, have been affected. The analysis below confirms that, despite some progress, the EU is still very short of its objectives and targets. To reap the benefits of a more favourable economic environment and make further progress, the EU must exploit fully the synergies between the three objectives of the EES.

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1 See European Commission "Autumn Economic Forecasts 2004".

As stressed by the Employment Taskforce chaired by Wim Kok<sup>2</sup> and confirmed in last year Joint Employment Report<sup>3</sup>, boosting employment and productivity growth is essential to raise Europe's economic potential. In this respect, improving quality at work, an objective in its own right, is also essential to attract more people in employment and raise productivity levels. More resolute action to address social exclusion and regional disparities will also be needed to ensure that Europe's potential is fully tapped and that progress is sustainable.

## 2.1 ACHIEVING FULL EMPLOYMENT

***To meet the 70% Lisbon target for 2010, Europe still needs to create more than [22] million jobs. The EU will miss the intermediate employment rate target for 2005 (67%) and, without a spectacular acceleration in employment growth, the 2010 target will also be missed.***

For a third successive year, progress towards the Lisbon target of a 70% overall employment rate for the EU by 2010 is at a standstill (slightly below 63%). The enlarged EU is still around 25 million jobs short of its ambition<sup>4</sup>. On the assumption that the economic forecast for the period 2004-2006 materialises, the EU25 would require an annual average employment growth rate of around 1¾% to 2% per year for the EU25 as a whole<sup>5</sup>. This would represent a significant acceleration from an expected average employment growth rate of 0.8% for the period 1997-2006.

Short-term performances have been affected by the economic slowdown. In the EU15, employment growth decelerated from 1.2% in 2001 to 0.5% in 2002 and 0.3% in 2003. However, in net terms, no jobs were lost in the recent downturn in the EU15, while more than 3 million jobs disappeared in the 1992-1993 recession. This increased resilience of employment confirms the structural improvements achieved in the functioning of the labour market since the mid-1990s<sup>6</sup>. The downside of the resilience of the labour market during the prolonged slowdown of 2001-2003 is that it may imply a slow response also in the upturn. In the newly acceded Member States, the combination of long-lasting economic adjustments and

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2 "Jobs, Jobs, Jobs – Creating more employment in Europe", Report of the Employment Taskforce chaired by Wim Kok, November 2003.

3 The JER examines how Member States are progressing in the implementation of Employment Guidelines and Recommendations adopted on the basis of Article 128 of the Treaty. All documents are accessible at: [http://europa.eu.int/comm/employment\\_social/employment\\_strategy/index\\_en.htm](http://europa.eu.int/comm/employment_social/employment_strategy/index_en.htm)

4 Eurostat is preparing a new set of demographic projections. According to preliminary data, they are due to increase significantly the population of working age (between 15 and 64 years of age) on account of large upward revisions in the expected migrant inflows. Based on very preliminary estimates, this new set of demographic projections is due to increase by 2010 total working age population by close to 4 million, which ceteris paribus represents an additional requirement for the creation of jobs close to 3 million.

5 For a detailed analysis of recent employment trends and possible scenarios towards the 2010 targets, see European Commission "Employment in Europe 2004".

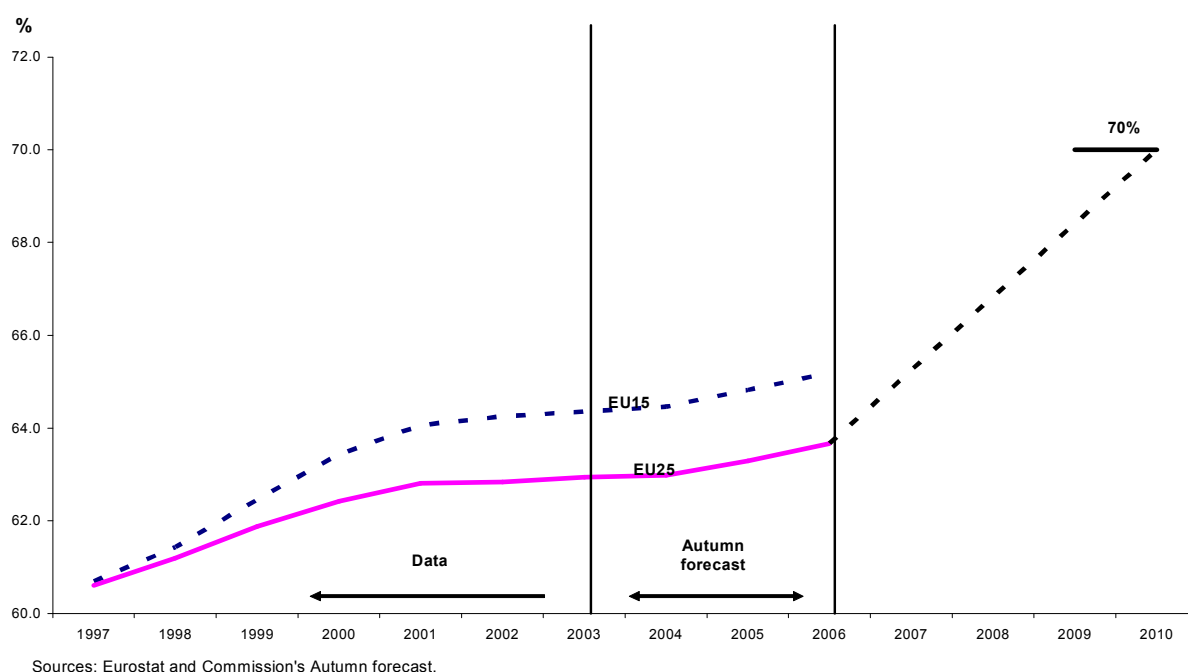
6 See the 2002 to 2004 issues of "Employment in Europe" for an in depth analysis of recent labour market developments. A number of reasons can be advanced to explain the improved performance of labour markets across Europe in recent years, thereby contributing to the increased resilience during the recent economic slowdown. Among these factors, it should be mentioned the greater availability of new types of contracts, such as part-time and fixed-term contracts, the strengthening of active labour market policies, and the rise in the skill level of the working age population. Moreover, there is also ample evidence suggesting that the increased degree of wage moderation, particularly since the run-up to EMU, has also contributed to the improvement of employment outcomes (see "EMU after 5 years", European Commission, July 2004).

of the cyclical impact of the slowdown led to a cumulated decline in employment by -0.5% between 2001 and 2003.

For the year 2004, while employment growth is expected to increase by 0.4% for the EU25, CZ, FR, FI, NL, PL and SE would experience negative employment growth, while DE should see a return to marginally positive growth. Employment growth would remain dynamic in EL, ES, IE and LU.

These performances seem insufficient to achieve the 2010 targets in the medium term. Graph 1 plots the total employment rate projection implicit in the Commission's 2004 Autumn forecast. The total employment rate for the EU25 is expected to continue to rise during the forecast period of 2004-2006, but the pace of progress is limited and clearly insufficient to reach the 70% target by 2010<sup>7</sup>. The reader should be warned of the likelihood of future revisions of the projected (and also possibly the historical) employment rate values on account of the imminent release of a new set of demographic projections by Eurostat (see footnote 4).

**Graph 1. Recent trends and necessary path to the 2010 employment rate target**



Across the 25 Member States, only four countries have already reached the total employment rate target of 70% in 2003 (DK, NL, SE and the UK), whereas AT, CY, FI, and PT are close to that value (i.e. within less than 3 percentage points).

Table 1 compares the relative situation of the Member States against the targets, with their pace of progress over the last six years. With the exception of DK, the best performing Member States have consolidated their position in recent years, experiencing increases in the employment rate similar to or above the EU average. The increase in the overall employment rate in the NL is mainly driven by the rapid increase in female employment, usually through

7 Notice that the slope of the line connecting the employment rate for the EU25 between 2006 and 2010 is much steeper than the projected/historical improvement up to 2006.

part-time work. The employment rate in IE, and to a lesser extent in FI, also increased at a speed above the EU average.

**Table1. Overall employment rates**

Pace of progress since 1997 Rates in 2003 (%)	Low	Close to average	High
	> 70	DK	SE, UK
65-70		AT, CY, DE, PT	FI, IE
< 65	CZ, EE, LT, MT, PL, SI, SK	BE, EL, FR, LU, LV	ES, HU, IT

Explanation: Pace of progress is defined as the percentage point change in the employment rate between 1997 and 2003:  
a) Low progress: the employment rate increased below the EU25 average minus half of the (unweighted) standard deviation  
b) Close to average: the employment rate increased inside a band of one standard deviation centered on the EU25 average  
c) High progress: the employment rate increased above the EU25 average plus half of the (unweighted) standard deviation

Catching up has occurred in a number of Member States with initially low employment rates, most notably in ES, which is characterised by a share of fixed-term contracts. Despite significant employment growth, ES and IT still remain below the EU average. PL employment rate has decreased over the years and is the lowest of the EU (51.2% in 2003).

Relative to their population, the countries making the higher contributions to the employment growth of the EU in the period 1997-2003 were ES, IT, NL, IE and to a lesser extent also PT. On the other hand, DE and to a lesser extent AT, BE and DK made the lowest contributions to the overall EU increase, with PL actually making a negative contribution.

Achieving the overall Lisbon target by 2010 will critically depend upon further substantial structural improvements, especially as regards the employment situation of women and older workers in those Member States and regions which are lagging behind. The good performances of Member States having already achieved the 70% employment rate target and the improvements experienced in a number of other Member States over the years should show the way for the EU as a whole.

***The employment rate for women continued to improve in 2003 but progress has slowed down. To reach an employment rate of at least 60%, the average annual increases seen in female employment rate since 1997 must be maintained each year up until 2010.***

The employment rate for women (EU25) has increased from 54.7% in 2002 to 55% in 2003. While the intermediate target of 57% for 2005 and the Lisbon target of more than 60% can still be met, there is a large female labour supply potential which remains untapped in the EU. The activation of this potential is critical if the EU is to reach the Lisbon overall objective of a 70% employment rate.

Eight Member States (CY, DK, NL, AT, PT, FI, SE and UK) already exceed the 2010 Lisbon target for the female employment rate and six others (DE, EE, FR, LT, LV, SI) are close or above the 57% mid-term target. The EU average is clearly diminished by the low employment

rates for women in a number of Member States, notably EL, ES, IT and PL, although there are signs of significant improvement in ES and IT.

**Table 2. Female employment rates**

<b>Pace of progress since 1997</b> <b>Rates in 2003 (%)</b>	<b>Low</b>	<b>Close to average</b>	<b>High</b>
<b>&gt; 60</b>	DK	AT, FI, PT, SE, UK	CY, NL
<b>55-60</b>	CZ, EE, LT, SI	DE, FR, LV	IE
<b>&lt; 55</b>	MT, PL, SK	BE, EL HU	ES, IT, LU

Explanation: see notes in table 1

Women have represented 63% of employment growth since 1997 and the gender gap in terms of employment has decreased steadily. However, the gap (16 percentage point) is still significant and it is more than 25 pp in EL, IT and MT. To achieve the target of an employment rate of more than 60% by 2010, as well as the overall target of 70%, the improvements experienced since 1997 would need to be sustained up to 2010.

*Although employment rates for older workers increased, the target of 50% is a considerable way off. Progress towards the 70% overall Lisbon target will critically depend upon even more rapid increases in the employment of older workers.*

The employment rate of older workers increased to over 40.2% in 2003, compared to 38.7% in 2002. The 50% target has only been reached by six Member States (CY, DK, EE, PT, SE, and UK) and is within reach in a further two (FI and IE).

**Table 3. Employment rates of older workers (55-64)**

<b>Pace of progress since 1997</b> <b>Rates in 2003 (%)</b>	<b>Low</b>	<b>Close to average</b>	<b>High</b>
<b>&gt; 50</b>	CY, EE	PT, SE	DK, UK
<b>40-50</b>	EL	CZ, ES, LT	FI, IE, LV, NL
<b>&lt; 40</b>	AT, DE, PL, SI, SK	BE, IT, LU, MT	FR, HU

Explanation: see notes in Table 1

In the coming years, increases in the employment rate of older workers will partly be caused by a cohort effect, as those born in the post-war baby boom reach the age of 55, thereby increasing the size of the 55-64 age brackets (with more of the starting age).



However, between 2002 and 2003, this cohort effect for the EU as a whole was not particularly important. The employment rate increased for the whole 55-64 age group, regardless of the specific year when individuals were born and in fact the increase was particularly strong for those in their early 60s, especially for men. There was also a marked increase for women aged 55-56.

The average exit age from the labour market has increased by 0.6 for the EU25 between 2002 and 2003, from 60.4 to 61.0 (the corresponding increase for the EU15 was 0.5 from 60.8 to 61.3). However, progress was mixed, with a decrease in the average exit age in a few Member States (see [Annex 2](#)). Furthermore, the exit age is still below 59 in SI, SK, PL, BE, MT, AT,. On the other side, progress was particularly strong in HU, IE, EL, DK, PL and IT..

Progress towards the 50% target will essentially depend on further progress in the Member States where the employment rate of older workers still is very low. A stronger policy effort will also be needed to achieve the Barcelona target of an increase of 5 years in the average exit age from the labour market by 2010.

## 2.2 IMPROVING QUALITY AND PRODUCTIVITY AT WORK

### *Recent labour productivity growth is insufficient to reverse the poor performance compared to the US since the mid-1990s*

While in the early 1990s, the EU15 outperformed the US in terms of labour productivity growth both in total terms and per hour worked, the situation has worryingly reversed over the more recent period between 1997 and 2003.

Whereas the US was able to combine strong employment and productivity growth, in the EU, the rise in employment is combined with a drop in productivity growth. The entry of workers in sectors of the economy with lower levels of productivity may have played a role but does not account for the underlying incapacity of the EU to accelerate productivity, which seems more linked to the sectoral structure of the EU economy and its difficulty to foster and absorb innovation

**Table 4. GDP, employment and labour productivity growth (annual averages)**

	1991-1996		1997-2000		2001-2003		1991-2003	
	EU15	US	EU15	US	EU15	US	EU15	US
<b>1. GDP</b>	1.5	3.3	3.2	4.1	1.0	2.5	2.0	3.2
<b>2. Employment</b>	-0.4	1.6	1.9	2.1	0.4	-0.5	0.6	1.2
<b>3. Labour Productivity (3≈1-2)</b>	1.9	1.7	1.3	2.0	0.6	2.9	1.4	2.0
<b>4. Hours worked per employed (a)</b>	-0.3	0.3	-0.6	0.5	-0.5	-0.4	-0.4	0.3
<b>5. Hourly labour productivity (5≈3-4)</b>	2.2	1.3	1.9	1.4	1.1	3.3	1.8	1.7

Sources: DG-ECFIN's Ameco database and the Groningen Growth and Development Centre (GGDC).  
a) GGDC data are used to calculate average annual hours worked per employee.

In order to make intra-EU productivity comparisons across the 25 Member Countries, table 5 presents a cross tabulation between per capita income levels and their average growth rates. A clear negative correlation between levels and growth rates of per capita income at purchasing power parities (ppp) emerges from table 5, suggesting that low income countries are indeed catching-up.

In fact, all the new Member States together with EL show a high or very high labour productivity growth, while most of the other Member States have average productivity growth. IT and ES record the worst performance of the EU in that respect. Exceptions are IE (with a very high productivity growth performance coupled with a high level of GDP per employed person) and PT (with average productivity growth combined with relatively lower productivity levels).

**Table 5. Labour productivity growth and levels (per person employed)**

Average annual growth rate of real GDP per person (1997-2003) GDP per employed person employed at ppp in 2003 (EU25= 100)	Low	Median	High
≥ 110	IT	AT, FI, BE, FR, LU, NL	IE
75-110	ES	DE, DK, SE, UK	CY, EL, MT
50-75		PT	CZ, HU, PL, SI, SK
≤ 50			EE, LV, LT

Source: Commission Ameco database Ave: average growth for the EU25; x: average growth for a country; std: unweighed standard deviation for the EU25:

a) Low:  $x < \text{ave} - \text{std} / 3 \leftrightarrow x < 8\%$

b) Median:  $\text{ave} - \text{std} / 3 < x < \text{ave} + \text{std} / 3 \leftrightarrow 8\% < x < 2.0\%$

c) High:  $\text{ave} + \text{std} / 3 < x \leftrightarrow x > 2.0\%$

### ***Progress towards improving quality in work remains mixed***

Quality in work is a multi-dimensional concept and depends on a number of components that interact with each other. In 2001, the Council agreed to assess progress using a set of indicators on quality built on the ten dimensions of quality in work identified by the Commission<sup>8</sup>. The Commission analysed progress at national and EU level along these ten dimensions in its Communication<sup>9</sup> on "improving quality in work".

### ***Labour market transitions and segmentation***

In the EU15 the share of fixed-term employment continued to decline marginally in 2003 to 12.8% of all the employees, the occurrence of this type of employment having peaked in 2000 at 13.6%. Fixed-term employment tends to follow a procyclical trend, with relatively strong growth of almost 6% over the 1997-2000 period characterised by strong overall employment

<sup>8</sup> REFERENCE TO BE ADDED

<sup>9</sup> COM(2003)728 "Improving quality in work". All the dimensions are important for monitoring progress. For the purpose of this year's JER, the following four dimensions are discussed. The other dimensions of quality in work are covered in brief in the concluding remarks.

growth and a 1% contraction in the following period of sluggish overall employment growth. However, the trend for the EU25 as a whole is still one of an increasing share of fixed-term employment, as it becomes more common in the recently-acceded Member States.

Labour markets are characterised by a high degree of mobility, roughly one third of those in temporary employment finding a more stable job after only one year. However, even after six years, the longest time horizon allowed by data available, around 16% of those that were in precarious contractual arrangements are still in the same situation and, more worryingly, 20% of them have moved out of employment, more than for any other category of workers<sup>10</sup>.

The transition rates into employment and, once in employment, the opportunities to remain and progress in the labour market, vary considerably between people according to specific characteristics, between occupations and sectors of the economy and between countries, in certain instances with high persistence rates in precarious employment even after several years. Concerns have been expressed that this may lead to the emergence of a two-tier labour market, with "insiders" benefiting from a high level of employment protection and career opportunities and "outsiders" recruited under competing forms of contract.

While a job is the best safeguard against social exclusion, around 1/4 of people at risk of poverty in the EU-25 have a job, with a sizeable share of these working poor being self-employed. Therefore, promoting access to quality employment including access to training, and an income that enables full participation in employment and society, are primordial for social inclusion.

Another aspect of the segmentation of the labour market is the extent of the informal economy. The Commission has, for the first time, published<sup>11</sup> some tentative estimates for undeclared work. The estimated size varies greatly, ranging from an estimated 1.5% of GDP in AT and 2% in the UK to 16-17% in HU, 18% in LV and over 20% in EL. The construction sector tops the league for undeclared work, followed by agriculture and the hotel and restaurant sector, and to a lesser extent by personal and domestic services. In the recently-acceded Member States, undeclared work also features in medical services, private tutoring, real estate transactions and business services.

### *Access to training*

The participation of adults in education and training is a matter of concern for most Member States, but the critical issue is ensuring that everyone has access to training. Participation varies enormously across Member States from over 34% in SE down to less than 4% in PT. The group of well performing Member States (DK, FI, SE, UK) also perform generally well in terms of participation of younger groups. Conversely the poor performers (SK, PT, PL, MT, LT, IT, HU, ES, EL) have very low rates of participation also in other age groups.

The groups most in need of training are the groups least likely to receive training. Older workers are almost three times less likely to receive training than the rest of the labour force and levels of participation are a particular problem in the new Member States, where the average rate of 1.2% is significantly below the EU15 rate of 4.1%. However, the percentage of the labour force participating in education and training declines with age and this trend

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10 For definitions and detailed data, see European Commission "Employment in Europe" 2003 and 2004

11 Undeclared work in an enlarged Union, Report for the European Commission, May 2004 (see: [http://europa.eu.int/comm/employment\\_social/employment\\_analysis/work\\_enlarg\\_en.htm](http://europa.eu.int/comm/employment_social/employment_analysis/work_enlarg_en.htm))

starts early on in the working life. To increase the level of training that older workers receive, it is essential to reverse the declining trend from an early stage in the life-cycle: only life-long learning can guarantee future cohorts of older workers the necessary skills to adapt to changes in the labour market.

There is also a participation gap in terms of access to training between the low skilled and the high skilled of 15.1 percentage points (rates of 17.5% for the high skilled and 2.4% for the low skilled in the EU25). In the new Member States, low skilled adults are more than 15 times less likely to participate in education and training than the high skilled. As with older workers, Member States with high participation across the board are also the best performers in terms of the participation rates of the low skilled (DK, FI, SE, UK). Similarly the poor performers in general have extremely low participation rates for the low skilled (CZ, EE, EL, LT, PL, SK).

### *The gender pay gap*

At EU-level the difference between earnings of men and women is significant and has not decreased since 1997. In the EU-15, the gender pay gap remained stable until 2001 at approximately 16%<sup>12</sup>, and this figure is not affected by the enlargement to EU-25. For the EU-15, where information is available for private and public sector separately, the gap is higher in the private sector, particularly in PT, UK, EL, DE and AT.

The gender pay gap is low (10% or less) in IT, MT and PT and below average also in BE, FR, DK, PL and SI. The gap is high (20% or more) in AT, CZ, CY, DE, EE, HU, SK and UK. In most Member States there has been no reduction of the gender pay gap since 1997. A clear decrease of the pay gap can be seen only in EE, IE HU and LT. In contrast, the gap has been increasing in BE, DK, EL, ES and FR and recently also in PT.

### *Accidents at work*

The impact of accidents at work is still very severe. According to evaluation in 2000, 17 % of the absences from work are caused by accidents at work. Estimates compiled by Eurostat in 2004 put the cost of the 141,000 accidents at work leading to various degrees of permanent incapacity to work at 29 billion euros.

The number of accidents at work has shown a decreasing trend since 1997 in the EU15, as a result of the progress of a number of Member States (AT, NL, EL, SK, SI, PL, BE, HU, MT, FI, DE, DK) that have had substantial success in reducing the number of serious accidents. A further group (CZ, FR, IT, LT, LU, PT,) have seen relatively minor reductions in the incidence rate. However, a group of five Member States (CY, EE, UK, LV and SE) have seen substantial increases in the incidence of serious accidents.

Similar developments can be seen regarding fatal accidents (an accident which leads to the death of a victim within one year of the accident). Since 1997, many Member States have substantially reduced fatal accidents. Slower progress is seen in the UK, SK and AT, and a group of three Member States (BE, LV, LT) have seen substantial increases.

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12 Latest available EU data with a breakdown between private and public sector are for 2001.

## 2.3 STRENGTHENING SOCIAL COHESION AND INCLUSION

### *Long-term unemployment has started to increase again*

Rather worryingly, long-term unemployment (LTU) increased in the EU25 in 2003 to 4% of the labour force. A number of Member States have been successful in bringing down levels of LTU since 1997, in particular, despite the recent downturn, AT, IE, LU, NL, SE, UK. In many Member States, however, the LTU rate is very high, in PL and SK, it stands at more than 10 % of the labour force and has increased considerably since 1999. Rates are also well above the EU25 average in DE, EE, EL, IT, and LT. Few of these Member States have been successful in significantly bringing down LTU rates since 1997, thus being a major cause of social exclusion and poverty in these Member States.

### *Youth unemployment is increasingly a matter of concern*

Young people have suffered disproportionately during the downturn. Although the youth unemployment ratio decreased slightly in 2003 for the EU25, increases by more than one percentage point were seen in BE, DK, EE, LT, NL and PT. There are wide divergences between Member States. AT, HU, IE, and LU have been relatively successful in tackling or containing youth unemployment, and have a youth unemployment ratio of about half the EU25 average (8.1%). However, in EL, ES, FI, PL, and SK the ratio is significantly higher than the EU25 average, and has not reduced significantly since 1999.

### *Significant barriers remain for disadvantaged people to enter the labour market*

Recently, job prospects for low-skilled people and for other vulnerable groups, like disabled people, immigrants and some ethnic minorities, who face compounded disadvantages, have also deteriorated.

The employment situation of people with disabilities continues to be weak in comparison with non disabled people, even in those Member States with a strong economy (IE, UK). Such poor performances are a matter of concern and received considerable attention during the European Year of People with Disabilities in 2003. Where details are given of a gap in employment rates of disabled and non disabled people, these range from 17% (BE) to around 51% (PL). Even where figures are not quoted the clear perception is of low employment rates of disabled people in most Member States.

The unemployment rate gap between EU and non-EU citizens increased by almost 1 percentage point in 2003 to an average of close to 10%<sup>13</sup>. The strongest increases were observed in the NL (+7.0 pp) and DK (+4.5 pp). Amongst the Member States for which data is available, the largest gaps are found in BE (25.9%) and FR (17.3%) with gaps considerably above the EU15 average.

### *Regional disparities remain substantial*

Enlargement has made regional disparities more apparent, and the challenge of cohesion more acute. The population living in regions with output per head of less than 75% of the EU has increased from 73 million to 123 million, a widening of disparities in wealth at the EU level which has no precedent in any previous enlargement. Employment disparities between

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13 Data for the new Member States are not available.

countries have increased in statistical terms, as have interregional disparities (disparities between regions of different countries), the latter most dramatically.

Only four new Member State regions have achieved the 2005 intermediate employment rate target of 67%: CY (comprising a single NUTS level 2 region), Prague and Střední Čechy in CZ and Bratislava in SK. With 66.9% another Czech region, Jihozápad, approaches the 67% target. In the EU15, 84 regions have achieved this target, mostly situated in SE, DK (comprising a single NUTS level 2 region), UK, NL and AT. In the EU25, 18 regions have an employment rate below 50%. Of these 18 regions, 10 are situated in the EU15: Sicily, Calabria, Campania, Puglia, Basilicata and Sardegna in IT and the four French overseas departments. The other eight are situated in PL: Dolnośląskie, Lubuskie, Śląskie, Wamąnsko-Mazurskie, Zachodniopomorski, Świętokrzyskie, Opolski and Pomorskie.

It is important to note that the intra-regional unemployment and employment rate differences of the new Member States are generally less large than those of some of the old Member States. In CZ and SK, two strong performing regions -Prague and Bratislava respectively- have a somewhat widening effect on differences between the regions of these countries but without showing the high ranges that exist in IT, FR and ES.

In 2003, regional employment rate disparities ranged in IT from 42% in Sicily to 70% in Bolzano, in FR from 40% in Réunion to 68% in Franche-Comté, and in the UK from 63% in the Tees Valley and Durham region to 78% in the Berkshire, Buckinghamshire and Oxfordshire region. In PL the employment rate ranged from 46% in Lubuskie to 57% in Mazowieckie. Thus, the weakest performing UK region still exceeded the level of the best performing PL region.

Unemployment rose slightly in the EU25 as a whole between 2002 and 2003, from 8.9% to 9.1%, and this was reflected at regional level, with rates rising in just under 60% of the 254 NUTS2 regions of the EU25. Unemployment rates varied widely across the EU25 regions, from 2.0% in Bolzano (IT) to 31.8% in La Réunion (FR).

Of the 254 regions, 53 had an unemployment rate of 4.5% or less in 2003 (half the average of the EU25). They included 11 of the 12 NL regions, 8 of the 9 AT, the 18 UK regions and 8 regions in IT. CY and LU also had unemployment below this level, as did one region each in BE, CZ, IE, HU, PT, and SE. At the other extreme, 25 regions had a rate of 18.2% or higher (double that of the EU25): 10 out of the 16 regions in PL, five in DE, four in FR, three in IT, two in SK and one in ES.

Between 2002 and 2003, the overall unemployment rate for women in the EU25 rose slightly, from 9.9% to 10%. Female unemployment was lowest in the region of Salzburg in AT, Dorset and Somerset in the UK, and highest in Calabria in IT and La Réunion in FR. The female unemployment rate was higher than the male rate in nearly 2/3s of the regions. Regional differences in the unemployment rate for young people are also very marked. In nearly three quarters of the EU25 regions the unemployment rate for young people was at least twice that for total unemployment. In the IT regions Campania, Calabria and Sicily, the French regions Guadeloupe and Réunion and the PL region Zachodniopomorski youth unemployment was above 50%.

Disparities in regional employment performances are partly explained by differences in the skills composition of the working age population and by differences in the sectoral specialisation<sup>14</sup>. The share of high-skilled people in the working age population differs by more than one to two between regions and this accounts for a large part in the variance of employment rates. This also accounts for the fact that regions with low levels of employment also tend to the ones with comparatively lower productivity levels.

### **3. OVERALL ASSESSMENT OF THE IMPLEMENTATION OF POLICIES**

The implementation of policies at Member State level is assessed on the basis of the 10 specific guidelines of the EES and of the Council Recommendations which are articulated under four priorities of increasing adaptability of workers and enterprises; attracting more people to enter and remain on the labour market: making work a real option for all; investing more and more effectively in human capital and lifelong learning; and ensuring effective implementation of reforms through better governance.

#### **3.1 INCREASING ADAPTABILITY OF WORKERS AND ENTERPRISES**

Member States were recommended to give priority to *"increasing adaptability of workers and enterprises, inter alia, by promoting flexibility combined with security in the labour market; by modernising and broadening the concept of job security; by maximising job creation and raising productivity"*. Guidelines 2, 3, and 9 are covered in this section.

#### **JOB CREATION AND ENTREPRENEURSHIP (Guideline 2)**

##### **Key facts and challenges**

Employment creation in Europe has been weak over recent years. Between 2002 and 2003, employment growth continued to be driven by the services sector while employment in the agriculture and industry sectors continued to contract<sup>15</sup>. Increasingly, new firms and SMEs are the major source of growth and new jobs. Between 1988 and 2003 the average annual growth in employment in SMEs was 0.2%, whilst in large companies the rate was negative (-0.1%).<sup>16</sup>

Business demography statistics are incomplete and 2001 data the most comprehensive figures available. Using national data, some Member States report on positive trends in the number of business start-ups (in DE, AT, SK, FR). Many new Member States have high birth rates of enterprises<sup>17</sup>. However, in order to create sustainable new job opportunities and develop new products and services, birth rates, survival and growth rates must all be improved. Low employment growth indicates that better utilising the job creation potential of new and existing enterprises remains a key challenge.

##### **Assessment of policy response**

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<sup>14</sup> See European Commission "Employment in Europe" 2002

<sup>15</sup> European Commission: Employment in Europe 2004

<sup>16</sup> Data for EU15 & EFTA countries. "SMEs in Europe 2003" Observatory of European SMEs 2003, No7

<sup>17</sup> SEC (2004) 187, 12.02.2004: Commission Staff Working Paper: Report on the implementation of the European charter for small enterprises in acceding and candidate countries.

Without an entrepreneurial mind-set opportunities for growth and employment in Europe will be missed. Much can be, but not always is done to improve the business climate.

### ***Promoting an entrepreneurial culture***

The propensity towards entrepreneurship<sup>18</sup> is highest in PT, IE, CY, ES, IT and EL, but rather low in FI, SE, NL, BE, SI, SK, and CZ. Different motivations exist for considering self-employment, including difficulties in entering into salaried employment. The educational system is vital for promoting an entrepreneurial culture. Entrepreneurial skills and attitudes contribute beyond business and are important for an adaptable labour force. Although there are many interesting initiatives, a coherent and comprehensive entrepreneurship education strategy, is missing. Often activities have limited scope, remain fragmented, and do not form part of an overall strategic plan for entrepreneurship education. The most comprehensive sets of measures are found in DK, ES, FI, SE and UK and significant progress made in AT, IE and FR. Relatively few measures and little evidence of a global approach are to be found in HU, PT, SK and CY.

### ***Making entrepreneurship a career option for all***

Progress has been made over the recent years in facilitating cheaper and faster start-ups. However, there is much room for improvement and few Member States have set concrete targets to reduce administrative procedures or the time and cost of starting an enterprise. One-stop shops, on-line services, and business advisory services are being developed in some Member States. Several Member States report on special advisory services or programmes for, in particular, women, youth, immigrants or unemployed people. In DE and ES, special services have been developed to meet women's needs, including advisory services and internet-portals. The PES offers assistance for the unemployed wanting to become self-employed, including in AT, DE and SE. Administrative and legal systems, including social security provisions, should also facilitate a transition from employee to self-employment.

### ***Reducing administrative and regulatory burdens***

Reducing the administrative burden for businesses and improving the quality of regulation are given a high priority in most Member States. SE, DK and NL have worked together on measuring the administrative burden using the Dutch "Standard Cost Model" which quantifies the administrative burden for existing and proposed regulations. BE is planning a pilot project to this end. In SE, the model will now be applied in new policy areas and BE, DK and NL have set targets for reducing the administrative burden. Very few specific initiatives are taken to ease the administrative burden on the hiring of staff, but the simplification of procedures and electronic declaration of employment in BE is under implementation. ES and SE are looking into ways of simplifying recruitment.

### ***Improving access to finance for start-ups and SMEs***

A detailed examination of access to finance, in particular venture capital and micro-loans, can be found in the 2004 Report on the Implementation of the European Charter for Small

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18 The propensity towards entrepreneurship is defined as "considering self-employment as an occupational option". European Commission (2004), Flash-Eurobarometer No. 160.



Enterprises<sup>19</sup>. These reports conclude that access to finance remains an important constraint to business start-up and growth across the EU, and for many of the new Member States it is a matter of serious concern. The expansion of existing or the introduction of new instruments to secure access to capital for start-ups, existing SMEs and enterprises with a high growth and job creation potential, are a priority for many Member States.

### ***Exploiting the job creation potential from R&D and innovation***

Developing the capacity to innovate is a key to improving EU competitiveness. R&D plays an important role in the innovation system. FI and SE rank as leading performers on many indicators related to research, innovation and the utilisation of results. Many Member States, including the majority of the new Member States, lag far behind. Initiatives to increase investment in R&D exist or are planned in many Member States, with the development of scientific and technology parks, a further measure to promote innovation and the commercialization of R&D.

### **Pointers for action**

*The pace and implementation of reforms to introduce entrepreneurship into educational programmes should be accelerated. This requires increased and permanent coordination between public administrations and actors concerned, and the exploration of models of public-private partnerships.*

*The administrative burden faced by business needs to be reduced, and the quality of regulation evaluated through impact assessment.*

*Business advisory services and one-stop shops need developing in order to drastically reduce the time, effort and cost of setting up businesses, and to help existing SMEs to grow and hire more workers. Special measures to stimulate entrepreneurship amongst target groups should be continued. However, in a long term perspective they should be embedded in a coherent framework within mainstream business services.*

*The environment for risk capital investment needs improving. The limited availability of finance is a serious obstacle to setting up and developing business in Europe.*

*Investments in research, development and innovation must be made a top priority. Networks and partnership for the promotion and dissemination of innovation at regional and sectoral level must be encouraged.*

## **ADDRESS CHANGE AND PROMOTE ADAPTABILITY AND MOBILITY IN THE LABOUR MARKET (Guideline 3)**

### **Key facts and challenges**

37.2% of the EU workers are in non-permanent jobs, varying from 15.5% in SK to 44.8% in ES. In Member States with a relatively high share of fixed-term employment (ES, PT, CY, EL, and FI) more than half would prefer a permanent job. 14.2% of all employees in EU25 work part-time with less than 2% of these wishing to work full-time. Weekly working time of

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19 COM (2004) 64 final of 11.02.2004 and SEC (2004) 187 of 12.02.2004 based on Member State and candidate country reporting

full-time employees and trends in effective annual working time per employed person remained stable over the recent years. Overtime work declined after its peak in 2001. However, this relative stability masks the possibility of increased diversity of working time patterns stipulated in legislation and in collective and individual agreements.

32% of EU15 workers with a short fixed-term contract in 2000, had a permanent job in 2001. In DK, LU, PT and UK this percentage was above 40%. Four fifths of the non-employed in the EU15 in 2000 were still in that situation a year later. Transition from education and training to non-employment exceeds 60% in EL and ES. At only 22%, the transition from education and training towards a permanent job is low. EU countries with the highest percentages of the work force in paid employment (DK, NL, UK), have some of the lowest proportions of employees with temporary contracts, while the opposite is true for countries with low employment rates (ES, EL, IT). This illustrates the challenge that many Member States face of increasing flexibility and employment security.

Accidents at work show a decreasing trend. Some Member States report a slight increase in occupational diseases. While industrial change and restructuring impacts on all Member States, data is scarce. Labour mobility is lowest in regions combining high unemployment and low employment, and high skilled workers continue to be more mobile, both geographically and occupationally. There is absolutely no indication that Member States amongst the EU15 that have opened their labour markets to workers from the new Member States face a high influx of workers. Seven Member States (UK, DK, FR, EL, PT, CY and LV) set national targets on the reduction of accidents at work, including new targets this year for CY and LV.

### **Assessment of policy response**

Poor labour market entry levels of young people and other disadvantaged groups continues to be a problem in ES, HU, PT, FR, IT, PL, SI and SK, pointing to mismatches between education and training and labour market needs. The high share of fixed-term contracts will be addressed through social dialogue in ES in the near future, by adjusting the protection offered by standard jobs to make them more attractive. The implementation of the labour code reform in PT opens the possibility to better control fixed term contracts and self employment. The simplification of dismissal procedures under standard contracts is a priority in SK (amongst others). The severance pay scheme in AT aims to promote mobility and flexibility by spreading entitlements over working life.

Labour law reform in most new Member States has enabled contractual diversity and more working time. Contractual diversity has increased everywhere, but due to a lack of information, cultural barriers, low wage levels and lack of care facilities, its advantages remain under utilised. In the UK joint action with the social partners aims to tackle the long hours work culture; in NL the increase of the number of hours worked per worker is a priority in order to boost economic growth potential. More flexibility, including adaptable working hours and leave for family reasons continues in most Member States. In BE a system of career break or reduction of working time on the basis of a work-life balance has been introduced. In NL individual life-cycle saving accounts bridging various off-work periods are under development. In a number of countries the concept of working-time corridors or accounts is more and more implemented.

Temporary work agencies remain under-used as an efficient instrument for job matching and creation, especially for SMEs. Commission research<sup>20</sup> confirms their function as an effective springboard for labour market entrants. Most new Member States have changed labour law to enable the setting up of temporary work agencies and this form of work is gaining importance in many EU labour markets. While the EU Directive on temporary agency workers is yet to be adopted, in many Member States legal and/or collectively agreed provisions attempt to grant equivalent rights.

The modernisation of work organisation is promoted by most Member States. The implementation of the European social partner agreement on telework, due by mid 2005, is underway in many Member States. Those with health and safety targets (UK, DK, EL, FR, and PT) report little on progress or action taken to reach them. In ES social partners are working on an action plan to reduce work-related accidents. Many Member States continue to focus health and safety policies on prevention, sometimes with emphasis on high risk sectors such as construction.

Low wages may be a barrier for the take up of part-time employment, especially in the new Member States. However in most, part-time work is promoted as a means to boost employment of women and young people, to better combine employment with care responsibilities, or to combine part-time retirement with part-time work. It has been made more financially attractive in FR, PL and MT. AT recently introduced a limited right to work part-time and to return to full-time work for parents with small children (but this does not apply to workers in SME's) . NL and SE, countries with high shares of part-time workers, aim to reduce its use or stimulate part-timers to work more hours. Ensuring employment security in place of job security is once direction that policy is following.

In line with the EU target and the aim to support mobility, job seekers can consult all job vacancies advertised throughout the EU in many Member States<sup>21</sup>. Cultural barriers are one of the main causes of low mobility in Europe as compared to the US.

With a view an improved anticipation of change and restructuring, many countries have systems to better forecast labour supply and demand. In PL there is a legal obligation for employers to offer support to redundant workers. In SI a special scheme is designed to facilitate the modernisation of traditional industries through measures to re-qualify and re-employ workers made redundant or threatened with redundancy. In BE LU, PT, and MT joint action is taken with social partners to tackle the social consequences of restructuring. In ES and LT bankruptcy law has been adapted to make it easier to retain the workforce in companies in crisis or to guarantee their income.

### **Pointers for action**

*More effort is needed to counter the labour market segmentation by adjusting levels of protection in standard contracts and facilitating the labour market integration of young people and other disadvantaged groups.*

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20 See Employment in Europe 2004

21 MT, IE, SE, CZ, DK, BE (partly), SI, CY, HU and LT. EL and NL are about to be connected and four other Member States are progressing towards the objective.

*Temporary agency work as an effective tool to enter, remain and progress in the labour market should be more actively promoted. Greater flexibility needs to be accompanied by reinforced employment security.*

*The full potential of contractual diversity should be tapped through better information provision to employers, with a specific focus on SMEs, by tackling cultural barriers, and by improved access to care facilities.*

*Efforts must increase to trigger, anticipate and manage economic restructuring by enhancing partnerships for change that involve all relevant actors. A key task of these partnerships is to help workers to switch between employment status within and between enterprises/sectors.*

*Barriers to geographical mobility in social protection systems should be tackled. Member States that do not comply with the target to enable job seekers, by 2005, to consult all job vacancies advertised by the PES throughout the EU should urgently do so.*

## **TRANSFORMING UNDECLARED WORK INTO REGULAR EMPLOYMENT (Guideline 9)**

### **Key facts and challenges**

The High Level Group on the Lisbon strategy recognised that a well functioning product, services and labour markets are necessary to achieve the Lisbon objectives. An economy with a high level of undeclared work, which contributes to weak protection for workers and outsiders in the labour market, unfair competition between enterprises, and a reduced tax-base and investment opportunities for the governments, is not compatible with the Lisbon strategy. The European Council Resolution of 29.10.2003<sup>22</sup> on transforming undeclared work into formal employment focuses on measuring its extent and the increased involvement of the social partners in tackling the problem. In a recent report<sup>23</sup> undeclared work is estimated to be between 1.5% and more than 20% of GDP. Data on the extent of undeclared work are scarce and represent a challenge in itself.

### **Assessment of policy response**

Very few Member States have set targets to reduce undeclared work. EE has set a target to reduce undeclared work to less than 7.5% of all work by 2006.

### ***Understanding the nature and extent of undeclared work***

Formulating an effective policy strategy to transform undeclared work into regular employment relies on an understanding of the nature and extent of the phenomenon. Most Member States explain their activities, but few present data on results. Establishing methods to monitor the progress is important in gaining increased knowledge of the nature of undeclared work and for policy efficiency. Understanding the mechanisms and determinants of undeclared work form an important part of the FR strategy to transform this into regular employment, including quantitative and qualitative surveys and work to optimise the national and local statistical tools. FR also plans an educational programme oriented both towards

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22 Council document No 13538/1/03.

23 Undeclared work in an enlarged Union, Report for the European Commission, May 2004, [http://europa.eu.int/comm/employment\\_social/employment\\_analysis/work\\_enlarg\\_en.htm](http://europa.eu.int/comm/employment_social/employment_analysis/work_enlarg_en.htm)

sectoral and thematic dimensions of undeclared work. PT, MT, LT and LV plan initiatives to measure the size of undeclared work and IT will step up its efforts of earlier years.

### ***Stepping up efforts to transform undeclared work to regular employment***

From their different national circumstances, IT, BE and FR are among those Member States where the issue of undeclared work figures prominently on the political agenda and where this is followed up through strategies and concrete measures. Further progress is made in a number of Member States, including DE and EE. Progress is also made in LT, LV, HU, CZ, SI and SK, but few results are yet delivered. A more co-ordinated and decisive effort should be made by EL and PL.

### ***Creating a framework for policy action***

The need to transform undeclared to regular employment has risen up the political agenda in some Member States, resulting in a strengthening of the statutory base for further action. In DE legislation creates a new statutory basis to pool existing regulations and close gaps in the definition of undeclared work and in control and monitoring activities. In SK a law on illegal work is being prepared and in CZ the new Employment Act will extend legislative conditions to combat undeclared work.

### ***Planning, implementation and monitoring of measures***

Most Member States present a policy mix of preventative actions and sanctions to transform undeclared work into regular employment. Many measures are developed primarily to meet other policy objectives and few Member States present a co-ordinated strategy. The setting up of committees or bodies to co-ordinate new or existing measures to transform undeclared work into regular employment (including in BE, LT, FI, HU) are promising signs towards a more coherent strategy.

The strengthening of specific authorities or furthering the co-ordination between relevant authorities is a continued priority in most Member States, especially related to control and sanctions (ES, FR, AT, SE, PT, EE). This also includes simplified or improved registration of data, and enhanced possibilities to combine data to detect fraud (EL and foreseen in PT). Simplification of tax legislation and the procedures for hiring and registration of employees contributes to the reduction of administrative burdens for enterprises, in particular for SMEs. In BE the new structure of co-ordination to stop social fraud is assisted by the electronic declaration of employment.

A number of measures are taken in Member States to review tax and benefit systems and reduce non-wage labour costs in order to increase the incentives to work in the formal economy. Different systems providing incentives to increase job creation or encourage the legalisation of in particular household work are either under way (FR, AT), are being expanded (BE, DE, FI), or have been evaluated and refocused (DK). Although learning from each others' good practice is encouraged, monitoring should be undertaken to measure cost effectiveness and results under different labour market conditions. A number of campaigns and awareness raising measures have been implemented by the governments and/or social partners in several Member States (DK, BE, FR, SE, IT, EE, LT, LV) or the preventive effect of information or control has been helped by the media coverage. Information on the consequences of engaging in undeclared work has been developed by several Member States.

The provision of easy accessible information for individuals on how to behave lawfully in the hiring of workers for occasional jobs or for household work should be given attention.

Regional strategies are pursued, especially in IT. Co-operation with the social partners is apparent in some Member States, including the agreements industries or sectors in BE, FR and IT, but further co-operation and involvement of the social partners in developing and implementing policy measures should be sought.

### **Pointers for action**

*The pace of reforms and the implementation of new measures to transform undeclared work into regular employment should be accelerated, and models of partnerships should be explored to this end.*

*Incentives within tax and benefit systems for moving from undeclared work to regular work should be strengthened.*

*A better understanding of the nature and the extent of the phenomenon of undeclared work is needed. Efforts by Member States to measure the size of undeclared work and to improve methodology should be increased.*

*Measures to transform undeclared work into regular employment need following up by a monitoring of their results.*

## **3.2 ATTRACTING MORE PEOPLE TO ENTER AND REMAIN ON THE LABOUR MARKET: MAKING WORK A REAL OPTION FOR ALL**

Member States were recommended to give priority to *"making work a real option for all, inter alia, by building comprehensive active ageing strategies; by further developing policies to increase labour market participation; by strengthening active labour market policies, with personalised services to all those seeking employment; by pursuing 'make work pay' policies through both financial and non-financial incentives"*. Guidelines 1, 5, 6, 7, and 8 are covered in this section.

### **ACTIVE AND PREVENTATIVE MEASURES FOR THE UNEMPLOYED AND INACTIVE (Guideline 1)**

#### **Key fact and challenges**

The economic slowdown caused a further slight increase in the unemployment rate to 9.0% in 2003 (EU25), which was however more pronounced in the EU-15 (with an increase from 7.4% in 2001 to 8% in 2003). However, unemployment levels are highest in ES and many of the new Member States (EE, LV, and LT showing rates of more than 10%, and PL and SK even rates above 15 %). The long-term unemployment rate again reached 4.0% in the EU25, with rates of more than 5% in EL, LT, PL, SK. There is a visible and worrying rising trend in youth unemployment, especially in the EU-15 where the youth unemployment ratio climbed from 7 to 7.3%, although the highest youth unemployment is found in PL and SK (res. 15 and 13%). There is a strong gender dimension in unemployment and long-term unemployment, with rates for women (10% and 4.5% respectively) exceeding those for men (8.3% and 3.6%). Unemployment is expected to remain stable in 2004. The challenge is to curb the rising trend in unemployment and youth unemployment and further reduce long term unemployment.

## Assessment of policy response

In order to reduce inflows into long-term unemployment, this Guideline calls for the provision of intensive counselling and individual job search assistance at an early stage for all the unemployed (preventative services) and for active measures<sup>24</sup> within 6 or 12 months (threshold for inflow of long term unemployment for respectively young and adults). Moreover the participation of at least 25% of the long term unemployed in active measures is required. Scope for quantitative (coverage) and qualitative (quality of services offered) improvements exists in many Member States.

