Employment in EUROPE

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Foreword

The growing interest in this annual analysis of employment trends and strategies reflects not only the quality of the document, but the over-riding importance to the whole European project of systematically raising employment levels and reducing unemployment.

The last two European Councils, at Essen, then Cannes in June, have cemented that resolve in important ways, for Member States, for the European Commission and for the Union as a whole.

As this report makes very clear, the labour market is changing fast in the Union, and across the developed world. New and more productive jobs are being created while old jobs are disappearing. There is a 10% turnover every year in the stock of jobs. So the speed of change is remarkably high.

The skill requirements of the new jobs being created are higher than for those being lost, putting severe pressure on our education and training systems. But, in these systems, the speed of change is much less, capacity is too low, and adaptation to new conditions is slow.

We have found ourselves in the Union with a two-speed, and dual, labour market, which manifests itself in severe problems for those who lose their jobs, much work slipping towards the unregulated margins, and difficulties for expanding firms to get skilled labour. In the end, all of this leads to slower growth, continued pressure on public finances and growing exclusion from active society.

We now have, following the two recent Councils, a Union-wide process to gauge and improve employment performance. It is an inclusive process. It brings together the Social Affairs and EcoFin Councils. It draws heavily on the committment of the Social Partners, as well as the involvement of other institutions.

The key facets of the Essen conclusions concern a stronger push on training, employment intensive growth, reducing employer cost obstacles to recruitment, and stronger action to help those most affected by structural unemployment. Within this, the importance of renewed action on small and medium enterprises, and local initiatives and capacity, is also stressed.

This year's Employment in Europe report has been revamped to review trends, prospects and strategies in line with the five priorities agreed unanimously by the Council.

The Council took a significant step at Essen by urging Member States to transpose the main Essen priorities and recommendations into national multi-annual programmes to be examined each year by the Heads of State in Council. The Essen process, drawing from the White Papers, gives us the bones of a new European employment strategy.

The recent Cannes Council built on this by giving a new and important mandate to the Commission. It asked us to study the mutually reinforcing effect of the enhanced coordination of economic and structural policies. This mandate draws its power from the fact that the European Union, as an economic entity, offers significantly more room for manoeuvre. More than this, it brings to the equation a particular added value that will make for the creation of lasting employment.

The Single Market, developed to maximum potential, is the first building block of European wealth and job creation. Economic and monetary union — the single currency — will be crucial to ensuring that this potential is realised, and it can offer the stability needed to do so. But if EMU is really to be the further locomotive of wealth and job creation for the citizens of Europe, it must be matched by an employment strategy which can give us the high quality, flexible, labour force we need for a productive working society.

Without that we cannot realistically aspire to full employment — which must be put back at the top of the agenda.

We have — in the mid-1990s — mass structural unemployment, which is less a buffer, or recruitment reserve, than a dualising of society. We have to recognise and respond to the fact that there has been a fundamental shift in the nature of the labour market. Unemployment is becoming — under present systems — a permanent state, encased by a fundamental mis-match between skills, needs and incentives.

It may be that full employment, defined as mainly for men, and largely in manufacturing, with people having more or less the same job for life, is gone.

A return to a different kind of full employment will only be possible if we make as great an effort to develop a new employment strategy as we are now deploying towards economic and monetary union. We need a root and branch re-examination of our employment systems in Europe, in the interplay of taxation, welfare, training, regulation and other policies, and collective agreements.

Only through such an approach will a new European employment strategy emerge, which finds a new European way towards high levels of employment and low unemployment: the cement of an inclusive Europe.

The structural changes we are now pursuing can offer this new way. They can enable us to reorganise our re-employment measures, to bring new skills to the unemployed, more positive relationships between work and welfare, and the capacity for workers and companies to access training systematically and flexibly.

Recent Councils have pointed us firmly in these directions, and underlined the importance of equality of access and opportunity to achieving these objectives. The Councils stressed, particularly, continuous training as fundamental to long-run competitiveness, to productivity growth. But this needs investment in capacity on a par with the higher education revolution of the 1960s and '70s.