In AT, ES, FI, LT, LU, NL<sup>25</sup>, PT, SE, ES and UK over 90% of the unemployed receive preventative support in the form of individual job search and guidance services at an early stage of an unemployment spell. Rates above 70% are found in BE, FR and HU whereas LV and EL are starting at much lower levels. Over half of Member States failed to provide the agreed indicators on prevention<sup>26</sup>. Notable improvements are seen in terms of overall coverage in BE, FR, HU; in terms of identification of needs, appropriate pathways for job-seekers, and the introduction of systematic profiling and re-inclusion agreements in DE, IE, FI, MT, NL, FR; and in the targeting of groups at risk of long term unemployment in AT, BE, DE.

In six Member States<sup>27</sup>, more than 80% of the unemployed benefit from a "new start", in the form of training, retraining, work practice, a job, or other employability measure before reaching six or twelve months of unemployment for young people and adults respectively. For young people the lowest levels of coverage are found in EL (less than 20%) and DE (around 55%). For adults the lowest rates are found again in EL (only around 10%), DE (around 40%), NL (33%) and LV (around 50%).

Ten Member States<sup>28</sup> attain or exceed the new 25% target on activation for the long-term unemployed. The two best activation rates are found in LU and SE. AT, DK, EL, HU<sup>29</sup>, and LT report rates below 20%. Ten Member States<sup>30</sup> fail to provide data for the commonly agreed indicator on activation for the long-term unemployed.

Nine Member States<sup>31</sup> provide data on the effectiveness of activation measures in terms of integration into a job. This ranges from one to two thirds of jobseekers finding a job, 3 or 6 months after participation (although the data is not comparable as the economic and labour contexts and the applied methodology vary from one country to another).

Many Member States focus on developing tailor-made programmes for people with special needs to improve their employability, others focus on a greater involvement of employer's

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24 A "new start" in the form of active measures, i.e. training, work experience, a job or other employability measure

25 Data for young people only

26 CY, CZ, EE, ES, IE, IT, MT, PL, SI, SK

27 AT, FI, LT, SE, UK, and NL for young people only. Moreover, CZ has implemented an Individual Action Plan for young unemployed as of 1.1.2004.

28 BE, ES, FR (on the basis of 2002 data), IT, LU, LV, FI, SE and UK for adults and young people; and DE for young people only

29 The figure for HU relates to all the unemployed

30 CY, CZ, EE, IE, MT, NL, PL, PT, SI, and SK

31 AT, DK, ES, HU, LU, LV, FI, SE and UK

organisations. Many Member States enforce the conditionality of unemployment benefit on job search or on participation in intensive counselling and/or in other ALMP.

Most Member States undertake a range of important initiatives to modernise and improve the quality of public employment services (PES) to support activation and prevention policies in a more customer-oriented way. The expansion of the local employment office networks and increases in staff and financial resources are in progress, especially in many of the new Member States. An improved level of service offered to employers and collaboration between public and private employment services and NGOs are reported by many Member States. Many PES focus on the long term unemployment and targeted social integration groups.

Improved ICT systems are being developed in most countries to enable a better matching of demand and supply. In AT a "Quality Award" aims to reduce unemployment spells to a maximum of 90 days and the PES Data Warehouse system provides a follow-up monitoring facility to check transitions into employment of job-seekers after participating in an ALMP. The New Employment Act in CZ contains measures to widen participation and improve individual plans. In DE, a new scheme applicable from 1.1.05 will guarantee all young unemployed people under 25 access to training, qualification or a job opportunity as soon as they register for unemployment benefit. DK offers a stronger focus on an individual approach with a clear job related focus. The creation of local employment centres "Maisons de l'Emploi" in FR offers a range of services such as surveys of human resources and forecasts of local employment needs, and support and assistance to disadvantaged jobseekers; the Work and Benefits Acts in NL gives scope for development of tailor-made approaches.

### **Pointers for action**

*Increased emphasis on activation and prevention policies is crucial to make a greater impact on unemployment and avoid continued increases in long-term unemployment.*

*The modernisation of public employment services remains a priority, especially in the new Member States.*

*A better follow-up of ALMP beneficiaries is important in order to assess effective integration into the labour market. Greater effort in providing statistics and data related to agreed prevention and activation indicators is needed.*

## **INCREASE LABOUR SUPPLY AND PROMOTE ACTIVE AGEING (Guideline 5)**

### **Key facts and challenges**

The EU is faced with an ageing and shrinking workforce. This situation will be faced by most Member States, especially many of the new ones. By 2030 the EU working age population could reduce from 303 to 280 million, implying a significant decline in total employment, even if the 70% target is reached. This has implications for growth potential and the sustainability of pensions and social benefits.

Without urgent and drastic measures to strengthen current trends the EU targets for older workers are out of reach. The employment rate of older workers has increased since 1998, significantly so in FI, NL, HU, FR, DK, IE and LV. At the EU level it reached 40.2% in 2003, albeit with a large gender gap. Rates already exceed the 50% target in SE, DK, UK, , EE, PT and CY and are close in IE and FI.. Rates are particularly low in SK, SI, PL, HU, LU, BE,



AT, all below 31%. The Barcelona exit age targets are more difficult to attain. Withdrawal from the labour market continues at an early age in many Member States, and the average exit age has only increased from 59.9 in 2001 to 61 years in 2003<sup>32</sup> for the EU-25. IE, EL, SE, and UK, have reached an exit age of 63 years or more, but in AT, MT, SI, SK, PL and BE progress is slow and remains below or close to 59. The challenge is not only to ensure a higher share of and exit age for those aged 55-64 to stay in work; but also to enhance employability of those currently in their 40s and 50s.

Many Member States are confronted with a growing number of sickness (DK) and disability benefit claimants (UK, NL, SE, LU, DK) with large scale inactivity traps, mainly occurring at over 50 years of age.

The continued increase in women's participation in most Member States has partially offset declining or stagnating participation of men. The female activity rate continued to increase, although at a slower pace, to 61.2 % in 2003, with the male activity rate stabilising at 77.4%. The female rates vary considerably among Member States from over 72% in DK, SE, FI to less than 50% in MT, and IT,.

Youth unemployment is increasing and participation rates have been falling in most Member States since 1997, with employment rates remaining low, reduced further to 36.7% in 2003<sup>33</sup>. Immigration is politically sensitive in most Member States, but represents one of the possibilities to fill in labour and skill needs, whether future or already existing ones.

#### **National targets on employment rate of older workers and exit age**

An increasing number of Member States have targets to raise the participation/employment rate or the average exit age (FI, HU, NL, FR, PT, UK, CY, LV, EE, SI) – see [Annex 2](#). However, the EU still has some way to go, with a particularly difficult situation in most of the new Member States. EE sets an employment rate target of 52.5% and LV 45% by 2006. PT aims at maintaining the employment rate above 50% in 2005. CY sets an exit age target of 62 years by 2006 and FI one to increase the exit age by 2-3 years by 2010. The UK aims to significantly reduce the difference in employment rates of older workers and overall by 2006. NL aims to increase net labour participation from 38.6% in 2003 to 40% (on the basis of national definition) in 2007. FR reiterates targets set in 2003 to raise the employment rate by 5 pp and the exit age 1.5 years by 2008.

#### ***Assessment of policy response***

Member States have made some limited progressing comprehensive strategies to increase labour participation. Policy efforts in some Member States are more articulated and recent trends in employment rates for women and older workers encouraging. Action often relies on piecemeal measures in the area of tax-benefit and pension reforms discouraging early retirement rather than on increasing labour market participation throughout the lifecycle. There seems to be a high degree of reliance on the impact of earlier pension reforms (FR, IT). Policy needs to be strengthened and better focused by all Member States, and especially those with low employment rates and early exit ages. SE, DK, FI, UK focus on all groups under represented in the work force (e.g.: young people, women, older workers and immigrants).

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32 Figures for 2003 remain provisional.

33 Part of this trend is a result of increased enrolments in education.

Only a few Member States report on measures to promote youth participation in both education and the labour market, although most are promoting youth activation and focus on youth entrepreneurship. Raising female participation is a critical part of the ageing challenge, and Member States cannot rely on cohort effects alone to meet the targets. Several Member States with good performance against female participation targets have benefited from measures aimed at a better reconciliation of work and family life, increased access in training and possibilities for part-time work.

Economic restructuring, voluntary early retirement schemes and disincentives within statutory retirement schemes, are still hampering the employment rates of older workers. A growing number of Member States are implementing national ageing strategies and apply a range of measures focusing on tax and benefit reform. A strong focus is placed on pension reform, including increases in standard retirement age, discouraging early retirement, and flexible retirement schemes. More attention is given to enhancing working capacity through better access to training, improved working conditions and quality in work. Better working conditions are an important part of ageing policies in CZ, FI, FR, NL, PT, DK, HU, LV, MT, LU. Many Member States still report reluctance among employers to hire older workers and to give priority to keeping older workers in work.

Immigration is considered an important potential source of additional labour supply by most Member States: different systems are in place, according to the needs of the national labour market, of the existing labour and skills shortages and of the international agreements signed by the Member States. AT, IE, UK, and DE amongst others aim to simplify rules regulating immigration, work permits and the recruitment of immigrants. Most Member States pay more attention to integration policies including language training, and curtailing undeclared work. Many view the successful inclusion of migrants and ethnic minorities as a precondition for alleviating labour shortages and bottlenecks.

### **Pointers for action**

*The ageing challenge requires comprehensive strategies with significant changes in financial and non-financial incentives. Adequate tax-benefit structures, reinforced by adequate and affordable childcare and eldercare facilities, the modernisation of work organisation, and making part-time work more financially attractive, are essential.*

*Social Partners must make a decisive commitment on labour supply management, especially regarding gender, age and immigration, and on disseminating best practices across the EU. Awareness raising and challenging negative perceptions are crucial.*

*Enterprises need to recognise the benefits of an age diverse workforce and adjust employment practices to retain experienced workers longer, including through flexible retirement.*

*Early retirement should be strongly discouraged given the permanent loss of human capital and growth potential. Focus must be placed on support for inactive older people to enter the labour market. More emphasis is needed on better access to workplace training, strengthened intergenerational linkages, improved working conditions and health and safety at work.*

*Demographic ageing calls for the development of a well managed and co-ordinated EU immigration policy coupled with sustained integration efforts by Member States in the context of a global approach to increase labour supply.*

## **GENDER EQUALITY (Guideline 6)**

### **Key facts and challenges**

The potential of both men and women must be fully exploited, if the EU is to reach the objectives of full employment, quality and productivity at work and social inclusion and cohesion. The reduction of gender gaps in employment and unemployment continued in 2003, although at a slower pace. The gender employment gap has narrowed from 16.3 to 15.8 pp, and from 22.6 pp to 21.9 pp in terms of full-time equivalent. The gap has increased significantly in DK and LV. The employment gender gap remains high in EL, ES, IT, LU and MT, and in full time equivalent also in IE and NL. The employment rate of women with young children is 13.6 pp lower than that of women without children. These gaps are particularly high in the CZ, EE, HU and SK. The unemployment rate gap decreased from 1.9 in 2002 to 1.7 pp in 2003. This gap increased by more than 0.5 pp in CZ, DK, LT, LU and MT and is especially high in CZ, EL, ES, IT and MT. In some countries, especially DE, men are more affected by unemployment than women.

There is little evidence of progress in closing the gender pay gap and reducing the horizontal and vertical segregation of the labour market (see chapter 2.2).

Most Member States have increased childcare places in recent years. The situation in terms of the Barcelona target for children between three years old and the mandatory school age is relatively favourable (see [Annex 2](#)). Progress towards the target for children under three years of age is much slower. Only DK and SE have achieved the Barcelona target and BE and FI are within reach. The childcare provision is insufficient in all the other countries, including countries with low female employment rates.

### **Assessment of policy response**

#### ***Reducing gender gaps in employment and unemployment***

Gender gaps in employment and unemployment are largely neglected. Few specific targets have been set (except in LV and PT); although ES, FR, MT and CY set overall and female employment targets that implicitly would lead to narrowing the gender employment gap.

#### ***Addressing the gender pay gap and labour market segregation***

Though almost all Member States recognise the pay gap as a serious problem, new concrete targets and comprehensive policies aiming at its reduction are rare.<sup>34</sup> Only FR and LV set specific targets for reducing the pay gap. Several Member States provide no additional measures or just make reference to existing anti-discrimination legislation (AT, CY, CZ, EE, LT, LV, PL, PT SI), while others implement supporting initiatives, such as voluntary or compulsory pay reviews (SE, UK), awareness raising campaigns (NL, PL, PT), or revisions of job-classification and pay systems (BE, ES, FR, NL). The increases in the minimum wage announced in CZ, EE, HU, LT, LV, SK, UK, IE, FR, PT and ES could help reduce the gender pay gap. The UK is the only EU country recognising the specific problems of women working part-time. DE and NL fail to address the issue. The increasing role of the social partners in tackling the gender pay gap is mentioned in several Member States. Many also recognise

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<sup>34</sup> The gender pay gap is more extensively discussed in the Gender Equality Report submitted to the Spring European Council.

gender labour market segregation as one of the causes of the pay gap. Measures to tackle this tend to focus on encouraging career choices of girls in ICT, science and technical fields. SE supports the interest of boys in occupations traditionally taken by women.

### ***Reconciling work and family life***

New measures for the reconciliation of family and work responsibilities, in particular childcare provision, the promotion of family-friendly policies in enterprises, leave arrangements, and the promotion of flexible forms of employment (including the right to work part-time for parents), are cited in many Member States, although not forming a comprehensive and integrated strategy. However, reconciliation policies continue to be addressed mainly to women by several Member States.

Parental leave schemes vary significantly between Member States. CY, MT have introduced minimum leave rights, while others are trying to reduce the problems that long parental leave causes for the reintegration of women into the labour market (CZ, DE, HU, SK). Some plan to or have introduced extensions of parental leave rights either unpaid or with a decreased replacement rate (IE, PT, ES). There is little recognition of the fact that unpaid or not fully paid leave represents a disincentive for fathers to take parental leave, although as a positive step some Member States are reporting on the "father months" in the parental leaves.

The provision of childcare facilities remains the core of reconciliation policies for Member States. Member States have provided various national data on the coverage, except CZ, EE, EL, PL, and SI. Eleven Member States have set national targets, but in some cases they are not ambitious (HU, PT, UK). Many have introduced, or are considering, financial support for families or providers, to address the affordability of childcare and make work pay. Quality and flexibility of childcare received little attention, though some Member States introduced measures such as training for staff, the development of childcare standards, and increased flexibility in opening hours. Care for other dependants has again been largely neglected.

### ***Gender mainstreaming***

The visibility of gender mainstreaming is limited, and sometimes positive developments at country level not reported. Only SE implements a comprehensive approach to gender mainstreaming, although some progress could be seen in the UK. In the majority of the cases, gender issues are only tackled under GL6. The gender perspective is more systematically integrated in the first overarching objective, partly in GLs 1, 2, and 8, while it is weak in GLs 4, 5, and 9. The use of gender disaggregated statistics is poor in some cases (NL, IE, AT), while in others the information is not fully used in the analysis (HU, BE). Some improvements are noted in EL, FR, PT, and UK. MT is planning to implement gender impact assessment of new labour market policies. CZ, EE, SI have established equality advisors in committees and ministries, and ES plans to do so. Some countries are also developing gender mainstreaming methodologies (SI, NL), some of them on gender budgeting (UK, AT, IE, CZ), while FR presented an Equality Label for enterprises.

### **Pointers for action**

*Member States should reinforce action to close all gender gaps and set ambitious associated targets. The pay gap must be addressed in a comprehensive way with suitable supporting measures, enforced equal pay legislation, reduced segregation in education and the labour market, recognising the unique role of the social partners in this area.*

*The provision of childcare facilities needs to be increased, in particular for children less than three years of age, and improvements are needed in its affordability, accessibility and quality. Member States should take action to provide care facilities for other dependants.*

*Member States should continue to promote adequate parental leave schemes shared by both parents. It is particularly important to encourage fathers to take up leave by developing financial and other incentives. It is also important to avoid the negative effects that extended parental leave schemes can have on the employment of women.*

*Member States should promote an equal distribution of family and care responsibilities within couples by promoting flexible working patterns for both women and men. This needs to be done in such a way as to safeguard access to social security rights and benefits and not create labour market segmentation or segregation.*

*Gender Mainstreaming should be made visible throughout employment policies, with a gender impact assessment of policy and disaggregated indicators for monitoring.*

## **PROMOTE THE INTEGRATION OF AND COMBAT DISCRIMINATION AGAINST PEOPLE AT A DISADVANTAGE IN THE LABOUR MARKET (Guideline 7)**

### **Key facts and challenges**

To generate economic efficiency and social cohesion, all individuals should have the opportunity to participate in the labour market without discrimination. However, many different groups are strongly disadvantaged in the labour market. Aside from the often indicated groups (early school leavers, ethnic minorities, low skilled, disabled, migrants) several Member States also consider a range of other groups including single parents, the homeless, drug addicts, women after childcare leave and ex-prisoners. AT, CY and EL adopt a very narrow approach to disadvantaged people and consider a limited number of groups as disadvantaged.

The unemployment rate gap between EU and non EU citizens increased by almost one pp to reach 9.6pp in 2003<sup>35</sup>. The strongest increases were observed in the NL (+7 pp) and DK (+4.5 pp). The employment situation of people with disabilities continues to be weak in comparison with non disabled people. Where details are given of a gap in the employment rates of disabled and non disabled people, these range from around 17% (BE) to around 51% (PL). Even where figures are not quoted the clear perception is of low employment rates of disabled people in most Member States.

### **Assessment of policy response**

In all Member States the employment situation of migrants and ethnic minorities is worse than the average population. Many Member States develop specific policies for the integration of migrants and ethnic minorities with the main focus on assimilation measures, including language training, literacy programmes or vocational guidance. The burden is often placed on individuals to adapt rather than addressing wider issues of discrimination in society at large. The Roma or migrants often seem to be portrayed largely as responsible for their labour market exclusion.

A limited number of Member States have adopted a comprehensive approach towards migrants/ethnic minorities. In BE, anti-discrimination policies are considered as an important tool for the integration of groups suffering from discrimination, with a guide and training programme set up for the labour inspection. In IE the Equality Authority plays a proactive role in equality proofing policies. HU adopted a mid-term action plan for 2004-2006 on promoting the social inclusion of Roma.

Several Member States take a mainly legislative approach to disability and increasingly with a mainstream rather than a disability-specific perspective. All Member States have programmes and action plans to supplement legislative measures. However, few, if any, implement a genuine mainstreaming approach for the integration of disabled. There is evidence that rehabilitation and reintegration measures are becoming more widespread in all 25 Member States, notably in HU and NL. Of particular note is the incidence of sheltered workshop arrangements. This is a strong concept in several Member States (AT, BE, FR, DE, CZ, HU, PL SI) and in HU it provides 40% of all employment for disabled people. PL and SI also have extensive arrangements. Traditionally based upon protection of severely disabled people, the

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35 Data for the new Member States are not available.

concept is now changing to a more business oriented and inclusive approach with developmental potential for the more able (PL, HU).

Education and vocational training is recognised an essential pre-requisite for the improvement of employability of people with disabilities and other disadvantaged people and some efforts are in evidence in this regard. IE is one of the few to devote attention to the participation of disadvantaged in education and training. The Irish National Office for Equity of Access to Third Level Education is developing and implementing a coordinated framework to promote access to the third level. Generally there is very little information on this aspect and more attention needs to be paid to these important aspects and the need to increase skill levels, vocational and educational qualifications.

#### **National targets on reducing unemployment gaps of disadvantaged people**

Despite the commitment in the guidelines to move towards "significant reductions in each Member States in the unemployment gaps for people at a disadvantage according to any national targets and definitions", only a small number have fixed measurable targets. FR states that 90% of the target group of immigrants should sign an integration contract by 2005 while NL aims to reach an employment rate of ethnic minorities of 54% by 2005.

#### **Pointers for action**

*Discrimination on the grounds of race, ethnic origin, disability and other grounds needs to be explicitly recognised as a barrier to employment participation. Member States need to look at how to remove this barrier as a part of a coherent and planned strategy to combat discrimination and promote integration, rather than through isolated and disconnected instruments.*

*Member States need to pay greater attention to minorities who have the citizenship of the Member State of residence to establish whether they face extra barriers in accessing the labour market.*

*Disability mainstreaming and race equality mainstreaming should be applied in a systematic way. All Member States should elaborate and step up efforts considerably to achieve an efficient and effective mainstreaming approach.*

*Education and training providers should increase efforts to reach and to be more accessible for the most vulnerable in the labour market.*

#### **MAKE WORK PAY THROUGH INCENTIVES TO ENHANCE WORK ATTRACTIVENESS (Guideline 8)**

##### **Key facts and challenges**

Making work pay policies, in which tax-benefit reforms are a key component, are crucial in motivating people to enter or remain in the labour market and reduce benefit dependency. Despite progress on promoting work incentives, financial disincentives still exist for people to

enter, remain and progress in the labour market. OECD findings for 2001-03<sup>36</sup> on unemployment traps measured in marginal effective tax rates reveal that, in BE, DK, DE, SE, LU, LV, PT, over 85% of the increase in income against 70% in the US is “taxed away” when an unemployed person takes up a job. Calculations on the low wage traps show marginal effective tax rates exceeding 90% in DK, DE, LU, AT, FI, SE, PL, CZ, SK compared to 50% in the US, when an employed person increases his/her work effort or climbs up the wage ladder. Incapacity traps continue to exist and transitions from long-term sickness or invalidity to work remain difficult in NL, UK, SE, DK and LU.

The declining trend in the tax rate on low wages has stalled with the EU average rate stabilising at 37.4% in 2003. The declining trend continued in Member States with high tax wedge<sup>37</sup> (BE, SE, HU, IT), except for DE and AT where an increase is observed in 2003. The lowest tax rates are observed in IE, MT, CY and LU. The implicit tax rate on employed labour in the EU15, which had been declining in recent years, slightly increased in 2003 to 36.8%. However, non-wage labour costs remain high in many Member States with a potentially negative impact on employment performance. For many of the new Member States this is a matter of concern. In the EU about 70% of the tax wedge consists of social contributions paid by employers (mostly) and employees, compared to 50% in the US. A high proportion of working poor remain in PT, IT, ES, GR.

#### **National targets on making work pay**

SE aims at halving long-term sickness absence over 2002-08; AT aims at reducing the overall tax rate to 40% of GDP by 2010, while maintaining fiscal stability, and LT to reduce the percentage of minimum wage earners to total employment from 10 to 6% by 2010.

#### **Assessment of policy response**

There has been a significant policy response across Member States but the outcomes are mixed. Benefit, tax and pension reforms in some Member States encourage older workers to stay longer in work, but further reform is needed notably in Member States with low employment rates. Many of the new Member States need to review and adapt tax-benefit systems to create the right conditions and incentives to make work a more attractive option.

Most Member States pursue reforms to make work pay by addressing the combined impact of taxes and benefits aimed at the twin objective of increased employment and reduced poverty. Reforms focus largely on reducing taxes and social contributions and introducing in-work benefits. Reforms to incentives inherent in benefit systems have been less comprehensive. Many implement in-work benefit schemes targeted at activating people and increasing the attractiveness of taking up work amongst low-paid, and at avoiding the working poor problem. Other target groups include hard-to-place unemployed, working (lone) parents with children and older workers.

Several Member States need to tackle disincentives to take up a low-paid job by the inactive, due mainly to the loss of income dependent benefits (family, housing) combined with non-financial barriers to participation (such as insufficient access to training, a lack of career

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36 Data, for households earning 67% of the APW wage. Calculations account for the combined effect of tax & benefits on the income of a single person moving from unemployment to work (unemployment trap) or one earner couple with 2 children when increasing the work effort (low wage trap).

37 The non-wage component of labour costs over total labour costs.



prospects, difficulty reconciling work and family life). There is progress in effectively linking out-of-work benefits to activation in many Member States. Recent reforms in PT, ES and CZ aim to strengthen activation linked to benefits and sanctions.

Several Member States have tightened qualifying conditions for the eligibility or duration of benefits (DE, NL, SE, DK, BE, FR, SI, CZ). In most unemployment and social assistance schemes the receipt of benefit is bound to the condition that the unemployed are available for work, with some exceptions for single parents and older workers. The focus is more on identifying incentives for jobseekers and other ALMPs than on decreasing benefit levels. A 3-year gradual increase in minimum wage is reported in ES aimed at reducing the gap with the EU average, whereas a new minimum wage for 16-17 year old came into force in the UK. CY, LV and EE are gradually raising minimum wages to 50% (EE 41%) of the average wage over the next 5-7 years. Others provide financial incentives for part-time work (EL, BE).

Measures aimed at reducing labour tax burden focused mainly on specific small groups and tax components, which combined with rather small-scale tax reductions, provide no visible results, as the evolution of the tax indicators demonstrates. This has also implications as regards the combined effect of taxes and benefits. In particular, many Member States continue to pursue efforts, which need to be further strengthened to reduce non-wage labour costs, especially for low wage earners, by focusing on employers' social contributions that accounts for the largest share of the labour tax burden. Others have announced reforms focused on income tax reductions or reductions in employees' social contributions. Some Member States address targeted tax reductions for women/lone parents to remain in or reintegrate into the labour market (EL, ES, IE), disabled people and unemployed (EL, DE, SI), or the take up of part-time jobs (ES, FR). Family-based taxation, where still applicable, remains an important potential disincentive for a second partner taking up work or increasing work effort (DE, CZ). LV, FR, SK have raised the retirement age, PT introduced sanctions for civil servants retiring earlier and ES is rewarding those staying in work beyond 65 years.

### **Pointers for action**

*There is a need to more effectively address unemployment and/or low wage traps and where appropriate, take action to more effectively enforce eligibility rules and benefit management.*

*Further policy effort is needed to reduce the tax burden on labour. Further reforms should focus on elements of benefits and benefit characteristics likely to have the biggest impact on moving into work, notably in-work benefits and the duration of out-of-work benefits combined with provisions to stimulate labour supply.*

*Member States should address disincentives for inactive spouses to take up work, in practice married women, including the way their income is taxed. The link between benefits and ALMPs needs to be reinforced, supported by high quality delivery services, building in financial incentives into benefit systems to encourage participation.*

*Incapacity traps need to be eliminated through reviews of tax-benefits systems and eligibility criteria, and by improving beneficiaries' workability. Possibilities of substitution between unemployment and other out-of-work benefit schemes should be eliminated and the eligibility and workability rules, including access to ALMPs on a wider scale, reviewed.*

*The enforcement of eligibility criteria and strengthening of benefit management needs improving*

*Tax-benefit systems should be linked to the setting of minimum wages to ensure an adequate level of earnings and to make the acceptance of work more attractive to low skilled workers, the unemployed, and the inactive.*

*Member States should make part-time work more financially attractive for recipients of out-of-work benefits, and ensure that full-time work becomes more attractive for (lone) parents wishing to combine family with working life, and for older workers wishing to combine gradual retirement with part-time work.*

### **3.3 INVESTING MORE AND MORE EFFECTIVELY IN HUMAN CAPITAL AND LIFELONG LEARNING**

Member States are recommended to give priority to *"investing more and more effectively in human capital and lifelong learning, inter alia, by sharing costs and responsibilities between public authorities, companies and individuals; by broadening the supply of training, in particular for those most in need such as the low-skilled and older workers"*. Guideline 4 is covered in this section<sup>38</sup>.

#### **PROMOTE THE DEVELOPMENT OF HUMAN CAPITAL AND LIFELONG LEARNING (Guideline 4)**

##### **Key facts and challenges**

Human resources are the Union's main asset. Investment in education and training is a key factor of the Unions competitiveness, sustainable growth as well as employment, and therefore a prerequisite for achieving the economic, social and employment goals set in Lisbon for the EU. Yet too many people are still not properly equipped with the knowledge, skills and competences required for a modern workforce in a knowledge-based society to permit career development and to reduce skills mismatch and bottlenecks in the labour market. The latest available statistics (2001) indicates a slight increase in public investment in education and training as a proportion of GDP to 5.1%. However, data from national budget plans available for a number of Member States implies that progress has stalled after 2002.. This varies significantly from 8.5% in DK to 3.9% in EL and LU. Evidence strongly suggests the EU is not delivering the "increased investment in human resources".

Despite encouraging recent progress, the 2010 objective of achieving a 12.5% rate of adult participation in lifelong learning will require continued efforts. Further actions and policy reforms are needed to encourage participation in most Member States. Participation rates have steadily increased since 2001 (7.9%) to the current level of 9.3% (2003). However, participation remains low in many Member States (CZ, EL, IT, LT, MT, PT, SK); and varies widely by age and attainment level. Groups most in need are the least likely to receive training. Those aged 25-34 are nearly five times more likely to take part in education and training than 55 to 64 year olds. The low skilled are 4 times less likely to participate in training than the high skilled.

The target of an 85% level of completion of upper secondary level education by 2010, for 22 year olds, continues to represent a significant challenge for Member States. The current average in the union (2003) is 76.7%, a very slight increase from 2000 (76.4%). Significant

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<sup>38</sup> Including part of Guideline 3 on adaptability, which refers to increasing the "access of workers, in particular low skilled" to training.

progress has been made by several Member States, for instance PT. However, wide disparities remain, ranging from 43% in MT to 94.1% in SK. PT, ES, IT, and LU have completion rates considerably lower than the EU average. Women in general have higher attainment levels.

The average rate of early school leavers in the EU decreased slightly to 16.9% in 2003. It remains substantially above the 2010 target of 10%. The strongest decreases (~~more than 5 pp~~) occurred in the Member States with the highest rates, notably in PT (~~-5.1-4.7~~) and MT (-5.0). In spite this decrease, both Member States have an early school leaving rate of more than 40%. Progress towards the EU target depends critically on a relatively small number of Member States (ES, IT, MT, PT) with levels significantly above the EU average, bringing down levels substantially.

## **Assessment of policy response**

### ***Raising levels of human capital***

Member States must commit to increased and more efficient investment in human capital in order to raise skill levels. Lessons can be drawn from good performers in this context. SE, FI, and DK deliver performance measured against the three EU targets, substantially above the EU average, and above the targets themselves. These Member States also commit to levels of investment in education and training well above the EU average. The converse is also true. Those Member States with poor performance measured against the targets, tend to invest lower levels in education and training. With the exception of PT, Member States with the lowest levels of educational attainment of 22 year olds (CZ, ES, IT, LU, MT, PT) invest a lower proportion of their GDP in public education and training than the EU25 average. Similarly countries with the highest rates of early school leavers (ES, IT, MT, PT) invest at lower levels (except PT). And the pattern continues in terms of poor performers on adult participation in education and training (CZ, EL, IT, LT, MT, PT, SK) which all (again with the exception of PT) invest less in education and training. These Member States all need to develop comprehensive strategies to raise human capital.

A number of Member States commit to deliver increased and more efficient investment to raise levels of human capital. However, there is little systematic information on levels or ways of encouraging a more efficient use of resources, making it difficult to establish whether Member states are delivering the call from the guideline. Many of the new Member States need to progress further in order to provide lifelong learning opportunities for all. However, many are well on the road to developing such systems. EE has announced a new strategy for 2004–2006; LU approved a plan to implement a national strategy; and CZ Government foresees in the near future an agreement on a Human Resources Development Strategy. Member States' NAPs tend however to provide detailed accounts of existing policy activities, rather than an assessment of their comprehensiveness and coherence which eventually determines their impact in the longer term..

#### **National targets on improving levels of human capital**

More and more Member States have set specific targets to complement those at EU level for raising levels of human capital. EE aims to ensure, in line with the Guidelines, that at least 85% of 22 year olds will have a secondary education by 2010. LU sets a range of targets for 2010, including that at least 15 % of working age adult residents should engage in education and training every year. CY sets comparable targets for educational achievement of 20-24 year olds and participation of adults in lifelong learning. HU aims at ensuring a level of

participation in lifelong learning of 10% by 2010. NL has set to achieve the ambitious national target, that at least 20% of 25 - 64 year olds will be taking part in educational and training in 2010, and SI sets a similar target on lifelong learning for 2006. FR aims at achieving a 2 percent increase in the number of adults participating in lifelong learning and targets for reducing gap in access to training between the least qualified employees and those with higher qualifications, and between employees of SMEs and larger companies.

### ***Share costs and responsibilities***

All actors must accept their share of responsibility for raising the levels and efficiency of investment in human capital. An increasing number of Member States are adopting the levy approach to encourage employers to invest. PL plans to set up by 2008 an enterprise training fund financed through a levy of a 1 % deducted from wages. A similar levy of 1.5% of the wage bill is in force in HU. In SK new tax incentives are planned to encourage employers to invest in the training of their employees. In EE and NL the Government promotes training of employees via tax incentives for employers investments in lifelong learning.

### ***Reducing early school-leaving***

Although many Member States develop measures aimed at increasing school attendance and lowering the number of early school leavers, these are often piecemeal initiatives outside the mainstream education system. Most policies consist of special measures to support the most vulnerable students outside the mainstream education system. HU introduced the concept of "catch-up education" that helps young people over 16, including Roma, who dropped out from primary school. PT developed school social support centres consisting of support teams for students and families in need. A similar measure is developed in DE where individual assistance for children with learning difficulties will be stepped up.

### ***Tackling disadvantage***

Much public policy intervention concentrates on giving a second chance to the low skilled, disadvantaged groups, and people for whom initial education failed. HU announces a major increase in funding for adult education. In SE the municipalities are obliged to offer upper secondary education to all young people up to the age of 20. After that age, they can obtain qualifications in municipal adult education, with all employees entitled to study leave. In the UK, the Education Maintenance Allowance aims to boost young people's participation in post compulsory education by alleviating financial obstacles. An equivalent Adult Learning Grants has been introduced to help those on low incomes meet the costs of learning in priority areas.

### ***Facilitate access to lifelong learning:***

Many Member States have developed or plan to develop national information and advice systems to broaden the supply and demand of training. In SK the Ministry of Education is implementing a reform of the university education system to promote access for a larger share of young people to university. In FI the government guarantee for student loans will be raised in 2005 and tax deductions for student loans introduced. CY is reforming its Apprenticeship Scheme, and the UK has introduced new apprenticeship systems. In DE, the Federal Government recently concluded a national agreement with industry to ensure that all applications from young people for vocational training can actually be met. HU is in the process of undertaking a systematic review of its vocational training system. In order to better anticipate future skills' needs, EL is creating Centres for the Promotion of Employment (KPA)

and an Employment Observatory. Most Member States are improving and widening their guidance systems in order to better support adults in their career planning and their education and training choices. In BE the social partners and the governments in partnership have agreed to provide annual education and training possibilities for 60,000 additional employees, ensuring that by 2010, 50% of all employees are engaged in lifelong learning each year. In FR the inter-professional national agreement concluded in 2003 and translated into the law in 2004 should pave the way for a major reform of the vocational training system in a lifelong learning perspective.

### **Pointers for action**

*Member States should, in close cooperation with the social partners and other relevant actors, step up their effort towards having coherent and comprehensive national strategies for lifelong learning in place by 2006.*

*Strategies and complementary national targets should be in place to increase the level and efficiency of investment in human capital of all ages. This involves a higher level of public sector investment in key areas for the knowledge society and a higher level of private investment, particularly in higher education, adult education and vocational training*

*Member States should provide an entitlement to education and training for those groups most in need, notably the low-skilled, disadvantaged groups, older workers, and workers employed by SME's.*

*Bringing down levels of early school leaving should be a priority in all Member States, but particularly those with levels well in excess of the EU target for 2010.*

### **3.4 ENSURING EFFECTIVE IMPLEMENTATION OF REFORMS THROUGH BETTER GOVERNANCE**

Member States were recommended to give priority to *"ensuring effective implementation of reforms through better governance, inter alia, by building reform partnerships to mobilise the support and participation of the social partners and various stakeholders; where appropriate, by defining targets to reflect those set at a European level, and ensuring effective use of public funds; by promoting the role of National Action Plans and increasing their visibility; by strengthening the role of the country-specific recommendations and developing more effective mutual learning"*. The "governance" section of the Employment Guidelines is covered here, as well as Guideline 10 on reducing regional disparities.

The NAPs, in general do not reflect the political consensus to focus the EES on implementation and the delivery of policy. This does not necessarily mean that the crucial importance of good governance and partnership is neglected by Member States. However, the NAPs themselves provide little detail on actions taken in response to the governance priorities identified in the 2004 JER and Council Recommendations. Member States, as well as other key actors involved in the EES, thus miss an important opportunity to learn from each other and disseminate good practices in this aspect. Important implementation gaps exist in all Member States, in particular regarding employment levels, the effective exit age from the labour market and participation and investment in education and training. One would therefore expect the exchange on good governance practices to be given a higher priority.

### ***The profile of the action plans and the role of national parliaments***

The 2004 JER concluded that NAPs needed increased political legitimacy through a greater involvement of national parliaments and consultation with social partners and civil society. A stronger role of national parliaments could also serve the objective of better integrating the NAPs into annual budgetary cycles.

The profile of NAPs is generally stronger in the new Member States and the generally high quality of these 10 NAPs is welcomed. Whilst in a number of the EU15 the NAPs continue to be summing-up reports rather than central planning documents, those of the new Member States are relatively forward looking and comprehensive. A better utilisation of the full potential of the plans means they must be more attractive and easily accessible documents, suitable for dissemination to a wide public. There is room for improvement here, in all 25 Member States, but the quality of the BE plan should be highlighted.

The involvement of national parliaments in the EES is crucial to ensure political legitimacy, openness and accountability. However, this involvement remains weak and attention given to the NAPs insufficient in most Member States. As a general rule, NAPs are discussed in parliamentary committees for labour and social affairs (usually, but not always, before adoption by government) rather than in plenary sessions. The low profile of NAPs amongst national parliaments is one of the main reasons why they don't receive significant input and support from civil society. It also remains unclear to what extent parliaments are involved in the evaluation of adopted measures. PL has established a practice of reporting to the parliament on the follow up and results of the NAP but it remains unclear how many other Member States do this.

### ***Social and civil dialogue and partnerships for reform***

The involvement of the social partners in the drafting of the NAPs has improved. The social partners often formulate written comments on the draft and in a number of cases their contributions are also annexed to or included in the plans (IE, DK, BE, PT, HU, CY, ES, SE, LU, LV, IT, MT, FR). Many social partners consider that their inputs do not have enough visibility. Civil society is often underrepresented, SE being a notable exception. Some of the new Member States (CZ, PL, SI, CY, HU) also engage in a dialogue with NGOs and the UK also plans to do so.

Often central trilateral/national/sectoral arrangements (reached through collective bargaining or consultations according to national traditions) are in place, through which social partners have a direct input into employment policy<sup>39</sup>.

The call for national partnerships for reform, by the 2004 Spring European Council and the 2004 Recommendations, has not been directly addressed (with the exception of IE), although such partnerships exist in many Member States.

Broad partnerships, vital for the positive management of economic change and restructuring, at sectoral and company level in particular, demands the involvement of all important actors: workers and employers concerned, social partners, governments (national/ regional/ local), (public) employment services, social security institutions and training providers. In order to

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39 In most cases the social partners have input to a wide range of guidelines, notably 3, 4, 5, 6, 7.

ensure the synergy between and mutual support of their contributions, it seems essential to further clarify the role and responsibilities of each actor in these partnerships. Best practices on this could teach important lessons.

Contributions from the European social partners to the EES have increased through the implementation of actions in their joint work programme for 2003-2005. Partner agreements at the EU level on telework in 2002 (due to be implemented by 2005), and stress at work in 2004 are to be implemented by national social partners according to domestic practices. The European social partners also monitor the contributions of national social partners to the implementation of the EES.

### ***Regional and local policy and governance***

For countries where competence for employment policy is shared between national, regional and local authorities, an active involvement of regional actors in (national) employment reforms is crucial. In PL a law establishes that each region has to draw up its own action plan on the basis of the national guidance, through consultation with social partners and local authorities. An evaluation of the Territorial Employment Pacts (TEPs) in AT shows these pacts helped improve the efficiency, effectiveness and transparency of regional labour market policy, and provided a better matching of policy with local needs. IT takes a regional approach for the coverage of each guideline. Countries that combine a strong role for local authorities (municipalities, local PES and local social security institutions) with strong employment performance include DK, UK and NL. A trend to decentralise labour market policy (delivery) is also visible in many new Member States such as PL and SK, the success of which will much depend on building the necessary capacity at the local level.

A few Member States (FR, EL, IT, UK) have introduced specific targets to reduce sub-national disparities. The UK reports on positive progress against the target to increase the employment rate and reduce disparities for the 30 local areas showing the greatest gaps. However, the other three Member States do not report on progress and there is no indication that any of the new Member States plan to introduce such national targets. With DE, MT, SE and UK as notable exceptions, the human capital dimension continues to be underplayed as a major underlying factor in regional disparities.

### ***Policy delivery by operational services***

To improve delivery, operational services need modernisation in the majority of Member States. However the NAPs (especially those of the former EU15) pay little attention to the functioning of education and training and social services, which play a crucial role in the delivery of employment-related policies. A number of Member States also tend to underplay the key role of public employment services (PES) in ensuring and improving the delivery of the EES.

Most Member States have strategies to modernise and restructure the PES, with examples of important reforms including DE, EE, LT, LV, PL, IT and FI. The extent to which PES reforms have moved through the planning phases into implementation and delivery stages varies a great deal though. The PES staff-to-client ratio is critically low in a number of new Member States as well as in EL, IT and ES. In the last a concerted effort is being made to recruit more staff. Decentralisation of PES to improve the quality of service delivery and to adapt it to local needs is an important issue in many Member States. In addition to NL, UK and DK, where private employment services are well established, collaboration with private

players and NGOs is on the increase in SK, FR, DE, CY, EL, IT and PL. NGO's are playing an increasingly significant role in the placement of job-seekers (SK, HU, NL and DK).

In DK and DE there is an increased role of the PES in the social integration of those most distant from the labour market. The PES in SE successfully placed 28% of jobseekers on sickness benefit over the last 12 months. The profiling of clients to identify the level of service required is being developed in FI, NL, DE and MT. This move towards a pre-emptive preventative approach is evident in countries that have developed a proactive approach to potential redundancy (SI). Progress is reported by LT, MT, EL and DE in relation to ICT developments in the PES on both the demand and supply side.

### ***Defining national targets***

Defining national targets that take account of specific national circumstances, while reflecting those agreed at EU level are an important means to confirm and increase Member States' commitment to the implementation of the Employment Strategy. The Joint Employment Report 2004 called for the setting of national targets in particular for the employment rates, the effective exit age from the labour market and the EU benchmarks for education and training; and where appropriate, redirection of spending and greater efficiency in the use of public funds.

The overall response to this call has been fairly positive. Seven new Member States have set national employment targets, either by taking over the EU targets (EE, SK) or by setting a target which reflects the national employment performance and outlook. Examples of the latter include the employment target of 63% in 2010 set by HU and the target set by CY to achieve an overall employment rate of above 70%, and of 62% for women, by 2006.

The biggest employment challenge for the EU, to keep older people longer in work, has been least translated into national targets. In addition to the exit age targets already set by FR, FI and PT, this year only CY adds to this with a target to achieve an exit from the labour market age of 62 years by 2006. More and more Member States have set national targets for improving levels of human capital, including HU with a relatively ambitious target to achieve a level of participation in education and training of 10% by 2010 (currently at 6%). No targets have been set on the redirection of spending and greater efficiency in the use of public funds.

### ***Adequate allocation of financial resources***

All Member States face the challenge of balancing adequate and effective spending on education and employment with sound public finances. Information on the resources allocated to policy action and on the effectiveness of its use is vital in both enabling a sound evaluation of policies announced in the NAPs, and in stimulating bench-marking and mutual learning to underpin the credibility of the EES.

Between the launch of the Lisbon strategy in 2000, and 2002, ALMP expenditure showed a decreasing trend in the EU15. Notable exceptions are IT and PT with increased expenditure, and NL and AT where levels have remained stable. In 2002, at 0.06% of GDP, the UK spent the smallest share of GDP on ALMP, at 1.7%, DK spent the most. In those new Member States for which OECD data on ALMP expenditure are available, figures show a slightly decreasing or stable trend for most countries since 1999. From the information provided in NAPs it is not clear whether, since then, and in line with the conclusions of the 2004 JER and Council Recommendations, efforts have been stepped up to ensure the adequate access to and



effectiveness of ALMP measures. EU15 Member States spend most of their ALMP budget on training measures for the unemployed (DK, DE, GR, AT, FI and UK). In ES, IT and PT the largest share of the ALMP budget is spent on employment incentives. BE, FR and IE spend most on direct job creation.

The latest available statistics (2001) indicate a slight increase in public investment in education and training as a proportion of GDP to 5.1%. This varies significantly from 8.5% in DK to 3.9% in EL and LU. Some Member States mention increased investment in human resources since 2001 including DE, EE (to reduce early school leaving), ES and BE but few Member States either demonstrated an increase in resources, or indeed make a commitment to do so. The EU is evidently not delivering the “increased investment in human resources” called upon in the Guidelines.

Compared to previous years the information provision on financial resources for the implementation of the NAPs has improved. It is especially apparent that the new Member States have made notable efforts to provide information. However, measured against the level of the commitments taken in the Guidelines and given the high priority attached to implementation and policy delivery issues since the publication of the Employment Taskforce's report in November 2003, with some exceptions the financial information and analysis remains insufficient. Clearly, there are limits to any comparative analyses due to institutional and other differences between Member States. However, the provision by Member States of the agreed indicators in this area (ALMP and human resources expenditure) which illustrate actual expenditure, allocated budgets and future provision would mark an important step forward.

A strategic approach is generally missing with little information given on spending priorities. Member States tend to report on what they spend without evaluation of adequacy and cost effectiveness. Some Member States use the definitions of the EU indicators on ALMP and/or human resources expenditures to provide data on planned expenditures for (parts of) the time period 2003-2006 (AT, FR, IT, LT, EE, FI). However, more often an indication of planned expenditures up until 2006 is missing. The current situation does not allow for much exchange of information on the adequate allocation of financial resources. Member States thus miss an important opportunity to learn from each other and identify good practices.

#### **Financial data provided in the NAPs**

Twelve Member States use (some) EU comparable data in their NAPs, mostly on ALMP expenditure and to a lesser extent on human resources investment, AT, DE, FR, IT, BE, HU, LT, PT, EE, FI, IE and SE. A small number also compare their own performance with other Member States and the EU average (AT, PT, SK and EE).

The UK, NL, LU, CZ, EL, LV and SI use little comparable data. Information on financial resources for the UK, NL and CZ is confined to a selection of ALMP measures, with no information given on (public) spending on education and training. The NAP for LU hardly contains national data.

PL, BE, HU, IE and ES provide financial data split per guideline. This improves the comprehensiveness and impact of the NAPs, in particular towards national stakeholders. DK and CY give a fairly reasonable picture on the basis of national data.

A number of new Member States, including SK and SI, report on on-going shifts away from passive and towards active labour market measures, an important priority already identified in the Joint Assessment Papers on Employment adopted in the run up to EU accession.

The NAPs of the new Member States reflect the important role of the ESF in the delivery of the EES in these countries, with shares of the ESF in the total budget for ALMP in these countries of around 50%.

### ***Dissemination and mutual learning***

A number of Member States compare their performances in various policy fields with that of the EU average and of other Member States. A number of NAPs also refer to ESF Equal projects which are perceived as an important means of mutual learning. However, the NAPs substantially under-play the importance of disseminating good practices or quoting examples of policies that have been inspired by the experiences of Member States.

### **Pointers for Action**

*Member States should ensure a closer involvement of national parliaments in the employment process, requiring that they adopt the NAP on the basis of a government proposal. The role of national parliaments in the follow up and evaluation of the plans should be increased and better articulated. Monitoring and evaluation structures should be set up at national, regional or local level, to look at the NAPs. Such structures should include the social partners.*

*NAPs should be made more attractive, and reader friendly, suitable for dissemination to a wide public. Their potential as a source for mutual learning should be better utilised.*

*Implementing the EES requires structural reforms with a high impact on European economies and societies. These reforms cannot be decided and implemented without the establishment of broad national partnerships for reform which start from a clear division of responsibilities and articulation of the role of each actor in the process.*

*Member States should critically monitor and where necessary improve the functioning of operational services vital for the implementation of the EES, such as employment services, education and training and social services.*

*Member States should provide the EU agreed indicators on ALMP and human resources spending in their NAPs, together with reporting on actual expenditure and on progress with regard to the commitment to increase spending on human resources. The NAPs should discuss spending priorities and include figures on allocated budgets and spending prognoses<sup>40</sup> as well as adequacy and cost effectiveness assessments.*

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40 The new Member States will be included in the Labour Market Policy Monitor in 2006. The structural indicator on public spending on human resources covers the 25 Member States.

#### 4. ASSESSMENT OF PERFORMANCES AND POLICIES OF THE MEMBER STATES

##### AUSTRIA

###### **Economic and Labour Market Context**

GDP growth decelerated from 1.4% in 2002 to 0.7% in 2003. Productivity growth slowed down to 0.7%. The employment rate remained at 69.0% overall, but increased to 61.7% for women. Part-time work expanded. The employment rate for older persons (55-64) increased by 1.0 point to 30.1% in 2003, remaining one of the lowest in the EU. The unemployment rate continued to increase, reaching 4.5% in 2003, partly due to a rather strong rise in labour supply especially from women. The LTU rate increased slightly to 1.2%, but remains among the lowest in the EU. The youth unemployment ratio increased from 3.7% in 2002 to 4% in 2003, though still one of the lowest in the EU.

###### **Strategic Policy Developments**

The achievement of full employment continues to be the main objective of Austrian economic and employment policies. The Austrian government has set a national target of increasing the female employment rate to 65% in 2005. The main challenge continues to be an increase of the employment rate of older workers. Another objective remains to reduce the average unemployment spell to 90 days. It is planned to strengthen the economic basis and the exploitation of the labour force potential by increasing the share of R&D from 2.19% of GDP in 2003 to 2.5% in 2006 and 3% in 2010 as well as to increase the rate of self-employment through business start-ups and supporting measures and to further develop active labour market measures. The creation of jobs and entrepreneurship continues to be supported by the tax reform 2004/05. In the field of quality in work and productivity developments Austria focuses on promoting lifelong learning, flexibility and job security, health and safety at work, fighting discrimination, improving work organisation and the reconciliation of work and family life. Efforts to strengthen social cohesion and inclusion are treated in the NAP incl 2003-2005 and its update in 2004. The call upon social partners to negotiate a monthly minimum wage of 1000€ is still under discussion.

###### **Implementation of the Employment Recommendations**

*A detailed assessment of Austria's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>monitor and if necessary complement reforms on severance pay legislation and progress on the planned implementation of entitlement to unemployment benefit for the self-employed to increase levels of occupational mobility.</i></li></ul>	In progress
<b><i>Attracting more people to the labour market and making work a real option for all</i></b>	

<ul style="list-style-type: none"> <li>• <i>develop a comprehensive strategy for active ageing, including the removal of early retirement schemes, broadening the incentives to retain older workers longer in employment, notably older women; monitor the impact of the revision of the pension system on the effective exit age and progress towards the national targets.</i></li> <li>• <i>take action to tackle the causes of the gender pay gap; increase the availability and affordability of childcare facilities and evaluate the impact of the present childcare allowance scheme on the level and quality of female employment</i></li> </ul>	<p>In progress</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <p><i>review incentives to increase participation in training, especially for the low-skilled and for immigrants.</i></p>	<p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

#### *Increasing adaptability of workers and enterprises*

- The response to the recommendation to **monitor reforms on severance pay legislation** is in progress. The reform has already attracted one million persons since 1.1.2003 and is currently being evaluated. Insufficient progress has been achieved with regard to **unemployment benefit for self-employed**, which continues to be discussed, notably regarding the definition of occupational groups to be included as well as with regard to the contribution base and rates.

#### *Attracting more people to the labour market and making work a real option for all*

- Implementation of the recommendation to **develop a comprehensive strategy for active ageing** is in progress. The pension reforms of 2000 and 2003 have initiated positive measures to increase the employment rate of older workers and the exit age. Part-time early retirement of older persons has been reformed from a front-loaded system into a more gradual phasing out regime. However, early retirement is still widespread, notably in the form of disability pension or in the context of measures to reduce the size of the public sector. In spite of a slow increase in older workers’ employment rate and exit age, Austria remains very far from the Lisbon and Stockholm targets.
- There is insufficient policy response to **tackle the causes of the gender pay gap**, which ranks third highest in the EU. The 2004 NAP refers exclusively to recent anti-discrimination legislation. There is no concrete evidence about efforts by the social partners to reduce the gender pay gap except for two member unions of the Austrian Trade Union Federation which have launched a process of examining collective agreements. The government call on social partners to negotiate on a nation-wide net monthly minimum wage of 1000€, which would concern much more women than men, may be helpful in this

context. There is a limited policy response to **increase the availability and affordability of childcare facilities in the form of an agreement between the federal, the Länder and the local level**. Relatively satisfactory situation is reported in the 2004 NAP in terms of facilities for children aged 3 to 6. For children between 0 and 3 the coverage is estimated to be only 11%. An official evaluation of the **impact of the present childcare allowance scheme** is underway. While initial results are assessed by the government as positive, there are also conflicting evaluations and reliable evaluations will be not available for a few more years.

#### *Investing more and more effectively in human capital*

- There is a limited policy response to **increase participation in training, especially for the low-skilled and for immigrants**, for example through financial incentives for enterprises and targeted measures for disadvantaged groups. However, more forceful initiatives from both government and social partners would seem necessary, considering in particular the share of employees participating in continuous vocational training which is well below EU average.

#### **Governance**

The issue of better governance is notably addressed through the reforms of the Labour Market Service and the Labour Inspectorate. The social partners seem to have been less involved as usual in the 2004 NAP preparation, which may influence acceptance as well as implementation of labour market activities. Some national NGOs and the local and regional levels have been involved. Efficiency and effectiveness of ALMP have been enhanced and ALMP expenditure increased. Territorial employment pacts have increased the efficiency and effectiveness of the regional approach of ALMP.

## **BELGIUM**

### **Economic and Labour market Context**

The Belgian economy has started a hesitant recovery in the second half of 2003. GDP growth reached 1.3% in 2003 and is expected to increase to 2.5% in 2004. The labour market did not pick up yet. In 2003, total employment stagnated and the already low employment rate dropped to 59.6%. The employment rate for older workers (28.1%) improved but remains among the lowest of the EU. Over the period 1999-2003, the progress in employment rates was not enough to keep pace with the evolution of the EU average. Unemployment increased significantly to 8.0% in 2003 and continues to rise in 2004. Long-term unemployment still represents almost half of total unemployment. Substantial employment disparities between regions of 7.5 percentage points and more persist. Productivity picked up and contributed to a reduction in real unit labour costs. The tax and non-tax burden on labour remains high.

### **Strategic Policy Developments**

The Belgian NAP presents a comprehensive strategy covering the different objectives and guidelines of the EES. Targets are defined in many policy fields but the overall goal of creating 200.000 new jobs by 2007 is no longer mentioned. Both demand and supply side measures should raise *employment*. Non-wage labour cost reductions combined with continued wage moderation remain the key instruments to promote job creation. Administrative simplifications should foster entrepreneurship. Additional measures have been taken to better accompany restructuring of enterprises. Active labour market policies are reinforced to facilitate integration into the labour market and a new 'work bonus' scheme should remove subsisting unemployment traps. No measures are reported addressing inactive people. A reform of the unemployment benefit system provides intensified guidance and makes benefits subject to stricter job search conditions, but does not apply to older unemployed. Measures to curb early withdrawal do not foresee far-reaching reforms of early retirement schemes yet. *Quality and productivity in work* is addressed through a balanced approach towards flexibility and security. Lifelong learning strategies are being implemented by the regions but participation in training remains below the EU average. *Social inclusion* is pursued through targeted measures for disadvantaged groups. The new 'service voucher' system should create regular jobs for low-skilled workers. Legislation against discrimination is in place but only very little progress has been achieved in reducing the large unemployment gaps for non-EU nationals.

### **Implementation of the Employment Recommendations**

*A detailed assessment of Belgium's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b>	
<ul style="list-style-type: none"><li><i>better anticipate and accompany restructuring of enterprises, in particular in the case of collective redundancies;</i></li></ul>	<i>Limited</i>
<ul style="list-style-type: none"><li><i>further reduce non-wage labour costs, in particular for the low-paid while safeguarding budgetary consolidation;</i></li></ul>	<i>Limited</i>
<ul style="list-style-type: none"><li><i>improve cooperation between regional employment services to support</i></li></ul>	

<i>mobility between regions.</i>	<i>Limited</i>
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li><i>review tax and benefit systems to remove subsisting unemployment traps and provide adequate incentives for active job search by reviewing the conditionality of benefits;</i></li> <li><i>increase the coverage of unemployed adults, disadvantaged young people and immigrants in the measures run by the employment services;</i></li> <li><i>define a comprehensive strategy for active ageing, including the removal of early retirement schemes, access to continuing training, the promotion of a flexible working environment and effective job search for older unemployed workers.</i></li> </ul>	<p>Limited</p> <p>Limited</p> <p>Insufficient</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li><i>take action to reduce early school leaving;</i></li> <li><i>monitor recent inter-professional agreements to raise worker participation in training, with special attention for the low-skilled.</i></li> </ul>	<p>Limited</p> <p>Insufficient</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

#### *Increasing adaptability of workers and enterprises*

- There is a limited policy response to the recommendation to better accompany **restructuring of enterprises**. Existing measures for the counselling of workers made redundant in restructuring of enterprises have been complemented with financial incentives to promote outplacement and with reduced social security contributions when the workers concerned find new employment. However, early retirement schemes remain the most important instrument to mitigate the effects of large-scale redundancies.
- There is a limited policy response to **further reduce non-wage labour costs** within the available budgetary margin. They have been further reduced through additional reductions in social security contributions that will be gradually implemented in 2004-2005, with an emphasis on low wages. The many existing schemes have been harmonised in order to increase transparency. The phased implementation of the tax reform is continued. The tax and non-tax burden on labour has been reduced significantly over the last 5 years: the tax wedge on low wages dropped from 51.0% in 1999 to 47.5% in 2003, which is however still the highest of the EU.
- A limited policy response should **improve cooperation among the regional employment services**. A cooperation agreement has been concluded between the regions which should enhance interregional exchange of job vacancies and strengthen collaboration in training activities. However, this agreement needs further elaboration and provides no time path for its implementation.

### *Attracting more people to the labour market and making work a real option for all*

- There is a limited policy response to the recommendation to **review tax and benefit systems**. A **reform of the unemployment benefit** introduced stronger job search requirements for long-term unemployed which will be gradually implemented. However, the consistent implementation and the impact of this new system remains to be seen, and the monitoring of unemployed older than 50 is currently not foreseen. A new 'work-bonus' scheme should remove remaining unemployment traps, especially to take up part-time work, and will be implemented from 2005 onwards.
- A limited policy response has been given to **increase the preventive approach for unemployed adults**. The employment services have raised their efforts to provide **active and preventive efforts**, non-compliance rates have improved and they have made commitments for additional efforts in the coming years. Particular attention is given to groups at risk of being excluded from the labour market, but the labour market situation of immigrants remains critical.
- Despite the many measures that have already been taken, the policy response **developing a real comprehensive strategy to promote active ageing** is still insufficient. Over the 5 last years, the employment rate for older workers increased with 3.5 percentage points but the gap with the EU average was not reduced. The government has now indicated a series of possible guidelines addressing the different aspects of active ageing which will be subject of upcoming negotiations with social partners. Whether this will result in decisive action and in-depth reform of early retirement schemes remains to be seen. No progress is reported with regard to imposing effective job search requirements for older unemployed.

### *Investing more and more effectively in human capital and lifelong learning*

- The regional authorities have shown a limited policy response by taking action to reduce **early school leaving** and to facilitate the transition from education to the labour market. Schools with a high share of disadvantaged pupils should receive additional support, professional education is strengthened and alternating learning further developed. The cooperation between schools, employment services and industry is being reinforced, and a modular approach should improve certification of competences.
- There is insufficient policy response to the recommendation to **monitor inter-professional agreements to raise worker participation in training**. The social partners have started discussions to develop more adequate monitoring instruments but no progress has been reported yet. Social partners have reconfirmed their commitment to raise investments in training for workers to 1.9% of the total wage bill with minimum 0.10% to be reserved for groups at risk of being excluded from the labour market. The indicator shows increased participation in training of workers for 2003 which is now at the level of the EU average.

### **Governance**

The NAP is elaborated in collaboration between federal and regional authorities with active involvement of the social partners. Parliaments have not been implicated which limits the visibility of the NAP. The major policy developments in 2004 stem from the tripartite Employment Conference held in the autumn of 2003. Deliberations with the social partners will be held to develop a comprehensive strategy on active ageing and a new interprofessional agreement should be concluded for 2005-2006. The public employment services are being



reorganised and cooperation among regions will be strengthened. The NAP provides new detailed information on the budgets allocated until 2002 to the employment strategy. Direct job creation continues to receive the largest share of the budget for active labour market policies. The ESF contribution is mainly directed towards preventive measures, life long learning and social inclusion actions.

## CYPRUS

### **Economic and Labour Market Context**

The Cyprus economy has shown the ability to adapt to the recent adverse global economic climate with growth rates which, although decreasing, are still above the EU average. In 2003, GDP grew by 2 % (EU: 1.0 %). Labour productivity growth per capita was 1.1 % (EU: 0.6 %). The slowdown of growth during 2002 and 2003 did not allow the scheduled reduction of the budget deficit. This shot up to 6.4 % of GDP in 2003, triggering sharp expenditure reducing and revenue enhancing measures under a consolidation plan adopted for the period 2003-2007. The overall employment rate in 2003 increased, reaching 69.2 % (EU: 63.0 %) with an increasing rate for women that reached 60.4% (EU: 55.1 %) and also an increasing rate for older workers at 50.4% (EU: 40.2 %). Cyprus is well on track to exceed the Lisbon employment targets. Unemployment increased slightly to 4.4 % in 2003; however, it remains significantly below the EU average (EU: 9.1 %). In 2003, long-term unemployment increased slightly to 1.1 % (EU: 4.0%) but still remained low.

### **Strategic Policy Developments**

The strategy for *full employment* is well embedded in the overall national development strategy. In this context, the main policy developments aim to maintain the current favourable situation by making effective use of domestic labour reserves, developing active and preventive LM policies matched with the provision of individualised support, and reforming the education and training systems to make them more flexible and better attuned to LM needs. *Quality and productivity at work* is expected to rise further as a result of efforts made to increase the innovation capacity of industry and to diversify the service sector. The setting up of a comprehensive national LLL strategy, providing appropriate links between initial and continuing education, as well as training matched with the development of a competence based structure of vocational qualification standards, remains a strategic priority. In the field of *social inclusion*, risk of poverty exists amongst groups of people such as the elderly and single parent families. Persistent earnings and employment gender gaps require further action, particularly to narrow the pay gap (26%). A gradual increase of the retirement age in the private and public sectors is envisaged. An in-depth analysis of the contribution of foreign workers (12% of the workforce) to LM flexibility, as well as of their rights and opportunities, is underway and it is envisaged that a new strategy will be adopted by the end of 2004.

### **Implementation of the Employment Priorities**

*A detailed assessment of Cyprus's policy response in addressing the priorities is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment priorities</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>Raise innovation capacities and diversify the service sector</i></li></ul>	In progress
<b><i>Attracting more people to the labour market and making work a real option for all</i></b> <ul style="list-style-type: none"><li><i>Do more to bridge gender gaps, including improving care facilities,</i></li></ul>	Limited

<p><i>increasing the participation of women in training and raising the attractiveness of part-time work</i></p> <ul style="list-style-type: none"> <li>• <i>Review of policies in relation to the employment of foreign workers, both in terms of their contribution to labour market flexibility and of rights and opportunities for immigrant workers;</i></li> <li>• <i>Strengthen preventive and active labour market measures to address individual needs and cover a large share of unemployed and disabled people, ageing job-seekers and women. Strengthen and modernise the public employment services.</i></li> </ul>	<p>Insufficient</p> <p>In progress</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>Develop a comprehensive national strategy for life-long learning.</i></li> <li>• <i>Reduce school drop-outs, improve the links between initial education and continuing training and ensure greater participation in training</i></li> </ul>	<p>Limited</p> <p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

#### *Increasing adaptability of enterprises and workers*

- The policy response in addressing the priority to **raise innovation capacities and to diversify the services sector** is in progress. A diversification and innovation strategy under the Strategic Development Plan for 2004-2006 envisages the elimination of labour market rigidities, the fostering of a knowledge-based society and economy and the development of human capital, while maintaining a simplified entrepreneurial and low tax environment. An important number of programmes are being offered by the HRDA to SMEs providing counseling and advice to set up and develop modern methods of management, innovative practices and new technologies. Moreover, government grants are provided to strengthen the competitiveness of SMEs through the promotion of ICT applications, innovation and technology transfer. Although legislation is helping to make flexible forms of employment more favourable, social dialogue is expected to help develop this issue further.

#### *Attracting more people to enter and remain in the labour market*

- The setting up of an institutional framework for the provision of **care facilities**, including childcare and all-day schooling, is in progress, as a policy response to reconciling work and family life and promoting the access of women to the labour market. However, actions to tackle persistent **earnings and employment gender gaps** are insufficient and require further attention, particularly to narrow the pay gap (currently 26%). While legislative changes in 2002/03 favour more flexible forms of employment, including part-time work, the development of a comprehensive strategy remains conditional on the progress of social dialogue in this field.
- The policy response to the priority to review the overall policy on the employment of **foreign workers** is insufficient. Cyprus has been attracting large numbers of foreign workers many of whom come from third countries and remain in Cyprus illegally. Also, Turkish Cypriots are now allowed to work in the south. The adoption of a **coherent and comprehensive strategy towards immigrant workers** and their contribution to labour

market flexibility, as well as of their rights and opportunities has long been delayed. It is now envisaged by the end of 2004.

- The policy response in addressing the priority to **strengthen and modernise the PES and promote active and preventive measures** is in progress. This should also help to match labour supply and demand and therefore make better use of domestic labour reserves. Moreover, new skill upgrading schemes are being developed covering a large spectrum of **initial and continuing training needs to help hard to reach targeted groups such as the unemployed, new entrants, inactive women, ageing job-seekers and vulnerable persons**. These schemes will provide personalised help, counseling and experiential training. The development and implementation of active labour market programmes and the further promotion of social dialogue on flexible forms of employment is expected to generate increased labour supply from inactive women, young persons and the elderly, while the participation of the **disabled** is expected to increase in the labour market with tailor-made activation programmes to make them less dependent on social security.

#### *Investing more and more effectively in human capital and life-long learning*

- There is a limited policy response towards the establishment of a comprehensive **national framework for life-long learning** with improved links between initial and continuing education and training and ensuring a greater adult participation in training, particularly at the workplace. In this context, the development of a competency based structure of standards of vocational qualifications, as part of a coherent LLL system remains one of the strategic challenges.
- There has been a limited policy response to **reforming the vocational education and training systems**. The reform of the apprenticeship system to make it a real alternative vocational path, both for boys and for girls, through reliable and accredited vocational qualifications, appears to be slow. It is expected that these reforms will reduce the number of **early school leavers** and increase the overall participation in training. In 2002, public expenditure on education as a percentage of the GDP increased to 6.9% compared to 6.3% in 2001. A major reform of upper secondary general education was fully implemented in 2002, while for secondary technical/vocational education it will be completed in 2006. In parallel with this reform, information technology has been introduced as an obligatory subject in secondary education.

#### Governance

A National Employment Committee was established in 2004 to monitor developments in the labour market and contribute, amongst others, to the development and implementation of the NAP. Its composition and functions are likely to provide legitimacy, visibility and efficiency to employment policy, while confirming the tripartite approaches that have long existed. The NAP clearly identifies the financial resources allocated in support of employment policy over the period 2004-06. These resources are allocated within the framework of the government budget, the contribution of the SFs, and the Human Resources Development Authority budget (financed by a 0.5% levy on payroll of all private enterprises and semi-government organisations). The NAP 2004-06 was approved by the Council of Ministers and has also been submitted to the Parliament.

## CZECH REPUBLIC

### **Economic and Labour Market Context**

Since 2000, the Czech economy has experienced growth of around 3% of GDP. The budget deficit (12.6% of GDP in 2003<sup>41</sup>) has led to a significant tightening of public finances. The employment rate is above the EU average but declined in 2003 to 64.7%. The female employment rate also declined to 56.3% but the rate for older workers increased to 42.3%. Unemployment levels are rising, reaching 7.8% in 2004. The Czech labour market displays a number of structural shortcomings. Regional disparities are high, with the rate of unemployment in structurally weak regions more than four times higher than in Prague and in some districts it exceeds 23%. Regions lagging behind such as Moravskoslezsko and North-West suffer from a combination of low geographical and occupational mobility, low incentives to seek work in the social system and an inadequate system of higher education. The long-term unemployment rate increased to 3.8% in 2003 and the rate of youth unemployment remains high (6.8% in 2003, with substantial regional disparities). Finally, unemployment among members of the Roma communities is estimated to be between 70 – 90%.

### **Strategic Policy Developments**

Concerning *full employment*, the NAP identifies the new Employment Act as a principal tool to reach the Lisbon targets. The activation and incentive measures in this Act have the potential to increase the employment rate over the medium to longer term. However, more attention could be given to meeting the needs of older workers and women returning from maternity leave. The dimensions of *quality of work* identified in the NAP include a strong emphasis on increasing labour productivity (although an appropriate and comprehensive policy response is not clearly spelled out); on the central role of access to education for everyone; as well as on the need for an appropriate responsiveness of the educational system. However, the NAP does not address the issues of high non-wage labour costs and of the promotion of more flexibility in the labour market. Policies for strengthening *social cohesion and social inclusion* include measures aimed at supporting job-creation in the structurally-handicapped regions. The strategic dimension of the NAP could be enhanced through a better interconnection between these objectives and the strategies to achieve them, and the identification of the core elements of the overall Czech employment strategy.

### **Implementation of the Employment Priorities**

*A detailed assessment of Czech Republic's policy response in addressing the priorities presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment Priorities</b>	<b>Assessment</b>
<i>Increasing adaptability of workers and enterprises</i> <ul style="list-style-type: none"><li>• <i>Ensure that wage developments remain in line with productivity developments.</i></li></ul>	Limited

<sup>41</sup> According to national data, the budget deficit is at 5%.

<ul style="list-style-type: none"> <li>• <i>Reduce the relatively high tax wedge on labour income and non-wage labour costs, particularly for low skilled workers.</i></li> <li>• <i>Reform the tax and benefit system to discourage welfare dependency and ensure that regular work pays.</i></li> </ul>	<p>Insufficient</p> <p>Limited</p>
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>Raise the participation of women and older workers, including by strengthening incentives to part-time work.</i></li> <li>• <i>Strengthen efforts to integrate the most vulnerable groups in the labour market, particularly in regions other than Prague and for the Roma population, through preventive and active labour market measures, combined with anti-discrimination measures, and a stronger emphasis on education, training, support to entrepreneurship and job creation.</i></li> <li>• <i>Modernise the public employment services.</i></li> </ul>	<p>Limited</p> <p>In progress</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>Raise participation in tertiary education and in training, both overall and for the low-skilled, to sustain job creation and support occupational and geographic mobility.</i></li> </ul>	<p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

*Increasing adaptability of workers and enterprises*

- Despite productivity growth of 3% in 2003, there is limited policy response to measures aiming at **keeping wage developments in line with productivity increases**. Real Unit Labour Costs increased by 2.7% in 2003. The government response has been primarily to freeze wage growth in the public sector – but this option has obvious limitations, given that public sector employment represents only 20% of total employment and there are already significant disparities in the level of remuneration between the public and private sectors.
- The policy response to **discouraging welfare dependency** is limited. The new Employment Act tightens the conditions for unemployment benefits entitlement and several measures have been accepted to **make work pay**, but these measures are still not comprehensive enough. The government aims to improve labour incentives for low skilled labour through cutting social benefits and conditioning benefits by activity, but there has been an insufficient policy response to reducing **non-wage labour costs**.

### *Attracting more people to the labour market and making work a real option for all*

- The policy response to **increasing the labour market participation of older workers** is limited. Early retirement schemes have been significantly curbed and the new Employment Act enables additional support for 55+ groups. Other measures are planned within the context of pension reforms. The rate of employment of older workers has increased to 42.3%. However, adopted measures address only incentives to increase demand for jobs, insufficient attention is given to the issues of employability of older workers. The policy response to **increase labour market participation of women** is insufficient – and in particular no new measures are proposed to **support part-time work**. The female employment rate declined to 56.3% in 2003. The fact that only 2% of Czech children aged under 3 are cared under formal childcare arrangements (other than family) contributes to the highest negative impact of parenthood on the employment of women in the EU (38.9%, compared to the EU average of 13.6%).
- The policy response to **integrating the most vulnerable groups** into the labour market is in progress. This is particularly true in regions lagging behind such as those in the North-West and Ostravsko, where **new incentives for job-creation** have been launched. The new Employment Act also launches **more active labour market measures** (among others the implementation of Individual Action Plans for the under 25 group across the whole country). However, the overall response to integrating the Roma has been limited.
- The policy response to **modernising the public employment services** has also been limited and a more comprehensive reform would be desirable. The ESF support is expected to have a major positive impact. The medium-term impact will increasingly depend on the success in developing the capacity of the PES.

### *Investing increasingly more effectively in human capital and lifelong learning*

- There has been a limited policy response to supporting human resources development, **raising participation in tertiary education and in training**, both overall and for the low-skilled, but the NAP proposals are mainly at the development stage and actual measures aimed at increasing participation in tertiary education and training, mainly of the low-skilled, are modest (only 5,4% of the 25-64 population took part in education and training in 2003, which is considerably lower than the EU 25 average – 9%). Uncertainty about available resources presents a barrier to implementation.

## **Governance**

The lack of a strong national political consensus on how to approach employment issues represents a considerable limiting factor with regards to the Czech Employment Strategy; thus, the role of the Parliament in supporting the visibility of the NAP has been limited. In order to improve the co-ordination of public policies at the central level, the Czech government has established an inter-ministerial body: the Commission for the preparation of NAP 2004-2006 and for tackling unemployment is composed of representatives of several ministries, social partners and other actors at national, regional and local levels. The preparatory NAP process (since 1999) has also helped in the identification of problems, the setting of the public policy agenda and the co-ordination of policies. However, while funding from the ESF is expected to raise the current level of ALMP investment, available resources will still remain at a relatively low level, and the NAP does not specifically earmark financial resources to the individual Guidelines.

## GERMANY

### **Economic and Labour Market Context**

Following two years of very slow growth, GDP declined by 0.1% in 2003. Productivity increased by 0.9%. The number of people employed went down by about 440.000 and the overall employment rate declined by 0.3 percentage point to 65.1 % (down to 71.0 % for men and up to 59.1 % for women). The employment rate of older workers went up from 38.7 % to 39.5 % (with a stronger increase for women). The unemployment rate increased by 0.9 points to 9.6 %, and remains two times higher in the East than in the West. There are signs that the German economy has been slowly recovering in 2004, though with no substantial impact on employment and only a slight reduction of unemployment for this year. Substantial regional disparities between the eastern and western parts of the country persist.

### **Strategic Policy Developments**

Agenda 2010 provides the main strategic framework to respond to the three overarching objectives. Adopted in 2003, it is a programme for structural reforms focusing on efficient labour market policies, sustainable social protection systems, improved business environment and performing education and training systems. *Full employment* is the main economic objective of the Government, though no employment target has been defined. The ongoing implementation of the Hartz reforms is a major attempt to attract more people to the labour market by making work pay and intensifying the preventive and active approach to the unemployed. As regards *quality and productivity* at work the NAP mentions access to labour market, equal opportunities and work/life balance and participation in continuous training as key elements of the German approach, as well as workers participation in company management and health and safety at work. Steps have been taken towards defining a lifelong learning strategy through a Bund/Länder agreement concluded in 2004. An important agreement has been concluded with the social partners in June 2004 to secure the offer by employers of apprenticeship places. Education and training and the prevention of LTU are at the centre of the German strategy on *social inclusion* in the labour market.

### **Implementation of Employment Recommendations**

*A detailed assessment of Germany's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<p><b><i>Increasing adaptability of workers and enterprises</i></b></p> <ul style="list-style-type: none"><li>• <i>review the financing of the social protection systems to reduce non wage labour costs while safeguarding budgetary consolidation;</i></li><li>• <i>encourage the social partners to take responsibility for steadily reflecting local, regional and sectoral differences in productivity and labour market conditions in wage setting, and to aim at further progress in working time flexibility and the provision of training facilities, for example through training accounts (see BEPG guideline 5);</i></li><li>• <i>promote the development of SMEs, notably through simpler</i></li></ul>	<p>Limited</p> <p>In progress</p>



<i>regulation and better access to financing; strengthen the entrepreneurial culture, especially in the Eastern part of the country.</i>	In progress
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li><i>• continue reform of the tax and social benefit system, thereby ensuring sufficient incentives to take up work; closely monitor and evaluate the Hartz and other labour market reforms, to ensure a continuous improvement of the public employment services' efficiency in supporting the unemployed;</i></li> <li><i>• review possible tax disincentives to female participation in the labour market; increase childcare facilities, especially in the Western Länder, and improve the correspondence between school schedules and working hours; encourage social partners to take their responsibility to considerably reduce the gender pay gap;</i></li> <li><i>• further develop a comprehensive strategy for active ageing to ensure that people stay in work longer, especially after the age of 60; further encourage part-time work for men and increase access to training for older workers;</i></li> <li><i>• strengthen efforts to integrate immigrants.</i></li> </ul>	<p>In progress</p> <p>Limited</p> <p>In progress</p> <p>In progress</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li><i>• improve education levels of the workforce and strengthen incentives to increase participation in lifelong learning, especially for the low-skilled, SME employees and older workers;</i></li> <li><i>• continue the modernisation of the dual system; reduce early school leaving.</i></li> </ul>	<p>In progress</p> <p>In progress</p>
<p><b>Note:</b> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

#### *Increasing adaptability of workers and enterprises*

- Following the pensions reform, the recent health insurance reform is a contribution to the requested **review of the financing of the social protection systems**. Its impact in terms of *reducing non-wage labour costs* has been limited so far. It may be difficult to achieve a substantial overall reduction of non-wage labour costs in the medium term, though taxation of low wage earners - at 46.7% in 2003 -is still well above the EU average.
- The government has encouraged Social Partners and they have made substantial progress in 2004 to **reflect local, regional and sectoral differences in productivity and labour market conditions in wage setting, and to aim at further progress in working time flexibility**, as evidenced by agreements concluded in major companies in order to prevent delocalisations and job losses. The number of *working time accounts* is increasing. In

2003, 41 % of employees benefited from such accounts and 11% of all enterprises used them for vocational training.

- The policy response to the recommendations to **promote the development of SMEs, notably through simpler regulation and better access to financing** in the framework of the 2003 “Mittelstand Offensive” is in progress. Support for the establishment of small enterprises by the unemployed led to the creation of 250.000 new enterprises in 2003. However, the start-up rate in Eastern Germany has fallen below the West German level and much remains to be done to *strengthen the entrepreneurial culture, especially in the Eastern part of the country.*

*Attracting more people to the labour market and making work a real option for all*

- The response to the recommendation to **reform the tax and social benefit system, aiming to ensure sufficient incentives to take up work** is in progress. In particular progress was achieved with respect to the implementation of the Hartz reforms and the preparation of its fourth component, due to enter into force in 2005, was pursued with determination in spite of strong opposition. This responds to the recommendation to **reform the tax and social benefit system, aiming to ensure sufficient incentives to take up work**. The reduction of public assistance to the unemployed will become effective from 2005 and will put considerable pressure on the unemployed. The **continuous improvement of the public employment services' efficiency in supporting the unemployed** is in progress but remains a major challenge for 2005, as it will largely condition the success of the Hartz reform. First evaluations of the "Ich AG" scheme are encouraging.
- There is insufficient policy response with respect to a **review of possible tax disincentives to female participation in the labour market**, which is still under examination. Childcare provision for children under 3 years - currently at 8.5% - remains well below the EU target of 33%, especially in the old Länder (2.7%). The Childcare development law currently under discussion aims at **increasing childcare facilities** to meet parents' requirements by 2010. However, it has not yet been adopted and the impact may be limited because it is unclear whether the municipalities will have sufficient financial resources and incentives to achieve the proposed target. There is some progress with respect to **improving the correspondence between school schedules and working hours** the Bund provides €4 billion to support Länders' initiatives. There is insufficient response at social partners' level on the issue of **reducing the gender pay gap** which - at 21 % (2001) - remains the highest in the EU15.
- The development of a **comprehensive strategy for active ageing to ensure that people stay in work longer, especially after the age of 60** is in progress in the form of financial incentives and increased contractual flexibility for older workers. However there is still a strong culture of early retirement, which is encouraged by companies. Progress remains necessary in view of the current employment rate of older workers (39.3%) and its slow growth over recent years. Steps should be taken to ensure that the part-time law is effectively used to promote the progressive retirement of older employees rather than to facilitate earlier retirement. As far as training of older workers is concerned, performances remain well under the EU average and call for further action.
- **Efforts to integrate immigrants** are in progress through the framework of the 2004 Law on Immigration, which lays down minimum requirements for the integration of

immigrants, and through Länder initiatives. The impact of the law will need to be monitored and evaluated.

### *Investing more and more effectively in human capital and lifelong learning*

- Germany has launched a comprehensive strategy for life long learning and has started implementing it. There is progress with respect to the need to **improve education levels of the workforce** notably through a steady increase in federal and Lander budgets and initiatives to improve the quality of education and training. Positive steps have been taken by the Government and social partners to counter the recent decline of apprenticeship places and to *modernize the dual training system*. However the response to the recommendation to **strengthen incentives to participate in lifelong learning, especially for the low-skilled, SME employees and older workers** is insufficient. As far as vocational training is concerned, enterprises qualify more the qualified manpower than the low skilled. In addition the Hartz reform has led to deep financial cuts for vocational training as a labour market instrument for unemployed. The share of employees participating in education and training, as well as in training organised by enterprises, are well below the EU average.
- Positive steps have been taken by the Government and social partners to counter the recent decline of apprenticeship places and to **modernise the dual training system**, though their effect will need to be evaluated. The policy response to reduce **early school leaving** is in progress with a number of initiatives being taken, but the issue still remains an important challenge.

### **Governance**

While the process of NAP preparation involves the Länder and the Bundesrat, the NAP is still widely seen by the Länder as a federal policy document which does not sufficiently reflect the diversity of regional labour market strategies. There is a gap to bridge between the EU level and the regional and local levels, which are legally competent for a large part of the EES policies. The NAP contains information on the sources of financing of several of the guidelines, particularly on activation, lifelong learning and social inclusion. The ESF can play a useful role in this respect and its contribution to the EES is outlined in the NAP. Social partners have made major contributions to the EES implementation in 2003/04 especially in the fields of wage moderation, working time, flexibility, qualification and training and reconciliation of family and work.

## DENMARK

### **Economic and Labour Market Context**

In 2004, the Danish economy showed clear signs of recovery, following a 2001-2003 period of slow economic activity. GDP growth fell from 1% in 2002 to only 0,4% in 2003 but is forecasted to reach 2,3% in 2004. Productivity remains amongst the highest in EU. Participation and activation rates in Denmark are significantly above the EU average. Denmark has already achieved all quantitative employment targets from Lisbon despite a recent decline in employment rates (76.2% in 2001 to 75.1% in 2003). Female employment was particularly hit during the economic slowdown dropping from 72.0% in 2001 to 70.5% in 2003. In contrast, the employment rate of older workers increased from 58.0% in 2001 to 60.2% in 2003 (20-points above the EU average). Unemployment is forecasted to decrease to 5.4% in 2004, down from 5.6% in 2003.

### **Strategic Policy Developments**

The political agenda remains focused on the long-term challenges to the Danish society, such as the ageing population, potential shortages of labour and the under-representation of ethnic minorities on the labour market. Maintaining a high level of public services in the future context of an ageing population remains a major challenge. In the progress towards *full employment*, some of the short term impacts of the re-orientation of the early activation measures have been an increase in long-term unemployment and unemployment among graduates. Questions remain about whether future potential bottlenecks in certain public sectors have been adequately addressed. In improving *quality and productivity* focus is on reducing sickness leaves and on enhancing the working environment. A reported drop in the share of young people fulfilling an upper secondary education in recent years remains a matter of concern. On progress towards *social cohesion and inclusion*, the Government has carried on with the reforms on integration of ethnic minorities following a limited success in this area in recent years. The integration strategy is based on increased financial incentives to take up work combined with more targeted training programmes.

### **Implementation of Employment Recommendations**

*A detailed assessment of Denmark's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>further reduce the overall fiscal pressure on labour safeguarding budgetary consolidations;</i></li></ul>	In progress
<b><i>Attracting more people to the labour market and making work a real option for all</i></b> <ul style="list-style-type: none"><li><i>pursue a comprehensive strategy for active ageing, including the removal of incentives for early retirement where appropriate;</i></li><li><i>review tax and benefit systems to reduce marginal tax rates and raise incentives for low-income groups to work, including the unemployed and inactive;</i></li></ul>	Limited In progress

<ul style="list-style-type: none"> <li>• <i>monitor the impact of recent reforms to integrate immigrants into the labour market, in particular of efforts to build up the necessary basic skills required to match job requirements.</i></li> </ul>	In progress
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>monitor trends in vocational training in the light of recent increases in training fees</i></li> </ul>	Insufficient
<p><i>Note:</i> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have been achieved; “<i>In progress</i>” where the policy reform is well advanced and/or significant progress in implementation is being made; “<i>Limited</i>” where the policy response is only partial and/or implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

### *Increasing adaptability of workers and enterprises*

- The policy response to the recommendation to **further reduce the overall fiscal pressure on labour safeguarding budgetary consolidation** is in progress. A fiscal package was introduced in Spring 2004 cancelling previously planned pension contributions as well as advancing planned reductions on earned income for the 2004-2007 period. The future demographic challenges and the sharp increase in health care expenditures for elderly people puts serious constraints on further tax reductions given that public services are to be guaranteed. Surveys have shown that labour elasticity for tax reductions on earned income is very limited.

### *Attracting more people to the labour market and making work a real option for all*

- The policy response to the recommendation to **pursue a comprehensive strategy for active ageing, including the removal of incentives for early retirement** has been limited. While no changes were brought to the Voluntary Early Retirement Scheme (last reformed in 1998), evidence now seems to show that the number of people benefiting from this scheme has topped. A new initiative to increase the economic incentives for older workers to extend their retirement age to beyond 65 has recently been launched. The already very high participation rates of older workers increased further (55.4% in 1999 to 60.2% in 2003) in recent years and the actual retirement age remains very high in an EU context.
- The policy response to the recommendation to **review tax and benefit systems to reduce marginal tax rates and raise incentives for low-income groups to work** is in progress. Apart from advancing planned tax reductions in 2004, the Government has also addressed the problem of feeble economic incentives to work by revising the social benefit system, notably by defining ceilings for social allowances for the unemployed. Despite this, financial incentives to take up work still remain modest in certain particular cases.
- The policy response to the recommendation to **monitor the impact of recent reforms to integrate immigrants into the labour market, in particular to efforts to build up the necessary skills required to match job requirements** is in progress. The Government has initiated different impact surveys and a monitoring system will be put in place in 2004 to help in analysing outcomes and consequences of these reforms. Preliminary reports suggest that results vary significantly between municipalities and regions. Privately financed

surveys have shown that the reduced allowances for immigrants have had no visible impact on their labour market participation so far.

*Investing more and more effectively in human capital and lifelong learning*

- The policy response to the recommendation **to monitor trends in vocational training in the light of recent increases in training fees** has been limited following reports that participation in publicly financed continuing vocational training has declined which may be due, in part, to the introduction of training fees. Though the reported trend in CVT participation remains a matter of concern, statistics also show that Denmark ranks very high in terms of CVT expenditures per worker (double the EU average).

## **Governance**

Denmark has well functioning structures for governance thanks to a unique tradition for involving social partners in defining and implementing labour market policies. Evidence has shown, however, that there is a need to reinforce the involvement of regional and local councils in the definition and implementation of the employment strategy and to ensure a better transfer to local actors. The social partners have contributed actively to the preparation of the NAP and it has been discussed in the Labour Market Committee of the Parliament. The NAP contains information on overall financial allocations for most labour market policies, including ESF allocations to main priorities. Overall ALMP expenditures remain high. A new Structural Reform of public services entails a number of future challenges. The implementation of the reform must be closely monitored in order to ensure that the new enlarged municipalities will have the necessary capacity, competencies and incentives to oversee the regional labour markets, particularly demand side elements.

## ESTONIA

### **Economic and Labour Market Context**

After some years of very high economic growth the economic growth slowed down somewhat last year. In 2003, GDP grew by 5.1%, thus still considerably higher than the EU average, and the employment grew by 0.8%. Labour productivity growth per capita increased by 4.3% but labour productivity per capita is still one of the lowest in the EU. The overall employment rate further increased to 62.9%. The employment rate for women was 59.0% in 2003 and for older workers, already high, it further increased to 52.3%. After some years of declining unemployment rates the unemployment rate rose to 10.1% last year, thus remaining higher than the EU average. Long-term unemployment is still high in Estonia, 4.6% in 2003, and 45% of all unemployed are long-term unemployed. For older unemployed people the share of long-term unemployed is even higher at 60%. Youth unemployment rate is on the EU average but has increased last year, especially for young women. Regional differences in unemployment are still high.

### **Strategic Policy Developments**

Estonia has already met the Lisbon quantitative target for older workers, the female employment target is within reach while the overall target will be difficult to meet. Estonia's employment and social inclusion strategy is based on the belief that work is the best protection against poverty and *social exclusion*. The most important policy development was the adoption of the new concept of labour market services. The concept sets out the basic principles for the reform of the current package of active labour market policies and unemployment benefits. To reduce the tax burden on labour the Estonian government will increase the tax-free income and gradually decrease the personal income tax. One of the most important steps to tackle gender gaps was the enforcement of the Gender Equality Act. To reduce drop-outs from school, improved access to education for children from risk families has been introduced. If to reach the overall *employment* target, the labour force reserve among unemployed, especially long-term unemployed, inactive and disabled people must be stimulated to take up work. In relation to increase participation in the labour market attention should also be given to youths, especially young women. There is still no lifelong learning strategy in place, which should be put on the agenda as soon as possible. Since the monitoring and evaluation system is rather weak it will be difficult to assess the impact of new active labour market policies. Wage developments should remain in line with productivity developments. How to improve *quality and productivity* at work is not widely discussed.

### **Implementation of the Employment Priorities**

*A detailed assessment of Estonia's policy response in addressing the priorities is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment Priorities</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>• reduce the tax wedge on labour, especially on lower wage earners;</i></li><li><i>• promote contractual and working time diversity;</i></li><li><i>• improve the tax system, transform undeclared work into regular jobs and keep wage developments in line with productivity developments.</i></li></ul>	In progress Insufficient

	Limited
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>reduce levels of inactivity; maintain people in the labour market and attract more people to it, in particular women, older workers and the low-skilled;</i></li> <li>• <i>strengthen active labour market measures so as to support active job search, provide greater access to training for the unemployed and ensure that the labour market becomes more inclusive. Public employment services should also benefit from increased resource;</i></li> <li>• <i>pay special attention to disadvantaged people, such as long-term unemployed, young people, disabled and older job seekers, and to particular risk factors such as belonging to an ethnic minority and lack of knowledge of the national language.</i></li> </ul>	<p>Limited</p> <p>In progress</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>Estonia should be encouraged to improve access to training for all employees, especially for the low-skilled. Reducing school-drop outs and ensuring quality of education and training is a particular challenge;</i></li> <li>• <i>building a system of lifelong learning has to be put clearly on the agenda.</i></li> </ul>	<p>Limited</p> <p>Limited</p>
<p><i>Note:</i> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

#### *Increasing adaptability of workers and enterprises*

- The policy response to **reducing the tax wedge on labour** is in progress. To reduce the tax wedge on low wage earners tax-free minimum and minimum wage have been increased during the previous years and will continue to increase in years to come.
- The response to **promoting contractual and working time diversity** in order to create **more job opportunities** is insufficient. There is almost no discussion about work organisation, on how to increase quality and flexibility, or how to foster innovation. Development of the diversity of contractual and working arrangements is a main challenge for Estonia.
- There is a limited response to the priority to improve the **tax system and to transform undeclared work** into regular jobs. The Government plans to decrease the personal income tax. To increase work incentives, it is planned to tighten the qualification criteria for benefit recipients. It is still important to ensure that wage developments remain in line with productivity developments.

#### *Attracting more people to the labour market and making work a real option for all*

- There has been a limited policy response to the priority to **reduce the level of inactivity and to maintain and attract more people to the labour force**. If the overall employment target is to be reached, efforts should be stepped up to increase the labour market



participation of in particular the low skilled, non-Estonians, long-term unemployed, youths, especially young women, disabled and inactive people.

- The policy response to the priority to **strengthen active labour market measures** and to provide greater access to training for unemployed is in progress while the response to **giving special attention to disadvantaged groups** is limited. The adoption of the concept of labour market services marks an important step in Estonian labour market policy. Regarding unemployment benefits, various activation measures are foreseen such as monitoring the job search activities of the unemployed. It is, however, essential that the planned active labour market measures are in line with the needs of the labour market in order to receive the best possible outcome of the economic upswing. Furthermore, to ensure a good implementation of the new concept of labour market services enough financial resource has to be allocated.
- The response to give special attention to **disadvantaged groups** is limited. Various pilot programmes have been implemented recently for disadvantaged groups, such as for non-Estonians, long term unemployed and disabled people, but their impact is difficult to measure due to a poor monitoring system. The main focus of the measures is on an individual approach while using the potential of the ESF as regards financing. Targeted measures are needed for the long term unemployed, especially older long term unemployed, disabled people and non-Estonians.

#### *Investing more and more effectively in human capital and lifelong learning*

- There has been a limited policy response to the recommendation to **reduce school-drop outs and to improve access to training for all employees**. Even though various activities have been carried out to reduce school drop-outs, such as improving the access to education for children from risk families through reducing barriers arising from social background and creating flexible forms of learning, the share of drop out-rates from basic school is still high. Furthermore, the share of employees participating in vocational education is rather low and that of the low skilled is extremely low. The reform of the vocational education has been relatively successful in terms of optimisation of the network of vocational schools and curricula development. However, the quality in the education system has to be ensured so it is more in line with the needs of the labour market.
- The response to **building a system for lifelong learning** is limited. Even though a measure for adult education is foreseen with support from the ESF and the Government planned to launch a lifelong learning strategy by the end of 2004, it still remains to be seen what the content of this strategy will be.

#### **Governance**

The NAP was prepared by the Ministry of Social Affairs; other relevant Ministries were asked to send their contributions and thereafter it was sent for comment to the social partners, Parliament and the Government. There were no widespread discussions with different stakeholders and visibility remains modest. It is also not clear how parliamentary bodies, social partners and other relevant actors will be involved in its implementation. The NAP does indicate the total budget for Human Resource Development in 2004-2006, including identifying the share of ESF and EQUAL resources. It also identifies (in % of GDP) active and passive LMP expenditure.

## GREECE

### **Economic and labour market context**

The Greek economy grew by 4.3% in 2003, compared to 3.9% the year before, significantly faster than the EU average. As in previous years, labour productivity per capita grew much faster than in the EU (3.1% as compared to 0.6%). Although it has picked up 2.4 percentage points since 2001, the overall employment rate of 57.8% was significantly lower than the EU average (63.0%). The relative weakness of the overall employment rate was mainly due to the extremely weak employment rate of women, which, with 43.8%, was 11.3 percentage points lower than the average for the EU. The employment rate of older workers (55-64 years of age) in 2003 was 42.1%, higher than the equivalent for the EU (40.2%). Despite a continuous decrease since the peak in 1999, unemployment affected 9.7% of the labour force in 2003, with women facing much higher rates (15.0%) than men (6.2%). The long-term unemployment rate was higher in Greece than the average for the EU (5.1% compared to 4.0%).