They have also focused strongly on the challenge of sustaining and developing small and medium enterprise. It is from these companies, if a fair wind is offered, that business wealth and jobs growth — with consequent reduction of public deficits — will come. But it is bigger than that.

We also need a broader, more sophisticated view of local development and local initiatives, of how the national and European levels can enable and nurture local economic development — whether indigenous growth through local demand, or national or supranational sub-contraction opportunities.

All these can be underpinned by re-examining tax policies, and their impact on employment. On non-wage labour costs we can make a great impact, not only on bringing unskilled people back into the labour market, particularly the long-term unemployed, by making them more attractive to employers, but in bringing unmet need — new entrepreneurial and social activity — to the market.

Done correctly, and informed by social justice, all this could help transform today's passive schemes of unemployment insurance into more active, more strategic, re-employment systems, allied to more positive and imaginative tax and welfare relationships. The costs of such an approach would be a small fraction of what we have been spending merely to extend unemployment benefits for those who have lost jobs.

Again the European Council urged action to address long-term unemployment, and, particularly, stressed the vital issue of engaging young people in active society. With youth unemployment double that of adults in Europe, we must find new ways to give young people their first step in the labour market, while at the same time avoiding the possibility of job substitution and consequent wage instability.

The new Youthstart programme focuses on this issue. It requires, as do many of the initiatives now being pursued by the Union, the full weight of Social Partners' support to be effective.

These are only examples, though important ones, of what a new employment strategy, aimed at eradicating the developing two speed and dual society Europe, would entail.

It must be clearly focused on developing the labour force required to ensure that the jobs potential of the Single Market, and impending Economic and Monetary Union, are realised for consumers, investors, workers and society. Strong productive employment is not simply or simplistically a criterion for EMU, it is a prerequisite for a successful Economic and Monetary Union.

We now have a unique opportunity to make real progress on these fronts, by utilising fully the positive economic climate which now exists. The recovery which began in mid-1993 is now being transformed into robust economic growth, with 2.7% growth last year now projected to be 3.1% this year and 2.9% in 1996, by which time real output in the Union will be almost 10% above the 1991 level.

This provides a window of opportunity to focus clearly on unemployment problems and employment potential. I believe we ignore this opportunity at our peril, particularly since we now have some of the building blocks to make the economic policy and labour market changes which can address the single greatest problem which preoccupies all our people: jobs.

This report will contribute greatly to our understanding of how our systems are working and not working. It has many important messages for policy — all based on fact, on analysis — which I hope will be fully utilised in developing our collective efforts, and building new policy and practice as we move towards the Madrid Council. It is only through such collective effort that we can build confidence, and meet the aspirations of investors, consumers, workers and citizens for a productive, working European Union.

Pádraig Flynn

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Acknowledgements

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Summary and conclusions: trends and strategies

After three years of falling employment and rising unemployment throughout the European Union, the recovery in economic output which has spread to most parts since mid-1993 has already begun to raise the rate of net job creation. In the majority of Member States, unemployment rates have either stabilised or fallen slightly in the first part of 1995. The number out of work in the Union as a whole, however, still stands at over 18 million, almost 11% of the work force and, though the prospects over the next year or two are for some increase in the growth of employment, the number seems unlikely to decline very rapidly in the near future.

Unemployment, therefore, remains the major economic — and social — problem confronting the Union. The means of achieving a higher rate of employment growth, sustained over a long enough period to bring the numbers out of work down to acceptable levels, will, therefore, be a primary issue of policy concern for some time to come.

While countries in the Union face a common problem, however, its scale and characteristics vary a good deal between countries, and between regions within countries, as do the potential for generating increased rates of job creation and the appropriate policies to pursue. This diversity makes it essential to examine trends in each Member State individually if an insight is to be gained into the prospects for achieving higher levels of employment on a sustained — and sustainable — basis in the Union as a whole.

At the same time, the differing nature of the unemployment problem and of the way in which it has been perceived has led to a range of policies being adopted to tackle the problem and, therefore, to a diversity of experience in terms of the results achieved and the difficulties encountered in implementation. Such diverse experience potentially represents a valuable pool of information for Member State governments contemplating changes in policy in this area, enabling them to learn from what has happened elsewhere. This potential, however, has so far not been fully realised.