### **Strategic Policy Developments**

The Greek NAP places a strong emphasis on *full employment*. Raising participation and employment rates, notably of women and young people, increasing the effectiveness and efficiency of ALMPs, reducing the volume of undeclared work and strengthening LLL opportunities, remain key challenges. A number of important labour reforms have been introduced, including the transformation of unemployment benefits into employment subsidies, in particular for groups facing *social exclusion*, and the promotion of part-time work in the public sector. The PES network has been expanded and its staff reinforced, but the use of the preventive and individualised approach is not yet widespread. Care structures continue to be promoted to increase women's employability. Nevertheless, LMP expenditure as a percentage of GDP (0.22% in 2002) remains one of the lowest in EU15. Measures to increase participation in education and training are being implemented, but a comprehensive life-long learning strategy is still lacking. The NAP reports a fall of the number of accidents at the work place, but no specific measures are presented to reinforce this trend. Overall, policies for improving *quality and productivity at work* receive less attention in the NAP.

### **Implementation of the Employment Recommendations**

*A detailed assessment of Greek's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below:*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b>	
<ul style="list-style-type: none"><li><i>implement fully the agreed labour market reform package; raise the attractiveness of part-time work and develop temporary work agencies to increase the diversity of work arrangements;</i></li></ul>	Limited
<ul style="list-style-type: none"><li><i>reduce non-wage labour cost safeguarding budgetary consolidation; transform undeclared work into regular employment by improving the attractiveness of standard and non-standard contracts to employers and employees and strengthening law enforcement capacity;</i></li></ul>	Limited
<ul style="list-style-type: none"><li><i>promote a more employment-friendly business environment.</i></li></ul>	In progress

<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>take strong action to increase the level and effectiveness of active labour market policies so as to cover a larger share of the inactive and the unemployed;</i></li> <li>• <i>speed up the development of efficient employment services throughout the country offering preventative and personalised services; upgrade the statistical monitoring systems;</i></li> <li>• <i>raise incentives for women to participate in the labour market, including through part-time employment; increase the availability and affordability of care facilities for children and other dependants;</i></li> <li>• <i>define a comprehensive strategy for active ageing providing flexible working arrangements, incentives to encourage older workers to remain longer in employment and support for skills development.</i></li> </ul>	<p>Limited</p> <p>In progress</p> <p>In progress</p> <p>Insufficient</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>reduce early school leaving and strengthen the labour market relevance of tertiary education;</i></li> <li>• <i>review incentives to promote life-long learning and increase participation in training, in particular for the low-skilled and for immigrants.</i></li> </ul>	<p>Limited</p> <p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

*Increasing adaptability of workers and enterprises*

- There has been a limited policy response to the recommendation to **implement labour market reforms, raise the attractiveness of part-time work and develop temporary work agencies**. A change in legislation now extends the possibility for public authorities, also on the municipal level, to hire people who are difficult to place as part-timers with fixed term contracts. As regards temporary work agencies and more generally private sector mediation services, although the institutional framework has now been modernized, their share of total job placement is very small.
- The Greek policy response to the recommendation to reduce non-wage labour costs is in progress. For certain disadvantaged groups, **non-wage labour costs are reduced** through the introduction of employment subsidies equivalent to social security contributions. There has been a limited policy response to combating **undeclared work**. Two major regularisation exercises for immigrants have been undertaken, as well as improvements in data exchange between the public employment service (OAED) and the Social Insurance Agency (IKA), however, it is not clear from the NAP whether sanctions will be applied with more rigour than in the past.
- The policy response to the recommendation to **promote a more employment friendly business environment** is in progress. Business tax rates will be reduced from 35% to 25% over the next three years. Greece has taken measures to simplify the procedures for the

establishment of new enterprises (2004), and has set-up 13 Regional Centres for Business and Technological Development. To facilitate access to finance, the Guarantee Fund for Small and Very Small Enterprises has been activated. Changes in the Development Law are anticipated for the further support of entrepreneurship and the National Council of Competitiveness and Development is upgraded.

*Attracting more people to the labour market and making work a real option for all*

- The response to the recommendation to increase the level and effectiveness of active labour market policies is limited. The difficult restructuring of OAED, the main implementation agency for **active labour market policies**, is advancing well. The implementation of the personalized approach is, however, still limited to only 17% of the registered unemployed, but is gradually being extended. Emphasis is placed on simplifying access to OAED supported projects both for individuals and enterprises.
- The policy response to the recommendation to develop efficient employment services and upgrade the statistical monitoring systems is well in progress. Positive steps have been taken to build the capacity of **the public employment services** through the extension of the network and the recruitment of additional staff, first and foremost labour advisers, upgrading also their role. The **statistical monitoring system** has also been upgraded and various key indicators can now be generated to monitor and assess the effectiveness of the personalized approach and of the full operation of the PES.
- The policy response to the recommendation to raise incentives for women's participation in the labour market and increase the availability of care services is in progress. Measures are taken to enhance female employability by **promoting female entrepreneurship**, including small businesses at home by young women with care obligations and by **promoting care services**. The labour market orientation of this last measure and thus its impact on women's participation has yet to be examined. The extension of the possibilities for public services to recruit part-timers, referred to above, should also contribute to raising women's participation in the labour market.
- The Greek policy response to the recommendation to define a **comprehensive strategy for active ageing** is insufficient, and this despite the fact that demographic ageing is projected to affect Greece's working-age population heavily. The lack of a commensurate policy response may be related to the fact that, at present, the country shows relatively high activity and employment rates for older workers, which can, at least partially, be explained by the absence of favourable exit condition from the labour market.

*Investing more and more effectively in human capital and life-long learning*

- The Greek policy response to the recommendation to **reduce early school leaving and strengthen the labour market relevance of tertiary education** is limited. The rate of early-school leavers in Greece is lower than the EU - average, but still above the 2010 target. This may explain why there is hardly any policy response for this target. Measures to strengthen the labour market relevance of tertiary education include the strengthening of career counselling services. However, the links between education and training and the labour market need to be further developed, through quality counselling and professional orientation services and accreditation procedures for training programmes.

- The policy response to the recommendation to **review incentives for life-long learning and increase participation in training, in particular for the low skilled and for immigrants** is limited. Although the Greek NAP reports on a number of training and education measures and programmes, many of them addressing vulnerable groups, the National System of Reconciling Vocational Education and Training with Employment is still not activated and no specific measures are announced to involve social partners better in life-long learning. Therefore the education and training opportunities for the adult segment of the labour force remain limited.

## **Governance**

There is still further room for social partners' activation and participation. Although the social partners were consulted during the preparation of the NAP and, together with regional authorities, contribute in the framework of the National Employment Committee, their contribution lacks visibility. Progress in implementing the NAP is monitored by a committee established within the Ministry of Employment and chaired by the Minister of Employment. A special task force has been established to develop and oversee a system for evaluating employment policy measures in the framework of the NAP and to oversee implementation. Following its approval by government, the NAP has also been discussed in a parliamentary committee. ESF provides a substantial contribution to the implementation of policies in the NAP, however data on the national financial contribution is not complete.

## SPAIN

### **Economic and Labour Market Context**

In 2003, the Spanish economy has experienced real convergence with EU25, thanks to the higher economic growth in Spain (GDP growth 2.4% compared with 0.8% in EU). Progress towards the Lisbon objectives in terms of employment rates is slow. However, during 2003, the total employment rate increased by 1.3 percentage points to 59.7% (compared to an increase of 0.1 percentage point in EU), mainly driven by the increase in women's employment rate (1,9 percentage point increase, compared with 0,6 percentage point for men). Increased activity rates are causing unemployment to continue rising in absolute terms, but the unemployment rate remained the same as in 2002, i.e. 11.3%. For men, the unemployment rate increased by 0.2 percentage points and for women it decreased by 0.5 percentage points. The long-term unemployment rate, at 3.9%, remains the same as in 2002. Regional disparities continue to be considerable, with unemployment ranging from 6.1% in La Rioja to 18.6% in Andalucía (26.5% for women). Excessive use of fixed-term contracts, 30,6%, and a low use of part-time work (8.5% of employees) remain features of the Spanish labour market.

### **Strategic Policy Developments**

The NAP 2004 is defined as transitional, due to the change of government in March 2004 and to the new process of social dialogue opened in July with the Joint Declaration signed by the government and the social partners. It is clear that all initiatives aimed at improving *quality and productivity* at work will rely heavily on social dialogue. Concerning *full employment*, a new Employment Law has been passed in November 2003 with the aim to better manage the coordination of the Public Employment Services. An increase in the minimum wage (6.6%) has been approved in June 2004 and further increases are foreseen to make work pay. The response on *social inclusion* seems strong on the amelioration of the situation of immigrant workers. The NAP sets, for the first time, quantitative objectives regarding employment rates for 2005, and adopts the remaining quantitative objectives concerning training, education levels and childcare services for 2010. However, not enough details are provided on how to achieve these objectives.

### **Implementation of the Employment Recommendations**

*A detailed assessment of Spain's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>promote modernisation of work organisation to strengthen productivity and quality at work;</i></li><li><i>revise the regulatory framework to make permanent contracts more attractive for employers and to discourage the use of fixed-term contracts so as to counter the segmentation of the labour market; increase the attractiveness of temporary agency work for workers; remove obstacles to part-time work;</i></li><li><i>use possibilities of wage differentiation according to productivity</i></li></ul>	Limited Insufficient

<i>developments at local, regional and sectoral levels(see BEPG guideline 5).</i>	Limited
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li><i>raise incentives for women to participate in the labour market; increase the availability and affordability of care facilities for children and other dependants;</i></li> <li><i>ensure greater access to and efficiency of active labour market measures for disadvantaged people, in particular young people, disabled people, immigrants and long-term unemployed; complete the modernisation of the public employment services, including the statistical monitoring system; strengthen the coordination between regional employment services ; and address remaining obstacles to geographical mobility;</i></li> <li><i>define a comprehensive strategy for active ageing providing flexible working arrangements, incentives to encourage older workers to remain longer in employment and training.</i></li> </ul>	<p>Limited</p> <p>In progress</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li><i>reduce early school leaving and ensure quality and labour-market relevance of tertiary education;</i></li> <li><i>strengthen incentives for lifelong learning to increase participation, in particular for the low-skilled.</i></li> </ul>	<p>Limited</p> <p>In progress</p>
<p><b>Note:</b> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

### *Increasing adaptability of workers and enterprises*

- There has been a limited policy response to the recommendation to **promote modernisation of work organisation**. The Joint Declaration of July 2004 underlines the need for a new growth model based on business competitiveness and productivity. However, no measures have been adopted so far, and they will depend on the outcome of the social dialogue.
- There has been an insufficient policy response to the recommendation to **revise the regulatory framework to make permanent contracts more attractive, to discourage the use of fixed-term contracts and to remove obstacles to part-time work**. Reforms in these areas have been left exclusively within the scope of the social dialogue, whose results remain to be seen. The issue of temporary agency work has not been addressed.
- There has been a limited policy response to the recommendation to **use possibilities of wage differentiation**. The reform of collective bargaining to foster its adaptability to enterprises’ and sectoral needs will be discussed within the social dialogue. It has not been addressed so far.

### *Attracting more people to the labour market and making work a real option for all*

- The policy response to the recommendation to **raise incentives for women to participate in the labour market and increase the availability and affordability of care facilities** is

limited. The budgetary allocation for tax benefits for working mothers of children under three has been increased by 16.6%. The budget for schooling before compulsory age has been increased by 14%. Spain foresees to reach the Barcelona target for childcare facilities in 2010, but no intermediate target or detail are given.

- The policy response to the recommendation **to complete the modernisation of the public employment services** is in progress. The new National Employment System is starting to be operational and the statistical monitoring system is expected to be ready in November 2004. However, the compliance rates are still very low and further efforts are needed. Measures to ensure greater access to active labour market measures for long-term unemployed and young people are in progress. Particular attention has been paid in the current NAP to the situation of immigrant workers: a new State Secretariat for Immigration and Emigration has been created to address the issue of labour immigration. The modernisation of the special employment centres for people with disabilities has been announced. The responses for these two recommendations are in progress. The forthcoming Housing Plan and measures for financial assistance for rentals should contribute to geographical mobility.
- There is a limited policy response to the recommendation to **define a comprehensive strategy for active ageing**. Measures adopted in previous NAPs continue, such as reductions in the social security contributions and flexible retirement, but no new measure has been adopted. The target of increasing by five years the effective retirement age has not been addressed. A comprehensive strategy is lacking as regards training for older workers and the improvement of health and safety at work.

#### *Investing more and more effectively in human capital and life-long learning*

- There has been a limited policy response to the recommendation to **reduce early school leaving**, which has reached 29.8% in 2003. Spain intends to reduce the share of early school leavers down to 18% by 2010. Changes in the implementation schedule of the Quality of Education Act have been introduced and a series of legislative reforms in the organisation and delivery of formal and non-formal education are under examination. However, the budgetary increase for Initial Vocational Training amounts only to 1% of the implementation in 2003 and the budget for Higher Secondary Education has been reduced by 1%.
- The policy response to the recommendation **to strengthen incentives for life-long learning to increase participation in training, in particular for the low-skilled** is in progress. Reductions in the employers' social security contributions have been established for companies that offer training to their employees. The budget for continuing vocational training has been increased by 13.9% and for increasing adult participation by 7.6%.

#### **Governance**

The NAP has been drafted by an inter-ministerial Commission, composed of eight ministries and led by the Ministry for Labour and Social Affairs. It pays special attention to the role of social partners, who have been consulted on the text, and announces a revision of the methodology for drawing up future NAPs, in order to ensure greater participation of the social partners. Following the decentralization of the competences for active labour market policies to the Autonomous Communities, the role of the latter in future NAP processes should evolve. The NAP gives no information on the involvement of the Parliament. It provides detailed



budgetary information for all EES guidelines. The overall budget has increased by 9.6% in 2004 with respect to the provision made for the NAP 2003 (though only by 6.3% with respect to the 2003 final expenditure). Contributions by ERDF and ESF have been detailed in all but in three GL (3, 5 and 9). Overall, the visibility of the NAP should be improved.

## FINLAND

### **Economic and Labour Market Context**

Finnish GDP grew by 1.9% in 2003 which is a slight decline compared to the 2.3% growth in 2002. According to the forecast GDP is expected to grow by 3.0% in 2004. The general employment rate fell by 0.4 percentage points in 2003 to 67.7%, after a period of slight continuous rise. During 1997-2003 the employment rate of people aged 55-64 rose by 14 percentage points, while the overall employment rate rose by only 4 percentage points. The unemployment rate was 9.0% in 2003 (8.9% for women and 9.2% for men). The unemployment rate has remained stable (with a small decline) due to the fall in activity rate, especially among women. Regional differences in unemployment are still great. The hard core of unemployment has remained fixed at a relatively high level, some 170 000 people. Compared to the EU average, GDP and productivity growth are clearly higher in Finland.

### **Strategic Policy Developments**

The *employment* rate targets to be achieved in 2005 have been reached in Finland. Reaching the general employment target of 70%, and especially the Finnish Government's own 75% employment target, will require a more rapid economic growth resulting in new jobs. In order to improve the *quality of work* and boost *productivity* regulations and programmes promoting equality, the co-ordination of family-life and work, safety and health at work, improved monitoring of working hours, good management and improved occupational skills and special needs for the ageing labour force have been introduced. The 75% employment rate target means that it is important to create new jobs and to reinforce *social cohesion* and participation. Measures related to low skilled, young unemployed, long-term unemployed and immigrants have been developed along these lines. Five new cross-sectoral policy programmes started by the Government in 2003 should ensure that aims can be attained efficiently and that the various administrative sectors work together to this end. The employment policy programme is aimed at reducing structural unemployment and ensuring the availability of labour. The entrepreneurship programme provides assistance for new and existing enterprises. A reform of the public employment services providing support for the most-difficult-to-place through new kind of cooperation will be carried out during the electoral period. A new programme has been launched to raise the educational level of older workers, especially those who are low-skilled. New tax cuts will be introduced in addition to the reductions already implemented.

### **Implementation of the Employment Recommendations**

*A detailed assessment of Finland's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>Reduce non-wage labour costs on the low-paid while maintaining sound public finances.</i></li></ul>	Limited
<b><i>Attracting more people to the labour market and making work a real option for all</i></b>	

<ul style="list-style-type: none"> <li>• Monitor the impact of recent reforms of active labour market policies on structural unemployment and regional disparities; take special measures to facilitate the activation and integration of disadvantaged young people, disabled people and immigrants</li> <li>• Further reform tax and benefit systems to remove unemployment traps;</li> <li>• Follow-up the national strategy for active ageing by improving working conditions, incentives and the provision of training for the low-skilled and older workers</li> </ul>	<p>In progress</p> <p>Limited</p> <p>In progress</p>
<p><b>Investing more and more effectively in human capital and lifelong learning</b></p> <ul style="list-style-type: none"> <li>• Take action to reduce early school leaving and increase training for the low-skilled</li> </ul>	<p>Limited</p>
<p><i>Note:</i> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

### *Increasing adaptability of workers and enterprises*

- There has been a limited policy response to the recommendation to **reduce non-wage labour costs**. The ‘tax wedge’ for employees in low and middle income brackets has decreased by about 4.5-5% points on the 1999 level but the narrowing of the wedge remains as a standing challenge. Cuts in employer's social security contributions on regional grounds are applied in some of the most disadvantaged areas including Lapland and archipelago and new ones will be introduced next year. In 2005, taxes on work will be cut by extending the tax allowance on domestic work. However, the cuts in the employers' social security payments for low-paid employees have been postponed until 2006.

### *Attracting more people to the labour market and making work a real option for all*

- Limited policy response is given to the challenges of **structural unemployment and regional differences** in unemployment rates; they remain on a high level and the inflow into long-term unemployment began to rise in 2004. It is promising that the activation rate of unemployed is rising and that emphasis is given to regions with high unemployment. However, in spite of the encouraging efforts, the effectiveness of active labour policy measures did not change in 2003 compared with previous years. To increase the effectiveness of active labour market policy, further measures related to the demand of labour is needed.  
A policy response to **disadvantaged groups** is in progress. The new act establishes the position of social enterprises as an employment opportunity for the disadvantaged. Special measures are targeted to unemployed young people who choose not to go on to post-comprehensive studies. New acts to promote the equal treatment of foreigners in working life have been introduced. However, unemployment continues at a high level for ageing immigrants with a lack of training. The need to increase service production and to create more low productivity jobs is related to this recommendation.
- There has been a limited policy response to the recommendation to **remove unemployment traps**, reforms were initiated in 1996. The taxation of earned income, mainly for low and middle income, was cut in 2003 and 2004 by a total of EUR 1.1 billion,

and further changes in the tax system are planned. The current policy response with further planned tax cuts has to be seen against the backdrop of the government wanting to bind further tax reforms to the incomes policy settlement process. The policy response to the recommendation **to follow up the active ageing strategy by improving working conditions, incentives and the provision of training for the low skilled and for older workers** is in progress. The employment rate of people aged 55-64 rose by 14 percentage points during 1997-2003. Opportunities for part-time work have been improved and the employment pension reform has been implemented. New national workplace development programmes (TYKES, VETO) are to promote well-being of ageing workers by improving the quality of working life and making work a more attractive option generally. The NOSTE programme has been seen as a positive initiative to raise the education level of adults aged 30-59 who have no post-comprehensive qualification. The programme has gained a lot of interest and financial investments in it will be increased next year. Although closing in on the EU target on employment rate of 55-64 year olds, the exceptional rate at which the Finnish population is ageing calls for further efforts to continue the increase in employment rate, also of workers in the older age brackets. A limited policy response is given, with further measures under way regarding the recommendation to **reduce early-school leaving**, but the transition from comprehensive school to further studies needs to be made smoother. Attention should also be given to the completion of secondary education and the transition to working life even though the dropout rate has fallen in both secondary vocational training and at polytechnics and is even lower at upper secondary school and universities. The response to the recommendation **to increase training for the low skilled** is in progress. Examples of the new measures to be introduced are performance-based funding for training institutes and developing the student selection procedures so as to ensure the access to training of people who have completed comprehensive school the same year.

## Governance

The NAP has been prepared in cooperation between the Government and the labour market organizations and approved by the Cabinet European Union Committee. Representatives of the Regional Employment and Economic Development Centres participated in the preparatory work. The general opinion of the social partners is that it is not possible to discuss new initiatives in the limited period of time reserved for the NAP work. The NAP document has been sent for information to the Parliament Employment and Equality Committee. The NAP indicates the allocation of expenditure for active and passive labour market measures in 2000-2003. The financial contribution from ESF (reported by measure) is important and enables the use of more tailor-made activities. In spite of all this governance co-operation the general visibility of the NAP process could be enhanced.

## FRANCE

### **Economic and Labour Market Context**

Following years of substantive economic expansion, GDP growth declined sharply over 2001-2002 and dropped to just 0.5% in 2003, the worst downturn in the French economy for over a decade. A sustained pick-up in GDP growth over the first half of 2004 would seem to confirm an upturn in the economy but the tentative recovery has not yet translated into higher employment or a reduction in unemployment. Moderate employment growth since late 2001 came to a halt in 2003, with the overall employment rate of 63.2% having improved by 0.2 percentage points compared to 2002. The female employment rate of 57.2% improved by 0.5pp while the upward trend in employment of older workers (+2.1% to 36,8%) was sustained, if largely the result of a cohort effect. Unemployment increased to 9.5% (+0.6%), with a gender unemployment gap of 2.3% and youth unemployment hitting the 20% mark. Long-term unemployment increased to 3.5% (+0,5%). Labour productivity growth at 0,4% (+0,2%) is only gradually recovering from its 2001 fall and remains below an EU average increase of 0,6%. Regional employment and unemployment disparities persist within metropolitan France but are most significant with regard to its four overseas regions.

### **Strategic Policy Developments**

The strategic balance of French *employment* policy lies predominantly with increasing the labour supply. Key policies underpinning this approach are generalised reductions in social security charges for enterprises and activation programmes and measures for the unemployed and the inactive. The shift from employment assistance in the non-commercial sector to employment assistance directed at the commercial sector is sustained. Accompanying economic change and the issue of delocalisation has moved up the policy agenda, while social dialogue (in itself reformed) has come to play a central role in all employment and labour market regulation and initiatives. Confirming a strong reliance on economic growth to put right a deteriorating employment and *social inclusion* situation, there is also evidence of some adjustment to this approach through the Plan for Social Cohesion which encompasses employment, housing and equal opportunities & non-discrimination programmes over 2005-2009. In 2003 France was unable to make progress on the overarching employment objectives or social inclusion goals, if with the Law on Vocational Training throughout Working Life it laid important foundations for improving *quality and productivity at work*.

### **Implementation of the Employment Recommendations**

*A detailed assessment of France's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b>	
<ul style="list-style-type: none"><li><i>facilitate the transition of people employed under fixed term contracts into permanent contracts to avoid segmentation of the labour market and increase opportunities to remain and progress in the labour market;</i></li></ul>	Limited
<ul style="list-style-type: none"><li><i>develop a more effective system of anticipation and management of restructuring;</i></li></ul>	Limited
<ul style="list-style-type: none"><li><i>promote a business-friendly environment for the development of SME's</i></li></ul>	

<i>and monitor progress in increasing number of business start ups</i>	In progress
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>monitor the impact of the pension reform on the exit age and develop a comprehensive strategy for active ageing to retain older workers longer in employment by adapting working conditions, greater access to training and determination in reducing early retirement schemes;</i></li> <li>• <i>improve coordination of employment services to strengthen the provision of individualised services; build effective pathways to work and training for unemployed young people and for immigrants, notably women;</i></li> <li>• <i>ensure proper evaluation of the recent reform of the unemployment insurance system and ensure that it is accompanied by appropriate requirements and effective job search;</i></li> </ul>	<p>Limited</p> <p>Limited</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>ensure that the social partners' agreement on vocational training and the law on training throughout the working life result in an increased share of the population participating in training, giving particular attention to the low-skilled and workers in SME's;</i></li> <li>• <i>reduce early school-leaving; facilitate and encourage wider and easier access to apprenticeships.</i></li> </ul>	<p>In progress</p> <p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

### *Increasing adaptability of workers and enterprises*

- There has been a limited policy response as regards **segmentation between an insider and outsider labour market**, which has less than one fifth of people employed under fixed term contracts make the transition into permanent contracts (in n+1). The government-commissioned *De Virville Report* on the modernisation of French labour law seemed in some of its proposals, e.g. establishing of a new type of fixed term contract (project contract), to go against EC recommendations and to ignore recent OECD evidence on the impact of employment protection legislation in France. Independent of the strongly diverging views by both sides of industry on the *De Virville Report*, France has - through the *Social Cohesion Report* - identified collective labour relations and individual contracts as a priority issue for social dialogue and has referred contractual issues to bipartite inter-professional negotiation.
- There has been a limited policy response as regards **anticipating and managing of restructuring**. An *Inter-ministerial Task Force on Economic Change* co-ordinates central government services on restructuring, but early anticipation of change remains an issue, with 2003 showing a record number of collective lay-offs affecting more than 300.000 people. With the framework provisions of the *Law on Social Modernisation* on the social management of restructuring suspended in favour of social partners concluding an inter-professional agreement, their failure to do so is currently leading France to adopt a new *Law on Economic Lay-Offs and the Accompaniment of Employees*. Recent policy interest in delocalisation has resulted in the *Social Cohesion Plan* announcing an economic-

industrial and a social-human resources audit, with the 2005 Budget anticipating tax credits for enterprises vulnerable to delocalisation, enterprises relocating activities back to France, and investment in R&D centres of excellence.

- The policy response as regards promoting entrepreneurship and a **business-friendly environment** is in progress, with an 8,7% increase in business start-ups (amounting to 294.000 businesses) in 2003. The policy is underpinned by generalised reductions in social security contributions on low and middle-wages and a simplified process for starting up new businesses, providing easier access to financing and improving the entrepreneur's security (*Economic Initiative Law*). In addition, the *Social Cohesion Plan* seeks to facilitate business start-ups by the unemployed (target: 100.000 jobs over 5 years) and aims to develop employment in the services sector (target: 250.000 jobs over 5 years) through a reduction of entry barriers into the market for individuals and a reduction in labour costs for the restaurant-catering sector. (cf. instead of the initially announced reduced VAT)

*Attracting more people to the labour market and making work a real option for all*

- The policy response as to **the impact of the pension reform** is, as yet, limited. The 2003 Law on Pension Reform entered into force in 2004 and progressively extends the contribution periods for all pension schemes. The law also imposes taxes on corporate early retirement schemes and ends (as of 2005) the public scheme for gradual early retirement, with restructuring or hard physical labour emphasized in remaining public early retirement schemes. Advances as regards policy implementation and its effective monitoring are as yet to result in reduced inflows into early retirement or positively influence the average exit age. The increase in early retirement and in unemployment with exemption from job-search (over 400.000 55-64 year old in 2003) is in contradiction with EU recommendations and the government's aim to reinvigorate the labour market for older workers. France, through the Social Cohesion Plan, is inviting the social partners to negotiate an inter-professional agreement on managing generations in the workplace, adapting working conditions and anticipating training that would extend career paths of workers. However, a comprehensive overall approach to active ageing remains an issue in France.
- There has been a limited policy response to **improving coordination** between France's **Public Employment Services**, which continue to operate in a complex institutional setting. The government-commissioned *Marimbert Report* on the modernisation of the Public Employment Services documented the lack of readability and efficiency of the system, but falls short of recommending a redefinition of the unemployment compensation-placement function or the set-up of a tripartite system. The *Social Cohesion Plan* and its *Programming Law* envisage closer co-operation between actors at an operational level through 300 *Maisons de l'Emploi* and anticipate a more strategic tripartite co-operation as regards the objectives of the Public Employment Services (including co-operation with private operators). Structured coordination nevertheless remains an issue. The *Social Cohesion Plan* and its *Programming Law* anticipate specific training and employment programmes for young unemployed and targeted integration (assimilation) measures for immigrants, if not gender (female) specific.
- There has been a limited policy response to **evaluating the recent reform of the unemployment insurance system**. The 2003-2005 unemployment insurance convention tightened entry into the **unemployment insurance system** (UNEDIC) without affecting the level of benefits. The convention also aimed to reduce deficits by raising

unemployment insurance contributions and reducing indemnity periods, but the latter aspect of the reform could only be upheld with regard to new entrants into the system. The *Marimbert Report* on the modernisation of the Public Employment Services and the *Court of Auditors Report* on public spending point to the system's persistent difficulties as regards requiring and monitoring effective job search. The *Social Cohesion Plan* and its *Programming Law* anticipates establishing obligations as to availability for training and job-search by the unemployed while foreseeing sanctions in the case of shortcomings. With half of the unemployment insurance system's deficits due to the introduction of individualised activation measures (PARE-PAP) financed through UNEDIC rather than the Employment Budget, the system's financial crisis is unlikely to remain without consequences as to further reform.

### *Investing more and more effectively in human capital and lifelong learning*

- The policy response to the **social partners' inter-professional agreement on vocational training** and the **Law on Vocational Training throughout Working Life** instating a right to vocational training and qualification is in progress. The social partners' inter-professional agreement anticipated a period of professionalisation for those low-skilled workers whose qualifications are insufficient in view of new technologies. Codifying the agreement into law, the government established a subsidy (as of 2005) towards replacing workers in training in SMEs. Progress in implementation is currently underway through negotiations at branch level.
- There has been an insufficient policy response to the recommendation to **reduce early school leaving**. The share of 18-24 year olds having only achieved *lower* secondary education and not attending further education or training has remained constant in France, with every year 60.000 young people dropping out of school early. It is however as much academic failure as early school leaving that leaves 19,1% of 22 year olds without a secondary level diploma. The response to the recommendation to achieve **easier access to apprenticeships** has been limited. The *Social Cohesion Plan* and its *Programming Law* is centred on labour market training rather than on educational change, with an anticipated increase of **apprenticeship places** by 40% (or 500.000 places / year between 2005 and 2009). Apprenticeship places have been decreasing until now.

### **Governance**

Three key approaches have had their impact on the governance of employment policy in 2003/2004: the primacy of bipartite social dialogue, the decentralisation of vocational training competence to the regional level and budget reform. The NAP gave rise to a Communication to the Council of Ministers and to a consultation of the National Parliament. It also includes contributions from the social partners with regard to ongoing social dialogue. Its visibility nevertheless remains modest. French public expenditure on labour market programmes is indicated and shows increases in public employment services & administration, in employment promotion (social security reductions) and in unemployment compensation, and decreases in labour market training and priority target groups. The ESF contribution towards implementing the European Employment Strategy is documented for eight out of the ten Employment Guidelines in France's national ESF programme (Objective 3).



## HUNGARY

### **Economic and Labour Market Context**

After the slow-down in the first half of 2003, economic growth has picked up recently. The projected annual real GDP growth rate for 2004 is just below 4% and well above the EU average. Labour productivity growth per capita slowed down temporarily in 2003. Although employment growth increased, the overall rate of employment (57%) and the employment rate for women (50.9%) remain significantly below the EU average. Despite rising considerably in the recent years, the employment rate of older workers is still far below the EU average. Unemployment remained low at 5.8% in 2003. However, the low unemployment rate is coupled with very low overall labour market participation. The activity rate was 60.6% in 2003 and the working age population included nearly 2.7 million inactive people (including over half a million people being inactive for unknown reasons), this is concentrated particularly amongst the middle-aged or older ages, the unskilled and the disadvantaged, including the Roma population. The uneven economic transformation resulted in considerable regional labour market disparities, especially at micro-regional and local level.

### **Strategic Policy Developments**

The government has identified increasing the employment rate as the most important employment priority. To progress towards *full employment*, national targets are set, assuming an annual increase of employment by 0.8% on average. Policy measures aim to support job creation, by gradually reducing labour costs, enhancing the employment potential of SMEs and supporting flexible forms of employment. Policies related to the supply side include the reintegration of unemployed people into the labour market and efforts to improve the employability of the inactive population. Measures with the aim of modernising the PES, improving the efficiency of activation instruments and reforming labour market policies are important in this respect. At the same time, less emphasis seems to be put on certain aspects of improving *quality and productivity at work*. Addressing the relatively high level of undeclared work and moving towards a knowledge based society by increasing the efficiency of the education system remain among the key challenges. To strengthen *social cohesion and inclusion*, the Hungarian government intends to give priority to improving the situation of Roma people, older workers and people with disabilities, when implementing measures aimed at increasing employment. In this context, an integrated approach is necessary, which, among other factors, takes into consideration the regional dimension of social and economic disadvantages.

### **Implementation of the Employment Priorities**

*A detailed assessment of Hungary's policy response in addressing the priorities is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment priorities</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>• reduce the tax wedge on labour;</i></li><li><i>• ensure, together with the social partners, more employment-friendly wage developments.</i></li></ul>	In progress In progress

<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>promote better working conditions and improve preventive and curative healthcare;</i></li> <li>• <i>reform the social benefit systems, including sickness benefits, with a view to making work pay and to reducing undeclared work;</i></li> <li>• <i>develop more flexible and family-friendly working arrangements, including more attractive part-time work, in particular for women and older workers;</i></li> <li>• <i>strengthen preventive and active labour market measures for the unemployed and the inactive and modernise the PES;</i></li> <li>• <i>support occupational and geographic mobility;</i></li> <li>• <i>improve the labour market prospects of the Roma population.</i></li> </ul>	<p>In progress</p> <p>In progress</p> <p>In progress</p> <p>In progress</p> <p>Limited</p> <p>In progress</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>develop lifelong learning strategies;</i></li> <li>• <i>reduce school drop-outs;</i></li> <li>• <i>promote equal access to university education and broaden access to training, in particular for the low-skilled and disadvantaged;</i></li> <li>• <i>improve the efficiency of the education system, and increase its flexibility in order to better adapt to the skills needs of the labour market.</i></li> </ul>	<p>In progress</p> <p>In progress</p> <p>Limited</p> <p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

*Increasing adaptability of workers and enterprises*

- The policy response for the priority **to reduce the tax wedge on labour** is in progress. Measures include a 50% reduction of the social security contributions for the hiring of certain groups of employees from 2005. Furthermore, the fixed component of the employers' contribution to health care has been exempted for some other groups of workers under certain conditions and it is planned to be completely phased-out by 2006. The elimination of the middle bracket of the personal income tax scheme from 2005 will reduce the tax burdens of low wage earners. Despite the progress, however, the tax burden on labour remains high and is likely to contribute to undeclared work and low levels of labour market participation.
- There has been a good progress in **ensuring more employment-friendly wage developments**. Due to the strong limitation of minimum wage increases and significant public wage moderation, wage growth has fallen to levels below productivity growth in 2004. The increase of the minimum wage is set and the recommendations for the wage increase in the business sector are formulated within the framework of the national annual tripartite wage negotiations, with a view to keeping wage increases below the level of productivity growth. To ensure this on a longer term basis, however, central-level social dialogue needs to be enforced and the coverage of collective agreements widened.

*Attracting more people to the labour market and making work a real option for all*

- The policy response on **promoting better working conditions** is in progress. However, the extent to which the general poor health conditions of the Hungarian labour force relate to working conditions or to other factors needs to be examined further. The **improvement of preventive and curative healthcare** services is defined as a key priority in the 2004 Action Plan of the Public Health Programme. The physical infrastructure of health care services is foreseen to be upgraded in the framework of a specific measure targeted at the three most disadvantaged regions of Hungary.
- The **reform the social benefit system** is in progress; a review is underway within the framework of the SZOLID project. The revision of the unemployment benefit system has also been started. It will be crucial, however, that the reform of these systems is implemented in a coherent way, with a view to attracting more people into the labour market and **to make work pay**. The establishment of a central employment register and the intention to increase incentives for paying social security contributions, point to the right direction to **reduce undeclared work**, however, the overall progress of policy reform is rather limited.
- Policy reform is in progress in response to **developing more flexible and family-friendly working arrangements**. In the case of part-time employment of persons receiving child care allowance or child raising support, or long-term unemployed over 50, employers are fully exempted from the payment of the fixed component of the health care contribution. Furthermore, policy responses include the elimination of the disincentives to part-time work resulting from pension regulations, a specific regulation on telework and an ESF-supported measure promoting female participation on the labour market.
- Policy reforms to **strengthen preventive and active labour market measures** are in progress. The revision of ALMPs has started and the government has set specific targets to improve the indicators of activation and prevention. A comprehensive set of measures to **modernise the PES** has been launched, with the aim of further developing the job brokerage system and strengthening the co-operation with regional and local service actors to improve the employment situation in the **most disadvantaged areas**.
- Measures to **support occupational and geographic mobility** seem to be limited to infrastructure development. The recognition of the importance of addressing the inactive population by extending the services of the PES is a very important development. To this end, it is important to address the issue of low job search intensity on the labour market and ensure appropriate financial allocations.
- The **improvement of the labour market prospects of the Roma population** is in progress. The PES has launched specific labour market programmes targeting disadvantaged people, including the Roma population. The mid-term government action plan for 2004-2006 on promoting the social inclusion of Roma and the National Action Plan on Social Inclusion (2004-2006) are important strategic documents to improve the labour market situation of the Roma. Nevertheless, comprehensive and thorough monitoring and evaluation schemes are necessary to follow-up their implementation and assess their effects and impact.

### *Investing more and more effectively in human capital and lifelong learning*

- The **development of lifelong learning strategies** is in progress, however, the implementation of this priority should be accelerated. **Reducing school drop-outs** is among the aims of the Vocational School Development Programme and a new development programme in the public education system. The implementation of the priority on **improving the efficiency of the education system, and increasing its flexibility** is limited. The reform of vocational training and the National Higher Education Development Strategy are named as key instruments to **better adapt the education system to the skills needs of the labour market**, however, a comprehensive strategy still seems to be lacking. Furthermore, the future provision of sufficient funding for up-skilling and competence development will be crucial for the success of such a strategy.
- Limited policy response has been given in relation to the priority of **promoting equal access to university education and broadening access to training**. Individual measures include provision of scholarships for disadvantaged students, grants to higher education institutions and a communication campaign to promote the participation of disabled people in higher education. While these measures focus on the disadvantaged, there is insufficient policy response reflecting on the situation of the low-skilled.

### **Governance**

The NAP was prepared under the lead of the Ministry of Employment and Labour with contributions from relevant ministries and government agencies. The social partners were also consulted; a summary of their comments is annexed to the NAP. Furthermore, two parliamentary Committees and the county labour councils discussed the draft NAP and it was also sent to several non-governmental organizations for comments. The government intends to set up an Inter-ministerial Committee for Employment, which should have a crucial role in monitoring the implementation of the NAP and coordinating the preparation of the upcoming action plans. Sources and levels of financial support (both national and Community) are listed for each guideline and annexed to the NAP. About 90% of the ESF support available between 2004 and 2006 is foreseen to be used in relation to the implementation of the Guidelines.

## IRELAND

### **Economic and Labour Market Context**

With GDP growth in 2003 of some 3.7% (GNP growth of 2.8%) and employment growth of some 2.6%, the Irish economy has performed robustly despite the recent economic slowdown. The overall employment rate in 2003 remained fairly static at 65.4%, although the rate for women continued to edge slowly upwards (reaching 55.8% in 2003) and the steady increase in the employment rate for older workers was sustained, reaching 49% in 2003 - driven largely by increased participation by older women. Unemployment remains significantly below the EU average, at some 4.6% in 2003, with long-term unemployment also remaining low at 1.5%. Activity rates have edged upwards, but these changes are marginal in recent years – 68.2% in 2000 to 68.8% in 2003. Labour productivity growth (in GDP terms) per capita increased by 1.6%. Productivity growth in Ireland over the past five years has been well above the EU average and the short term prospects for the Irish economy seem good, with strong economic and employment growth rates being sustained in 2004 and forecast to continue into 2005.

### **Strategic Policy Developments**

The maintenance of high *employment* growth and low unemployment levels are central to the Irish policy approach, with the need to sustain competitiveness in a small and open economy being emphasised in that context. Mobilising new sources of labour supply – both through tackling inactivity levels and through immigration – and tackling the barriers to employment, principally childcare, are seen as key issues. There is a strong emphasis also on the need for increased investment in research and development. As regards *quality and productivity at work* issues, emphasis is placed on developing lifelong learning and skills development and the enhancement of measures which promote work/life balance. While *social inclusion* tends to be viewed as a natural outcome of an effective and efficiently operating labour market, there are specific targets and measures directed at those experiencing the greatest levels of disadvantage. Addressing the relatively high, although falling, gender pay gap is a further important element of the policy mix. There is also a need for a well-managed and transparent economic migration policy to address future labour market needs.

### **Implementation of the Employment Recommendation**

*A detailed assessment of Ireland's policy response in addressing the recommendations is presented under the key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Attracting more people to the labour market and making work a real option for all</i></b> <ul style="list-style-type: none"><li><i>Increase access to active labour market measures for a larger share of the unemployed and inactive population and ensure their efficiency.</i></li><li><i>Increase the supply and affordability of childcare facilities and take urgent action to tackle the causes of the gender pay gap.</i></li></ul>	Insufficient In progress
<b><i>Investing more and more effectively in human capital and lifelong learning</i></b>	

<ul style="list-style-type: none"> <li>• <i>Implement a coherent lifelong learning strategy to reduce early school leaving and increase participation in training, especially for the low-skilled and for older workers.</i></li> </ul>	<p>Limited</p>
<p><i>Note:</i> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

*Attracting more people to the labour market and making work a real option for all*

- With throughput on active labour market programmes actually lower in 2003 than in 2002 (by some 10%), there is clearly insufficient evidence of a policy response to the recommendation to increase **access to active labour market measures for a larger share of the unemployed and inactive population**. As regards **increasing the efficiency of ALMPs**, data on progression is very limited, but the NAP reflects an awareness of the importance of matching the training provided with the needs of the labour market. A 2003 review of ALMPs, involving the social partners, failed to achieve a consensus and the future scale and structure of key community-based labour market programmes remains under review.
- Action responding to the recommendation to take urgent action to **tackle the causes of the gender pay gap** is in progress. The gender pay gap has reduced significantly – from 22% in 1999 to 17% in 2001 – but it is not clear from the NAP which factors are driving this change. Data indicates that time out of the work-force is a key contributory factor to the pay gap. The Consultative Group on Male/Female Wage Differentials submitted its recommendations (on issues including childcare, minimum wage, tax reform, and parental leave) to Government in November 2003, but no indication is given as to how it is intended to address these recommendations. Further research on the graduate gender pay gap and the forthcoming results of the National Employment Survey will shed further light on the specific issues involved. The policy response to the need to **increase the supply of childcare facilities** is more limited. The ESF and ERDF supported Equal Opportunities Childcare Programme is increasing the supply of childcare places, and a number of smaller initiatives are also underway, however, the affordability of childcare facilities remains a major problem. Official surveys indicate a continued significant unmet demand for childcare and a mismatch between the type of care available and the kind which families would prefer.

*Investing more and more effectively in human capital and lifelong learning*

- The policy response to the need to **implement a coherent lifelong learning strategy** is limited. While policies to **increase participation in training** are in progress, their focus on **low-skilled and older workers**, who are less likely to benefit from training opportunities than those who are already in high skill employment is insufficient. It is also difficult to discern an overall framework for implementation, particularly since the National Adult Learning Council (NALC), the body designated to co-ordinate, review and report on the implementation of the recommendations of the Taskforce on Lifelong Learning Report, has yet to be properly established. The proportion of adults of working age engaged in lifelong learning has increased to 9.7% (EU: 9.0%) from 5.2% in 1999, The rate for completion of upper secondary education by those aged 20-24 has reached 85.7% (from 81.9% in 1999), exceeding the 2010 EU target of 85% and, in parallel, efforts to

**reduce early school-leaving** has resulted in the rate falling from 14.7% in 2002 to 12.1% in 2003, but this still remains above the EU 10% target.

## **Governance**

The long-established social partnership process affords the social partners an opportunity to directly influence policy and their views are reflected in the NAP. Currently, a number of key policy areas are being addressed as special initiatives under the 'Sustaining Progress' agreement. Aspects of the European Employment Strategy have been addressed by the Parliamentary Committees on Enterprise and Small Business and on EU Affairs, with the latter committee producing a report on the Lisbon Agenda. In general, however, public awareness of the NAP and the EES remains low, with attention being focussed more on specific or local contentious issues. The role of the ESF is highlighted in the NAP, which links the measures pursued under the Employment and Human Resources OP (and expenditure) and the ten employment guidelines. The transparency of financial allocations is only partially addressed in the NAP. While it contains a considerable level of information on financial allocations related to specific actions, it would be helpful to have a consistent and integrated account of the overall picture.

## ITALY

### **Economic and Labour Market Context**

In 2003, in a context of limited growth (GDP rose by 0.3%) and decreasing labour productivity (-0.2%), the Italian labour market dynamics, though slowing down, remained positive. Employment grew (+0.4%) for the 8<sup>th</sup> consecutive year, but less than in the previous periods and was mainly concentrated in the Centre-North. The employment rate, at 56.1% (+0.6%), showed its lowest increase in past years, and remains one of the lowest in the EU. The same pattern was followed by the employment rate for women (42.7%, +0.7%), and for workers aged 55 to 64 (30.3%, +1.4%). Unemployment declined further (8.6%, -0.4%) and fell below the EU average for the first time in recent years. Whilst also declining, youth and female unemployment (respectively 9.3% and 11.6%) and long term unemployment (4.9%) remain a concern. Sharp geographical imbalances persist. Employment and unemployment disparities continue to be the largest of the EU, with extremely high unemployment in the South in particular for women and young people. Undeclared work is widespread, especially in Southern regions. Overall levels of educational attainment and participation in training stay quite significantly below the EU average.

### **Strategic Policy Developments**

The main policy developments in 2004 relate to the implementation of the labour market and of the education and training reforms (both adopted in 2003) and to the pension reform. Implementation progressed, especially as for the labour market reform, but at a slow pace and it is not completed yet. Some delays (e.g. apprenticeship system) also refer to the regional levels. The pension reform aims to raise the average exit age via its short-term component (financial incentives until end of 2007 for staying longer on the labour market) and its long-term one (from 2008, higher minimum age requirement for retiring). Other announced reforms, notably on taxes and on unemployment benefits, are expected to impact further on the labour market. The NAP also reports on the launch of the inter-professional funds, jointly managed by the social partners to finance continuous training activities, and on a more comprehensive strategy to favour the emergence of undeclared work. Full employment continues to be the primary objective, with improvements in the development of PES and increased labour market flexibility, while the possibly negative effects of atypical contracts on job quality and labour productivity are not particularly addressed. As for social inclusion, the implementation of legislation on targeted job-placements for people with disabilities has been pursued further. After the regularisation in 2003, no major development is reported on policies for migrants.

### **Implementation of the Employment Recommendations**

*A detailed assessment of Italy's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li>• <i>closely monitor the regulatory reforms aimed at reducing the imbalances between permanent and non-permanent contracts and labour market segmentation; improve the level, coverage and effectiveness of</i></li></ul>	Insufficient



<p><i>unemployment insurance;</i></p> <ul style="list-style-type: none"> <li><i>pursue further reductions of non-wage labour costs, especially for the low-paid, safeguarding budgetary consolidation; do more to transform undeclared work into regular employment by removing tax disincentives and improving law enforcement capacity;</i></li> <li><i>encourage the Social Partners to review wage bargaining systems to take account of regional labour market differences (see BEPG guideline 5).</i></li> </ul>	<p>Limited</p> <p>Limited</p>
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li><i>ensure the development, together with regional authorities, of effective employment services throughout the country and implement partnership between public and private operators; increase access to efficient personalised services and participation in active labour market schemes, especially in the South; give particular attention to the situation of the young, the disadvantaged and the low-skilled; implement a nationwide computerised labour market data system without any further delay;</i></li> <li><i>increase the availability and affordability of care facilities for children, especially under three years of age, and other dependants to promote female participation in the labour market, including through part time work;</i></li> <li><i>develop the designed active ageing strategy, and ensure that the envisaged reforms provide adequate incentives to keep workers longer in employment and discouraging early retirement.</i></li> </ul>	<p>Limited</p> <p>Limited</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li><i>monitor recent reforms to ensure that they raise educational attainment of the workforce, reduce early school-leaving and increase the labour market relevance of tertiary education to aid the transition to work;</i></li> <li><i>ensure effective incentives for lifelong learning and, together with the Social Partners, increase participation in training, in particular for the low skilled, through - inter alia - the effective development of inter-professional funds.</i></li> </ul>	<p>Limited</p> <p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

### *Increasing adaptability of workers and enterprises*

- There has been an insufficient policy response to the first recommendation. The comprehensive database to monitor the evolution and incidence of the labour market reforms is not yet in place, though its implementation is progressing. On the basis of already existing monitoring tools and surveys, the NAP affirms that no particular phenomena of **segmentation or substitution of permanent work with precarious work** have taken place in recent years, but issues such as the coverage of temporary workers by social protection, their access to (on the job) training and to career opportunities do not seem adequately monitored. The reform of the **unemployment insurance** has not been adopted and is not expected before 2005.

- There has been a limited policy response to the recommendation on **non-wage labour costs and undeclared work**. The tax cuts proposed for 2005 do not seem to favour, especially and significantly, low paid workers. Some initial progress can be reported in terms of undeclared work, with a more comprehensive strategy, including an increased involvement of the social partners and the reform of the control system and procedures.
- There has been a limited policy response to the recommendation on the **wage bargaining system**. After some positive results in the craft sector and in the distribution and service sector, the initiatives for the decentralization of collective bargaining experience significant difficulties in the dialogue among social partners. A more active role by the government would contribute positively.

*Attracting more people to the labour market and making work a real option for all*

- There has been a limited policy response to the recommendation on the PES. The **PES system** progressed, both structurally and in terms of service provision, and the North-South gap narrowed, though it is still relevant and requires further efforts. The opening of the labour market to private operators is advancing, but at a slow pace, with operational regulations still to be adopted by regions. Key to an overall and faster improvement is the nationwide computerised labour market data system, not yet in place. The NAP lacks a specific attention for the difficult labour market situation of younger workers, in particular in the South, and for the low skilled. In terms of policies for the disadvantaged, progress is reported in particular for people with disabilities.
- There has been a limited response to the recommendation on **gender**. Part time increased and is favoured by the labour market reform. On the other hand, no decisive development can be reported in terms of care facilities for children, also because of some lack of continuity in the initiatives. The unequal geographical distribution (with lower availability and affordability of childcare services in the South) is also not considered. Notwithstanding the parallel implementation of the EU co-funded conciliation vouchers, the allocations to regions and the overall funding did not step up and do not appear adequate to tackle the problem.
- There has been a limited policy response to the recommendation on **active ageing**. The short-term incentives and long-term innovations introduced by the pension reform are likely to favour higher activity rates among older workers. These measures will need further and careful monitoring, as well as a sharper focus on the (re)training activity of older cohorts and flexible working conditions within the development of the overall active ageing strategy.

*Investing more and more effectively in human capital and lifelong learning*

- There has been a limited policy response to the recommendation on **educational attainment**. The reform of the education and training system aims to guarantee a better enforcement of the compulsory education/training requirements for all individuals under the age of 18. Its potential is currently hampered by a series of delays in its implementation, also at regional level, and specific monitoring is consequently lagging behind. Drop out from university is the highest of the EU and important mismatches remain between what university programmes offer and labour market needs. However, the recommendation to increase the labour market relevance of tertiary education is not covered in the NAP.

- There has been a limited policy response to the recommendation on **lifelong learning**. The inter-professional funds, coupled with the initiatives at regional level, could effectively broaden access to education and training. Progresses in their implementation and coverage, especially with reference to Southern regions, will need to be carefully evaluated, as well as the co-ordination with other existing instruments. A stronger focus on the issue of training for the low skilled is missing.

## **Governance**

The government pursues a constitutional reform, federalism-oriented, and the institutional context is characterised by a progressive decentralisation of competences to regions and other local authorities. Regions and autonomous provinces, directly responsible for the management of EU-co-funded programmes, play an active and direct role in employment policy and their activity is highlighted across the NAP. Though disagreements persist on several points, social dialogue progressed, as the joint contribution by the social partners to the NAP underlines, with important achievements notably on some aspects of the labour market reform and on undeclared work. The contribution of the Structural Funds, in particular of ESF, is stressed and detailed across the NAP. Active and passive LMP expenditure is also specified, but only up to 2003, and data on investment in training of adults by enterprises and in human resources are missing. The NAP visibility could be increased, also by involving the Parliament.

## LITHUANIA

### **Economic and Labour Market Context**

The Lithuanian economy continues to grow at a high rate with GDP increasing by 9.7% in 2003. Labour productivity has been growing since 1999 but still remains among the lowest in the EU (44.9% of EU-15 in 2003). Steady economic growth has started to translate into positive employment growth (2.4% in 2003). The overall employment rate is still below the EU average (61.1% versus 63.0% in 2003). Employment of older workers increased by more than 3% in 2002-2003 and now stands higher than the EU average (44.7% versus 40.2%). The activity rate (69.9%) also remains above the EU average (69.3%). In 2003, unemployment decreased to 12.7%, but long-term (6.1%) and youth unemployment (27.2%) remain particularly high. With the steady decline of total unemployment rates, the gender gap has reversed and female unemployment now exceeds that of men (13.1% versus 12.3%). There are significant regional disparities between urban centres and rural areas as well as at the county and municipal level.

### **Strategic Policy Developments**

Lithuania seeks to achieve the 70% employment rate and to reduce unemployment to 6-7% in the coming 12-15 years, which goes beyond the reference date of 2010. Nevertheless, the NAP also sets important targets for 2005 and 2010 on the total, female and older worker employment rates and identifies the corresponding budgetary resources. Though the targets are not very ambitious (except for female employment), they are backed up by the necessary budgetary resources, which show that Lithuania is seriously committed to achieving the common goals. Information provided in the NAP with respect to the three overarching objectives shows a relatively strong policy response to *full employment* and *social inclusion*, while there is scope for more efforts with regard to improving *quality and productivity* at work, in particular with regard to promoting flexible work arrangements and employee training.

### **Implementation of the Employment Priorities**

*A detailed assessment of Lithuania's policy response in addressing the priorities is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment Priorities</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>Promote employment creation in the services sector.</i></li><li><i>Reduce the tax burden as there is still a high tax wedge on the low paid which hampers job creation.</i></li><li><i>Promote involvement of the Social partners in anticipating and accompanying restructuring.</i></li></ul>	Limited Limited Limited
<b><i>Attracting more people to the labour market and making work a real option for all</i></b> <ul style="list-style-type: none"><li><i>Building on the reform of social assistance and further efforts to make work pay, it seems important to strengthen active labour market policies</i></li></ul>	In progress

<p><i>to help unemployed or inactive people move back into employment.</i></p> <ul style="list-style-type: none"> <li>• <i>Greater access to training, support for job search, occupational mobility, and the modernisation of the public employment services are key priorities.</i></li> <li>• <i>Although the participation of women and older workers is comparatively high compared to the EU average, removing obstacles to part-time work could contribute to raising levels further.</i></li> </ul>	<p>In progress</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>Serious efforts are needed to develop lifelong learning, and in particular to further modernise the education system,</i></li> <li>• <i>reduce school drop-outs and</i></li> <li>• <i>increase participation in training, in particular for the low-skilled. The participation of employers in training, including their contribution to the continuing vocational training of employees is low.</i></li> </ul>	<p>In progress</p> <p>In progress</p> <p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

#### *Increasing adaptability of workers and enterprises*

- There has been a limited policy response to address the comparatively low share of employment in services. Legislation has been amended and the system of financial support to SMEs has been developed. However, employment creation in services is slow and a large share of the workforce remains employed in agriculture, the value added of which is marginal. Therefore, it is important to enhance the **development of the services sector** and job opportunities outside agriculture in rural areas. To this end, the best use of the EU funds envisaged for this purpose should be ensured.
- There has been limited policy response to alleviate the **tax burden on the low paid**. The non-tax revenue ceiling has been raised and linked to the number of dependants and an opportunity to get reimbursed on the individual income tax paid has been introduced. Nevertheless, the taxation of the labour force is still high, which hinders job creation and hampers the transfer of undeclared work into legal employment.
- The legal preconditions for social dialogue are provided in the Labour Code. However, there is limited pro-active policy response to promote the development of social partner activities in practice, particularly at local / enterprise level.

#### *Attracting more people to the labour market and making work a real option for all*

- **Strengthening active labour market policies** is in progress. Expenditure on active measures has increased (from 0.18% in 2000 to 0.26% in 2003) and their coverage and variety is expanding. Care should now be taken to ensure their efficiency by developing monitoring and evaluation capacity.
- Measures to **modernise the public employment services** are in progress. Work is fairly advanced with regards to decentralisation and providing **better access to training** and other services. Personalised services have been introduced and a new e-service for **job search** has been developed to assist both job seekers and employers.

- While the legal preconditions for flexible forms of employment are in place, the policy response to removing other **obstacles to part-time work** is limited. The minimum wage was increased by 16% in 2004. However, collective agreements are not widespread and the gender pay gap is high, which does not help to raise the participation of women. With regard to older workers, the special unemployment benefits for pre-retirement age unemployed might undermine the efforts to promote active ageing.

*Investing more and more effectively in human capital and lifelong learning*

- The work on developing **lifelong learning** and **modernising the system of education** is in progress. Important strategic documents, such as the National Education Strategy and the Lifelong Learning Strategy, have been adopted, the network of training institutions has been rationalised and links between VET and business are being developed.
- A limited policy response can be observed with regard to the call to **increase the participation in training** of employees and the low skilled. However, legislative changes have been made to allow the co-financing of training for (low-skilled) workers and ESF funds have been earmarked for this purpose.
- Efforts to reduce the number of **early school leavers** are in progress. Financing of the general education has been reformed, free meals and transportation to school is being provided to those in need and a Programme for Socialisation of Children and Youth has been approved.

### **Governance**

The Lithuanian employment policy is implemented within the framework of the national Programme for Increasing Employment 2001-2004, which was prepared in line with the European Employment Strategy. The NAP reports on the main national targets and policy measures and presents information on the necessary budgetary resources, including national, EU and private. The implementation will be supported by substantial Structural Funds investments, of which ESF is currently representing more than a half. The Plan has been prepared by an inter-institutional committee lead by the Ministry of Social Security and Labour. However, there is no information on how other actors, including the Parliament, regional and social partners, NGOs or the Tripartite Council were involved. It is also not clear how the visibility of the Plan is ensured within the country.

## LUXEMBOURG

### **Economic and Labour market context**

The economy of Luxembourg was hit strongly by the effects of the economic slowdown in 2001: GDP growth fell by almost 8 points between 2000 and 2001, before recovering slowly to 2.1% in 2003. Forecasts suggest a slight acceleration of growth over the next few years if the current economic situation is maintained. The growth of internal employment slowed down but remains vigorous (2% in 2003, compared with 5% in 1999) and the prospects for further growth are encouraging. The overall employment rate decreased in 2003 by 0.7pp after several years of weak but constant progression, but the employment rate for women continued to rise (52% in 2003 - + 0.4pp compared to 2002 and + 3.4pp compared to 1999). The employment rate of older workers also reached 30% in 2003 but remains much lower than the EU average (40.2%). Finally, the unemployment rate has experienced an appreciable increase - up from 2.1% in 2001 to 3.7% in 2003. The persistence of a higher unemployment rate is perhaps the cause of a fall in the activity rate, especially among women.

### **Strategic Policy Developments**

Raising *employment* rates remains a major priority. There is clear progress, with the employment rates of women and of older workers both rising, albeit slightly. However, further measures are needed to make work more attractive for women, in particular as regards wage differentials. As regards older workers, a mechanism better adapted to career extension is being developed but several avenues remain to be exploited, in particular as regards quality and flexibility in work. In addition, the hiatus between the job seekers' profile and employment vacancies is being corrected by improvements in training organisation and activation measures. Improvement of *quality and productivity* are taking place within companies, where the government wants to promote social responsibility, and to develop employees' financial contributions, as well as to tackle issues such as workplace stress and moral harassment. There are few innovations when it comes to the improvement of adaptability and flexibility: the introduction of a time-saving mechanism and the adoption of regulations regarding working from home and teleworking are still only at a project development stage. Reforms aimed at tackling *social exclusion* are continuing in schools, in companies and in the general society: progress includes the reorganisation of the school statutes and of teaching practices, initiatives to tackle early school leaving, improvements in language learning, measures to widen attendance at vocational training courses, incentives for employers to take on social beneficiaries, and the recognition of the common legal scheme for disabled workers.

### **Implementation of Employment Recommendations**

*A detailed assessment of Ireland's policy response in addressing the recommendations is presented under the key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>• support the development of start-ups and promote business training with a view to encouraging alternative sources of job creation;</i></li></ul>	Limited

<p><b><i>Attract more people to the labour market and make work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>develop a comprehensive strategy for active ageing, notably in the private sector and strengthen recent initiatives to retain workers longer in employment by removing early retirement schemes;</i></li> <li>• <i>promote work-oriented solutions for people covered by the disability scheme who are able to work;</i></li> </ul>	<p>Insufficient</p> <p>In progress</p>
<ul style="list-style-type: none"> <li>• <i>improve services to facilitate a better reconciliation of work and private life, and encourage women to return to work after long periods outside the labour market; take action to tackle the causes of the gender pay gap.</i></li> </ul>	<p>In progress</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>ensure effective implementation of the framework law on continuing training with a view to strengthening incentives for lifelong learning and increasing participation in training, notably for the low-skilled;</i></li> <li>• <i>revise the overall lifelong learning system to achieve better coherence between the education and training systems and reduce early school leaving.</i></li> </ul>	<p>In progress</p> <p>In progress</p>
<p><b>Note:</b> the degree of implementation is indicated as: “<i>complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>in progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

*Increasing adaptability of workers and enterprises*

- There is a limited policy response to the need to support the **development of start-ups and promote business training** with a view to encouraging alternative sources of job creation. Under the action plan for SMEs, new measures have been adopted to ease access to trading activities, to simplify administrative steps, and to increase the possibilities of official financial aid for new companies. Moreover, actions promoting entrepreneurship have been directed towards young people and future entrepreneurs, with particular attention being paid to women. However, compared to engineers' or artisans' training, no specific efforts have been made to promote business training, which seems to be considered as sufficient.

*Attract more people to the labour market and make work a real option for all*

- There has been an insufficient policy response to the need to **develop a comprehensive strategy for active ageing, notably in the private sector and strengthen recent initiatives to retain workers longer in employment by removing early retirement schemes.** Although the employment rate of older workers is improving slightly (30.1%, i.e. +1.9pp) there is an absence of an overall strategy. Some new measures have been taken, such as the removal of the obligation on pensioners to seek approval to engage in employment. But the Government is quite aware that changes are still needed on the



workers' side ("leaving an early withdrawal culture") and on the employers' side (invited to change "their management practices of human resources in terms of age"). A number of approaches have been formulated, such as the introduction of a "saving-time" account, the prohibition of discrimination in recruitment practices and flexible adjustment of transitions. An OECD study on active ageing in Luxembourg has also stimulated a new start to wider discussions among the social partners on this topic.

- An adaptation of the legal framework to **promote work-oriented solutions for people covered by the disability scheme who are able to work** is in progress: the reform of the disability scheme, which had already greatly reduced the potential of availing of this scheme as a form of early retirement, should be further enhanced following the tabling of a draft revision on 28/04/04.
- The formulation of a response to the need to **improve services to facilitate a better reconciliation of work and private life, and to encourage women to return to work after long periods outside the labour market** is in progress. A new progression of the female employment rate (+0.4pp) has been achieved, while an increasing capacity in childcare infrastructures, together with a progressive extension of the offer of nursery classes in all the municipalities and the creation of a pilot project of "all day" courses can be noticed. However, there was insufficient initiatives taken to tackle wage differentials and a significant **gender pay gap** remains.

#### *Investing more and more effectively in human capital and lifelong learning*

- The response to set up a new **legal framework on continuing training with a view to strengthening incentives for lifelong learning and increasing participation in training, notably for the low-skilled**, is in progress. This new framework is intended to improve the financial scheme as well as the content and the methodological approach of the training policy. Following on from the reform of the continuing vocational training system in 2002 and the conclusion in May 2003 of an agreement between the social partners regarding individual access to training, the Government is planning a reform of apprenticeship and vocational training which will include the development of alternative training and a module-based qualification method.
- The formulation of a policy response to the need to **revise the overall lifelong learning system to achieve better coherence between the education and training systems and reduce early school leaving** is in progress. The mission of schools is redefined in two draft regulations tabled on 15/10/03. One of these includes the raising of the age of compulsory education and the establishment of an obligation for pupils, who have completed their compulsory education and who neither stay at school nor follow an apprenticeship nor enter active life, to register themselves as apprentices to a "socio-professional initiation training". New mechanisms for individualisation of apprenticeship processes will facilitate language training, while the launching of a pilot project of an "all day" school will strengthen the quality of the supervision. In addition, the regulation of 25/06/2004 largely increased the management autonomy of the "school communities".

#### **Governance**

Collaboration between the social partners and government remains a pillar of the Luxembourg model: as in the past, the social partners participated in the drafting and in the implementation of the NAP. the text of the NAP is subject to an Act adopted by Parliament. However, there

are still some difficulties in terms of governance, particularly in fixing quantified targets and in the analysis of the level of financial resources invested. On the other hand, the ESF Objective 3 programme is also consistent with the Plan, although the visibility of the NAP could be improved.

## LATVIA

### **Economic and Labour Market Context**

The Latvian economy has performed strongly since 2000, with GDP growth rates significantly above the EU average (7.5% in 2003). The employment rate has increased to 61.8% in 2003 (men 66.1%, women 57.9%). The employment rate for older workers stands at 44.1% (up 11 percentage points since 1999), and is above the EU average (40.2%). The employment of older women has increased most – by more than 12 percentage points from 26.6% in 1999 to 38.8% in 2003. High growth has contributed to lowering the unemployment rate, which decreased to 10.5% in 2003 (14% in 1999), although it is still above the EU average. Long-term unemployment has decreased to 4.3% (7.6% in 1999). The youth unemployment ratio declined to 6.9% in 2003 (9.9% in 1999). Low skill levels, living in a disadvantaged region and belonging to an ethnic minority are main factors increasing the risk of unemployment. The activity rate also shows an upward trend, reaching 69.2% in 2003 (69.3% in EU). Although increasing rapidly, labour productivity in Latvia is still the lowest in the EU. Regional disparities in employment are considerable.

### **Strategic Policy Developments**

Despite positive labour market developments, Latvia is facing the challenges of making the labour market more attractive for unemployed and inactive people through its tax-benefit system and active labour market policies, overcoming skills mismatches and reducing important geographical employment disparities. Although Latvia benefits from low labour costs and taxes, the low level of labour productivity remains a major concern. The NAP does not provide an overall assessment of the national situation with respect to the three overarching objectives, but the policy response appears relatively stronger on full employment and social cohesion and inclusion. The NAP sets realistic national employment targets, most of which are slightly below the EU, except for women's employment. Employment policy described by the NAP focuses on addressing high levels of undeclared work, increasing the minimum wage and tax-free income threshold, improving of business environment and promoting business start-ups, expanding active labour market measures, in particularly for disadvantage groups and further development of the vocational educational system. However, there is scope for further initiatives in improving quality and productivity at work, among others on more flexible contractual arrangements.

### **Implementation of the Employment Priorities**

*A detailed assessment of Latvia's policy response in addressing the priorities presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment priorities</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>promote job creation</i></li><li><i>support the development of the services sector, especially in disadvantaged regions</i></li><li><i>address the issue of undeclared work.</i></li></ul>	In progress Limited Limited

<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>increase the attractiveness of employment in the formal economy;</i></li> <li>• <i>encourage women to stay in the labour market;</i></li> <li>• <i>modernise public employment services and develop active and preventive policies for the unemployed, in particular measures supporting job search, entrepreneurship, geographic mobility and greater access to training;</i></li> <li>• <i>ensure a more equitable and inclusive labour market for the young and the low-skilled;</i></li> <li>• <i>address risks linked to ethnic origin and lack of knowledge of the national language</i></li> </ul>	<p>Limited</p> <p>Insufficient</p> <p>In progress</p> <p>Limited</p> <p>Insufficient</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>increase access to education and training, in particular for the low-skilled</i></li> <li>• <i>reduce the number of school drop-outs</i></li> <li>• <i>develop a lifelong learning strategy</i></li> </ul>	<p>Insufficient</p> <p>Insufficient</p> <p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

*Increasing adaptability of workers and enterprises*

- The informal economy remains substantial (16-18% GDP). The policy response to the issue of **undeclared work** is limited, even though the Government has approved the *Concept paper in 2004* (legal, control, awareness raising and capacity building measures) and *Action plan for 2004-2009*. The Labour Inspectorate, in co-operation with the State Revenue Service, has provided the controlling measures to tackle tax evasion practices and violation of labour law. After the policy adoption, the emphasis now must be on the effective implementation of these initiatives.
- The Government's policy response to **promote job creation** is in progress. It includes the development of the *National action plan for improving the business environment* and the implementation of the consultative support programme to promote business start-ups and increase their competitiveness.
- The policy response to addressing regional disparities has been more limited. The Regional Fund will help to **increase economic activity in disadvantaged regions** though the support it provides for entrepreneurs and municipalities. The public employment service has established advisory councils in all employment offices and will support the development of local employment plans in co-operation with municipal authorities.

*Attracting more people to the labour market and making work a real option for all*

- There has been a limited policy response to the need to **increase the attractiveness of employment in the formal economy**. The Minimum Wage has been increased in 2004 to 80 lats (around €120) monthly (70 lats in 2003). However, the tax burden on low wages,

including social security contributions, remains high at 40.8%. The Government has decided to raise taxation thresholds from 21 lats to 26 lats as from 2005. However, it is unlikely that this will make a significant difference to the tax-wedge for low earners in Latvia, which represents a significant barrier to bringing people out of undeclared work.

- The employment rate for women has increased to 57.9% in 2003 reaching the Stockholm target. Although the Programme for Gender Equality (2005-2006) has been accepted by the Government with a series of measures to promote gender equality, there is still an insufficient policy response to encouraging women to remain in the labour market. The negative **employment impact of parenthood for women** has increased from 12.0 pp in 1999 to 19.1 pp in 2003. This might be explained by lack of childcare facilities and the rigidity of contractual arrangements. The NAP does not address the issue and nor does it provide measures to support the development of childcare facilities and more flexible labour arrangements. More targeted measures are needed to address the inactive population.
- The policy response to the need to **modernise public employment services** is in progress through the approval of the *Mid-term Action and Development Strategy of the State Employment Agency 2004-2007*, including the development of information systems and the working environment to provide high-quality services. **Active labour market measures** are to be increased considerably with an emphasis on training and measures to increase competitiveness but there has only been a limited policy response to ensuring a more equitable and **inclusive labour market for the young and the low-skilled**. There is also an insufficient policy response to the issue of **ethnic and linguistic minorities** in the labour market and **geographical mobility**. Unemployment levels for ethnic minorities remain significantly higher with clear regional variations.

#### *Investing more and more effectively in human capital and lifelong learning*

- There has been limited policy response to preparing the way for the **development of a lifelong learning strategy**, which will be implemented with ESF support. There is currently a particular focus on vocational and professional education, ensuring access and quality of vocational education, promoting involvement of regional municipalities and employers, and developing career counselling services. There will also be an expansion of expenditure on ALMP aimed at increasing the employability of the unemployed. There is an insufficient policy response both to **reducing early school leavers** and to **improving access of the low-skilled to training**, and the NAP does not explain how these issues will be addressed.

#### **Governance**

The NAP has been built upon the process already initiated through the series of national employment plans developed prior to the accession of Latvia to the EU. The Plan has been developed by a steering group with representatives from the relevant Ministries, State Employment Agency and social partners and approved by the Government in September 2004. The most important employment policy issues have been reviewed by the National Tripartite Co-operation Council. Local governments and regional development agencies have been consulted during the drafting process. The plan provides information on financial allocations, including a 9.6% increase in national funding and strong support from the Structural Funds (ESF and ERDF). The Parliament Commission has been informed about the NAP but overall the visibility of the NAP remains rather low.

## MALTA

### **Economic and Labour Market Context**

After a period of sustained expansion in the nineties, in the most recent years Malta's economy has exhibited sluggish growth at best. GDP in 2003 only grew by 0.2%. Cyclical developments and the international business climate are partially responsible for the slowdown, given the openness of the Maltese economy. However, slow growth also reflected diminishing competitiveness. The overall employment rate decreased in 2003, standing only at 54.2%, reflecting both a marginal drop in the men's rate – which remains nonetheless quite high at 74.5% - and the very slow decrease of the women's employment rate, which remains very low at 33.6%, only fractionally higher than in 2000. Unemployment is also slowly on the rise and in 2003 stood at 8.0%, with the rising trend more marked in the case of women, where the rate is now 10.7%. Labour productivity growth (+1.2 in 2003) also slowed down considerably after the good performances of the late nineties, while real unit labour costs, after showing considerable volatility at the end of the nineties, have been on a steady downward course.

### **Strategic Policy Developments**

Both fiscal measures and concrete interventions in the area of childcare services are part of the Government strategy for raising *employment* and participation rates, especially for women, thanks to the extension of the 15% part-time work tax rate to spouses and the introduction of a one year tax holiday for women returnees after a minimum 5 year absence, as well as of childcare regulations and a fee subsidy scheme to make such services more affordable. In addition, the range of active labour market policies provided by the ETC (Malta's PES) is constantly expanding, to the effect that this could be considered the most salient feature of the NAP. As for *quality and productivity*, in order to improve the education levels of the workforce, the Malta College of Arts Science and Technology (MCAST: the main provider of VET and adult education) will be further expanded. As for *social inclusion*, a number of projects have then been submitted for consideration under ESF to address the needs of disadvantaged groups. However, if the strategy presented in the NAP appears to address most of the challenges that Malta faces, efforts at developing a comprehensive approach to lifelong learning should be stepped up. An important issue remains the risk for unemployment trap for low skilled workers of certain family types (ie couples with more than two children), since the difference between unemployment benefits plus supplementary allowances for dependents, and the minimum wage, is too narrow to provide adequate financial work incentives. Sustained efforts will also be necessary in order to attract more women to the labour market, placing emphasis on measures helping to reconcile family and working life.

### **Implementation of the Employment Priorities**

*A detailed assessment of Malta's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment priorities</b>	<b>Assessment</b>
<i>Increasing adaptability of workers and enterprises</i>	

<ul style="list-style-type: none"> <li>roll out the privatisation programme while redeploying employees as necessary progressively reduce administrative costs and the tax burden on labour. In this respect, it will be important to build on the provisions of the revised Business Promotion Act and to monitor its impact.</li> </ul>	In progress
<p><b>Attracting more people to the labour market and making work a real option for all</b></p> <ul style="list-style-type: none"> <li>raise female participation in the formal economy; increasing childcare facilities would significantly contribute.</li> <li>reform the tax-and benefit systems with a view to increasing the gap between the minimum wage and benefit levels and to provide sufficient incentives to take up a job in the formal economy.</li> </ul>	Limited  Insufficient
<p><b>Investing more and more effectively in human capital and lifelong learning</b></p> <ul style="list-style-type: none"> <li>raise general educational levels, reduce school drop-out and illiteracy and increase participation in training, in particular by the low-skilled.</li> <li>Pursue efforts to include the social partners in the development of a more systematic approach to education and training</li> </ul>	Limited  In progress
<p><b>Note:</b> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

#### *Increasing adaptability of workers and enterprises*

- The policy response in relation to the priority of **achieving higher job creation** is in progress. The privatisation programme is being implemented and employees are being redeployed in more productive positions, a number of which are in the private sector. In 2004 an agreement was reached between Government and the Federation of Industry whereby the ex-shipyard workers will be retrained and employed by the private sector over a three-year transition period during which workers will remain partially on the government’s payroll. This agreement will be extended to other workers who will be made redundant from the public sector. The Business Promotion Act (BPA) is being revised with a view to further improving incentives for job creation and training.
- A limited policy response has been given to the priority to reduce the overall **tax burden on labour**. While the personal income taxation on low-wage earners is low, the level of **social security contributions**, a disincentive especially for part-timers, is still under review. But a new Social Pact is in preparation with the close co-operation of the social partners with a view to enhancing the competitiveness of the economy.

#### *Attracting more people to the labour market and making work a real option for all*

- There has been a limited policy response to the priority of **expanding the labour supply by raising the female employment rate**. The Equality for Men and Women Act has been promulgated (2004), which defines direct and indirect discrimination and strengthens the machinery to address it, as well as promotes the establishment of childcare standards and subsidies, and removes fiscal distortions that may serve as a disincentive to married women wishing to take up regular employment.

- As regards the **tax-benefit interaction** the policy response has been insufficient, with efforts to date focussing only on pension reform and with proposals having been submitted in 2004 for consideration by Government and the social partners. The NAP announces that Government's next task will be to examine the tax-benefit impact on employment and to propose reforms that would increase work incentives. Efforts should be intensified to accelerate the process for developing and implementing a making work pay strategy based on comprehensive tax-benefit reforms.

*Investing more and more effectively in human capital and lifelong learning*

- There has been a limited policy response also in the case of the priority of **overcoming skills gaps and skills mismatches**. Even though the proportion of students completing compulsory lower secondary education, and continuing with higher secondary education, has been constantly on the rise, it still remains substantially lower than the EU average (the rate for educational attainment for 22 year olds is in Malta only 43%, compared to an EU average of 76.7%). The strengthening of the MCAST (established in 2000) is however expected to continue to have a positive impact on the qualification profile of youth in the years to come. Grants to firms that train their workers are then provided through the BPA, and these provisions will be reviewed and improved upon. As micro-enterprises are not included in the BPA, the NAP provides for a scheme to offer grants to individuals in such firms for approved training courses. The Malta Professional and Vocational Qualifications Awards Council will then begin certifying skills and competences of which workers are in possession, but which are not at present recognised. Despite progress, raising the level of human capital and implementing a comprehensive lifelong learning strategy remains a strategic challenge.
- The policy response to **include the social partners in the development of education and training** is in progress. The social partners are already key actors in the Malta Council for Economic and Social Development, and are represented on a number of committees within it, for instance, the Welfare Reform Commission and the Competitiveness Committee. They are also represented in the Board of Governors of the MCAST - and are then fully involved in its expansion - as well as the Board of Directors of the Employment and Training Corporation. At a more operational level, the social partners are also themselves providers of training.

## **Governance**

The ETC was responsible for drafting the NAP, acting on the advice of a core committee that included high-level representatives from all concerned authorities. An extensive consultation process with the social partners and all other stakeholders ensured a high degree of visibility, and the plan was then submitted to the Commission with a parliamentary reservation, since it remained subject to Parliamentary scrutiny. The contribution from the ESF is extremely well-detailed, while this is not the case for non-ESF-financed measures, where financial details as a rule are not disclosed.



## THE NETHERLANDS

### **Economic and Labour Market Context**

2003 was a difficult year for the Netherlands economy. GDP decreased by 0.9 % and labour productivity per capita grew by only 0.1 %, one of the lowest growth rates in the EU. Although the economy is currently recovering, the expected GDP growth rates of 1.4% (2004) and 1.7% (2005) also remain below the EU average. Despite the decline of the overall employment rate (73.5%) by 0.9 percentage points and of the female employment rate (65.8%) by 0.4 percentage points, the Lisbon quantitative targets for these categories are being met. The upward trend in the employment rate for older workers continued, reaching 44.8% (+ 2.5 pp); this is below the Lisbon target but well above the EU average. Unemployment has risen sharply to 3.8% (2002: 2.7%) but remains one of the lowest of the EU. Long-term unemployment was 1% (+ 0.3 pp). The overall level of inactivity remains high at 23.7%.

### **Strategic Policy Developments**

In order to achieve *full employment* and to strengthen *social cohesion and inclusion*, municipalities have been given full policymaking and financial responsibility for reintegrating social benefit recipients. There is a particular focus on attracting more people into the labour market by reducing the high benefit dependency and ceasing the favourable treatment of early retirement schemes. This includes abolishing short-term unemployment benefit, limiting the attractiveness of the unemployment benefit scheme as a route to early retirement by deducting part of the dismissal payment and tightening qualifying requirements. These proposals are still subject to consultation of the Social and Economic Council. A new disability scheme (1.1.2006) stimulates both employers and employees to keep partially disabled persons at work or to help them acquire a job. With the aim to improve *quality and productivity at work*, the new childcare act (1.1.2005) should guarantee affordable quality childcare jointly financed by the government, employers and parents. The life-course savings scheme (1.1.2006 subject to approval by Parliament) should make it financially possible for people to combine work and family responsibilities throughout their working lives. To increase investment in human capital, the government focuses on stimulation and information, thereby stressing the responsibilities of the social partners and the education institutions for the training of employees. As regards the adaptability of workers and enterprises, the government has given priority to achieving wage moderation and is considering the simplification of dismissal procedures.

### **Implementation of the Employment Recommendations**

*A detailed assessment of the Netherlands' policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>implement and closely monitor wage developments in line with the "Autumn Agreement" between the government and the social partners (see BEPG guideline 5).</i></li></ul>	In progress

<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>carry out systematic work ability screenings of the people on disability benefits and assist those who are able to work, to prepare for and find a suitable job; pay special attention to overrepresented groups in the disability scheme such as women under the age of 40;</i></li> <li>• <i>reinforce the preventative approach for adults; increase effectiveness of and access to active measures for social benefit recipients and those with the greatest risk of inactivity; facilitate the integration of immigrants;</i></li> <li>• <i>combine the removal of early retirement schemes with incentives to retain workers longer in work and training, in particular for under-skilled workers;</i></li> <li>• <i>facilitate transition from part-time to full-time jobs; take urgent action to tackle the cause of gender pay gaps; increase the affordability of childcare.</i></li> </ul>	<p>In progress</p> <p>Limited</p> <p>In progress</p> <p>In progress</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>take action to reduce early school leaving; strengthen incentives to develop lifelong learning and increase participation in training , especially for the low-skilled and the inactive.</i></li> </ul>	<p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

*Increasing adaptability of workers and enterprises*

- The policy response to the recommendation on **wage developments** is in progress. Wage developments have been closely monitored by the government and have been very moderate (Real Unit Labour Costs are forecast to have increased by 0.7% in 2003). Given the current economic and labour market situation it is still important to closely monitor wage developments in line with the commitments in the framework of the Autumn Agreement.

*Attracting more people to the labour market and making work a real option for all*

- The policy response to the need to **carry out systematic work ability screenings of people on disability benefits** is in progress. Since the latter are reassessed under tightened standards as from 1.10.2004, an increased outflow can be expected. The effect of the assistance paid to those who are able to work and its impact on **overrepresented groups** in the disability scheme remain to be monitored. A targeted approach for those who cannot re-enter the labour market easily and sustainable job placements will be needed to prevent former disability benefit recipients from flowing into the social assistance scheme.
- Given the continued weak implementation of the **comprehensive approach for adults** (67% non-compliance), there is a limited effective policy response to this part of the recommendation. Further reinforcement is needed, inter alia by better cooperation amongst the implementing agencies. The situation should improve following the result-oriented

agreements with the labour market institution responsible for the comprehensive approach for unemployment benefit recipients and legislation on work and social assistance (1.1.2004) which makes municipalities responsible for the comprehensive approach for social benefit recipients. The latter act aims at **increasing the effectiveness of and access to active measures for social benefit recipients**; however, its effects need to be closely monitored and evaluated. There is a limited effective policy response to **facilitating the integration of immigrants**. Their labour participation decreased (by 2 pp to 48.2%) and the unemployment gap between EU nationals and non-EU nationals has widened from 3.2 pp to 10.2 pp. Further efforts are thus required.

- The policy response to **combining the removal of early retirement schemes with incentives to retain workers longer in work and training**, in particular low-skilled workers, is in progress. The fiscal advantages of the early retirement schemes will be abolished (for people who are 55 years or younger on 1.1.2005) and a new life-course savings scheme should allow people to save for an early retirement (for a maximum of 2.1 years). To retain workers longer in work, employers are exempted from the basic contributions under the disability benefit scheme if they hire or keep employed older workers. The latter benefit from an increased tax credit to make it more attractive to work longer. Measures have been taken to limit the use of the unemployment benefit scheme as a route to early retirement.
- The policy response to the need to **facilitate the transition from part-time to full-time jobs** is in progress following the new life-course savings scheme and the new childcare act. However, it remains to be seen whether the free market will create sufficient and **affordable childcare** and whether Collective Labour Agreements will provide for employers' contributions for childcare. There is an insufficient policy response to the need to **tackle the causes of the gender pay gap** which has stabilised but remains one of the largest of the EU. Therefore urgent action is still required to tackle these causes.

#### *Investing more and more effectively in human capital and lifelong learning*

- There is a limited policy response to **reduce early school leaving**. Current efforts are largely confined to better registration. A budget increase is envisaged (as from 2005) to extend the guidance capacity for early school leavers whose number remained unchanged (15%). In order to enhance their chances in the labour market and to reach the goal that by 2010 at least 85% of 22-year olds have completed upper secondary education (2003: 73.3%) the number of early school leavers guided back to school and obtaining formal qualifications should rise considerably. There is a limited policy response to the need to **strengthen incentives to develop lifelong learning and increase participation in training, especially for the low-skilled and the inactive**. To achieve the ambitious national target of 20% participation in LLL by 2010, a new action plan focuses on intensification and better coordination of the current LLL policies and on the labour market relevance of LLL supply. It also underlines the need for tailor-made solutions for specific target groups. A LLL Taskforce will be set up to stimulate, coordinate and monitor the actions planned. Monitoring and evaluation should allow assessing whether the latter are sufficient to ensure access to and the take up of training by the low-skilled and the inactive. Participation in LLL remained relatively stable (16.5%) and is significantly above the EU target for 2010, but low-skilled (2002: 9.4%) and inactive (10.5%) participate less in LLL.

## **Governance**

The NAP is more a reporting document rather than a policy instrument. It is approved by the government and sent simultaneously to the European Commission and to the Dutch parliament where it is subsequently discussed. Consultations of local authorities and social partners take place on a regular basis but not specifically in connection with the NAP. Over recent months, the institutionalised consultations with the social partners have been interrupted due to a disagreement on the favourable tax treatment of early retirement schemes and the reform of the disability scheme. A new tripartite agreement between the social partners and the government was reached in November 2004. The use of the ESF for ALMP is expected to grow following changes of the ESF programme. Some financial data has been provided on ALMP and ESF budgets but there is no systematic analysis of financial provision across the various policy priorities.

## POLAND

### **Economic and Labour Market Context**

Following two years of slow economic activity in 2001-2002, the Polish economy is now showing signs of strong recovery. Since 2002, the GDP growth has increased each consecutive quarter, reaching 3.8% in 2003. The GDP growth for 2004 is forecast at 5.8%. The economic growth in Poland in recent years has been particularly jobless. Poland's employment rate is still the lowest in EU (51.2% vs. 63% for EU). The female employment rate is particularly low at 46% (56.5% for men) and older workers also record low participation rates (26.9%). The unemployment rate declined by 0.6 percentage points in 2003 and reached 19.2%. Youth unemployment of 14.8% remains a concern, as does the long-term unemployment rate which stands at 10.7%. The employment rate for the disabled is very low at 13.7%.

The level of educational attainment of adults is very low. In 2003 only 46% of the 25-64 age group had attained at least upper secondary education and only 12% of them had attained tertiary education. Vast regional economic differences persist and there are particularly large urban/rural disparities, notably in education.

### **Strategic Policy Developments**

The Polish employment strategy remains focused on reversing the negative spiral of decreasing employment and increasing poverty which has prevailed occurred since 1998. Despite strong economic growth, Poland has the highest unemployment rate and the lowest employment rate in the EU. The NAP sets the ambitious targets for 2006 of reducing unemployment to 15%. However, no targets have been set for employment rates among women and older workers. The NAP does not explicitly establish links between the three overarching objectives but the overall policy responds relatively well to *full employment* and *quality and productivity at work*. Active labour market policies, promoting development of human capital and lifelong learning have received much emphasis in the NAP and they have been accorded priority status. Job creation will be fostered by creating a more favourable climate for the development of entrepreneurship. These efforts, however, should include further actions to reduce high labour costs for the low-paid. There is still a need to reform the social transfer system in order to prevent inactivation and unemployment traps and to encourage people to move from undeclared work to the formal economy. As regards *social cohesion and inclusion*, more effort could be made especially to reduce regional disparities.

### **Implementation of the Employment Priorities**

*A detailed assessment of Poland's policy response in addressing the priorities is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment Priorities</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>take actions to enhance the creation of a more entrepreneurship friendly environment and support entrepreneurship, especially in the context of restructuring;</i></li><li><i>review the tax-benefit systems to address the high tax-wedge on labour in</i></li></ul>	In progress

<p><i>a comprehensive manner, particularly at the lower end of the wage scale;</i></p> <ul style="list-style-type: none"> <li>• <i>involve social partners in actively promoting change at enterprise level and facilitating job mobility.</i></li> </ul>	<p>Insufficient</p> <p>In progress</p>
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>accelerate the establishment of the new public employment services with sufficient resources in terms of funding, staff numbers, training and equipment;</i></li> <li>• <i>continue the reform of the different benefit system, including disabilities benefits and social assistance with a focus on promoting active job search and reintegration, with particular attention to disadvantaged young people;</i></li> <li>• <i>make efforts to remove obstacles to part time work to sustain job opportunities for women and older workers.</i></li> </ul>	<p>In progress</p> <p>Limited</p> <p>Insufficient</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>ensure that the education and training system provides new labour market entrants with the skills needed in a labour market characterised by structural change</i></li> <li>• <i>ensure equal access to education and improve the efficiency and quality of education;</i></li> <li>• <i>Increase incentives to invest in training as well as incentives that facilitate the access to training; promote the commitment of the social partners.</i></li> </ul>	<p>In progress</p> <p>In progress</p> <p>In progress</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

### *Increasing adaptability of workers and enterprises*

- The policy response to the priority to **enhance the creation of a more entrepreneurship friendly environment and to support entrepreneurship** is in progress. Recent data shows that the number of SMEs has increased to 3.3 million entities, though the survival rate after three years of operation remains very low (51%). New legislation has been issued and the procedures for setting up enterprises have been simplified. Other recent developments favourable to business include harmonisation of corporate income tax which is now 19%.
- There has been insufficient policy response to the priority to **address the high tax wedge** on labour which amounted to 41.6%. First steps towards reducing undeclared work have already been taken but the ambition of decreasing the high tax-wedge has been moved into the future. This may prove to be an obstacle in reducing the large scale of grey economy and forms a barrier for low-skilled workers entering the labour market.

- The policy response to the priority to **involve social partners in actively promoting changes in enterprises** is in progress. The legal preconditions are provided in the Act on Tripartite Commission on Socio-Economy Matters. Social partners are involved in the process of collective bargaining and in promotion of flexible forms of employment.

*Attracting more people to the labour market and making work a real option for all*

- The policy response to the priority to **accelerate the establishment of the new public employment services** is in progress, however, the progress has been slow. Coordination between central level and independent regional and local labour offices will be strengthened. Still, there is a need for improving the system of monitoring and evaluation of the employment policies and programmes.
- There is a limited policy response to the priority to **continue the reforms of the different benefit systems** which, in general, are very poorly targeted. Some steps have been taken to cut back incentives for early retirement. In order to more effectively reduce deactivation and inactivity traps, more initiatives and efforts need to be made, particularly with regard to disability pensions. Total expenditure on disability programmes amounts to approximately 3.5% of GDP, while the special farmers' pension system represents approximately 2.1% of GDP. However, progress has been made in integrating young people with the labour market, i.e. through the First Job Programme.
- There is insufficient policy response to the priority to **remove obstacles to part-time work**. Part-time employment constitutes only 11% of the working population. Efforts in this field have been limited to the information campaign focusing on presenting advantages of flexible forms of employment. The need for deregulation remains.

*Investing more and more effectively in human capital and lifelong learning*

- The policy response to the priority to ensure that the **education and training system provides new labour market entrants with the skills needed in the labour market** is in progress. The education reform launched in 1999 (fully implemented by 2007) should provide the new generation with the basic skills needed to adapt to rapid structural changes of the economy. Many measures have already been taken, but in the light of the very low rate of people completing higher education in rural areas and smaller urban areas (below 2%), further initiatives are needed in order to balance urban-rural divide in the field of education.
- The policy response to the priority to **ensure equal access to education and improve the overall quality of education** is in progress. The main objectives of the education reform concerns providing equal opportunities for students and pupils and raising secondary and higher education levels. The reform continues and is expected to be fully implemented by 2007. The limited number of upper secondary schools in rural areas and the substantial costs of participating in postsecondary education form a barrier for students coming from rural and marginalised areas. A National Grants Programme for pupils having poor access to education has been established. In addition, financial resources have been assigned for students coming from disadvantaged areas.
- The policy response to the priority to increase the **incentives to invest in training and to facilitate access to training** is in progress. A "Strategy for development of continuing education system until the year 2010" has been defined. Recent legislation encourages

employers to set up a training fund, which can play a significant role in motivating both employers and employees to pursue education. The government will encourage the social partners to affect 1% of the wage bill by 2008 to training, in the context of the training fund. Nevertheless, it can be expected that it will take time for the training fund to be operational. The low participation in CVT at 4.3% still appears to be a matter of considerable concern.

## **Governance**

The NAP has been prepared by an inter-ministerial Task Force. A practice of reporting to the parliament on the follow up and results of the NAP has been established. Regional authorities, social partners and NGOs have been involved through a consultation process. They also aim to participate actively in the implementation of the NAP through Regional Action Plans for Employment. A recent reform of the PES obliges the labour offices to cooperate with non-public labour market institutions. Efforts should be made to strengthen the coordination of employment policies at the central level. The NAP is strong on budgetary allocations at the level of policy measures. ESF provides a substantial contribution to the implementation of the NAP, notably within education, employment and inclusion.



## PORTUGAL

### **Economic and labour market context**

GDP growth continued its decreasing trend since 1998, and contracted by 1.2% in 2003, the lowest rate in the EU. In 2004, growth is expected to improve to 1.3%, still below the EU average, and thus further widening the gap in per capita income with the rest of the EU. The main contributor to this gap is low labour productivity, which continues to be the lowest in the EU15 (58.1% of EU15 average in 2003, per hour worked). The employment rate for women declined to 61.4%, but the rate for older workers increased to 51.6%. Employment rates compare well with the EU average, particularly given the very low levels of part-time work. However, initial data for 2004 shows a worrying trend for the employment rate of older workers. The total unemployment rate has increased from 4.0% in 2001 to 6.3% in 2003. Since 2001, the number of long-term unemployed has been increasing significantly. The youth unemployment ratio has been growing since 1999 (4.4%) and reached 6.6% in 2003. A particular concern is the high unemployment rate of university graduates. The dispersion of regional employment rates has increased in 2003.

### **Strategic Policy Developments**

In spite of the negative trends in 2003, the Lisbon and Stockholm targets for *full employment* are within reach, and only the total employment target for 2010 has not yet been met (68.1% in 2003), although it is above the target for 2005. A set of medium/long term measures aimed at restructuring the economy and stimulating employment growth have been launched. As regards *quality and productivity at work*, productivity levels have deteriorated in 2003. These are conditioned by the low skills and education levels of the population, low quality jobs, and by the traditional business sectors which rely on high labour intensive and low added value activities. Policies aimed at the low-skilled and the working poor, need to be further strengthened. Co-ordination with the *social inclusion* strategy has been reinforced. The PES has increased its focus on disadvantaged groups and the "Social Insertion Income" improved its activation mechanisms.