These two considerations underlie the request of the European Council at the Essen meeting in December 1994 for the Commission, in cooperation with the Member States, to review labour market developments in the various parts of the Union on an ongoing basis and the national policies being followed to address employment problems. This Report is intended to contribute to the process of building up a common pool of information by focusing on what has happened in the recent past to employment and unemployment in individual Member States and the measures which have been introduced in this area. As such it differs in some degree in terms of format from reports of previous years, though it retains the same emphasis on quantitative analysis of developments which is critical both for a better understanding of employment problems and the formulation of more effective policies.

A major focus is on the key policy areas which, building on the analysis in the Commission White Paper, *Growth, Competitiveness, Employment*, were identified in the conclusions of the Essen Council meeting as being of critical importance for tackling the Union's employment problems. These are considered in turn below after reviewing recent employment developments across the Union.

Outline of report

In Part I of the Report, the latest labour market developments in each of the Member States of the Union are examined on the basis of the most timely statistical information available, in order to review their performance in achieving employment objectives. Such objectives, it should be emphasised, cannot be couched simply in terms of achieving a particular growth of employment or reduction in unemployment. There are a number of other aspects which are no less important, such as the growth of employment relative to the demand for jobs, where jobs are expanding or declining, the changing terms and conditions of employment and the differential impact of job creation on different groups in the labour market.

All of these aspects are examined in Part I so as to provide a basis for assessing the effectiveness of employment policy overall. The

intention is that this examination and the aspects identified as being of major importance for policy assessment should form the foundation of an ongoing review of employment developments in the Member States.

Part II examines specific measures of policy action aimed at tackling employment and unemployment problems introduced in the Member States in the recent past, focusing on the policies implemented in the areas for action identified by the Essen Council as being of key importance.

Part III contains a more detailed analysis of two specific issues singled out by the Council to be of particular importance, the first being the relationship between employment, systems of social protection and labour costs, the second the scope for job creation in activities relating to the protection of the environment.

Recent changes in employment in the Union

The recent recession had a severe impact on employment in most Member States. The numbers employed in the European Union as a whole declined by 4% in the three years 1991 to 1994, twice as much as any previous fall over a comparable period since the war. As a result, 6 million jobs — some 60% of the 10 million or so net increase in jobs generated during the record period of employment expansion between 1985 and 1990 — were effectively lost over this period.

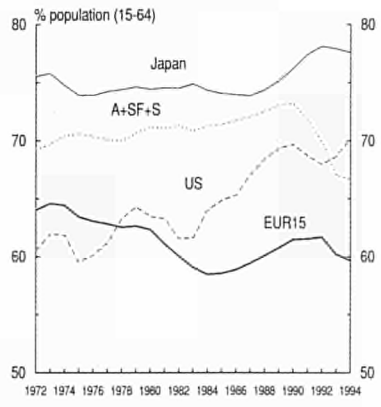
Around 800 thousand of these lost jobs were in two of the new Member States, Finland and Sweden, where the recession started earlier than elsewhere and where employment had already fallen by 350 thousand between 1990 and 1991, a further million in the former East Germany.

Older Member States also suffered similarly large job losses: Italy, a fall in employment of over 1.7 million in the three years 1991 to 1994, the UK, one of almost 900 thousand — following a decline of almost the same size in the previous year — Spain, a fall of over 800 thousand and the former West Germany, one of almost 600 thousand. Three of the countries, Germany, Spain and the UK, which accounted for over 60% of the increase in employment in the Union as a whole between 1985 and 1990 (each experiencing a rise of around 2 million), were, therefore, responsible for much of the subsequent job loss. Although not all Member States suffered an absolute fall in employment, in none of them was the increase large enough to prevent unemployment from rising.