The new labour code approved in 2003 strongly contributes to improve adaptability. Labour supply has been pursued by improving the participation rates of women, the older age group and through measures aimed at enhancing the employability of the inactive. Policies aimed at developing human capital have continued to be improved through the Life-Long learning Strategy, the Reform of Secondary Education, the training provisions of the new Labour Code, and the on-going debate for a Basic Law on Vocational training.

### **Implementation of the Employment Recommendations**

*A detailed assessment of Portugal's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>promote modernisation of work organisation to strengthen productivity and quality at work;</i></li><li><i>building on the new Labour Code, make permanent contracts more</i></li></ul>	Limited

<p><i>attractive to employers as well as employees, and counter the segmentation of the labour market</i></p> <ul style="list-style-type: none"> <li>• <i>develop a more effective system of anticipation and management of restructuring.</i></li> </ul>	In progress
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>strengthen active labour market measures for the unemployed and the inactive and ensure their efficiency; strengthen efforts to integrate immigrants;</i></li> <li>• <i>take action to tackle the causes of the gender pay gap in the private sector and increase the availability and affordability of care facilities for children and other dependants;</i></li> <li>• <i>develop a comprehensive active ageing strategy, including removing incentives for early retirement, increasing access to training and providing appropriate working environments.</i></li> </ul>	Limited
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>ensure that the national strategy for lifelong learning effectively results in raising the educational attainment of the whole workforce, in strengthening the incentives for lifelong learning and in increasing participation in training, in particular for the low-skilled;</i></li> <li>• <i>reduce early school leaving and strengthen the labour market relevance of tertiary education.</i></li> </ul>	In progress
	Limited
	Limited
	Limited
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

### *Increasing adaptability of workers and enterprises*

- There has been a limited policy response to **modernising work organisation**. The new Labour code includes measures regulating new forms of work, enshrines the employer's obligation to involve at least 10% of permanent staff in training, and entitles staff to 20 hours of certified training every year. However, there are serious questions on how the compliance with the new legal requirements will be monitored and enforced. The link between quality and productivity in work has been acknowledged by the social partners, but progress at this level has not been significant. To improve productivity, the 10 dimensions of job quality need to be further developed into concrete policy actions. The reinforcement of programmes to modernise SME's and the enlargement of the Organisational Innovation Network are positive measures but have affected a very limited number of organisations. Initiatives have also been taken to improve the efficiency and effectiveness of Public Administration. If successful, the on-going discussion between the Social Partners on a contract for Competitiveness and Employment could contribute to modernising work organisation and improving productivity.
- The policy response to **making permanent contracts more attractive** is in progress. The implementation of regulations of the new Labour code opens the possibility to establish new forms of contractual arrangements, and limits the use of temporary contracts to specific situations, whilst extending its use when the nature of the work so requires. Other

initiatives include incentives for companies to convert contracts from fixed-term into permanent, and penalties for those with more than 15% of staff on fixed-term contracts. Portugal still has one of the highest levels of fixed-term contracts in the EU (21%) and self-employment accounts for 25% of total employment.

- There has been a limited policy response to **anticipating and managing restructuring**. The Programme for the Recovery of Depressed Areas and Economic Sectors focuses on managing restructuring in specific regions. The PEPS and FACE programmes also include measures for companies undergoing restructuring (including their staff). A global system providing a coherent approach to anticipate change and manage restructuring does not yet exist.

*Attracting more people to the labour market and making work a real option for all*

- The policy response to **strengthening ALMP** is in progress. The significant increase in unemployment has put great pressure on the PES. In spite of these difficulties, most of the unemployed were given support in terms of ALMP measures. Less than 8% of the unemployed were not covered. The intervention methodology used by the PES has been adapted to respond to the new challenges imposed by the deteriorating economic and labour market conditions. To better adjust labour demand and supply, the PES has developed networks with local business structures and adapted its Training Centres to respond to these challenges. The PES has initiated an evaluation process of the many ALMP measures offered. A network of National and Local Centres in **support of immigrants** has been created, providing support in various aspects related to employment and social integration of immigrants, including contact with the Public Administration. The recognition of qualifications of immigrants continues to be a serious concern.
- There has been a limited policy response to **reducing the gender pay gap**, which has continued to improve according to national data. However, in 2003 earnings of women in the private sector were still on average 22.7% below those of men. Gender segregation at sectoral and occupational levels continues to be high but has decreased slightly in 2003. This segregation is one of the main causes of the gender pay gap in both the private sector (in favour of men) as well as in the public sector (in favour of women). The **provision of childcare facilities** has continued to improve. However, the achievements are still far below the EU targets for 2010. The NAP does not provide any targets or plans for the **provision of care facilities for other dependants** including the elderly.
- There has been a limited policy response to **developing a comprehensive active ageing strategy**. Work has been initiated and an outline is described in the NAP. The strategy adopts a preventive approach addressing a wide range of issues and brings coherence to existing measures. It still lacks implementing details, a measurable set of monitoring indicators and a time-frame for implementation.

*Investing more and more effectively in human capital and lifelong learning*

- There has been a limited policy response to **increasing the effectiveness of the strategy on life-long learning**. A comprehensive LLL strategy was adopted in 2001. For the first time, the NAP 2004 reports on a set of indicators which measure progress since the inception of this strategy. The new Labour Code (already approved) as well as the Law on Vocational training (still to be approved) will both contribute to create a general framework promoting the involvement of the population in LLL. In spite of recent progress

in raising the educational attainment levels of the population, Portugal is still far behind EU averages. Due to the historical skill and qualification weaknesses of the older population, specific measures addressed to this target group should be developed. Further efforts are necessary to increase the participation in training of the large number of low-skilled. The Centres for the recognition, validation and certification of acquired skills as well as the EFA and S@bER+ courses contribute to this effort, but cover a small number of potential beneficiaries. The proposal for a Vocational Training Law foresees the creation of a National System of Vocational Training, which will define a multi-annual Plan of vocational training. The Plan will be based on an evaluation of the demand for specific skills and should have an impact on the training systems by ensuring that they focus on market needs.

- There has been a limited policy response in **reducing the high level of early school leavers**. In 2003 this level was reduced to 40.4% (45% in 2002), but it is still far above the EU average (15.9%). A Plan for the Prevention of Early School Leaving was launched in 2004. Measures include the development of Social Support Centres, the establishment of a reference network of public schools, increasing supply of courses providing double certification, improving links with entrepreneurial associations, etc. The secondary education system is undergoing reform aimed at adapting its curricula to increase employability through technological and vocational education. A "Plan for the recovery of university graduates" has been launched in 2004, aimed at providing labour-market relevant skills to the large number of unemployed university graduates. Economic restructuring has not progressed enough to absorb existing highly qualified resources, and the higher education system continues to provide courses which are not sufficiently relevant to labour market needs. Furthermore, almost 40% of higher education students drop-out of university before concluding their studies.

## Governance

The NAP is discussed within the Parliamentary Commission on Labour and Social Affairs and within the Standing Committee for Social Dialogue. Formal structures for developing and monitoring the NAP have been established, and foresee the involvement of the main stakeholders. However, the existence of these structures has not always been translated into effective commitments by the participating organisations. Greater emphasis is required to transform these formal structures into real operational mechanisms with strong political support and visibility. An effort has been made to report the financial resources allocated to most of the EES Priorities. In total, 1.679 million Euros will be invested in the NAP 2004. The ESF provides 32% of this support, and the Structural funds contribute with 53% of all funding.

## SWEDEN

### **Economic and Labour Market Context**

Sweden's favourable macro-economic position continued in 2003 with a real GDP growth of 1.6% and an overall labour productivity growth of 1.8% , both figures well above the EU average and a continuation of the trend from last year. In relation to the last five years, Sweden's GDP growth has outperformed the EU in all years concerned but one (2001), which could suggest that Sweden was hit harder by the economic downturn than the EU as a whole but is recovering faster. Although the overall performance of the Swedish economy is positive, the sluggish employment performance of last year continues. Overall employment growth is stagnating with a very slight drop of -0.2 percentage points (approx. 10 000 jobs) compared to last year.

The Swedish overall employment rate now stands at 72.9%, a drop of 0.7% from the previous year and the female employment rate experienced a similar levelling off and now stands at 71.5%. For older workers the employment rate now stands at 68.6%, an increase compared to last year by 0.5% points.

### **Strategic Policy Developments**

The key overall economic policy in Sweden aim at consistently high economic growth and *full employment* which creates opportunity for better quality of life and a fair distribution of the welfare system. Sweden still maintains the goals of reducing unemployment to 4%, and that 80% of the population between 20 and 64 should have a regular job (well in excess of the Lisbon goals). As a complement to the employment goal the Government has also introduced a fairness goal (*rättvisemål*) to halve the need for social assistance between 1999 and 2004. It has also upgraded the priority of integrating more foreign born into the labour market. Moreover, Swedish policy aims at more and better jobs for better *social cohesion*. An economic policy for full employment and a general welfare system for all regardless of gender and nationality remain as cornerstones in the Swedish policy. Further to this Swedish NAP states that there are clear links between *productivity and quality of work* and that to reach the target of more and better jobs a coherent long-term strategy is needed to enable people to enter, develop and stay on the labour market. More concretely, the Swedish policy focuses on discussions to change the Swedish working time law to ensure a reconciliation of work and family life, work related health to ensure that people can work until retirement, lifelong learning issues and gender discrimination.

### **Implementation of the Employment Recommendations and Priorities**

*A detailed assessment of Sweden's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>ASSESSMENT</b>
<i>Increasing adaptability of workers and enterprises</i> <i>Facilitate the development of SMEs in particular by reducing administrative burdens</i>	In Progress

<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <p><i>Address the rising number of people on sick leave by promoting work oriented solutions and improving conditions of work</i></p> <p><i>Eliminate remaining unemployment and activity traps</i></p> <p><i>Closely monitor the results of actions to integrate immigrants into the labour force</i></p>	<p>Limited</p> <p>Insufficient</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <p><i>Reduce early school leaving and increase access to training for the low skilled and the inactive and address the issue of emerging bottlenecks and skills mismatches in low and medium skilled sectors</i></p>	<p>In progress</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

#### *Increasing adaptabilities of workers and enterprises*

- The policy response to the recommendation on **reducing the administrative burdens of SMEs is in progress**. The Swedish NAP of this year, but also of earlier years, report a great number of policy responses to reduce administrative burdens for the development of SMEs. European benchmarking studies also suggest that Sweden is a good practice example for reducing administrative burdens. In spite of all this, Sweden is on the lower half in enterprise births and self-employment in an EU context, especially for females. The development of a national policy on the start-up of small and medium sized enterprises to increase female entrepreneurship and to fight undeclared work, especially in relation to the female dominated personal service sector, remains a challenge to be addressed.

#### *Attracting more people to the labour market and making work a real option for all*

- There has been a limited policy response regarding the recommendation on **addressing the rising number of people on long-term sick leave by promoting work-oriented solutions and improving conditions of work**. The government strategy to reach the target on halving the number of days absent from work due to sickness in the period 2002-2008 is based on amongst others preventive measures through improved working conditions and measures to facilitate a rapid return for work for those who are on sick-leave.. In June 2004, 118,000 persons had been on sick leave for longer than a year. This is 14,800 less than a year earlier. However, these figures paint a somewhat over-positive picture of the real situation. The number of people on disability pensions and other longer term schemes is increasing. This is a matter of concern as previous experience shows that this state tends to be permanent.
- The NAP of this year reports an insufficient policy response in the **unemployment benefit or social assistance systems** during 2003. The only change in unemployment benefit rules

has been that if the unemployed person is sick he will receive unemployment benefit and not sickness benefit which used to be more economically advantageous.

- A limited policy response is given to the Recommendation on the monitoring of the results of **actions to integrate immigrants into the labour force**. Although Sweden has been very successful in integrating women, the elderly and those with a work handicap, it has been relatively unsuccessful in integrating immigrants. A further strengthening of ALMP measures and co-operation between governmental bodies and agencies are reported in the NAP. However, national sources show that there does not appear to have been any significant improvement in the integration of foreign born in the Swedish labour market. One critical point to mention in this context is the anti-discrimination law dating from 1999 which stipulates fewer measures to be taken compared to the anti discriminatory law on gender equality.

#### *Investing more and more effectively in human capital and lifelong learning*

- The response to the recommendation to reduce the number of early school leavers is in progress, through increased access to training and by addressing bottlenecks in certain sectors. SE has performed in reducing **early school leavers** in 2003. In spite of this, youth unemployment levels remain high, suggesting that the problems the young encounter are not only related to employment policies but also to education policies. The current Swedish policy which institutes a compulsory **upper secondary school level for all**, in combination with the municipal responsibility for the young until they are 20 years of age and the national target of promoting at least 50 % of each age group into tertiary education, could perhaps contradict the government's intentions of increasing the labour supply and the national target of full employment. A conclusion here is that a challenge for the Swedish government would be to coordinate education policy and labour market policy to ensure a coherent strategy and avoid conflicts of interest between the two guidelines of life long learning and increasing the labour supply.

#### **Governance**

The Swedish NAP was discussed and approved by the National Parliament on September 30, 2004. There has been some progress towards a broader involvement in the formulation of the Swedish NAP. This was stepped up in the 2004 NAP as exemplified by a hearing/seminar in June 2004 with a wide range of Government Departments, Authorities and NGOs. One can however note that the announcement of the NAP had a relatively low visibility and received little attention in the media. It also appears that there is little explicit reference to the EES or the NAP in the policy declarations and activities of the National Labour Market board (AMS). The Swedish NAP mentions financial allocations in relation to the ESF and for expenditure on active and passive labour market measures but no detailed figures are given.

## SLOVENIA

### **Economic and Labour Market Context**

In 2003 economic growth slowed down to 2.5% while employment declined by 0.8% bringing the rate to 62.6%. An employment gender gap of 9.8 percentage points persists. Since 2000 there has been a constant decrease in the number of unemployed with the exception of 2003, where an increase of 0.4 percentage points led to a 6.5% unemployment rate. The long-term unemployment rate is still relatively high (3.4%). Regional disparities are considerable. Other major structural problems of the labour market are high youth unemployment rate (15.9%), contrasted by a decreasing youth unemployment ratio (5,4%); a very low employment rate of older persons (23.5%), especially for older women (14.6%); a low educational level of the unemployed but also an increasing share of unemployed first job seekers with high qualifications; and a relatively high share of people with disabilities among the unemployed (9.2% of registered unemployed in December 2003). It is estimated that around 90% of Roma are not in regular employment.

### **Strategic Policy Developments**

The 2004 NAP mainly follows the lines and strategic objectives of 2001 "National Programme for the Development of the Labour Market and Employment until 2006". These are linked to raising the skills level of labour force, decreasing structural and regional disparities, implementing active labour market policy and increasing employment rate. Quantified objectives have been set including an increase of *employment* by more than 1% annually and a decrease of unemployment to 5% by 2006. The activation approach is well developed with a special emphasis on those furthest to the labour market and on regions with high unemployment rates. The strategic approach with respect to *quality and productivity* at work is not explicitly formulated, although the NAP strongly focuses on the development of human capital and lifelong learning with a number of targets and initiatives. A comprehensive strategy for achieving *social cohesion and inclusion* is developed in the NAP Inclusion with a strong emphasis on integrating disadvantaged groups to the labour market.

### **Response to Employment Priorities**

*A detailed assessment of Slovenia's policy response in addressing the priorities is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment Priorities</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>assess the interaction between the minimum wage and the different components of tax burden on labour to increase activity and reduce undeclared work;</i></li><li><i>pursue efforts in order to promote flexible forms of work while maintaining appropriate balance between flexibility and security.</i></li></ul>	In progress  In progress
<b><i>Attracting more people to the labour market and making work a real option for all</i></b> <ul style="list-style-type: none"><li><i>increase the employment of people over 55 by reducing the use of early</i></li></ul>	



<p><i>retirement schemes, by ensuring consistency between tax and benefit reforms (reducing undeclared work and reforming pensions) and promoting flexible forms of work as well as access to training for older workers;</i></p> <ul style="list-style-type: none"> <li><i>make work pay: review the interactions between unemployment, social benefits and the minimum wage to increase the incentive to take up a job in the formal economy.</i></li> <li><i>Improve staff training in the public employment service in order to deal efficiently with the most difficult to employ and, intensify the relations between private and public employment services.</i></li> </ul>	<p>Limited</p> <p>In progress</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li><i>increase the share of adult population participating in education and training by adequate resources and incentives for workers and employers to invest and a clear definition of all stakeholders' roles.</i></li> <li><i>Reduce school drop-out rates</i></li> </ul>	<p>In progress</p>
<p><b>Note:</b> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

#### *Increasing adaptability of workers and enterprises*

- Progress has been achieved in addressing the issue of the **high tax burden on labour** (taxation of low-wage earners, at 40.2% in 2003, is above the EU average) through the recent tax reform package, which reduces income tax on lowest wages and labour costs for enterprises as of 2005. This should contribute in particular to **reducing undeclared work**, which new official estimates establish at 6.9% of GDP, well below previous estimates. However, the overall policy response to undeclared work remains limited. A reliable indicator needs to be developed to be able to assess progress in this area.
- Promoting **flexibility and security** of employment is in progress. Particular attention is paid to the anticipation of change and company restructuring through the constitution of "Labour Funds" available for workers at risk of being redundant to improve their employment opportunities by training, counselling, seeking new employment and job transfers. Measures are also taken to improve the business environment, notably by reviewing occupational regulations and facilitating the recognition of qualifications. The Labour Relations Act of 2003 regulates flexible forms of employment and stipulates mutual obligation of employees and employers in terms of education and training. The high percentage of young people employed under fixed-term contracts reflects the rigidity of the labour market and may point to an emerging "dual labour market". It will be important to ensure possibilities of transition between more flexible and traditional labour market. Part time employment is rarely used (2%).

#### *Attracting more people to the labour market and making work a real option for all*

- Progress **in raising the employment of persons over 55** is limited. Despite the pension reform, the average retirement age remains very low, especially for women (55 years and 8 months) and Slovenia has one of the lowest employment rates for older workers in the EU. While measures are taken with respect to unemployed older workers a more comprehensive policy response to promote active ageing would seem necessary, including

incentives and flexible arrangements to retain older workers on the labour market and fostering a change in the culture of early retirement.

- Increasing the **financial incentive to take up a job** is in progress. The new approach to the social benefits system focuses on preventing abuses and granting support only to persons unable to work or making efforts to secure employment. The law on **minimum wages** provides a legal framework for an income from work that is above the level of **social benefits**. However, low wages in labour intensive industries and a yet insufficient number of quality jobs, especially in less developed regions, are still obstacles to attract more people to the labour market.
- Progress related to the improvement of the situation in the public employment service is limited. The **Employment Service of Slovenia** is aiming to improve the quality of its work with additional staff and continuous training. However, in order to alleviate the work load of the public employment services, the potential for cooperation with private employment services could be better exploited.

#### *Investing more and more effectively in human capital and lifelong learning*

- The setting of quantified targets is a sign of progress in relation to increasing the share of adults in general education programmes (5% until 2006), reducing early school leaving from 13% (estimation) to 11%; and raising the level of educational attainment (persons with secondary education from 68% to at least 75%). These targets are backed by measures such as a special national programme for the prevention of school failure, the realisation of the objectives of the 2004 Resolution on the National Programme for Adult Education until 2010, the implementation of the Bologna Declaration and education and training of unemployed persons. However, incentives are needed if enterprises are to increase investment in labour force. Ensuring smooth transition from education to the labour market remains a challenge.

#### **Governance**

The NAP was prepared in coordination between governmental bodies. The Economic-Social Council, where social partners, local communities and NGOs are represented, endorsed the NAP before the governmental approval. More active involvement of all stakeholders, both in the design of the NAP and in its implementation would be valuable. The involvement of the parliament is limited to adopting the general budget. The 2003-2005 Social Agreement between the Government and the Social Partners constitutes an important contribution to the employment policy. Financial provisions in the NAP are mainly related to the ESF co-funding, but they do not cover all the relevant policy areas. The lack of indicators in the NAP raises concerns over monitoring and evaluation.

## SLOVAK REPUBLIC

### **Economic and labour market context**

In 2003, the Slovak economy continued its positive expansion with GDP growth of 4% (EU 1.0%), while a further 5% GDP growth expected for 2004. Employment increased year on year by 0.9%, which is the fastest growth since 1997. In spite of this, the employment rate (57.7%) remains far from the Lisbon goal of 70%, both for men (63.3%) and for women (52.2%). Although slowly increasing since 2001, the employment rate for older workers remains extremely low (24.6%) compared to EU (40.2%), mainly for women (11.2%; EU 30.8%). The unemployment rate fell to 17.5% (EU 9.1%) or a reduction of 1.2 percentage points compared to 2002. The long-term unemployment rate has declined from 12.2% in 2002 to 11.1% in 2003, but still remains the highest in EU (EU average: 4%). Compared to the EU (18.3%), Slovakia has extremely high youth unemployment which decreased from 39.0% in 2001 to a current 34.5%. The estimated unemployment rate of the Roma minority is close to 70%, in the segregated settlements almost 100%. Regional disparities remain considerable and are mainly caused by the region Bratislava, which strong performance is in striking contrast with the rest of the country.

### **Strategic Policy Developments**

Slovakia concentrates most on the overarching goal of full *employment*. Different measures were implemented to improve the business environment (e.g. amendments to the Labour Code increasing flexibility of working arrangements), to support job creation and to attract people to enter and remain on the labour market. The implementation of new ALMP measures was launched in 2004, focusing on disadvantaged groups on the labour market. Pension reform has meant higher retirement ages while the tax reform has reduced the high tax wedge (mainly for the low-income earners) if social security contributions still remain high. PES have undergone reorganisation, their provided services have become more individualised and further modernisation is planned. Reform of the education system focuses on building new curricula and creation of a better link with labour market needs. Implementation of programmes for training for employed, unemployed, as well as teachers started in January 2004. The objective of increasing *quality and productivity at work* is being covered by two ESF programmes which support investments in further training of employees, and transfer of R&D findings into practice. A policy of *social cohesion and inclusion* has introduced several changes to the social protection system in order to motivate people to leave the social assistance benefits system and to take up work. However, insufficient effort was shown in building partnerships and mobilising the social partners; in fact the opposite has been the case with the abolishing of the tripartite social dialogue.

### **Implementation of the Employment Priorities**

*A detailed assessment of Slovakia's policy response in addressing the priorities is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment priorities</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li><i>• reduce the high tax burden on labour consisting mainly of social</i></li></ul>	

<ul style="list-style-type: none"> <li><i>contributions;</i></li> <li>• <i>encourage social partners to promote more contractual and working time diversity;</i></li> <li>• <i>create more job opportunities and facilitate job mobility.</i></li> </ul>	<p>Limited</p> <p>Limited</p> <p>Insufficient</p>
<p><b><i>Attracting more people to the labour market and making work a real option for all</i></b></p> <ul style="list-style-type: none"> <li>• <i>continue effective removal of unemployment and inactivity "traps"; transform undeclared work into employment by building on the ongoing reforms of the tax and benefit systems with proper monitoring of the implementation and impact of the reforms;</i></li> <li>• <i>increase the participation of older workers in employment, especially through the implementation of employment legislation and pensions reform, more flexible forms of work and greater use of part-time work.</i></li> <li>• <i>raise female participation;</i></li> <li>• <i>modernise active labour market policies, provide greater access to training for the unemployed and the inactive, and establish modern public employment services to ensure a wider coverage of the population;</i></li> <li>• <i>devote further attention to groups at risk (e.g. the long-term unemployed, young people, people with disabilities, older workers) and disadvantaged regions;</i></li> <li>• <i>integrate the Roma population.</i></li> </ul>	<p>In progress</p> <p>Limited</p> <p>Insufficient</p> <p>In progress</p> <p>Limited</p> <p>Limited</p>
<p><b><i>Investing more and more effectively in human capital and lifelong learning</i></b></p> <ul style="list-style-type: none"> <li>• <i>bridge the gap between skills young people acquire in their initial education and the skills needed to succeed on the labour market;</i></li> <li>• <i>support occupational and geographic mobility throughout the life cycle; invest more in training and facilitate access to education; encourage investment in human capital and foster lifelong learning by further reforming the education system; review the contributions to be made by individuals, enterprises and society as a whole.</i></li> </ul>	<p>Limited</p> <p>Limited</p>
<p><b>Note:</b> The degree of implementation is indicated as: “Complete” where the reform process is (practically) complete and the desired results have (practically) been achieved; “In progress” where the policy reform is well advanced and progress in implementation is being made; “Limited” where the policy response to the recommendation is only partial and implementation is limited and “Insufficient” where no substantial policy measures going in the right direction have been taken.</p>	

*Increasing adaptability of workers and enterprises*

- There has been a limited policy response to the priority to **reduce the high tax burden on labour**, mainly on the side of corporate and income taxation. A new (simpler) tax system with the unified income tax rate (19%) was introduced in January 2004, reducing the tax burden particularly for the lowest and the highest income groups. Social contributions were reduced only to a minor extent (by 3%); they remain very high and continue to pose an obstacle to job creation.
- There has been a limited policy response to the priority to promote contractual and working time diversity. Several policy measures were focused on improvement of the business environment in order to facilitate the establishment of enterprises and small-trade businesses. More **flexible working arrangements** were supported by the adoption of the

amended Labour Code, giving both parties the right to more flexibly to conclude and terminate an employment relationship and by deregulating working time; the role of trade unions in dismissals (and collective redundancies) was reduced. It remains unclear what the government does to encourage social partners to promote contractual and working time flexibility.

- There has been insufficient policy response to the priority to facilitate **job mobility** with a mobility benefit having been introduced. However, this measure has been ineffective, as the conditions for payment are far too complicated.

*Attracting more people to the labour market and making work a real option for all*

- The policy response as regards the efforts to **remove unemployment and inactivity traps** by recent changes to the social protection and tax system is in progress. In order to discourage people from welfare dependency, a new activation approach has been introduced aimed at tightening and better targeting social assistance and unemployment benefits. The difference between assistance benefits and work income has largely increased, the provided benefit together with several additional allowances does not replace an income anymore, and it serves only to meet the subsistence levels. Moreover, in order to motivate parents to take up and remain in a job, provision of a flat-rate supplementary child benefit was introduced, compulsory contributions on pensions insurance were reduced per each dependent child, and a monthly tax-bonus per each dependent child is paid to one of the parents provided that he or she works. To strengthen the fight against **undeclared work**, a draft act on illegal work has been prepared (currently being presented to Parliament).
- There has been a limited response to the priority to increase the **participation of older workers** in employment. On the one hand, the pension reform is gradually rising statutory retirement age to 62 years (the process should be completed in 2007 for men and in 2023 for women). On the other hand, a 2<sup>nd</sup> pillar of the pension scheme has been established, and changes have been introduced in the area of labour law (possibility of receiving an income next to the pension), which give an inducement to older people to remain in employment. Due to the above measures, the employment rate of older workers increased by 1.8 percentage points in 2003 (1.9 points for men and 1.7 points for women), but nevertheless remains the lowest in the EU. There is little evidence of a comprehensive policy response on active ageing.
- The policy response as to the implementation of modern **active labour market policies** is in progress. Existing active labour market policy tools were supplemented by new ones, including activation benefits, contribution to self-employment, contribution to employment of disabled persons, support to moving for jobs, contribution to graduate's training, elaboration of individual action plans for unemployed, etc. The number of ALMP measures participants is constantly growing; ALMP financing has increased (merging the national and ESF resources) compared with previous years. The employment support measures take into consideration the regional aspect (higher unemployment rate = higher support). However, PES coverage of the unemployed population seems to be decreasing (cf. the difference of almost 5% between the registered and the LFS unemployment rate), which is may be caused by the introduction of stricter registration conditions.
- There is insufficient response to the priority to increase female participation. Although the labour legislation does not allow any direct or indirect discrimination on gender ground

and guarantees equal conditions on remuneration for men and women, the gender pay gap is increasing and the female employment rate remains low and the lowest of the EU in the case of older female workers (11,2% in 2003). Contributions to childcare costs are provided to working parents as well as to job seekers. However, more attention must be paid to the childcare services themselves as the existing network of services is insufficient.

- There has been a limited policy response to the priority to devote **further attention to groups at risk**. The new employment law defined specific groups of disadvantaged jobseekers. For these groups special active labour market measures have been prepared (with the support from ESF) which are aimed at early identification of their needs, increasing of their employability and support for their new start. Intensity of the assistance provided under these measures differs, depending on the employment situation of regions. Monitoring and evaluation of the effectiveness of these measures is essential.
- There has been a limited policy response to the priority to integrate the **Roma population**. Labour market policy does not treat this minority separately but it covers it by the ALMP measures prepared for disadvantaged job seekers defined by law (long term unemployed, young people, lone parents, older people, disabled, etc.). Real effects of these measures on the Roma and their actual placement on the labour market must be closely monitored. As well as general employment policy, a set of new specific measures is being implemented in order to support this minority (social field workers, Roma assistants, etc.). The question of the effectiveness and sustainability of these programmes remains to be seen. Under the European Social Fund, priorities set up in the field of education, housing, and labour market inclusion which cover the Roma minority are supported - at a co-financing rate of 80%. The Slovak Government, as part of the policy response, is committed to evaluate the ESF assistance provided to this minority.

#### *Investing more and more effectively in human capital and lifelong learning*

- There has been a limited policy response to the priority to **bridge the gap between skills acquired in education and labour market needs**. Reform of the education system has been launched, but, in the first phase, it seems to be limited to reform of school financing and the rationalisation of the schools network. There remains a lack of a strategic overall approach to the links between the education system and the requirements of the labour market combined with greater support for occupational and geographical mobility throughout the lifecycle.
- **The policy response to invest more in training, facilitate access to education and foster lifelong learning** has been limited. A lifelong learning strategy has been approved by the Government (February 2004), however its link to the labour market policy is unclear and the NAP does not mention it.

#### **Governance**

The preparation of the NAP EMPL was coordinated by the Ministry of Labour in cooperation with all relevant central state administration bodies, social partners, and regional representatives who either contributed to or commented on the draft. In spite of the governmental incentives, the bipartite dialogue is hardly established and the tripartite dialogue also seems tense. The national parliament has not been involved in the NAP and visibility of the NAP remains poor. Financial allocations for individual policy measures are not always

clear as far as the state budget is concerned; ESF support is well documented and targeted throughout the employment and social inclusion strategy.

## UNITED KINGDOM

### **Economic and Labour Market Context**

The UK economy has proved resilient during the recent global economic slowdown, with growth rates significantly above the EU average. GDP grew by 2.2% in 2003 and is expected to grow by 3.3% in 2004. The employment growth rate increased to 0.9% in 2003 and is expected to continue to grow, albeit at a more moderate rate, over the remainder of the forecast period. Labour productivity growth should be relatively firm in 2004, at 2.6%; however the UK's productivity gap, relative to its main competitors, remains significant. The overall employment rate in 2003 edged up slightly to 71.8%, with the rate for women unchanged at 65.3%. The sharp upward trend in the employment rate for older workers continued, reaching 55.5%. Unemployment remains significantly below the EU average, declining to 4.9% in 2003, and a record-low of 4.7% in the first half of 2004. Long-term unemployment also remains at historically low levels (1.1%) but concentrations of unemployment and inactivity persist in certain communities and amongst particular groups. Overall levels of inactivity remain stubbornly high at 24.4%, with over 2.7 million working age people claiming sickness and disability benefits.

### **Strategic Policy Developments**

The overall balance of UK policy is clearly *full employment* driven, with an emphasis on providing active, work focused support; making work pay and reducing barriers to work. The UK exceeds all of the Lisbon quantitative employment targets, with low and stable unemployment rates. Key challenges for the UK include increasing levels of labour productivity and ensuring that its strong performance on employment rates becomes more inclusive. This is reflected in an increased emphasis on tackling economic inactivity, particularly the high numbers of working age people claiming sickness and disability benefits. *Social inclusion* policy includes a strengthening of area based initiatives and a continued focus on tackling educational under-attainment and persistent pockets of worklessness. The policy response to *quality and productivity at work* is strongly orientated towards improving productivity, with an emphasis on promoting flexible working practices, combined with minimum levels of security. Improving the UK's relatively poor skills position is a key priority, with a strong emphasis on raising attainment levels of young people and increasing basic and lower level skills amongst the adult population. Regulatory reform, improving health and safety at work and tackling the gender pay gap are also priorities.

### **Implementation of the Employment Recommendations**

*A detailed assessment of the UK's policy response in addressing the recommendations is presented under the three key policy challenges, with an overview in the table below.*

<b>2004 Council Employment recommendations</b>	<b>Assessment</b>
<b><i>Increasing adaptability of workers and enterprises</i></b> <ul style="list-style-type: none"><li>• <i>Ensure that wage developments do not exceed productivity developments (see BEPG guideline 3).</i></li></ul>	In progress
<b><i>Attracting more people to the labour market and making work a real option</i></b>	



<p><i>for all</i></p> <ul style="list-style-type: none"> <li>• <i>Ensure that active labour market policies and benefit systems prevent de-skilling and promote quality in work, by improving incentives to work and supporting the sustainable integration and progress in the labour market of inactive and unemployed people; address the rising number of people claiming sickness and disability benefits, and give particular attention to lone parents and people living in deprived areas.</i></li> <li>• <i>Improve the access to and affordability of childcare and care for other dependants, increase access to training for low paid women in part-time work, and take urgent action to tackle the causes of the gender pay gap.</i></li> </ul>	<p>In progress</p> <p>Limited</p>
<p><b>Investing more and more effectively in human capital and lifelong learning</b></p> <ul style="list-style-type: none"> <li>• <i>Implement national and regional skills strategies to provide better incentives for lifelong learning and thereby increase productivity and quality in work; place particular emphasis on improving literacy and numeracy of the workforce, the participation and achievement of 16-19 year olds, and low skilled adults working in poorly paid jobs.</i></li> </ul>	<p>In progress</p>
<p><b>Note:</b> The degree of implementation is indicated as: “<i>Complete</i>” where the reform process is (practically) complete and the desired results have (practically) been achieved; “<i>In progress</i>” where the policy reform is well advanced and progress in implementation is being made; “<i>Limited</i>” where the policy response to the recommendation is only partial and implementation is limited and “<i>Insufficient</i>” where no substantial policy measures going in the right direction have been taken.</p>	

*Increasing adaptability of workers and enterprises*

- Action to ensure that **wage developments do not exceed productivity developments** is in progress. In addition to maintaining macroeconomic stability, the Government is implementing a five point strategy for improving productivity through measures to boost investment, innovation, skills, enterprise and a competitive environment. The NAP doesn't specifically address the issue of wages, but recent data on earnings indicates only a moderate pick-up in wage inflation in the UK, with growth in unit wage costs falling below growth in productivity - a reversal of the trend which emerged in late 2002.

*Attracting more people to the labour market and making work a real option for all*

- Policies are in progress to **support the sustainable integration and progress in the labour market of inactive and unemployed people**, but there is a continuing need to promote job sustainability, including through training measures. Unemployment has declined to record-low levels and there has been some narrowing of the employment rate differentials for disadvantaged groups. New employment targets have been announced for these groups and measures will be strengthened through increased flexibility in the delivery the New Deal programmes and additional skills support for job seekers. There has been a progressive shift of focus towards the economically inactive, notably through additional support for **lone parents and people on sickness and disability benefits**. The policy mix includes activation measures, tax and benefit reform, the modernisation of the public employment service and a number of pilot initiatives. The employment rate for lone parents is increasing steadily, but the number of working age people claiming sickness benefits remains high and continues to rise, with a notable increase among young men in particular, raising questions about the adequacy of the policy response. Policies to help **people living in deprived areas** are also in progress and include national targets for

narrowing employment gaps and a range of area based initiatives, including new Working Neighbourhood Pilots.

- There has been a limited policy response to **improving access to and affordability of childcare and care for other dependants**. Despite increases in pre-school provision over recent years, concerns persist about the availability and affordability of out-of-school childcare. The UK has one of the highest parenthood employment gaps for women in the EU and still has some way to go to reach the Stockholm targets. Recent policy initiatives include free part-time early education for 3-4 year olds; a new network of multi-agency Children's Centres, targeted initially at disadvantaged communities; and a commitment to roll-out "wrap around" school based childcare for five-plus year olds. No new initiatives are reported in the NAP concerning care for other dependants, particularly older or disabled dependant adults. A new 'Women in Work Commission' has been established to examine the **gender pay gap**. According to national data, this gap narrowed by one percentage point in 2003 to 18%, but still remains amongst the highest in the EU. There is also evidence of an even higher gender pay gap amongst women working part-time. The NAP doesn't refer to any new initiatives specifically targeted at increasing training provision for **low paid, part-time women workers**.

#### *Investing more and more effectively in human capital and lifelong learning*

- The policy response to **implementing national and regional skills strategies** is in progress, with measurable improvements against national targets. Increasing workforce skills levels at lower and intermediate levels, including amongst the unemployed and inactive, remains a key challenge. Participation in education and training continues to be significantly above the EU average and attainment levels are improving, but 15% of the workforce still has no qualifications and nearly 29% lack foundation level (level 2) skills. Recent policy initiatives include the setting up of a national and regional Skills Partnerships; the roll-out of Sector Skills Councils; the expansion of the Apprenticeship programme and the extension of the Employer Training Pilots. An emphasis on improving **basic and lower level skills** continues, with a new entitlement to free foundation level (level 2) training for the low skilled being phased in, together with a new Adult Training Grant for those on low incomes. As regards the **participation and achievement of 16-19 year olds**, new Education Maintenance Allowances have been introduced and a review of 14-19 education is currently underway.

#### **Governance**

Involvement of the UK Parliament is in line with national practice but the NAP is not discussed prior to adoption and visibility remains low. The devolved administrations and the social partners are consulted during the preparation of the NAP. Although the UK doesn't work through institutionalised social dialogue arrangements, social partners are engaged on a more ad hoc basis in policy-making processes and, together with regional and local actors, are increasingly involved in the delivery of labour market policies. The European Social Fund is identified as a key instrument in advancing the UK's employment strategy and examples of ESF supported actions are highlighted. There is no systematic analysis of the ESF financial contribution to particular policy areas and, apart from the New Deal Programmes, there is an absence of any clear or consistent approach to presenting expenditure on policy measures.

## ANNEX 1: OVERVIEW OF POLICY RESPONSE TO THE COUNTRY-SPECIFIC EU RECOMMENDATIONS

### JER Country Recommendations/Priorities: Increasing adaptability of workers and enterprises

Increasing adaptability of workers and enterprises	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	CY	CZ	EE	HU	LT	LV	MT	PL	SI	SK	
Flexibility & security / EPL / working arrangements / segmentation LM			*	*	*	*		*			*	*						*						*	*	
			B	C	D	C		D			B	B						D						B	C	
Job creation & entrepreneurship /business-friendly environment			*	*		*			*					*		*				*	*	*	*			
			B	B		B			C					B		B				C	B	B	B			
Labour costs / reducing non-wage labour costs	*	*	*	*				*					*					*	*	*	*	*	*	*	*	
	C	B	C	B				C					C					D	B	B	C	C	C	D	B	C
Productivity & wage developments / wage-bargaining systems			*		*			*		*					*			*	*	*						
			B		C			C		B					B			C	C	B						
Restructuring /anticipation & accompaniment of change	*					*						*								*			*			
	C					C						C								C			D			
Undeclared work				*				*										*	*	*				*	*	
				C				C										C	C	C			C		C	C

Note: A: "Complete" where the reform process is (practically) complete and the desired results have (practically) been achieved; B "In progress" where the policy reform is well advanced and progress in implementation is being made; C "Limited" where the policy response to the recommendation is only partial and implementation is limited; D "Insufficient" where no substantial policy measures going in the right direction have been taken. Blank spaces: no recommendation or priority.

The assessment relates to the implementation of the specific national recommendations (L 326/47 OJ 29.10.04) under each category. It does not reflect an assessment of the quality of the overall policy or systems in the relevant category.

**JER Country Recommendations/Priorities: Attracting more people to the labour market**

<b>Attracting more people into the Labour Market</b>	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	CY	CZ	EE	HU	LT	LV	MT	PL	SI	SK
Strengthen Public Employment Services			* B	* B	* B	* C		* C								* B	* C	* C	* B	* B	* B		* B	* B	
Strengthen Active Labour Market Policies	* C			* C			* D		* C		* B	* C				* B	* B	* B	* B	* B	* B		* B		* B
Making work pay (incl. Tax and Benefit Reform)	* C	* B	* B			* C			* B				* C	* D	* B				* B		* C	* D	* C	* B	* B
Building comprehensive Active Ageing strategies	* D	* C	* B	* D	* C	* C		* C	* D	* B	* B	* C	* B				* C	* C						* C	* C
Disadvantaged Groups	* C				* B				* B				* B	* C	* B	* B	* B	* C							* C
Integration of Immigrants and minorities	* C	* B	* B		* B	* C			* C		* B	* B	* C			* D	* C	* C	* B		* D				* C
Female participation: Childcare			* C	* B	* C		* C	* D	* C	* C	* C				* C	* B					* D				
Female participation: Work-life balance			* B	* B	* C			* C	* B	* B						* C	* D	* C	* B	* C	* C	* C	* D		* D
Gender pay gap			* D				* B		* D	* D	* D	* C			* C	* D									
Regional Disparities (incl. mobility)	* C				* C								* C						* C		* C				* C

**Note:** A: "Complete" where the reform process is (practically) complete and the desired results have (practically) been achieved; B "In progress" where the policy reform is well advanced and progress in implementation is being made; C "Limited" where the policy response to the recommendation is only partial and implementation is limited; D "Insufficient" where no substantial policy measures going in the right direction have been taken. Blank spaces: no recommendation or priority.

**The assessment relates to the implementation of the specific national recommendations (L 326/47 OJ 29.10.04) under each category. It does not reflect an assessment of the quality of the overall policy or systems in the relevant category.**

### JER Country Recommendations/Priorities: Investing more and more effectively in human capital

The assessment of the responses to the Council Recommendations is presented under four categories reflecting the priorities of the 2004 Employment Taskforce report.

Investing in human capital	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	CY	CZ	EE	HU	LT	LV	MT	PL	SI	SK
Developing lifelong learning			*	*	*		*	*	*	*		*				*		*	*	*	*	*	*	*	*
			B	C	B		C	C	B	C		C				C		C	B	B	C	C	B	B	C
Implementing high quality education and training		*	*	*	*	*	*	*	*	*		*		*	*	*	*	*	*	*	*	*	*	*	*
		C	C	C	C	B	B	C	B	C		C		B	B	C	C	C	C	B	C	C	B	B	C
Tackling early school leaving	*		*	*	*	*	*	*	*	*		*	*	*		*		*	*	*	*	*		*	
	C		B	C	C	D	C	C	B	C		C	C	B		C		C	B	B	D	C		B	
Addressing low skilled	*		*	*	*	*	*	*	*	*	*	*	*	*	*		*	*	*	*	*	*	*		
	D		D	C	B	B	D	D	B	C	C	C	B	B	B		C	C	D	C	D	C			

Note: A: "Complete" where the reform process is (practically) complete and the desired results have (practically) been achieved; B "In progress" where the policy reform is well advanced and progress in implementation is being made; C "Limited" where the policy response to the recommendation is only partial and implementation is limited; D "Insufficient" where no substantial policy measures going in the right direction have been taken. Blank spaces: no recommendation or priority.

The assessment relates to the implementation of the specific national recommendations (L 326/47 OJ 29.10.04) under each category. It does not reflect an assessment of the quality of the overall policy or systems in the relevant category.

## **ANNEX 2: PROGRESS AGAINST THE TARGETS**

This annex reports on progress towards the EU targets set within the EES and provides information on whether Member States have set comparable national targets.

### **THE LISBON AND STOCKHOLM EMPLOYMENT RATE TARGETS:**

Policies shall contribute towards achieving on average for the European Union:

- An overall employment rate of 67% in 2005 and 70% in 2010
- An employment rate for women of 57% in 2005 and 60% in 2010
- An employment rate of 50% for older workers (55-64) in 2010.

Any national targets should be consistent with the outcome expected at European Union level and should take account of particular national circumstances.

Graphs on overall Employment Rates by Member State and for women and older workers to be inserted

## National Employment Targets

MEMBER STATES	NATIONAL TARGETS			
	TOTAL	WOMEN	OLDER WORKERS	OTHER TARGETS / REMARKS
<b>EU Targets</b>	70% for 2010 67% for 2005	60% for 2010 57% for 2005	50% for 2010	
<b>Austria</b>		65% by 2005		No other targets set on the grounds that Lisbon and Stockholm targets are nearly attained (except for older workers)
<b>Cyprus</b>	70%+ for 2006	62% for 2006	52% for 2006	
<b>Belgium</b>	Employment growth objective 2007 of 200.000 new jobs (employment rate : ca. 65%)			The NAP does not make it clear whether this target is still in force. Regions have set their own employment rate targets.
<b>Denmark</b>	Employment growth objective of 60.000 new jobs for 2010 (result: employment rate 75 %)			All Lisbon/Stockholm targets are already reached.
<b>France</b>	65% by 2006 (+ 2pp vs. 2002)	60% by 2006 (+ 3 pp vs. 2002)	40% by 2006 (+ 5 pp vs. 2002)	
<b>Hungary</b>	59% for 2006 63% for 2010	53% for 2006 57% for 2010	33% for 2006 37% for 2010	
<b>Finland</b>	Employment growth objective of 100.000 new jobs for 2007, consistent with aim to reach by 2010 employment rate of 75%			No other targets set (close to Lisbon/Stockholm targets, and the target for women is already exceeded).
<b>Estonia</b>	64.3 (2006)	60.8 (2006)	52.5% for 2006	
<b>Germany</b>				No targets set.
<b>Greece</b>	Employment growth objective of 300.000 new jobs for 2008, (resulting employment rate 62%)	50 % by 2008		Employment rate for young people to reach 35% in 2008. By 2008 the unemployment rate should be reduced to 6% overall and 8 % for women.
<b>Italy</b>	58.5 % (2005)	46% (2005)	40 % (2005)	The NAP quotes an employment rate target of about 60% for 2010
<b>Ireland</b>				No targets set.
<b>Latvia</b>	70% for 2010 67% for 2005	60% for 2010 57% for 2005	50% for 2010 45% for 2006	
<b>Lithuania</b>	68% for 2010 63.5% for 2005	61% for 2010 59.3% for 2005	46.2%2005 48% for 2010	

<b>Luxembourg</b>				No targets set.
<b>Netherlands</b>		65 % (2010)		Lisbon/Stockholm targets are already reached (except for older workers). Target for ethnic minorities (54% by 2005). Youth unemployment not to exceed twice the average rate (2010).
<b>Portugal</b>	67 % (2005)	60 % (2005)	50% (2005)	Targets correspond to government commitment to keep employment rates at least at current levels.
<b>Slovenia</b>	increase employment, by 1 pp annually until 2006			
<b>Slovak Republic</b>	70% for 2010			
<b>Spain</b>	61.1% (2005)	48.5% (2005)	41.7% (2005)	New targets.
<b>Sweden</b>	80 % (2004) (+ 2% vs. 2002)			Lisbon/Stockholm targets are already met. Target for 2004 corresponds to age group 20-64.
<b>United Kingdom</b>		70 % for lone parents (2010)		Lisbon/Stockholm targets are already met.



## **SPECIFIC GUIDELINE 1: ACTIVATION AND PREVENTION**

Member States will ensure that:

- every unemployed person is offered a new start before reaching 6 months of unemployment in the case of young people and 12 months of unemployment in the case of adults in the form of training, retraining, work practice, a job, or other employability measure, combined where appropriate with on-going job search assistance;
- by 2010, 25% of the long-term unemployed participate in an active measure in the form of training, retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States.

Information is only presented for the Member States providing the indicators in their NAPs.