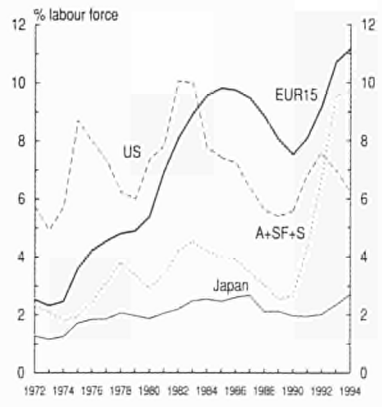
A rough measure of the success of economies in providing jobs for their citizens is the ratio of employment to population of working age — the employment rate. Across the Union as a whole, the employment rate peaked at 62% in 1992 and fell to under 60% in 1994, after 8 years of continuous increase. This compares with rates of 70% in the US and 78% in Japan (Graph 1).

While the present expectation is for employment in the Union to increase in 1995 — by around 1% or so on average — this will compensate only to a relatively small extent for the job losses suffered over the preceding three years and will serve to raise the employment rate at most only slightly in relation to the level in the US, let alone Japan.

1 **Employment rates, 1972-94**



2 **Unemployment rates, 1972-94**



Recent changes in unemployment

The widespread fall in employment led to a steep rise in unemployment in the Union. After falling to 7½% in 1990 from a peak of just under 10% in 1985, the average rate rose to a new peak of just over 11% in 1994. By contrast in the US, unemployment fell to under 6½% in 1994 and in Japan, it remained below 3% (Graph 2).

The increase in unemployment was particularly pronounced in Finland

and Sweden, the rate rising from 3½% to 18½% in the former, from under 2% to almost 10% in the latter, in both cases after many years of unemployment below the Union average. In the former East Germany, unemployment rose from under 11% in 1991 to almost 16% in 1994. At the same time, in Spain, which had enjoyed a particularly large fall in unemployment in the late 1980s, the rate rose from just over 16% to over 24%.

Since the peak rate reached in the Spring of 1994, unemployment in the Union has come down, but only very slowly. At the latest monthly count (May 1995), the average rate was still almost 11%, only marginally below the level a year earlier. Although growth of GDP in the Union seems to have resumed in mid-1993, this as yet has had a minimal impact on the numbers out of work.

Only in five Member States, Denmark, Spain, the Netherlands, Finland and Sweden, did unemployment (on a seasonally-adjusted basis) fall by more than 0.1% of the labour force, in the first five months of 1995. In the others, it either remained unchanged or increased, in Portugal, by as much as 0.6%.

So far this slow and far from universal fall is very much in line with the experience in the previous period of recovery from the mid-1980s on. Then it took three years after unemployment had reached its peak for the rate to begin to fall significantly. On that experience, it may not be until the middle of 1997 that major reductions in unemployment occur. It is not inevitable that history should repeat itself, but present forecasts of employment growth in 1995 and 1996 are no higher than that experienced last time round.

Employment of men and women

A long-term trend in the Union has been for the number of men in employment to decline and for the number of women to increase. In the ten years before 1985, the number of men employed fell by 4%, while the number of women expanded by 10%. In the years of high job growth at the end of the 1980s, the trend decline in male employment was halted and the number in work went up by 4½%. Since 1990, however, the long-term trend has resumed and the number of men in employment has fallen markedly. While the employment of women has also fallen, the decline has been very much less.

The main proximate cause of the increased employment of men in the late 1980s was the growth of jobs in industry where men account for 75% of the work force. In the ten years before then, employment in industry fell significantly resulting in large scale job losses for men. Though the number of men employed in services increased, this was not enough to offset this fall coupled with the substantial decline in agriculture. Between 1987 and 1990, in the years of high net job creation, employment in industry increased by 6% and the number of jobs in the sector filled by men by 5%. As a result, the overall employment of men expanded, though still by only half as much as that of women, whose share of new jobs was more than their existing share of employment in both industry and services.

In the period of recession between 1990 and 1994, jobs in industry fell by substantially more than the rise over the preceding three years. As in the past, this hit men much more than women and in consequence the number of men in work declined by 5%. During the same period, the number of women employed fell only marginally. Though service jobs for women continued to expand over this period (by 1½% a year, around four times the rate of growth of jobs for men in this sector), this was not sufficient, unlike in the past, to compensate for the reduction in jobs in industry and agriculture. Nevertheless, the proportion of jobs in both industry and services filled by women as opposed to men increased at a faster pace during this period than in earlier years.