### **INDICATORS ON PREVENTION**<sup>42</sup>

#### **1. Preventive services**

Share of young /adult unemployment becoming unemployed in month X, still unemployed in month X+6/12, and not having benefited from intensive counselling and job-search assistance (LMP category 1) by gender

LMP categories: 1) intensive counselling and job assistance, 2) training, 3) job rotation and job sharing, 4) employment incentives, 5) integration of the disabled, 6) direct job creation, 7) start-up incentives

	Non-compliance Young unemployed people			Non-compliance Adult unemployed people		
	Total	Men	Women	Total	Men	Women
<b>AT (1)</b>	4.9	4.5	5.5	3.1	3.1	3.1
<b>BE (2)</b>	18.0	17.1	19.0	26.2	24.7	27.5
<b>EL (3)</b>	80.0	84.0	77.8	87.9	93.0	85.1
<b>FI</b>	1.0	1.2	0.8	0.8	1.1	0.5
<b>FR (4)</b>	12.5	12.6	12.4	10.1	11.5	9.0
<b>ES (5)</b>	8.1	6.7	9.5	7.3	6.3	8.0
<b>HU</b>	21.5	21.7	21.2	20.4	20.2	20.6
<b>LT</b>	0.1	0.0	0.1	0.9	1.1	0.6
<b>LU</b>	4.7	3.4	6.5	4.3	4.1	4.5
<b>LV</b>	37.5					
<b>NL</b>	0.0					
<b>PT</b>	5.5	5.1	5.8	4.4	4.7	4.2
<b>SE</b>	1.5	1.3	1.8	0.7	0.8	0.6
<b>UK</b>	0.0	0.0	0.0	0.0	0.0	0.0

(1) Adults: January- June 2003

(2) Young: July 2002 – June 2003; Adults: 2002

(3) Data at 30-06-04

(4) Unemployed people receiving intensive counselling before 7 months in the case of young people, and 13 months in the case of adults.

(5) April 2003- April 2004

42 Non available data, according to the agreed prevention and activation indicators, from the other Member States.

## **2. New start (a)**

Share of young /adult unemployment becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start in the form of training, retraining, work experience, a job or other employability measure(LMP categories 2-7) by gender

	<b>Non-compliance Young unemployed people</b>			<b>Non-compliance Adult unemployed people</b>		
	Total	Men	Women	Total	Men	Women
<b>AT (1)</b>	3.4	3.1		2.5	2.5	2.6
<b>BE (2)</b>	39.5	40.7	40.1	30.6	29.3	31.8
<b>DE (3)</b>	45.5	45.6	45.5	58.8	57.9	59.9
<b>EL (4)</b>	81.6	85.2	79.6	89.1	93.7	86.7
<b>FI</b>	7.9	10.0	6.1	8.8	12.6	6.5
<b>HU</b>	28.1	27.8	28.5	21.5	20.9	22.3
<b>LT</b>	19.1	14.8	22.6	17.5	13.7	22.2
<b>LU</b>	29.4	22.5	38.7	62.7	61.1	65.7
<b>LV</b>	49.3			49.7		
<b>NL</b>	18.0			67.0		
<b>PT</b>	22.4	21.2	23.3	21.7	23.7	20.4
<b>SE</b>	8.1	9.5	6.6	11.7	12.7	9.2
<b>UK</b>	0.0	0.0	0.0	0.0	0.0	0.0

(1) Adults: January- June 2003

(2) Young: July 2002 – June 2003; Adults: 2002

(3) Young: July 2002 – June 2003

(3) Data at 30-06-04

## **2. New start (b)**

Share of young /adult unemployment becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start in the form of training, retraining, work experience, a job or other employability measure(LMP categories 1-7) by gender

	<b>Non-compliance Young unemployed people</b>			<b>Non-compliance Adult unemployed people</b>		
	Total	Men	Women	Total	Men	Women
<b>AT (1)</b>	3.3	2.9	3.7	2.3	2.3	2.3
<b>BE (2)</b>	16.8	15.7	17.9	23.7	22.2	25.1
<b>CZ</b>	33.7	33.9	33.4	22.6	19.6	25.7
<b>DE (3)</b>	5.8	5.6	6.2	8.2	7.8	8.6
<b>DK</b>	76.0	76.5	75.0	54.0	59.0	48.0
<b>ES (4)</b>	47.4	50.1	44.7	62.7	67.1	58.5
<b>HU</b>	19.6	19.7	19.5	15.3	14.9	15.9
<b>LT</b>	0.2	0.1	0.3	2.9	4.4	1.6
<b>LU</b>	15.3	10.8	21.3	16.9	16.0	18.1
<b>PT</b>	5.5	5.0	5.7	4.3	4.6	4.1
<b>SE</b>	0.7	0.8	0.6	0.2	0.3	0.2
<b>UK</b>	0.0	0.0	0.0	0.0	0.0	0.0

(1) Adults: January- June 2003

(2) Young: July 2002 – June 2003; Adults: 2002

(3) Young: July 2002 – June 2003

(4) 1/04/03 – 31/03/04

## **ACTIVATION OF THE LONG-TERM UNEMPLOYED**

Number of long-term registered unemployed participants in an active measure (training, retraining, work experience or other employability measure) in relation to the sum of the long-term unemployed participants plus registered long-term unemployed (yearly averages) by gender (LMP categories 2-7)

	<b>Activation rates</b>		
	Total	Men	Women
<b>AT</b>	11.3	10.3	12.9
<b>BE</b>	35.9	32.5	38.5
<b>DE (1)</b>	41.7	43.7	40.5
<b>(2)</b>	16.4	17.1	15.6
<b>DK</b>	19.0	15.0	22.0
<b>EL</b>	18.6	17.0	20.0
<b>ES</b>	49.0	57.0	45.0
<b>FI</b>	27.0		
<b>FR (3)(1)</b>	31.3		
<b>(2)</b>	28.2		
<b>HU (5)</b>	18.5		
<b>IT (4)</b>	51.3		
<b>LT</b>	14.2	15.8	13.0
<b>LU(1)</b>	89.2	92.1	85.4
<b>(2)</b>	65.9	66.5	65.0
<b>LV</b>	29.0		
<b>SE</b>	65.5	65.6	65.3
<b>UK</b>	30.0		

- (1) Young people
- (2) Adults
- (3) 2002
- (4) Includes apprenticeship
- (5) All the registered unemployed

### **SPECIFIC GUIDELINE 3 ADAPTABILITY**

Policies will aim to achieve in particular a substantial reduction in the incidence of accidents at work and of occupational diseases.

#### **National Targets on the reduction of accidents at work and of occupational diseases:**

UK *All targets to be achieved by 2009/2010 (baseline 1999/2000).*

- Reduction of the incidence rate of fatal injuries by 10%.
- Reduction of the rate of incidence of work-related ill health by 20%.
- Reduction of the number of days lost because of work-related injuries and ill health by 30%.

DK *Targets for 2005 (baseline 2000).*

- Reduction of number of serious accidents at work by 15%.
- Reduction of highly repetitive work by 10%.
- Reduction of lifting/pulling/pushing activities by 15%.
- Reduction of the number of persons with psycho-social problems by 5%.

FR *Targets for 2006.*

- Reduction of work-related accidents by 15% overall.
- Reduction of work-related accidents by 20% in high-risk sectors.
- Reduction of commuting accidents by 20%.
- Reduction of the number of persons exposed to noise by 20%.

EL *Targets for 2008.*

- Reduction of work-related accidents by 20% overall.
- Reduction of work-related accidents by 25% in high-risk sectors.

PT *Target for 2006.*

- Reduction of incidence rate of accidents at work by 40%.

CY *Target for 2010*

- Reduction of occupational accidents during the period 2004-2010 by 15 %

LV

*Target for 2006*

- Reduction of the incidence rate of lethal accidents to the EU average

EE

*Target for 2006*

- Achieve that the share of people injured or killed in occupational accidents does not exceed 0,59 % of the total employment and that not more than 159 000 working days are lost due to accidents at work and occupational diseases.

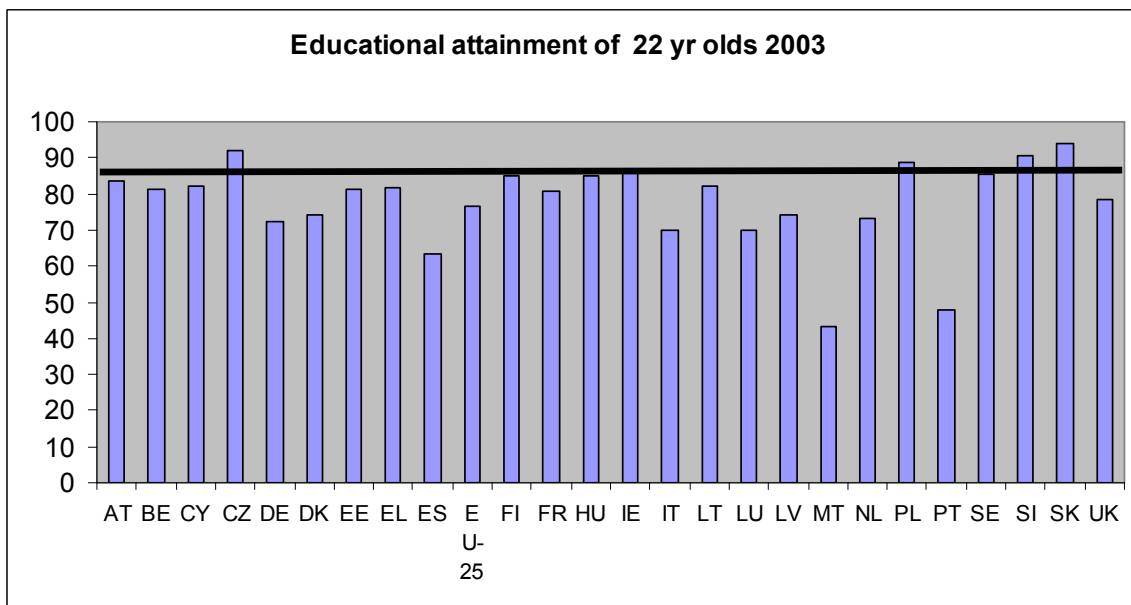
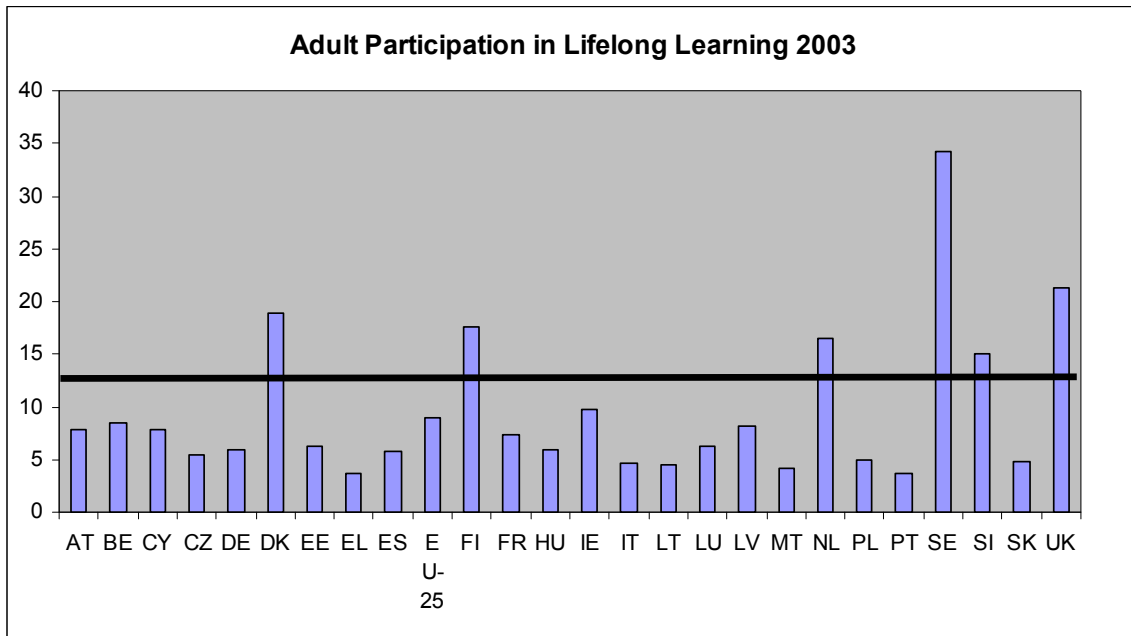
The remaining Member States did not present a target in the National Action Plan. Comparable data is not available at EU level.

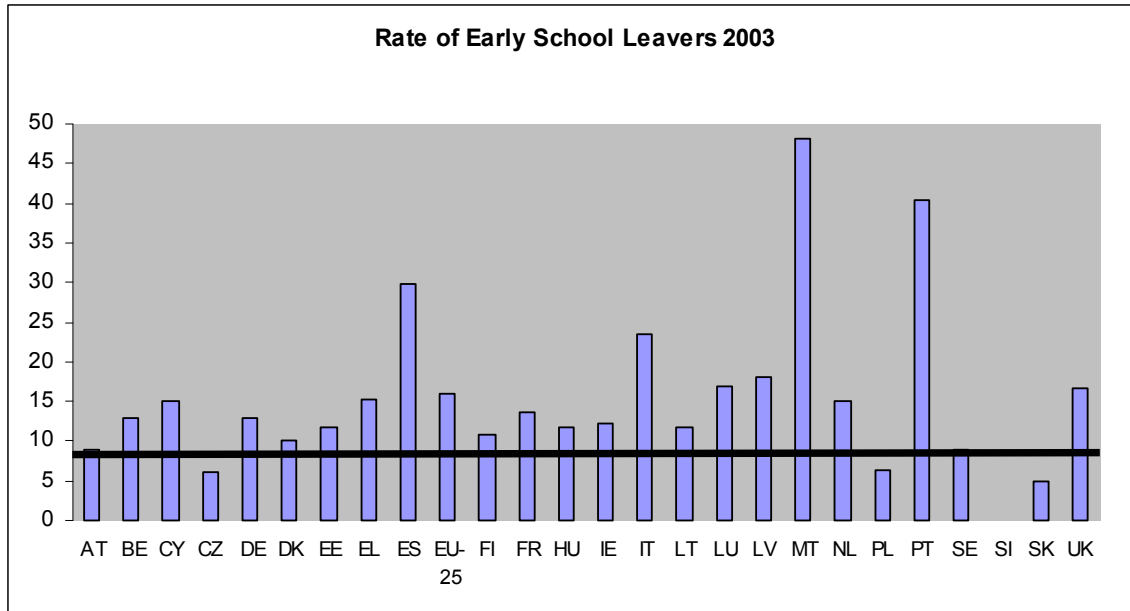
By 2005, jobseekers throughout the EU should be able to consult all job vacancies advertised through Member States' employment services. In the NAPs Member States underreport on progress with regard to this target. MT, IE, SE, CZ, DK, BE (partly), SI, CY, HU and LT have achieved this target. EL and NL are about to be connected and four other Member States are working on it.

**SPECIFIC GUIDELINE 4: Human Capital:**

In accordance with national priorities, policies will aim in particular to achieve the following outcomes by 2010:

- at least 85% of 22 year olds in the European Union should have completed upper secondary education;
- the European Union average level of participation in lifelong learning should be at least 12,5% of the adult working age population (25-64 age group).







**SPECIFIC GUIDELINE 5: ACTIVE AGEING BARCELONA TARGETS FOR THE AVERAGE EXIT AGE:**

Policies will aim to achieve by 2010 an increase by 5 years, at European Union level, of the effective average exit age from the labour market (estimated at 59,9 in 2001<sup>43</sup>). In this respect, the social partners have an important role to play. Any national targets should be consistent with the outcome expected at the European Union level and should take account of particular national circumstances.

**Average Exit Age from the labour market<sup>44</sup>:**

	2001	2002	2003 <sup>f</sup>	Change 2001-2003
<b>EU-25</b>	<b>59.9e</b>	<b>60.4e</b>	<b>61.0p</b>	<b>1.1p</b>
<b>EU-15</b>	<b>60.3</b>	<b>60.8e</b>	<b>61.4p</b>	<b>1.1p</b>
<b>AT</b>	59.2	59.3	58.8	-.0.4
<b>BE</b>	56.8	58.5	58.7	1.9
<b>CY</b>	62.3	61.4	62.7	0.4
<b>CZ</b>	58.9	60.2	60.0	1.1
<b>DE</b>	60.6	60.7	61.6	1.0
<b>DK</b>	61.6	60.9	62.1	0.5
<b>EE</b>	61.1	61.6	60.8	-0.3
<b>EL</b>	59.4	61.8	63.2	3.8
<b>ES</b>	60.4	61.5	61.4	1.0
<b>FI</b>	61.4	60.5	60.3	-1.1
<b>FR</b>	58.1	58.8	59.6	.1.5
<b>HU</b>	57.6	59.2	61.6	4.0
<b>IE</b>	62.8	62.4	64.4p	1.6
<b>IT</b>	59.8	59.9	61.0	1.1
<b>LT</b>	58.9		63.3b	.

43 Subsequently revised upwards to 60.3 years

<b>LU</b>	56.8	59.3	.	.
<b>LV</b>	62.4		60.3b	.
<b>MT</b>	57.6	58.2	58.8.	1.2.
<b>NL</b>	60.9	62.2	.60.4p	-0.5p.
<b>PL</b>	56.6	56.9	58.0	1.4
<b>PT</b>	61.9	63	62.1.	0.2.
<b>SE</b>	61.7	63.2	63.1	1.4
<b>SI</b>		56.6	56.2	.
<b>SK</b>	57.5	57.5	57.8	0.3
<b>UK</b>	62	62.3	63.0	1.0

Notes: b) break in time series; e) estimated values; p) provisional value.

**National Targets on Average exit age:**

**France:** to increase the average exit age by **1.5 years** and raise the employment rate of older workers by 5 percentage points by 2008.

**Finland:** increase the average exit age by **2-3 years by 2010**.

**Portugal:** 2006 target to maintain the current average exit age of 62.

**Cyprus:** increase the average exit age to **62 years** by 2006.

## SPECIFIC GUIDELINE 6: GENDER EQUALITY

Member States will, through an integrated approach combining gender mainstreaming and specific policy actions, encourage female labour market participation and achieve a substantial reduction in gender gaps in employment rates<sup>45</sup>, unemployment rates, and pay by 2010.

MEMBER STATES	UNEMPLOYMENT GENDER GAP		
	CURRENT SITUATION AND NATIONAL TARGETS		
% (year 2002)	Gender gap (women – men)	NATIONAL TARGETS	
<b>EU Target</b>	<i>A substantial reduction in the gender gap in unemployment rates by 2010</i>		
<b>Austria</b>	0.4		
<b>Belgium</b>	1.6		
<b>Denmark</b>	0.2		
<b>France</b>	2.1	Decrease long-term unemployment of women with 5%	
<b>Finland</b>	0		
<b>Germany</b>	-0.4		
<b>Greece</b>	8.4	Reduce unemployment of women to below 10% by 2006 and to 8% by 2008	
<b>Italy</b>	5.2		
<b>Ireland</b>	-0.6		
<b>Luxembourg</b>	1.8		
<b>Netherlands</b>	0.5		
<b>Portugal</b>	1.9	Reduce unemployment gender gap with one third by 2005/2006.	
<b>Spain</b>	8.4		
<b>Sweden</b>	-0.8		
<b>United Kingdom</b>	-1.1		
<b>EU-15</b>	1.8		

<sup>45</sup> See chart 2

MEMBER STATES	GENDER PAY GAP <sup>46</sup>			
	CURRENT SITUATION AND NATIONAL TARGETS			
% (year 2000)	TOTAL	PRIVATE SECTOR	PUBLIC SECTOR	NATIONAL TARGETS
<b>EU Target</b>	<i>A substantial reduction in the gender pay gap in each Member State by 2010</i>			
<b>Austria</b>	20	24	14	
<b>Belgium</b>	12	15	-	
<b>Denmark</b>	15	16	13	
<b>France</b>	13	-	-	Reduce the gender pay gap by one third between 2003 and 2010
<b>Finland</b>	17	15	25	
<b>Germany</b>	21	24	20	
<b>Greece</b>	15	22	9	
<b>Italy</b>	6	15	0	
<b>Ireland</b>	19	23	15	
<b>Luxembourg</b>	-	-	-	
<b>Netherlands</b>	21	26	19	
<b>Portugal</b>	8	28	-17	
<b>Spain</b>	15	23	3	
<b>Sweden</b>	18	16	18	
<b>United Kingdom</b>	21	26	18	
<b>EU-15</b>	<b>16</b>	<b>22</b>	<b>11</b>	

46 Difference between men's and women's average gross hourly earnings as percentage of men's average gross hourly earnings (for paid employees at work 15+ hours).

## NATIONAL TARGETS IN THE FIELD OF CHILDCARE

Member States should remove disincentives to female labour force participation and strive, taking into account the demand for childcare facilities and in line with national patterns of childcare provision, to provide childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age.

Country	Children under 3 years	Children between 3 years and compulsory school age	National targets
Austria	<u>Overall</u> 2003: 11.0%  <u>Institutional childcare centres</u> 2003: 8.6% 2002: 8.8% 2001: 7.81%	<u>Overall</u> 3-5 years 2003: 85.2  <u>Institutional childcare centres</u> 3-6 years 2003: 81.8% 2002: 81.6% 2001: 78.43%	-
Belgium	<i>1.1.1. Belgium (estimate)</i> 2004: 29.8% 2003: 29.2% 2002: 28.3% <i>1.1.2.</i> <i>1.1.3. Flanders</i> 2004: 33.8% (estimate) 2003: 32.8% 2002: 32.0% <i>1.1.4.</i> <i>1.1.5. Wallonie</i> 2004: 23.8% 2003: 23.8% 2002: 23.8% 2003: 12.0%	<i>1.1.6. Belgium, Flanders and Wallonie</i> 2004: 100% 2003: 100% 2002: 100% 2001: 100%	<u>Flanders:</u> 5,000 new childcare places by 2009. <u>Wallonie:</u> 10,000 new childcare places for children under 3 years by 2010. <u>Bruxelles:</u> Creation of 2,600 new childcare places.
Cyprus	2003: 12.0%	2003: 82.0%	90% coverage for children between three years old and the mandatory school age by 2010.
Czech Republic	-	-	-
Estonia	-	-	0-2 years: 33% by 2008 3-6 years: 90% by 2008 Increase allocations on childcare facilities to at least 1% GDP by 2008.
Germany	<u>Germany</u> 2002: 8.5% 1998: 7.0%  <u>Western part</u> 2002: 2.7% 1998: 2.2%	<u>Germany</u> 2002: 89.8% 1998: 89.5%  <u>Western part</u> 2002: 88.1% 1998: 87.2%	-

	<u>Eastern part</u> 2002: 37.0% 1998: 34.8%	<u>Eastern part</u> 2002: 105.1% 1998: 113.4%	
Denmark	<i>Data from NAP 2003:</i> <u>Day-care provision, clubs for school children, etc.</u> 2002: 68%	<i>Data from NAP 2003:</i> <u>Day-care provision, clubs for school children, etc.</u> 3-5 years: 2002: 94%	-
Greece	-	-	-
Spain	2002/03: 12.1%	3 years 2002/03: 98% 4-5 years 2002/03: nearly 100%	33% coverage for 0-2 years old, keeping the current level for 3-6 years old (close to 100%)
Finland	2002: 28.6%	2002: 62.1%	-
France	Public crèches (0-2) 2002: 6.2% Cooperative crèches (0-2): 2002: 0.1% Crèches in registered childminders' homes (0-6): 2002: 1.3% Playgroups (2-6): 2002: 0.3% Day-care centres (0-6) 2002: 0.3% Non-permanent childminders (0-6): 2002: 17%	(see the first column)	20,000 new places in crèches by 2007.
	Pre-primary school enrolment: - 2 years old (estimates): 2003/04: 29.4% 2002/03: 32.0% - 3 years old: 2003/04: 100% 2002/03: 100%		
	Childminders: 2002: 13.3% 2002/03: 10.1% 2001/02: 10.2%	2002/2003: 87.8% 2001/2002: 86.4%	-
Hungary			
Ireland	-	-	2006: Increase childcare places by 50% (28,000 new childcare places)
Italy	<i>Data from 2003 NAP:</i> Public childcare: 6.5% Other type of nursery services: 0.6%	<i>Data from 2003 NAP:</i> 3-5 years Infant school: 98%	-

Latvia	2002/2003: 15.8% 2001/2002: 16.3% 2000/2001: 15.2%	2002/2003: 77.7% 2001/2002: 65.6% 2000/2001: 63.5%	Childcare for children aged 3-6: 2004: 77.7% 2005: 78.0% 2006: 80.0%
Lithuania	<i>1-2 years</i> 2003: 17.8% 2002: 16.5% 2001: 14.9%	2003: 62.1% 2002: 58.5% 2001: 55.9%	-
Luxembourg	<i>0-4 years</i> 2004: 10.93% 2002: 9.98%	<i>4-12 years</i> 2004: 6.67% 2002: 5.87%	-
Malta	-	2003: 98%	Childcare coverage for children under 3 years 15% by 2010.
Netherlands	2003: 29% 2002: 25% 2001: 22.5%	<i>2-4 years</i> Playgroup 2003: 60% 2001: 60%	(target set in 2002 NAP)
Poland	-	Day nursery or childminder 2003: 29.0% 2001: 22.5%	-
Portugal	2003: 21.5% 2002: 21.5% 2001: 21.1%	<i>3-4 years:</i> 2002: 70.6% 2001: 66.3% 2000: 65.3%	2006: 20% coverage of childcare services for 0-3 year olds  2010: 90% coverage of pre-school education for 3-5 year olds
Slovakia	<i>2 years:</i> 2002/03: 18.8%	<i>5 years:</i> 2002: 90.4% 2001: 82.8% 2000: 80.2% <i>2-6 years:</i> 2002/2003: 45.3%	-
Slovenia	-	-	-
Sweden	<i>1-3 years</i> 2003: Public: 61.9% Private: 11.8% Total: 73.7%	<i>4-5 years</i> 2003: Public: 80.4% Private: 15.4% Total: 95.8%	-
United Kingdom	-	-	Reference to targets in 2003 NAP:  2004: achieve a total of 1.600.000 childcare places; early education for all 3-year olds  2006: creation of additional 250.000 places

Note: Data on provision of care for other dependants are included in the table, as only six Member States provided figures (AT, DK, FI, FR, LT, SE).

## **SPECIFIC GUIDELINE 7: DISADVANTAGED GROUPS**

In particular, policies will aim to achieve by 2010:

- an EU average rate of no more than 10% early school leavers;
- a significant reduction in each Member State in the unemployment gaps for people at a disadvantage, according to any national targets and definitions;
- a significant reduction in each Member State in the unemployment gaps between non-EU and EU nationals, according to any national targets.



MEMBER STATES	NATIONAL TARGETS			
	Early school leaving	Migrants and ethnic minorities	disabled	Other groups or targets
<b>EU Target</b>	Max 10% by 2010			
<b>Austria</b>				
<b>Belgium</b>				
<b>Denmark</b>		3.5% of state employees should be immigrants or descendants from countries outside Western Europe and Northern America		
<b>France</b>	A reduction of the early school leavers by 10.000 in 5 years	90% of the target group of immigrants should sign an integration contract by 2005		<p>Increase the job return of long-term unemployed by 2% each year</p> <p>Individual guidance of all job seekers from the first month of registration during 2003-2005</p> <p>Increase the outflow out of unemployment of RMI during 2003-2005</p>
<b>Finland</b>				

<b>Germany</b>				
<b>Greece</b>				The percentage of individuals at risk of poverty and social exclusion to be reduced, after social transfers, to the EU average by 2008
<b>Italy</b>				
<b>Ireland</b>		All travellers attending primary education and the transfer rate of travellers to post primary schools increase to 95% by 2004	Employment of people with disabilities in the public sector to 3%	The elimination of long-term unemployment as soon as circumstances permit but in any event no longer than 2007
<b>Luxembourg</b>				

<b>Netherlands</b>	Target of a reduction of 30% for early school leavers by 2006 and of 50% by 2010	Target for employment rate of ethnic minorities 54% by 2005		
<b>Portugal</b>	Reduction of early school leaving for those aged 18-24 to 35% in 2006 and 25% in 2010		Attendance of 13.000 disabled individuals in vocational training and socioprofessional integration actions in 2004	Attendance of 50.000 individuals in programmes connected to the Social Employment Market in 2004
<b>Spain</b>				

## SPECIFIC GUIDELINE 8: MAKING WORK PAY

Policies will aim at achieving by 2010 a significant reduction in high marginal effective tax rates and, where appropriate, in the tax burden on low paid workers, reflecting national circumstances.

### 1. Unemployment trap<sup>47</sup>:

	2000	2001	2002	2003
<b>EU-25</b>	:	78,9	78,5	78,3
<b>EU-15</b>	:	79,1	78,8	78,7
<b>AT</b>	:	74,8	72,0	75,1
<b>BE</b>	:	88,8	91,3	90,3
<b>CY</b>	:	52,9	:54,8	53,7
<b>CZ</b>	:	67,2	67,0	66,3
<b>DE</b>	:	87,9	88,4	88,8
<b>DK</b>	:	93,7	93,1	92,7
<b>EE</b>	:	:	:	:
<b>EL</b>	:	69,0	70,0	76,7

47 The marginal effective tax rate on labour income taking account the combined effect of increased taxes and benefits withdrawal as one takes up a job. Calculations take into account the combined effects of tax and benefits on the income of a person moving from unemployment to work. This indicator is one of the agreed Structural indicators (long list)

<b>ES</b>	:	78,8	79,2	78,3
<b>FI</b>	:	80,6	83,4	81,5
<b>FR</b>	:	86,8	84,0	82,6
<b>HU</b>	:	74,9	70,0	64,2
<b>IE</b>	:	72,6	73,4	73,3
<b>IT</b>	:	59,6	59,9	58,2
<b>LT</b>	:	54,1	51,8	49,3
<b>LU</b>	:	87,6	86,7	86,8
<b>LV</b>	:	85,8	86,2	86,6
<b>MT</b>	:	64,4	64,4	64,2
<b>NL</b>	:	85,2	84,8	85,7
<b>PL</b>	:	77,4	75,1	73,8
<b>PT</b>	:	87,7	87,0	86,6
<b>SE</b>	:	87,3	87,1	87,1
<b>SI</b>	:	80,5	80,5	80,5
<b>SK</b>	:	81,0	76,0	73,2
<b>UK</b>	:	70,4	70,3	70,8

Source: OECD-Commission

## 2. Poverty (low wage) trap<sup>48</sup>

### a) One earner couple with two children

	2001	2002	2003
<b>EU-25</b>			
<b>EU-15</b>			
<b>AT</b>	100,0	100,0	100,0
<b>BE</b>	38,3	47,1	50,7
<b>CY</b>	:	:	:
<b>CZ</b>	100,0	100,0	100,0
<b>DE</b>	100,0	113,7	100,0
<b>DK</b>	99,7	99,8	99,8
<b>EE</b>	:	:	:
<b>EL</b>	15,9	15,9	15,9
<b>ES</b>	6,4	6,4	6,4

### b) Single parent with two children

	2001	2002	2003
<b>EU-25</b>			
<b>EU-15</b>			
<b>AT</b>	51,2	51,5	100,0
<b>BE</b>	53,7	55,6	59,3
<b>CY</b>	:	:	:
<b>CZ</b>	100,0	40,9	40,9
<b>DE</b>	100,0	113,7	100,0
<b>DK</b>	104,7	104,5	44,3
<b>EE</b>	:	:	:
<b>EL</b>	15,9	15,9	15,9
<b>ES</b>	6,4	6,4	6,4

48 The marginal effective tax rate on labour income taking account the combined effect of increased taxes and in-work benefits withdrawal as one increases the work effort. Calculated as the ratio of change in personal income tax and employee contributions plus change (reductions) in benefits, divided by increases in gross income, using the discrete income changes from 33-67% of the APW, and taking the median of the distribution of 1% income changes over this income range. Breakdown by two family types.

<b>FI</b>	100,0	100,0	100,0
<b>FR</b>	73,2	100,7	70,7
<b>HU</b>	12,5	12,5	12,5
<b>IE</b>	61,6	61,6	61,6
<b>IT</b>	10,0	10,0	10,0
<b>LT</b>	:	:	:
<b>LU</b>	110,4	110,3	110,3
<b>LV</b>	:	:	:
<b>MT</b>	:	:	:
<b>NL</b>	90,6	86,9	86,5
<b>PL</b>	100,0	100,0	100,0
<b>PT</b>	55,5	55,5	55,5
<b>SE</b>	100,0	100,0	100,0
<b>SI</b>	:	:	:
<b>SK</b>	120,0	120,0	120,0
<b>UK</b>	89,3	89,3	89,5

<b>FI</b>	60,4	57,4	59,2
<b>FR</b>	73,2	100,7	70,7
<b>HU</b>	12,5	12,5	12,5
<b>IE</b>	60,0	60,0	50,0
<b>IT</b>	10,0	10,0	10,0
<b>LT</b>	:	:	:
<b>LU</b>	110,4	110,3	110,3
<b>LV</b>	:	:	:
<b>MT</b>	:	:	:
<b>NL</b>	84,1	76,2	75,8
<b>PL</b>	34,2	34,2	28,1
<b>PT</b>	55,5	55,5	55,5
<b>SE</b>	44,9	52,6	53,8
<b>SI</b>	:	:	:
<b>SK</b>	120,0	120,0	44,2
<b>UK</b>	89,3	89,3	89,5

Source: OECD-Commission

**EN**

**EN**

### 3. Taxation on low wage earners<sup>49</sup>

	1999	2000	2001	2002	2003
<b>EU-25</b>	38,6	38,1	37,2	37,1	37,4
<b>EU-15</b>	38,5	37,9	37,0	36,9	37,2
<b>AT</b>	41,6	40,1	39,7	39,9	40,2
<b>BE</b>	51,0	50,0	49,1	48,5	47,5
<b>CY</b>	16,5	16,7	17,0	17,2	18,5
<b>CZ</b>	41,4	41,6	41,6	41,8	42,0
<b>DE</b>	47,0	46,5	45,5	45,8	46,7
<b>DK</b>	41,3	41,2	40,6	39,9	39,9
<b>EE</b>	40,0	38,2	37,4	37,4	:
<b>EL</b>	34,3	34,3	34,3	34,3	34,3
<b>ES</b>	32,6	32,8	33,4	34,0	32,8
<b>FI</b>	42,6	42,5	41,0	40,2	39,5

49 Ratio of income tax plus employee and employer social contributions including payroll taxes less cash benefits divided by the labour costs for a single earner earning 67% of the Average Production Workers wage level.



<b>FR</b>	40,3	39,6	38,4	37,6	37,7
<b>HU</b>	48,2	46,2	45,8	46,0	41,0
<b>IE</b>	21,5	18,1	17,3	16,7	16,7
<b>IT</b>	44,1	43,3	42,8	42,6	41,3
<b>LT</b>	39,7	42,0	42,2	41,3	39,5
<b>LU</b>	29,5	30,4	28,8	27,1	27,3
<b>LV</b>	41,7	41,4	41,2	41,4	40,8
<b>MT</b>	16,4	17,3	17,4	18,1	15,8
<b>NL</b>	40,2	40,6	36,8	37,0	37,6
<b>PL</b>	41,9	41,9	41,4	41,6	41,6
<b>PT</b>	30,2	30,4	29,5	29,6	29,6
<b>SE</b>	48,7	47,7	46,8	45,8	44,8
<b>SI</b>	41,0	41,0	40,3	39,8	40,2
<b>SK</b>	42,3	39,6	40,4	40,1	40,3
<b>UK</b>	25,8	25,3	24,5	24,5	26,2

Source: OECD-Commission

**EN**

## **SPECIFIC GUIDELINE 10: REGIONAL DISPARITIES**

In addition, some Member States have set a target for the reduction of regional disparities, although not specifically required under the Guidelines.

- EL
  - An indicator of regional disparities (no definition provided) should develop from today's 9.6% for Greece to 7% in 2008 (EU-15 at present 11.4%).
  - The per capita GDP of regions should, by 2008, in no Greek region be less than 65% of EU average.
  - The unemployment rate in regions should not exceed by more than 3 percentage points the national average.
- FR
  - For 85 deprived city areas:
    - Reduction of number of jobseekers by one third by 2008.
    - Decrease of unemployment levels to those of the surrounding agglomerations.
  - For the Départments d'outre mer (DOM):
    - Stronger development of commerce than in the mainland.
    - Reduction of disparities in unemployment.
- IT
  - For the South : achieving above EU-average growth by mid-decade
- UK
  - For the 30 local authority districts with the lowest employment rates: bringing them closer to the overall UK employment rate.

# ANNEX 3: KEY AND CONTEXT INDICATORS

## ANNEX 1: KEY AND CONTEXT INDICATORS (1)

Key Indicators	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25
Unemployment rate	8,0	7,8	5,6	9,6	10,1	9,7	11,3	9,5	4,6	8,6	4,4	10,5	12,7	3,7	5,8	8,0	3,8	4,3	19,2	6,3	6,5	17,5	9,0	5,6	4,9	<b>9,1</b>
Men	7,6	6,1	5,3	10,0	10,5	6,2	8,2	8,5	4,9	6,7	3,9	10,1	12,3	3,0	6,0	6,8	3,6	3,9	18,6	5,4	6,0	17,2	9,2	6,0	5,5	<b>8,3</b>
Women	8,4	9,8	5,9	9,2	9,9	15,0	15,9	10,5	4,2	11,6	5,2	10,6	13,1	4,6	5,5	10,7	4,0	4,7	20,0	7,2	7,0	17,8	8,9	5,2	4,3	<b>10,0</b>
Employment rate (15-64)	59,6	64,7	75,1	65,1	62,9	57,8	59,7	63,2	65,4	56,1	69,2	61,8	61,1	62,7	57,0	54,2	73,5	69,0	51,2	68,1	62,6	57,7	67,7	72,9	71,8	<b>63,0</b>
Men	67,3	73,1	79,6	71,0	67,2	72,4	73,2	69,4	75,0	69,6	78,8	66,1	64,0	73,3	63,5	74,5	80,9	76,4	56,5	75,0	67,4	63,3	69,7	74,2	78,1	<b>70,8</b>
Women	51,8	56,3	70,5	59,1	59,0	43,8	46,0	57,2	55,8	42,7	60,4	57,9	58,4	52,0	50,9	33,6	65,8	61,7	46,0	61,4	57,6	52,2	65,7	71,5	65,3	<b>55,1</b>
Employment rate (55-64)	28,1	42,3	60,2	39,5	52,3	42,1	40,8	36,8	49,0	30,3	50,4	44,1	44,7	30,0	28,9	32,5	44,8	30,4	26,9	51,6	23,5	24,6	49,6	68,6	55,5	<b>40,2</b>
Men	37,8	57,5	67,3	47,7	58,9	59,2	59,3	40,9	64,7	42,8	68,9	51,3	55,3	39,1	37,8	53,8	57,3	40,1	35,2	61,6	33,2	41,0	51,0	70,8	64,8	<b>50,3</b>
Women	18,7	28,4	52,9	31,3	47,3	26,2	23,4	32,9	33,1	18,5	32,7	38,8	36,7	20,9	21,8	13,0	32,1	21,5	19,8	41,9	14,6	11,2	48,3	66,3	46,4	<b>30,8</b>
Growth in labour productivity (per capita)	1,2	3,3	1,4	0,9	4,3	3,1	0,7	0,4	1,6	-0,2	1,1	5,6	7,2	1,1	0,5	1,2	0,1	0,7	5,0	-0,8	2,8	2,2	1,9	1,8	1,3	<b>0,6</b>
Growth in labour productivity (per hour)	e1,2	e3,9	1,6	0,7	e3,1	1,3	f3,0	e1,6	e-0,9	:	:	:	e1,1	:	:	e-0,5	e0,7	:	e-0,8	:	:	f0,9	2,7	e1,3	:	

Notes: (1) Reference year is 2003 unless specified otherwise  
(e): estimates  
(f): forecast

	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25
Long-term unemployment rate	3.7	3.8	1.1	4.7	4.6	5.1	3.9	3.5	1.5	4.9	1.1	4.3	6.1	0.9	2.4	3.5	1	1.2	10.7	2.2	3.4	11.1	2.3	1	1.1	4
Men	3.4	2.9	1.3	4.8	4.8	2.8	2.4	3.1	1.9	3.9	0.8	4.1	5.7	0.9	2.5	3.5	1.0	1.2	10.1	1.8	3.3	10.9	2.6	1.2	1.4	3.6
Women	4.0	5.0	1.0	4.7	4.4	8.4	6.0	4.0	0.9	6.7	1.4	4.6	6.5	0.9	2.3	3.0	1.1	1.2	11.5	1.7	3.6	11.4	2.0	0.8	0.7	4.5
New start(a) (young unemployed)	39.5*	:	:	10.4 <sup>AA</sup>	:	81.6 <sup>**</sup>	9.3 <sup>***</sup>	:	:	:	:	49.3	19.1	29.4	28.1	:	18.0	3.4	:	22.4	:	:	7.9	8.1	0.0	:
Men	40.7*	:	:	10.6 <sup>AA</sup>	:	85.2 <sup>**</sup>	7.6 <sup>***</sup>	:	:	:	:	:	14.8	22.5	27.8	:	:	3.1	:	21.2	:	:	10.0	9.5	0.0	:
Women	40.1*	:	:	10.1 <sup>AA</sup>	:	79.6 <sup>**</sup>	11 <sup>***</sup>	:	:	:	:	22.6	38.7	28.5	:	:	3.9	:	23.3	:	:	6.1	6.6	0.0	:	
New start(a) (adult unemployed)	30.6*	:	:	14.1	:	89.1 <sup>**</sup>	8.8 <sup>***</sup>	:	:	:	:	49.7	17.5	62.7	21.5	:	67.0	2.5 <sup>^</sup>	:	21.7	:	:	8.8	11.7	0.0	:
Men	29.3*	:	:	13.0	:	93.7 <sup>**</sup>	7.4 <sup>***</sup>	:	:	:	:	13.7	61.1	20.9	:	:	2.5 <sup>^</sup>	:	23.7	:	:	12.6	12.7	0.0	:	
Women	31.8*	:	:	15.8	:	86.7 <sup>**</sup>	9.8 <sup>***</sup>	:	:	:	:	22.2	65.7	22.3	:	:	2.6 <sup>^</sup>	:	20.4	:	:	6.5	9.2	0.0	:	
New start(b) (young unemployed)	16.8*	33.7	76.0	5.8 <sup>AA</sup>	:	7.1 <sup>***</sup>	:	:	:	:	:	0.2	15.3	19.6	:	:	3.3	:	5.5	:	:	:	0.7	0.0	:	
Men	15.7*	33.9	76.5	5.6 <sup>AA</sup>	:	5.9 <sup>***</sup>	:	:	:	:	:	0.1	10.8	19.7	:	:	2.9	:	5.0	:	:	:	0.8	0.0	:	
Women	17.9*	33.4	75.0	6.2 <sup>AA</sup>	:	8.3 <sup>***</sup>	:	:	:	:	:	0.3	21.3	19.5	:	:	3.7	:	5.7	:	:	:	0.6	0.0	:	
New start (b) (adult unemployed)	23.7 <sup>^</sup>	22.6	54.0	8.2	:	6.5 <sup>***</sup>	:	:	:	:	:	2.9	16.9	15.3	:	:	2.3 <sup>^</sup>	:	4.3	:	:	:	0.2	0.0	:	
Men	22.2	19.6	59.0	7.8	:	5.8 <sup>***</sup>	:	:	:	:	:	4.4	16.0	14.9	:	:	2.3	:	4.6	:	:	:	0.3	0.0	:	
Women	25.1	25.7	48.0	8.6	:	7.1 <sup>***</sup>	:	:	:	:	:	1.6	18.1	15.9	:	:	2.3	:	4.1	:	:	:	0.2	0.0	:	
Activation of long-term unemployed	35.9	:	19.0	41.7a 16.4b	:	18.6	49.0	31.3a 28.2b	:	51.3(4)	:	29.0	14.2	89.2a 65.9b	18.5(3)	:	11.3	:	:	:	:	27.0	65.5	30.0	:	
Men	32.5	:	15.0	43.7a 17.1b	:	17.0	57.0	:	:	:	:	15.8	92.1a 66.5b	:	:	:	10.3	:	:	:	:	65.6	:	:		
Women	38.5	:	22.0	40.5a 15.6b	:	20.0	45.0	:	:	:	:	13.0	85.4a 65.0b	:	:	:	12.9	:	:	:	:	65.3	:	:		

**Notes**

\* Young: July 2002-June 2003 / Adults: 2002 (3) all unemployed  
 \*\* Data at 30 June 2003 (4) includes apprenticeships  
 \*\*\* April 2003 - April 2004  
 ^ January-June 2003  
 AA July 2002 - July 2003  
 a) young people  
 b) adults

	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25
Rate of inflow into employment (1)	:	:	:	:	:	:	:	:	:	:	:	:	:	66.8	:	:	:	43.7	:	:	:	:	19.6	38.6	:	:
Men	:	:	:	:	:	:	:	:	:	:	:	:	:	67.2	:	:	:	40.8	:	:	:	:	:	39.0	:	:
Women	:	:	:	:	:	:	:	:	:	:	:	:	:	66.4	:	:	:	46.4	:	:	:	:	:	38.1	:	:
Rate of inflow into employment (2)	:	:	:	:	:	:	53.5	:	:	:	:	37.8	:	:	57.0	:	:	42.8	:	:	:	:	:	40.8	:	:
Men	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	45.7	:	:	:	:	:	41.4	:	:
Women	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	40.0	:	:	:	:	:	40.3	:	:
Rate of return to unemployment (1)	:	:	33.0*	:	:	:	:	:	:	:	:	:	:	11.5	:	:	:	42.8	:	:	:	:	45.2	25.9	:	:
Men	:	:	35.0*	:	:	:	:	:	:	:	:	:	:	13.1	:	:	:	45.7	:	:	:	:	27.4	:	:	:
Women	:	:	32.0*	:	:	:	:	:	:	:	:	:	:	9.4	:	:	:	40.0	:	:	:	:	24.0	:	:	:
Rate of return to unemployment (2)	:	:	32.0	:	:	:	46.5	:	:	:	:	62.2	:	:	:	:	:	48.8	:	:	:	:	23.3	:	:	:
Men	:	:	34.0	:	:	:	:	:	:	:	:	:	:	:	:	:	:	46.4	:	:	:	:	24.8	:	:	:
Women	:	:	31.0	:	:	:	:	:	:	:	:	:	:	:	:	:	:	51.0	:	:	:	:	21.1	:	:	:
Enterprise birth (gross) (2001)	:	:	9.3	:	:	:	9.1	:	:	7.7	:	:	:	12.2	:	:	9.6	:	:	7.5	:	:	7.2	6.6	:	:
Employment growth	0	-0,6	-0,9	-1	1,5	1,4	1,9	-0,1	2	1,2	0,9	1	2,4	1,8	1,3	-1	-0,4	-0,1	-1,2	-0,4	-0,3	2,3	-0,1	-0,2	0,9	<b>0,2</b>
Men	-0,9	-0,4	-0,2	-1,6	1,7	1,1	0,5	-0,5	1,5	0,8	:	1,5	2,7	1,8	0,7	-0,7	-1,0	-0,9	-1,3	-1,1	0,2	2,3	0,2	-0,3	1,0	<b>-0,2</b>
Women	1,3	-0,8	-1,7	-0,2	1,2	1,9	4,0	-0,3	2,6	1,7	:	0,5	2,0	1,6	2,1	-0,7	0,4	0,8	-1,1	0,4	-0,9	2,3	-0,3	-0,2	0,8	<b>0,7</b>
Survival rates newly born enterprises (2001)	:	:	53,5	:	:	:	61,6	:	:	62,3	:	:	:	66,2	:	:	:	:	:	:	:	:	59,2	:	:	:
Diversity of working arrangements (3)	36,9	26,6	34,2	39,0	17,1	40,1	44,8	33,3	32,9	34,8	32,5	22,3	28,3	22,3	22,1	23,8	55,7	32,7	38,3	43,1	23,3	15,5	35,2	38,1	37,0	<b>37,2</b>
Diversity of working arrangements (part-time)	19,1	2,8	18,9	20,1	6,8	1,9	3,8	13,7	13,7	6,4	3,6	5,2	6,1	12,9	3,3	7,4	35,7	18,0	3,9	3,0	2,0	1,8	8,4	15,6	22,7	<b>14,2</b>
Men	5,1	1,1	10,0	4,5	4,1	0,7	0,8	3,6	3,4	1,6	1,8	2,7	3,6	1,0	2,0	3,1	14,8	3,4	2,5	0,7	1,4	1,0	4,8	5,5	7,5	<b>4,2</b>
Women	36,7	4,8	28,5	38,0	9,4	3,6	8,1	24,8	25,3	13,2	5,5	7,8	8,4	29,6	4,6	16,6	60,9	35,0	5,5	5,5	2,8	2,8	11,9	25,5	39,6	<b>25,9</b>
Diversity of working arrangements (fixed-term)	5,0	7,0	6,4	10,1	2,3	9,3	25,9	8,6	2,0	6,6	10,9	8,0	7,1	2,2	6,3	2,1	5,0	6,2	15,4	18,5	10,3	4,3	13,8	8,1	3,0	<b>9,5</b>
Men	4,9	6,7	5,9	11,0	3,3	8,7	27,0	8,9	2,1	6,2	7,2	9,6	10,1	2,1	7,3	2,5	6,4	7,0	17,4	18,1	10,1	5,0	11,6	8,5	3,3	<b>10,1</b>
Women	5,2	7,3	6,9	9,2	0,0	10,3	24,2	8,2	:	1,9	7,2	6,3	4,2	2,3	5,3	0,0	3,2	5,2	13,3	18,9	10,5	3,6	15,9	7,7	2,7	<b>8,7</b>
Diversity of working arrangements (self-empl)	13,5	16,7	8,4	10,4	8,1	32,4	16,8	10,2	16,4	23,2	20,2	9,5	17,1	7,4	12,8	13,8	10,9	10,8	21,6	25,6	9,8	9,4	12,3	10,0	12,0	<b>14,7</b>
Men	16,5	21,5	11,8	13,5	10,7	38,1	19,8	13,7	23,8	28,3	29,0	12,1	20,9	8,3	16,4	16,3	13,5	12,9	25,8	27,4	13,5	12,8	16,1	14,5	16,0	<b>18,6</b>
Women	9,5	10,4	4,4	6,6	5,4	23,3	12,0	6,1	6,3	15,0	9,2	6,8	13,3	6,2	8,5	8,1	7,7	8,3	16,7	23,5	5,3	5,3	8,3	5,0	7,1	<b>9,6</b>
Trends in accidents at work (2001)	83,0	91,0	90,0	88,0	132,0	86,0	106,0	98,0	:	92,0	112,0	116,0	85,0	97,0	86,0	94,0	92,0	83,0	78,0	91,0	94,0	84,0	87,0b	113,0	110,0	<b>95,0</b>