This tendency was common to most Member States and in every case, women have increased their share of employment in services in recent years. As described below, an increasing proportion of these jobs have been part-time rather than full-time. How far the growth in employment of women in services is a consequence of their much greater readiness to work part-time and how far, on the contrary, the increased importance of part-time working is itself a result of women wanting to work part-time — in other words, whether the main underlying factor is an increased demand for women or an increased demand for part-time workers — are questions which remain unanswered. However, it is significant that the share of women in employment has increased everywhere, even in countries where part-time working is relatively unimportant.

For men, given the long-term reduction of jobs in industry, which there is little reason to expect to be reversed, the answer is of some importance and is a major issue underlying their job prospects in future years.

Unemployment of men and women

Despite the larger job losses suffered by men, the rate of unemployment among women remains higher (averaging around 12½%) than for men (averaging just over 9½%) reflecting divergent trends of men and women in the labour force, as described below. The only Member States where the reverse is the case are Finland, Sweden and the UK. Since the peak unemployment rate in 1994, however, the rate for men has fallen slightly more than that for women. On past experience, this would be expected to continue to be the case for the next year or two as manufacturing output and jobs begin to recover and as increasing numbers of women are attracted back into the labour force by the prospect of employment opportunities.

Employment and labour force growth

The numbers in the labour force, which expanded by almost 1% a year in the second half of the 1980s as employment increased, contracted during the recession years between 1990 and 1994. The lack of job opportunities seems to have persuaded a significant proportion of men in particular either to withdraw from the labour force or to delay entry. At the same time, the upward trend in the proportion of working-age women looking to work, which had persisted at a relatively high rate throughout the 1980s slowed appreciably during these four years. These developments had a marked effect in preventing unemployment from rising even more than it did during this period.

The fall in labour force participation which underlies this reversal of trend was especially marked among young people under 25. The reduction in the proportion of this age group joining the labour market, which occurred in all Member States apart from Greece and Luxembourg, was by itself responsible for a reduction in the Union's work force of 3 million over this period, considerably more than in preceding years. Almost all of this decline in participation was mirrored in an increase in the proportion remaining in education and training, which in most parts of the Union, rose at a higher rate than previously (as described further below).

Participation also declined among older men of 55 and over, again at a higher rate than in earlier years, so reflecting an accelerating trend towards early retirement as men in this age group losing their jobs had increasing difficulties finding new ones. Between 1990 and 1994, the number of men in the labour force aged 55 and over fell in all Member States except Germany, Greece and Ireland, and only in the former was there any significant rise in numbers.

More disturbingly perhaps, significant numbers of men of prime working age, between 25 and 54 also withdrew from the formal labour market. In all countries in the Union, participation of men in this age group declined, the fall being especially marked in Italy, Ireland and the UK. In total, this was responsible for reducing the Union's work force by almost 1.2 million over this period.

These developments had an important effect on unemployment during the recent recession. Between 1991 and 1994, the effect of withdrawal from the labour force was dramatic. During this period, employment fell by 6 million and unemployment rose by 5 million; the labour force, therefore, declined by 1 million. Given the growth of working-age population and trends in rates of participation, the Union's labour force would have been expected to expand by some 4 million. In other words, without the increased withdrawal of young people and men aged 25 and over, there would have been 5 million more people in the work force in 1994 than there actually were.

These developments also have potentially important implications for labour force growth over the short and medium-term as the Union economy recovers and as the rate of net job creation increases. On the experience of the 1980s, sizeable numbers of those who have been seemingly encouraged by the lack of employment opportunities to withdraw from, or not to enter, the labour market could be attracted into the work force as more jobs become available. If this occurs, then just as in the latter part of the 1980s, it could appreciably reduce the extent to which unemployment comes down as employment expands. If it occurs at a similar rate as between 1985 and 1990, the employment growth which is now forecast for 1995 and 1996 will have only a minor effect on the rate of unemployment. Thus between 1985 and 1990, the labour force expanded by almost 1% a year or only just below the employment growth now expected, implying the possibility of only a very small reduction in unemployment as measured.

This is not to imply, of course, that such employment growth is not beneficial, still less that labour force

growth should be held down by some means. Rather it indicates the substantial numbers of people who do not appear in the unemployment figures but who, nevertheless, would like to work if jobs were available.

Re-employment: a strategy for the Union

Five key areas of policy were emphasised at the Essen Summit as being of major importance for tackling the Union's employment problems:

- *improving employment opportunities for the labour force, by promoting investment in vocational training. To that end a key role falls to the acquisition of vocational qualifications, particularly by young people. As many people as possible must receive initial and further training which enables them through life-long learning to adapt to changes brought about by technological progress, in order to reduce the risk of losing their employment*;

- *increasing the employment intensity of growth, in particular by:*

  - *a more flexible organisation of work, in a way which fulfils both the wishes of employees and the requirements of competition;*

  - *a wage policy which encourages job-creating investments and in the present situation requires moderate wage agreements below increases in productivity;*

  - *the promotion of initiatives, particularly at regional and local level, that create jobs which take account of new requirements, e.g. in the environmental and social-service spheres;*

- *reducing non-wage labour costs extensively enough to ensure that there is a noticeable effect on decisions concerning the taking on of employees and in particular of unqualified employees;*

- *increasing the effectiveness of employment policy by avoiding practices which are detrimental to the readiness to work, and by moving from a passive to an active labour market policy. The individual incentive to continue seeking employment on the general labour market must remain. Particular account must be taken of this when working out income-support measures. The need for, and efficiency of, the instruments of labour market policy must be assessed at regular intervals;*

- *implementing particular measures necessary to help young people, especially school leavers who have virtually no qualifications, by offering them either employment or training. The fight against long-term unemployment must be a major aspect of labour market policy. Varying labour market policy measures are necessary according to the very varied groups and requirements of the long-term unemployed. Special attention should be paid to the difficult situation of unemployed women and older employees.*

These points form the focus of the remainder of this Report.

Point 1: Improving employment opportunities for the labour force

Young people

The significant reduction in participation in the labour force of young people under 25, as noted above, was associated with an equally large increase in the proportion of those remaining in education and training rather than seeking employment. In some degree, this reflects the policy effort in all Member States to extend the provision of education and initial training for young people to improve their chances of both finding, and remaining in, work (see Part II, Section 1 for details of the policy followed in different parts of the Union and the measures introduced in recent years).

This policy aim is inspired by two related features of the labour market in Member States which are becoming increasingly pronounced. In the first place, unemployment rates among those with no educational or vocational training qualifications beyond basic secondary schooling are much higher than for those with such qualifications. In 1994 in the Union as a whole, 13% of those of 25 and over in the labour force without any further qualification were unemployed as compared with 9% of those with additional qualifications and less than 6½% of those with university degrees or the equivalent.

Secondly, there is a strong long-term shift in the structure of jobs from less skilled to more skilled. The share of managerial, technical and professional jobs in total employment has increased progressively over time in all Member States and the upward trend shows no sign of abating.

The growth in the provision of education and training opportunities for young people has led to almost 70% of teenagers between 15 and 19 in the Union being in full-time education or training in 1994 as against only 60% in 1987. As a result, 95% of those in this age group who were classed as economically inactive were receiving further education or initial training. In most Member States, participation in education and training has increased in recent years at the same rate or faster than participation in the labour force has fallen. There are, however, exceptions. In Denmark, Ireland and the UK, especially after 1990, the rise in those remaining in the education system was less than the proportion leaving the labour force. The relative numbers of those who were genuinely inactive (neither in the labour force nor receiving education or training), therefore, expanded. Though in Ireland and the UK, the increase was small, in Denmark, the proportion rose from under 2% of the teenage population to 8%.

Moreover, it remains the case, despite government efforts, that the proportion of teenagers who are, in this sense, fully inactive varies markedly across the Union. Despite tending to come down, it remains highest in the four Southern Member States together with Denmark and the UK, at 5% of those in this age group. In the other Member States, by contrast, the figure is only around 2%.