**Notes**

b: break in time series      \* 2002      (2) 6 months after participation in a measure  
p: provisional                      (1) 3 months after participation in a measure      (3) part-time + fixed time + self employment

	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25	
Trends in occupational diseases	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
Transparency of job vacancies	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
Educational attainment of 20-24 year olds	81,3	92,0	74,4b	72,5	81,4	81,7	63,4	80,9	85,7	69,9	82,2	74,0	82,1	69,8p	85,0b	43,0	73,3	83,7b	88,8	47,7	90,7	94,1	85,2	85,6	78,2	<b>76,7</b>	
Men	78,0	92,7	72,6b	71,6	78,5	76,5	57,1	78,8	82,3	66,4	76,1	68,5	78,3	74p	83,9b	39,8	70,0	83,9b	86,1	40,7	87,4	94,1	82,5	84,1	78,2	<b>74,2</b>	
Women	84,6	91,4	76,2b	73,4	84,2	86,9	70,1	83,0	89,0	73,4	87,8	79,7	85,8	65,5p	86,1b	46,2	76,7	83,5b	91,5	54,7	94,2	94,2	87,9	87,1	78,1	<b>79,2</b>	
Participation in education and training	8,5	5,4	25,7b	6,0i	6,2	3,7b	5,8	7,4b	9,7b	4,7	7,9b	8,1	4,5	6,3b	6,0b	4,2	16,5	12,5b	5,0	3,7	15,1b	4,8b	25,3b	34,2b	21,3	<b>9,3b</b>	
Men	8,3	5,1	23,3b	6,4i	5,2	3,5b	5,3	7,1b	8,4b	4,2	7,1b	5,7	3,3	6,6b	5,4b	4,9	16,2	12,6b	4,5	3,4	13,9b	4,9b	21,8b	31,3b	17,6	<b>8,6b</b>	
Women	8,7	5,7	28,1b	5,6i	7,1	3,8b	6,3	7,7b	11,0b	5,2	8,5b	10,2	5,7	6,0b	6,5b	3,6	17,0	12,4b	5,5	4,0	16,3b	4,7b	28,9b	37,3b	25,3	<b>10,0b</b>	
Investment in human resources (2001)	6,1	4,2	8,5	4,6	5,5	3,9	4,4	5,7	4,4	5,0	6,3	5,5	5,9	3,9	5,2	4,6	5,0	5,8	5,6	5,9	6,2	4,0	6,2	7,3	4,7	<b>5,1e</b>	
Participation in CVT Men (1999)	:	46,0	52,0	34,0	18,0	14,0	25,0	48,0	40,0	27,0	:	13,0	10,0	34,0	13,0	:	44,0	31,0	40,0	17,0	32,0	:	48,0	60,0	50,0	<b>40,0</b>	
Participation in CVT Women (1999)	:	35,0	54,0	29,0	20,0	16,0	26,0	44,0	43,0	23,0	:	12,0	9,0	39,0	11,0	:	35,0	32,0	66,0	17,0	33,0	:	53,0	61,0	46,0	<b>36,0</b>	
Activity rate	64,9	70,2	79,5	71,5	70,1	63,9	67,3	69,0	68,8	61,5	72,4	69,2	69,9	63,6	60,6	:	76,3	72,7	63,9	72,1	67,1	70,0	74,5	77,3	75,6	<b>69,3</b>	
Men	72,9	78,0	83,8	78,2	75,0	77,2	79,7	75,0	79,1	74,7	82,2	74,1	73,5	77,0	67,6	:	83,9	80,0	70,0	78,8	72,0	76,7	76,8	79,2	82,7	<b>77,4</b>	
Women	56,9	62,5	75,1	64,6	65,7	51,1	54,8	63,1	58,4	48,3	63,3	64,7	66,5	49,8	53,9	:	68,5	65,6	58,0	65,6	62,1	63,5	72,2	75,4	68,3	<b>61,2</b>	
Average exit age from the labour force	58,7	60,0	62,1	61,6	60,8	63,2	61,4	59,6	64,4p	61,0	62,7	60,3b	63,3b	:	61,6	58,8	60,4p	58,8	58,0	62,1	56,2	57,8	60,3	63,1	63,0	<b>61,0p</b>	
Men	58,6	61,2	62,3	61,9	:	63,9	61,6	59,7	:	60,9	:	:	:	:	60,9	:	61,0p	59,4	59,8	63,7	:	60,0	60,7	63,5	64,2	<b>61,5p</b>	
Women	58,7	59,0	62,0	61,4	:	62,5	61,3	59,6	:	61,0	:	:	:	62,1	:	59,9p	58,2	56,4	60,6	:	55,9	60,0	62,8	61,9	<b>60,5p</b>		
<b>Notes</b>	b: break in time series      p: provisional i: little significance e: estimate f: EU-15																										

Page

	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25	
Trends in occupational diseases	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
Transparency of job vacancies	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
Educational attainment of 20-24 year olds	81,3	92,0	74,4b	72,5	81,4	81,7	63,4	80,9	85,7	69,9	82,2	74,0	82,1	69,8p	85,0b	43,0	73,3	83,7b	88,8	47,7	90,7	94,1	85,2	85,6	78,2	<b>76,7</b>	
Men	78,0	92,7	72,6b	71,6	78,5	76,5	57,1	78,8	82,3	66,4	76,1	68,5	78,3	74p	83,9b	39,8	70,0	83,9b	86,1	40,7	87,4	94,1	82,5	84,1	78,2	<b>74,2</b>	
Women	84,6	91,4	76,2b	73,4	84,2	86,9	70,1	83,0	89,0	73,4	87,8	79,7	85,8	65,5p	86,1b	46,2	76,7	83,5b	91,5	54,7	94,2	94,2	87,9	87,1	78,1	<b>79,2</b>	
Participation in education and training	8,5	5,4	25,7b	6,0i	6,2	3,7b	5,8	7,4b	9,7b	4,7	7,9b	8,1	4,5	6,3b	6,0b	4,2	16,5	12,5b	5,0	3,7	15,1b	4,8b	25,3b	34,2b	21,3	<b>9,3b</b>	
Men	8,3	5,1	23,3b	6,4i	5,2	3,5b	5,3	7,1b	8,4b	4,2	7,1b	5,7	3,3	6,6b	5,4b	4,9	16,2	12,6b	4,5	3,4	13,9b	4,9b	21,8b	31,3b	17,6	<b>8,6b</b>	
Women	8,7	5,7	28,1b	5,6i	7,1	3,8b	6,3	7,7b	11,0b	5,2	8,5b	10,2	5,7	6,0b	6,5b	3,6	17,0	12,4b	5,5	4,0	16,3b	4,7b	28,9b	37,3b	25,3	<b>10,0b</b>	
Investment in human resources (2001)	6,1	4,2	8,5	4,6	5,5	3,9	4,4	5,7	4,4	5,0	6,3	5,5	5,9	3,9	5,2	4,6	5,0	5,8	5,6	5,9	6,2	4,0	6,2	7,3	4,7	<b>5,1e</b>	
Participation in CVT Men (1999)	:	46,0	52,0	34,0	18,0	14,0	25,0	48,0	40,0	27,0	:	13,0	10,0	34,0	13,0	:	44,0	31,0	40,0	17,0	32,0	:	48,0	60,0	50,0	<b>40,0</b>	
Participation in CVT Women (1999)	:	35,0	54,0	29,0	20,0	16,0	26,0	44,0	43,0	23,0	:	12,0	9,0	39,0	11,0	:	35,0	32,0	66,0	17,0	33,0	:	53,0	61,0	46,0	<b>36,0</b>	
Activity rate	64,9	70,2	79,5	71,5	70,1	63,9	67,3	69,0	68,8	61,5	72,4	69,2	69,9	63,6	60,6	:	76,3	72,7	63,9	72,1	67,1	70,0	74,5	77,3	75,6	<b>69,3</b>	
Men	72,9	78,0	83,8	78,2	75,0	77,2	79,7	75,0	79,1	74,7	82,2	74,1	73,5	77,0	67,6	:	83,9	80,0	70,0	78,8	72,0	76,7	76,8	79,2	82,7	<b>77,4</b>	
Women	56,9	62,5	75,1	64,6	65,7	51,1	54,8	63,1	58,4	48,3	63,3	64,7	66,5	49,8	53,9	:	68,5	65,6	58,0	65,6	62,1	63,5	72,2	75,4	68,3	<b>61,2</b>	
Average exit age from the labour force	58,7	60,0	62,1	61,6	60,8	63,2	61,4	59,6	64,4p	61,0	62,7	60,3b	63,3b	:	61,6	58,8	60,4p	58,8	58,0	62,1	56,2	57,8	60,3	63,1	63,0	<b>61,0p</b>	
Men	58,6	61,2	62,3	61,9	:	63,9	61,6	59,7	:	60,9	:	:	:	:	60,9	:	61,0p	59,4	59,8	63,7	:	60,0	60,7	63,5	64,2	<b>61,5p</b>	
Women	58,7	59,0	62,0	61,4	:	62,5	61,3	59,6	:	61,0	:	:	:	:	62,1	:	59,9p	58,2	56,4	60,6	:	55,9	60,0	62,8	61,9	<b>60,5p</b>	
<b>Notes</b>	b: break in time series      p: provisional i: little significance e: estimate f: EU-15																										

Page

	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25	
Employment gender gap	15,5	16,8	9,1	11,9	8,2	28,6	27,2	12,2	19,2	16,9	18,4	8,2	5,6	21,3	12,6	:	15,1	13	10,5	13,5	9,8	11,1	4	2,7	12,8	<b>15,7</b>	
Unemployment gender gap	0,8	3,7	0,6	-0,8	-0,6	8,3	7,7	2	-0,7	4,9	1,3	0,5	0,8	1,6	-0,5	3,9	0,4	0,8	1,4	1,8	1	0,6	-0,3	-0,8	-1,2	<b>1,7</b>	
Gender pay gap (2001)	12	20	15	21	24	18	17	14	17	6	26	16	16	16	20	9	19	20	12	10	11	23	17	18	21	<b>16</b>	
Private sector	14	:	16	25	:	26	25	:	19	16	:	:	:	:	:	:	24	24	:	30	:	:	16	16	27	:	
Public sector	9	:	13	18	:	8	4	:	17	1	:	:	:	:	:	:	19	11	:	-11	:	:	22	18	14	:	
Employment impact on parenthood Men	-9,9	-8,6	-7,9	-8,1	-16,4	-14,8	-12,7	-10		-13,9	-8,4	-12,5	-9,1	-13,4	-8,5	-5,1	-4,7	-7,7	-14	-11,6	-13,3	-7,5	-14,5		-5,8	<b>-10</b>	
Employment impact on par/hood Women	6,6	38,9	2,9	19,7	28,8	5,6	8,5	9,9		5,1	8	19,1	4	8,4	37,1	22,6	11,3	6,2	12	-2,1	-7,9	30,2	12,9		23,9	<b>13,6</b>	
Childcare coverage 3-compulsory school	100	:	:	:	:	:	100	:	:	82	:	62,1	:	:	:	:	89	85,2	:	:	:	:	:	95,8	:	:	
Early school leavers	12,8	6	10,0b	12,8i	11,8	15,3b	29,8	13,7b	12,1b	23,5	15,1b	18,1	11,8	17	11,8b	48,2	15	9,2b	6,3	40,4	4,3u	4,9b	8,3b	9,0b	16,7	<b>15,9b</b>	
Men	14,7	5,2	10,3b	12,9b	16,1	19,6b	36,1	15,3b	14,9b	26,8	20,2b	22,7	14,9	14,4	12,4b	49,7	15,7	8,7b	7,8	47,7	6,2u	5,2b	10,1b	9,8b	17	<b>17,9b</b>	
Women	10,8	6,8	9,6b	12,8i		11,0b	23,4	12,2b	9,2b	20,1	11,0b	13,4	8,9	19,6	11,1b	46,8	14,3	9,7b	4,7	33	2,3u	4,7b	6,5b	8,2b	16,4	<b>14,0b</b>	
Unemployment rate gaps for people at a disadvantage	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Unemployment rate gap between non EU and EU nationals	25,9	:	13,4	10,3	:	0,2	4,8	17,3	2,5	:	:	:	:	7,3	:	:	10,2	4,8	:	5,1	:	:	9,3	12,7	4,7	<b>9,6f</b>	
Undeclared work	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Working poor (2001)	4	:	4	4	:	13	10	8	7	10	:	:	:	8	:	:	8	6	:	12	:	:	6	7	6	<b>7f</b>	
Men (2001)	4	:	3	4	:	13	10	9	9	13	:	:	:	8	:	:	8	6	:	13	:	:	5	7	6	<b>8f</b>	
Women (2001)	4	:	4	6	:	12	8	7	4	6	:	:	:	8	:	:	7	6	:	11	:	:	6	6	7	<b>7f</b>	
Poverty (low-wage) trap	50,7	100	99,8	100	:	15,9	6,4	70,7	61,6	10	:	:	:	110	12,5	:	86,5	100	100	55,5	:	120	100	100	89,5	:	
One earber couple with two children																											
single parent with two children	59,3	40,9	44,3	100		15,9	6,4	70,7	50	10	:	:	:	110	12,5	:	75,8	100	28,1	55,5	:	44,2	59,2	53,8	89,5	:	
Unemployment trap	90,3	66,3	92,7	88,8		76,7	78,3	82,6	73,3	58,2	53,7	86,6	49,3	86,8	64,2	64,2	85,7	75,1	73,8	86,6		80,5	73,2	81,5	87,1	70,8	<b>78,3</b>

**Notes**

b: break in time series  
f: EU15  
u: unreliable or unknown



	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25
Taxation on low-wage earners	47,5	42	39,9	46,7	:	34,3	32,8	37,7	16,7	41,3	18,5	40,8	39,5	27,3	41	15,8	37,6	40,2	41,6	29,6	40,2	40,3	39,5	44,8	26,2	37,4
Regional disparities (employment) (2002)	8	5,7	:	5,9	:	4,2	9,2	6,2	:	16,7	:	:	:	:	9,5	:	2,2	2,4	7,3	2,3	:	7,3	8,6	4,6	6,6	13,5
Regional disparities (unemployment) (2002)	48,3	43,7	:	55,8	:	15,7	38,1	22,4	:	76,5	:	:	:	:	31,8	:	16,1	43,2	16,5	15,6	:	22,9	16,5	17,3	29,5	64,3

### Transitions by pay level

Transition between non employment and employment and within employment by pay level (gross monthly earnings) from year n to year n+1

2000 (year n)	year	EU16	AT	BE	DE	DK	EL	ES	FI	FR	IE	IT	LU	NL	PT	SE	UK
TOTAL	DECIL 6	6	6	6	6	6	6	6	7	6	6	6	6	7	7	7	6
	DECIL 7	7	7	7	8	6	6	6	7	6	6	6	6	6	8	7	7
	DECIL 8	7	7	7	8	6	6	7	6	7	6	6	6	7	7	7	8
	NON-E	48	51	47	51	60	42	41	51	46	47	40	55	52	55	55	55
DECILE1	DECIL 33	28	33	28	18	41	41	28	35	33	43	27	24	27	23	23	23
	DECIL 58	59	63	62	46	58	34	37	56	49	53	59	58	58	58	58	58
	DECIL 16	18	11	10	20	17	23	19	17	11	18	14	11	11	15	15	15
	NON-E	19	10	19	18	23	19	28	30	14	28	19	22	14	16	16	16
DECILE2	DECIL 9	6	13	6	9	11	9	6	10	18	11	4	14	9	9	9	9
	DECIL 48	64	57	55	47	47	29	37	43	40	44	73	47	51	51	51	51
	DECIL 16	10	12	13	19	15	22	18	16	13	18	11	17	20	20	20	20
	NON-E	14	9	9	11	9	16	24	16	15	13	19	5	12	9	9	9
DECILE3	DECIL 13	11	9	15	16	11	17	22	16	17	9	8	9	11	11	11	11
	DECIL 2	1	1	1	1	1	4	3	1	1	2	2	4	1	1	1	1
	DECIL 11	7	13	6	8	10	8	11	15	15	14	2	25	12	12	12	12
	NON-E	48	61	50	58	49	50	27	41	46	35	43	74	38	47	47	47
DECILE4+	DECIL 30	22	30	22	26	33	49	38	29	36	34	16	28	33	33	33	33
	DECIL 10	10	6	13	16	8	13	8	9	13	6	6	5	7	7	7	7
	DECIL 0	0	0	0	0	0	1	0	1	1	1	0	0	1	1	1	1
	NON-E	4	5	2	5	4	3	5	3	4	5	3	3	4	4	4	4
NON EMPLOYED	DECIL 5	4	4	6	10	3	7	9	6	5	3	6	4	6	6	6	6
	DECIL 4	2	2	6	10	3	4	5	4	4	2	4	2	4	4	4	4
	DECIL 2	2	2	3	3	2	2	1	2	3	2	3	2	3	2	3	3
	NON-E	4	5	2	5	4	3	5	3	4	5	3	3	4	4	4	4
NON EMPLOYED	DECIL 83	87	88	80	72	89	81	79	84	82	90	82	83	79	79	79	79
	DECIL 8	5	5	5	4	3	6	5	4	6	3	5	9	8	8	8	8
	DECIL 3	3	3	2	3	2	5	5	4	4	4	0	4	3	3	3	3
	NON-E	4	5	2	5	4	3	5	3	4	5	3	3	4	4	4	4

#### Notes

Age Group: 15-65

Classification based on ILO activity status and gross monthly earnings

NON\_EMPLOYED = ILO activity status is 'unemployed', 'inactive' or 'discouraged worker'

: means data not available or sample size below 20

## Transitions by employment status

Transitions between employment, unemployment and inactivity from year n to year n+1

2000 (year n)	(year	EU15	AT	BE	DE	DK	EL	ES	FI	FR	IE	IT	LU	NL	PT	SE	UK
TOTAL	WORK	67	72	67	72	82	59	59	72	65	67	57	73	76	73	:	77
	UNEM	4	3	2	4	3	4	7	5	5	5	8	0	1	3	:	0
	INACT	28	25	31	25	15	36	34	23	30	29	35	27	22	24	:	23
WORK	WORK	93	94	95	92	93	94	91	92	93	91	94	96	94	95	:	94
	UNEM	2	2	1	3	3	2	5	2	2	3	2	0	1	2	:	0
	INACT	5	4	4	6	5	4	5	6	5	6	4	4	5	3	:	6
UNEMPLOYED	WORK	41	53	37	52	50	42	52	40	32	30	23	:	47	50	:	:
	UNEM	35	29	24	30	20	40	27	35	41	34	52	:	14	33	:	:
	INACT	24	18	39	18	31	18	22	25	27	36	25	:	39	16	:	:
INACTIVE	WORK	14	10	10	16	24	7	11	16	13	17	7	10	15	15	:	21
	UNEM	4	2	2	3	5	3	7	5	6	6	7	0	2	2	:	0
	INACT	82	89	88	81	71	90	82	80	81	78	86	90	83	83	:	79

### Notes

Age Group: 16-64

Classification based on ILO activity status

INACTIVE = ILO activity status is 'inactive' or 'discouraged worker'

: means data not available or sample size below 20

## Preventative services

Share of young/adult unemployed becoming unemployed in month X, still unemployed in month X+6/12, and not having benefited from intensive counselling and job-search assistance. (LMP category 1) [target vale 0%=full compliance] (by gender)

Method:  $B^*/A$ . In addition, on a voluntary basis,  $B^*/(B^*+C^*)$

A= Inflow into unemployment in month X

B= Persons still unemployed in month X+6/12 months who did not receive intensive counselling and job search assistance

C= Persons still unemployed in month X+6/12 months who received intensive counselling and job-search assistance

	young			adult		
	total	Men	Women	total	Men	Women
AT (1)	4,9	4,5	5,5	3,1	3,1	3,1
BE (2)	18	17,1	19	26,2	24,7	27,5
CY	:	:	:	:	:	:
CZ	:	:	:	:	:	:
DE	:	:	:	:	:	:
DK	:	:	:	:	:	:
EE	:	:	:	:	:	:
EL (3)	80	84	77,8	87,9	93	85,1
ES (4)	8,1	6,7	9,5	7,3	6,3	8
FI	1	1,2	0,8	0,8	1,1	0,5
FR (5)	12,5	12,6	12,4	10,1	11,5	9
HU	21,5	21,7	21,2	20,4	20,2	20,6
IE	:	:	:	:	:	:
IT	:	:	:	:	:	:
LT	0,1	0	0,1	0,9	1,1	0,6
LU	4,7	3,4	6,5	4,3	4,1	4,5
LV	37,5	:	:	:	:	:
MT	:	:	:	:	:	:
NL	0	0	0	:	:	:
PL	:	:	:	:	:	:
PT	5,5	5,1	5,8	4,4	4,7	4,2
SE	1,5	1,3	1,8	0,7	0,8	0,6
SI	:	:	:	:	:	:
SK	:	:	:	:	:	:
UK	0	0	0	0	0	0

1) Adults: January- June 2003

2) Young: July 2002- June 2003, Adults: 2002

3) Data at 30-06-04

(4) April 2003 - April 2004

(5) Unemployed people receiving intensive counselling before 7 months in the case of young people, and 13 months in the case of adults.

## Transitions by type of contract

Transitions between non-employment and employment and within employment by type of contract from year n to year n+1

2000 (year n)	(year	EU	1	AT	BE	DE	DK	EL	ES	FI	FR	IE	IT	LU	NL	PT	SE	UK
TOTAL	PERM	46	54	50	48	64	28	30	53	52	46	36	61	58	40	:	59	
	FIXED	5	3	5	4	3	4	12	7	6	2	3	3	1	5	:	3	
	EDUC	2	2	1	5	6	0	1	2	1	3	1	1	3	1	:	0	
	SELF	9	10	8	6	5	22	12	9	6	9	14	5	4	19	:	8	
	NON	37	31	36	36	22	46	45	30	36	40	46	30	33	35	:	29	
PERMANENT	PERM	90	91	93	88	93	90	87	93	94	88	91	94	91	92	:	90	
	FIXED	2	2	2	2	1	3	7	1	1	1	2	2	1	2	:	2	
	EDUC	0	0	0	0	1	0	0	0	1	1	0	0	1	0	:	0	
	SELF	1	0	1	1	0	1	2	1	0	1	1	1	1	1	:	1	
	NON	6	6	4	9	5	6	4	4	4	9	5	3	7	5	:	7	
FIXED_SHORT	PERM	32	37	40	32	41	22	30	25	19	31	28	62	37	49	:	47	
	FIXED	42	41	52	37	26	55	46	44	52	31	48	27	24	44	:	32	
	EDUC	3	0	1	3	4	0	1	1	2	9	4	2	17	0	:	0	
	SELF	2	3	0	2	3	3	1	2	1	2	3	1	0	0	:	1	
	NON	22	19	7	25	26	19	21	28	27	28	17	7	23	6	:	20	
EDUC_TRAIN	PERM	22	31	19u	13	23	12u	8	21	33	13	26	31u	30	8u	:	:	
	FIXED	11	1	11u	9	4	0u	21	18	14	4	4	6u	4	21u	:	:	
	EDUC	31	55	27u	55	46	17u	4	17	32	43	33	53u	42	30u	:	:	
	SELF	2	1	3u	1	0	9u	2	0	0	3	6	0u	1	0u	:	:	
	NON	34	12	40u	23	28	61u	66	44	20	37	30	9u	23	42u	:	:	
SELF_EMPL	PERM	4	1	5	4	11	3	5	6	2	3	3	1	7	2	:	6	
	FIXED	1	0	1	1	1	1	3	0	0	1	1	1	3	1	:	1	
	EDUC	0	0	0	0	0	0	0	1	1	2	0	0	0	0	:	0	
	SELF	88	95	90	89	85	90	83	89	92	89	90	92	80	92	:	82	
	NON	7	4	4	7	2	7	9	4	5	5	6	6	10	5	:	11	
NON_EMPLOYED	PERM	8	9	5	8	12	4	4	6	7	11	4	7	14	8	:	13	
	FIXED	4	2	4	3	4	3	8	9	5	2	2	2	1	5	:	3	
	EDUC	3	1	2	7	10	0	2	3	1	2	1	0	3	1	:	0	
	SELF	2	1	1	2	1	3	3	1	1	1	2	0	1	3	:	3	
	NON	83	87	88	80	73	90	83	81	85	85	90	90	80	83	:	80	

### Notes

Age Group: 16-64

Classification based on variables ILO activity status, self-defined main activity status and type of contract, type of contract is available for persons working 15+ hours in paid employment

SELF\_EMPL includes self-employees and unpaid family workers

NON\_EMPLOYED includes persons

EDUC\_TRAIN includes persons

## Regional disparities - Underperforming regions

1. Share of underperforming regions in terms of employment and unemployment ( in relation to all regions and to the working age population/labour force) (NUTS II) (by gender)
2. Differential between average employment/unemployment of the underperforming regions and the national average in relation to the national average of employment/unemployment (NUTSII) (by gender)

Thresholds to be applied: 90% and 150% of the national average rate for employment and unemployment, respectively

Note: An extra column with the national employment and unemployment rates in each country would be added in the presentation of the c

Employment	% of regions with E.R below 90% of the national average E.R (number of regions affected/ total number of regions)	% of total national working age population in the regions concerned	Extent of divergence of the regions concerned from the national average (average E.R of regions concerned as % of national average)
AT	0,0 (0/9)	0	:
BE	9,1 (1/11)	12,3	87
CZ	0,0 (0/8)	:	:
DE	5,0 (2/40)	1,7	87,5
DK	0,0 (0/1)	0	:
EL	0,0 (0/13)	0	:
ES	22,2 (4/18)	23,6	85,5
FI	16,7 (1/6)	12,6	88
FR	13,6 (3/22)	11,3	86
HU	28,6 (2/7)	27,2	88
IE	0,0 (0/2)	0	:
IT	30,0 (6/20)	33	77,8
LU	0,0 (0/1)	0	:
NL	0,0 (0/12)	0	:
PL	18,8 (3/16)	11,2	89,1
PT	0,0 (0/7)	0	:
SE	0,0 (0/8)	0	:
SK	0,0 (0/4)	:	:
UK	10,8 (4/37)	12,6	89

Employment	% of regions with E.R below 90% of the national average E.R (number of regions affected/ total number of regions)	% of total national working age population in the regions concerned	Extent of divergence of the regions concerned from the national average (average E.R of regions concerned as % of national average)
AT	11,1 (1/9)	20,5	180,6
BE	18,2 (2/11)	20,7	179,4
CZ	25,0 (2/8)	23,2	169,7
DE	25,0 (10/40)	22	201,4
DK	0,0 (-)	:	:
EL	0,0 (0/13)	0	:
ES	11,1 (2/18)	19,4	172,1
FI	16,7 (1/6)	10,2	154,8
FR	13,6 (3/22)	10,3	152,7
HU	14,3 (1/7)	11,3	152,1
IE	0,0 (0/2)	0	:
IT	30,0 (6/20)	29	214
LU	0,0 (-)	:	:
NL	8,3 (1/12)	3,5	153,8
PL	0,0 (0/16)	:	:
PT	0,0 (0/7)	0	:
SE	0,0 (0/8)	0	:
SK	0,0 (0/4)	:	:
UK	5,4 (2/37)	8,4	165,9

Source: Labour Force Survey (LFS), Eurostat

	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25	
<b>Context Indicators</b>																											
GDP growth	1,3	3,1	0,5	-0,1	5,1	4,5	2,5	0,5	3,7	0,3	2	7,5	9,7	2,9	3	0,2	-0,9	0,8	3,8	-1,2	2,5	4	1,9	1,6	2,2	<b>1</b>	
Employment rate (age group 15-24)	27,4	30	59,6	44	29,3	25,5	33,4	29,9	48	25,2	37,6	31,5	22,5	:	26,8	:	67,9	51	21,2	38,7	29,1	27,4	39,7	41,2	55,5	<b>36,7</b>	
Employment rate (age group 25-54)	76,5	81,7	83,5	77,8	77,8	72,6	71,3	79,3	76	70,7	82,6	77,7	78,9	76,8	73,7	:	82,4	84,5	67,5	81	82,5	76	81,1	83,5	80,8	<b>76,5</b>	
Employment rate (age group 20-64)	64,7	70,7	77,3	68,4	70	62,6	63,9	68,9	70,6	60	75,4	68,9	68,9	67,8	62,4	57,8	75,1	72,2	57,1	72,6	68,1	64,8	72,2	77,9	75	<b>67,3</b>	
Employment rate full-time equivalent	54,7	64,1	68,4	57,5	61,3	57,4	57,2	59	58,7	54,3	67,8	61,1	62	58,8	56,9	53	57,1	63,1	50,3	65,7	60,9	57,4	65,2	67,6	62	<b>58,1</b>	
Men	66,7	73,2	75,4	68,9	66	72,8	72,5	67,8	73	69	79,3	66,3	65,8	72,9	64	75,3	73,1	74,9	56,1	74,7	66,1	63,6	68,4	72,3	74	<b>69,2</b>	
Women	42,9	55,1	61,8	46,2	57	42,6	41,8	50,8	44,7	39,9	57,2	56,5	58,4	44,7	50	30,6	41,6	51,7	44,7	57,1	55,5	51,3	62	63	50,7	<b>47,3</b>	
Job satisfaction	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Real unit labour costs	-0,6	1,6	-0,1	-0,4	2	-2,5	-0,5	0,4	1,4	1	-1,5	1,5	1,7	-1	4,3	-3,8	0,8	-0,2	-0,5	2,5	-0,6	2,8	1,3	-1,7	-0,3	<b>0,1</b>	
Labour productivity (per capita)	119,2	61,2	97,7	94,3	43,1	90,2	95	113,5	119,4	103,6	78,9	40	44,4	132,2	63,6	81,9	95,2	96,4	49,6	63,2	70	54,1	98,5	96,4	101,9	<b>93,1</b>	
Labour productivity (per hour)	120,9	48,9	101,9	103,4	:	73,7	86,1	122,5	113,2	101,1	:	:	39,2	127,1	:	:	112,3	99,8	:	58,1	:	43,7	91,5	97,4	94,3	:	
Inflow into long-term unemployment (x)	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Inflow into long-term unemployment (y)	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:

**Notes**

(x) young people  
(y) adults

	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25
Youth unemployment ratio	7.5	6.8	6.8	5	8.1	9.1	9.8	7.2	4.1	9.3	4.4	6.9	8.8	3.7	4.1	:	5	4	14.8	6.6	5.4	13.3	11	6.9	7.8	<b>8.1</b>
Men	8.9	7.3	7.5	6.2	8.2	7.1	9.3	7	4.8	9.4	4.4	6.3	7.5	3.1	4.7	:	5.2	4.1	16	6.2	5.3	15.2	11.3	6.9	9.1	<b>8.6</b>
Women	6	6.4	6.1	3.9	8.1	11.1	10.3	7.4	3.4	9.2	4.4	7.6	10	4.4	3.5	:	4.7	3.8	13.7	7	5.6	11.4	10.8	7	6.4	<b>7.7</b>
LMP expenditure (active) (2002)	0.90	:	1.66	0.87	:	0.22	0.55	0.84	0.64	0.51	:	:	:	:	:	:	0.89	0.41	:	0.41	:	:	0.71	1.39	0.06	:
LMP expenditure (passive)	2.39	:	2.33	2.18	:	0.37	1.55	1.61	0.80	0.66	:	:	0.54	:	:	:	1.72	1.27	:	1.21	:	:	2.16	1.05	0.37	<b>1.37f</b>
Employment in newly established enterprises (2000)	1.6	:	2.4	:	:	4.5	:	:	2.9	:	:	:	:	:	:	:	:	:	:	2.7	:	:	0.5	1.8	:	:
Employment rate in services	45.8	37	57.5	49.2	40	35.4	39.1	48.7	43.7	41.7	:	38.2	33.9	76	36.2	:	58.9	47.6	27.7	39.5	33.2	34	46.7	55.8	61	<b>45.8</b>
Men	44.4	33.8	51.5	43.7	34.6	40.4	39.2	44.8	39.6	45.5	:	32.6	29.2	80	33.3	:	41.4	24.7	36.4	29.5	28.9	38.1	47.2	56.5	61	<b>41.1</b>
Women	47.3	40.1	63.6	54.7	45	30.5	38.9	52.5	47.9	38	:	43.4	38.2	71.9	38.9	:	53.8	30.6	42.4	37	38.9	55.5	64.7	65.6	61	<b>46.2</b>
Working time weekly average	39.2	41.5	39.2	39.6	41	41	40.3	38.8	39.5	38.6	40	43.5	39.3	39.8	41	40.8	38.8	40	41.5	40.1	41.4	40.5	39.1	39.8	43.2	<b>40.2</b>
Men	39.9	42.3	40.1	40	41.6	41.9	40.9	39.5	40.5	39.9	40.5	44.7	40.3	40.3	41.7	41.7	39	40.1	43.1	40.8	41.8	40.9	40	40	44.7	<b>41</b>
Women	37.9	40.5	37.8	39	40.4	39.6	39.4	37.7	37.8	36.5	39.6	42.2	38.5	38.6	40.2	38.5	38	39.8	39.6	39.2	40.9	40	38.2	39.6	40.5	<b>38.9</b>
Working time annual average	1559	1980	1499	1445	:	1934	1807	1466	1668	1619	:	:	1789	1643	:	:	1340	1526	:	1719	:	1979	1708	1563	1707	:
Overtime work	0.9	5.1	5.3	8.7	1.8	0.2	0.2	2.4	1.9	2.8	2.7	2.7	0.3	2.3	2.6	5.2	6.3	6.2	1.1	1.1	1.6	:	6.7	6.9	3.9	<b>4</b>
Men	1.1	6.9	5.8	11.2	2.6	0.3	0.3	2.6	2.6	3.3	3.2	3.3	0.3	3.3	3.2	6.3	7.8	8.6	1.3	1.4	1.9	:	8.3	9.3	4.5	<b>4.9</b>
Women	0.6	3	4.8	5.9	1.1	0.1	0.1	2.1	0.9	2	2.1	2.1	0.4	0.9	2	2.8	4.6	3.3	0.8	0.9	1.3	:	5.2	4.5	3.2	<b>3</b>
Vacancies per unemployed	:	0.08	:	0.08	:	:	0.03	:	:	:	0.60	:	0.02	0.11	0.13	:	0.28	0.09	:	0.02	0.17	:	0.14	:	:	:
Use of computers (2002)	53	:	72	57	:	35	36	45	46	59	:	:	:	56	:	:	72	62	:	32	:	:	70	73	58	<b>53f</b>
Investments by enterprises in training of adults	0.9	0.7	1.4	0.7	0.5	0.5	0.9	1.2	1	0.6	:	0.4	0.3	1	0.4	:	1.1	0.5	:	0.6	0.5	:	1.1	1.3	0.8	<b>0.8f</b>

Notes

f: EU-15

	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25
Labour reserve	3,4	4,1	4,2	3,9	7,1	1,1	4,2	2,4	4,5	7,8	2,3	12,4	3,1	0,9	5,6	4	3,9	3,5	7,6	1,7	2,9	1,7	5,8	:	5,7	<b>4,7</b>
Men	2,6	3,2	3,2	3,1	6,4	0,7	2,8	1,7	4	5	1,6	10,2	3	0,6	5,5	2,4	3,1	2,3	6,1	1,3	2,6	1,4	5,5	:	4,7	<b>3,5</b>
Women	4,2	5	5,3	4,6	7,7	1,5	5,7	3	5,1	10,6	3	14,5	3,3	1,2	5,8	5,7	4,8	4,8	9	2	3,2	2,1	6	:	6,7	<b>5,8</b>
Labour supply growth	0,1	-0,4	-0,1	0	0,8	0,8	1,3	0,1	0,1	0,4	1,1	0,4	0,3	-1,4	0,9	:	-0,2	0,1	-0,7	0	-0,7	0,1	-0,4	-0,3	0	<b>0,3</b>
Men	-0,3	-0,6	0,2	-0,5	0,4	0,6	0,7	-0,2	-0,2	0,4	0,4	0	-0,1	0	0,5	:	-0,6	0	-0,6	-0,7	-0,5	0	-0,2	-0,2	0	<b>0,1</b>
Women	0,6	-0,2	-0,4	0,3	1,3	1	2	0,4	0,4	0,4	0,5	0,8	0,7	-2,9	1,2	:	0,2	0,3	-0,7	0,6	-0,9	0,3	-0,6	-0,4	0	<b>0,5</b>
Employment gender gap in full time equivalent	23,8	18,1	13,6	22,7	9	30,2	30,7	17	28,3	29,1	22,1	9,8	7,4	28,2	14	44,7	31,5	23,2	11,4	17,6	10,6	12,3	6,4	9,3	23,3	<b>21,9</b>
Employment gender gap (15-24)	6,6	5,4	3	2,1	16,3	11	10,8	6,6	6,1	9	2,1	14,6	8,4	1,4	6,5	7,1	2,6	8,3	5,9	8,8	9,7	3,3	0,8	-1,4	3,2	<b>5,9</b>
Employment gender gap (25-64)	16,7	15,9	9,1	12,8	6,9	32,8	29,9	14,9	21,9	31,2	18,9	4,4	1,9	26,7	12,5	55	18,5	13,5	10	13,7	6,3	9,3	3,6	3,3	13,6	<b>17,4</b>
Employment gender gap (55-64)	21	28,5	14,9	16,5	6,8	33,1	36	6,9	31,4	24,4	36,1	12,1	18,7	18,2	17,1	38,9	25,9	20,1	15,2	20	17,2	30,1	2,1	4,7	18,5	<b>19,5</b>
Employment gender gap (x)	6,5	13,2	6,4	7,8	9,8	10,2	10,8	7,1	8	12,1	5,9	2,4	3,8	15,4	8,7	9,1	7,8	5	5,6	4,4	0,4	8,2	4,1	-1,7	4,1	<b>7,3</b>
Employment gender gap (y)	18,1	17	7,4	9,4	12,3	28,1	22,2	12,4	20,2	19,3	18,5	13,2	9,5	22,3	13,3	27,6	12,4	13	12,5	5,5	11,5	11,7	4,8	4,4	8,3	<b>12,8</b>
Employment gender gap (z)	20,7	-1,8	15,8	10,3	11,5	34	37	12,8	28,9	34,3	24,7	12,3	11,7	19,2	7,1	47,2	25	10,7	7	17,2	8	-0,3	6,1	8,4	11,3	<b>21,7</b>
Gender pay gap (age group 16-24) (2001)	-2	:	13	6	:	18	13	:	-1	10	:	:	:	:	:	:	3	17	:	0	:	:	4	7	14	:
Gender pay gap (age group 25-54) (2001)	11	:	14	20	:	14	14	:	17	6	:	:	:	:	:	:	17	19	:	14	:	:	16	18	21	:
Gender pay gap 9age group 55-64) (2001)	17	:	19	25	:	28	36	:	29	8	:	:	:	:	:	:	24	29	:	-9	:	:	29	21	25	:
Gender pay gap (x) (2001)	17	:	19	20	:	16	23	:	17	13	:	:	:	:	:	:	30	:	24	:	:	:	24	24	:	:

**Notes**

(x) high educational level  
(y) medium educational level  
(z) low educational level



	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK	EU25	
Gender pay gap (y) (2001)	14	:	13	17	:	26	25	:	21	10	:	:	:	:	:	:	:	17	:	18	:	:	16	16	:	:	
Gender pay gap (z) (2001)	16	:	12	24	:	23	26	:	20	11	:	:	:	:	:	:	:	20	:	24	:	:	13	14	:	:	
Gender pay gap (w)	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
Gender segregation (occupations)	26,3	29,4	27,4	26,7	32,1	21,7	26,3	26,5	27,1	22,3	28,6	27,8	27,5	25,1	28,8	23,8	24,5	27,8	25,2	27,4	27,2	30,5	29,5	27,7	26,4	25,2	
Gender segregation (sectors)	19,2	19,5	18,3	18,2	24	15,8	19,9	17,5	21,2	15,7	18,1	20,9	21,9	18,3	19,7	15,9	16,7	20,7	14,1	22	17,8	22,7	21,9	21,6	18,8	17,6	
Dependent elderly	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
lack of care for children/other dependant	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Labour market gaps for disadvantaged groups	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Implicit tax rate on employed labour	42,8	:	40,3	40,2	:	38,1	29,8	42,6	26,3	40,7	:	:	:	28,1	:	:	32,1	39,9	:	33,2	:	:	41,6	47	25,3	36,8f	

Notes

f. EU-15  
(y) medium educational attainment  
(z) low educational attainment  
(w) adjusted for sector/occupation and age

## Transitions into employment and training

Transitions of unemployed people into employment and training from year n to year n+1

2000 (year n)	(year n+1)	EU15	AT	BE	DE	DK	EL	ES	FI	FR	IE	IT	LU	NL	PT	SE	UK
TOTAL	WORK	43	43	43	46	32	55	51	39	47	35	28	:	46	59	:	:
	EDUC	4	5	2	9	9	1	2	1	0	7	3	:	3	3	:	:
	NON_E	53	52	55	45	58	44	48	60	53	58	69	:	51	37	:	:
WORK	WORK	75	68u	84u	69	67u	83	76	74	78	71u	74	:	94u	84	:	:
	EDUC	1	0u	0u	0	0u	0	0	1	0	2u	4	:	0u	4	:	:
	NON_E	24	32u	16u	31	33u	17	24	25	22	26u	21	:	6u	12	:	:
EDUC_TRAIN	WORK	33	:	:	:	:	:	:	:	:	:	:	:	21u	:	:	:
	EDUC	34	:	:	:	:	:	:	:	:	:	:	:	38u	:	:	:
	NON_E	33	:	:	:	:	:	:	:	:	:	:	:	41u	:	:	:
NON_EMPLOYED	WORK	27	28u	13	32	16u	41	35	19	32	21	15	:	17	25	:	:
	EDUC	4	0u	2	9	11u	2	3	1	0	1	2	:	4	0	:	:
	NON_E	69	71u	85	58	72u	58	62	81	67	78	83	:	79	75	:	:

### Notes

Age Group: 17-65 in 2000 and unemployed in 1998

Classification based ILO activity status and self-defined main activity status

**WORK includes persons**

- working with an employer in paid employment
- self-employees and
- unpaid family workers

**NON\_EMPLOYED includes persons**

- whose ILO activity status is 'unemployed', 'inactive' or 'discouraged worker'
- who work less than 15 hours in paid employment and do not consider this work as main activity

**EDUC\_TRAIN includes persons**

- working with an employer in paid apprenticeship or in training under special schemes
- in education or training

u:unreliable

## Job satisfaction

### Satisfaction with type of work in present job

Year	Satisfaction	EU15*	AT	BE	DE	DK	EL	ES	FI	FR	IE	IT	LU	NL	PT	SE	UK
1999	VERY	3	1	2	:	1	2	3	1	2	1u	4	:	1	1	:	5u
	LOW	5	2	3	:	2	11	7	3	2	3u	7	:	2	4	:	8u
	RATHE	11	3	8	:	7	22	15	11	7	7u	15	:	6	12	:	8u
	RATHE	24	15	23	:	16	30	26	30	22	19u	25	:	21	49	:	21u
	HIGH	40	39	40	:	43	25	35	42	52	33u	30	:	47	29	:	45u
	VERY	17	40	24	:	30	10	14	13	15	37u	19	:	23	5	:	14u
	AVERA	4,4	5,1	4,7	:	4,9	3,9	4,3	4,5	4,6	4,9u	4,3	:	4,8	4,2	:	4,3u
2000	VERY	3	0	2	:	0	1	2	1	2	1u	3	:	1	1	:	4u
	LOW	6	1	2	:	3	10	7	3	2	2u	8	:	2	3	:	8u
	RATHE	11	3	10	:	7	22	16	12	6	7u	17	:	7	11	:	8u
	RATHE	25	15	23	:	20	31	27	30	22	17u	26	:	20	49	:	22u
	HIGH	40	38	40	:	41	26	33	41	53	34u	29	:	45	32	:	45u
	VERY	17	42	23	:	29	10	16	12	15	40u	17	:	25	5	:	13u
	AVERA	4,4	5,2	4,6	:	4,9	4	4,3	4,4	4,7	5,0u	4,2	:	4,8	4,2	:	4,3u
2001	VERY	2	0	2	:	1	1	2	1	1	1u	3	:	1	1	:	4u
	LOW	5	2	4	:	2	10	6	4	2	2u	8	:	2	5	:	7u
	RATHE	11	3	8	:	6	23	14	10	7	7u	19	:	7	11	:	7u
	RATHE	25	15	24	:	21	31	28	31	22	17u	27	:	19	49	:	22u
	HIGH	40	41	41	:	43	25	34	43	52	33u	28	:	45	30	:	45u
	VERY	17	40	21	:	27	9	16	12	15	41u	17	:	26	5	:	15u
	AVERA	4,5	5,1	4,6	:	4,8	4	4,3	4,5	4,7	5,0u	4,2	:	4,8	4,2	:	4,4u

#### Notes

- Age Group: 14- 64 working 15+ hours in paid employment
- In Ireland and in the UK, information on satisfaction has not been collected in proxy
- u means low reliability (sample size 20-49)
- : means data not available or sample size below 20
- The average has been calculated assigning a scale from 1=very\_low to 6=very\_high to the answer categories