More disturbingly, only 72% of those aged 20 to 24 who were not economically active were in full-time education or training. One in ten, therefore, were non-participants in either the labour force or education. In Greece and Italy, the figure was around one in six, in the UK, one in eight as compared with less than one in 20 in Denmark and the Netherlands.

While the recent increase in the proportion of young people remaining in education and training beyond basic schooling is in line with policy across the Union, it is open to question how far, in practice, it mainly reflects a lack of job opportunities. To the extent that this is the case, participation in education beyond basic schooling may decline or rise at a slower rate in the near future as economic recovery occurs and more jobs become available. The scale of this possible change, however, differs between Member States according to the school-leaving age.

Equal opportunities for women

Women for the past 20 years or more have accounted for the entire growth of the Union's work force and are likely to continue to do so in future years. The future productive potential of the economies of Member States, therefore, is linked to a major extent to the skill levels of women. In the light of this as well as for reasons of equity, it is important that women have equal access to education and initial training and to continuing training throughout their working careers (for details of policy in Member States, see Part II, Section 1).

Over the Union as a whole, the same relationship between the chances of being unemployed and educational attainment levels is as evident for women as for the work force as a whole, although unemployment rates are still higher for women than for men with similar educational attainment levels. In 1994, 14½% of women with no qualifications beyond basic schooling were unemployed, just over 7½% of those with university degrees or the equivalent, while the comparable figures for men were 12% and under 5½%.

Education is, therefore, not sufficient to overcome apparent discrimination, but it helps. Prospects for women's employment in relatively low skilled activities such as sales and general services are, in fact, better than for men, but while growth in these areas may help to absorb the large numbers of women unemployed, whether openly or hidden, there is also a need to increase the opportunities for women in middle and higher level jobs.

There is a similar trend towards more jobs for women as for men being in the managerial, technical or professional category, requiring more extensive education and higher skill levels. Within this category, however, a much lower proportion of women than men are employed as managers (or legislators). In 1994, only 5% of women in employment were classified to this occupational group as opposed to 8½% of men, while just under 16% of women worked as technicians as against just under 12% of men and a slightly higher proportion of women than men were classed as professionals.

Overall, therefore, proportionately more women than men are employed in jobs likely to require relatively high levels of skills and qualifications. At the same time, more detailed study suggests that a much smaller proportion of these women than men work in private business as opposed to the public sector — in education, for example — and that, in general, their level of authority and responsibility tends to be lower than that of men.

Nevertheless, in almost all countries in the Union, participation rates of women of 15 to 24 in education and training are similar to those of men, though, in general, fewer study science, engineering and technology-related subjects. Equality in the acquisition of initial educational qualifications has, therefore, either already been achieved or is in process of so being. Equality for women in securing access to jobs commensurate with their skill levels remains. Women who leave the labour market when they have children face particular problems when they return. The emphasis on life-long learning which has been called for could help insofar as it enabled women to update and improve their skills, which implies that it is important for such learning opportunities to be available for those outside the labour market as well as those inside.

The same is the case for active labour market measures which tend to concentrate, in some countries, on those registered as unemployed rather than on those who might not be registered but who are still interested in seeking work. Nevertheless, in several countries, eligibility for training and work experience programmes has been extended to women returners whether registered as unemployed or not and in some cases special programmes targeted at women have been introduced. Much, however, remains to be done.

Improving the effectiveness of training systems

A common tendency in Member States has been to try to make training provision more responsive to local and individual needs. This has been associated with a widespread devolution of delivery to the regional and local level, together with the increased involvement of the business community both to advise on the content of courses and to play a more active part in training itself. At the same time, there is a growing emphasis in many Member States on individuals taking a greater responsibility themselves for identifying and meeting their own training needs. Moreover, advantage has been widely taken of new technologies and more flexible forms of learning (using, for example, a variety of different media) in order to reduce learning time and improve access.

Accelerating changes in technology and the intensification of international competition have together increased the pace of structural change in the economy and the need for the work force to learn new skills. As a result, there is increasing concern in Member States to ensure that the training provided is relevant to changing labour market requirements both through monitoring quality and through trying to forecast new demands.

Towards life-long learning

These same concerns have led to growing emphasis not only on the education and initial training of young people but also on the need for continuing training throughout an individual's working career. This is encouraged in some Member States through statutory entitlement to training or study leave (in Belgium and Denmark, for example), in most through collective agreements between the social partners. In addition, financial incentives in the form of tax relief on expenditure are widely available, funded in part by levies on firms.

Nevertheless, the evidence suggests that both access to continuing training and its focus are closely related to educational attainment levels, so that the least qualified and those most vulnerable to changing skill needs are the least likely to receive it.

This seems also to be the case for those employed in small companies, which account for 70% of employment in the Union and which are the main source of new job creation, because of the relative lack of resources, both human and financial, to provide adequate training. In a number of Member States, therefore, such workers are included in priority groups for publicly-funded provision. This illustrates the common tendency for life-long learning to be a shared responsibility between government, business and employers' organisations, trade unions and individuals.

Point 2: Increasing the employment-intensity of growth

Output and employment growth in the Union

Over time, the growth of employment in the Union has closely mirrored the growth of GDP. A rise in GDP growth has usually been followed by an increase in employment some time later, the full effect taking a number of years to come through fully. Though the response of employment to a change in the growth rate varies between Member States, the relationship between the two at the Union level — and in most Member States — has remained fairly constant over the past 15 years, with annual GDP growth in the Union as a whole exceeding annual

employment growth by around 2%, reflecting the underlying increase in labour productivity (or more precisely, output per person employed) (Graph 3, in which GDP growth is lagged 6 months to allow in some degree for the delayed response of employment to a change in output).

In the latter part of the 1980s, during the period of high net job creation, labour productivity growth averaged slightly under 2% a year across the Union as a whole, lower than during earlier periods of economy recovery and helping to increase the numbers in work. In the four years between 1990 and 1994, the rate of labour productivity growth was much the same. Employers, in other words, appear to have adjusted their work forces downwards in line with the depressed rate of output growth.

This contrasts with the experience in the US and Japan. In the US, the growth of labour productivity has been consistently below the rate in the Union over the past 20 years, averaging only just over ½% a year. In Japan, where labour productivity in the 1980s grew by consistently more than in the Union at an average of over 3% a year, it declined in the years of recession between 1992 and 1994. While GDP remained virtually constant, the number in employment increased slightly and unemployment was held down.

3 Changes in GDP and employment, 1980-94

The difference in experience between Europe and these two countries was particularly marked for non-manufacturing sectors where most of the job growth occurred. In the US, especially, labour productivity growth in manufacturing — where a relatively high proportion of output is traded internationally and where accordingly the maintenance of competitiveness is of particular importance — was similar during the 1980s, at around 3% a year, to the average in the European Union and fell only slightly in the recent recession. Growth of labour productivity in the Union in manufacturing during the recession was much the same as during the preceding period of upturn. In Japan, on the other hand, where labour productivity in manufacturing increased by more than 6% a year between 1987 and 1990, it fell substantially to only around 1½% a year during the recession.

By contrast, in non-manufacturing, labour productivity growth in the US has averaged under ½% a year since 1980, well below the annual average in the European Union of 1½%. The employment-intensity of growth in these sectors where most of the output is not traded internationally has, therefore, been considerably higher in the former than the latter. In Japan, as recession has hit, productivity growth has declined to zero or below, so maintaining levels of employment.

The experience in Member States

The evidence of the last 15 years is that a high rate of GDP growth is not a sufficient condition for maintaining a high level of employment. On the other hand, no country in the Union has succeeded in this aim over this period without achieving a certain minimum rate of economic growth. In the second half of the 1980s, no Member State increased employment by significantly more than 1% a year without average growth of around 3% a year or more. In the 1990s, few Member States have managed to achieve any expansion of employment at all.

At the same time, there were significant differences between countries in the employment-intensity of the growth which was achieved or, in other words, in the rate of increase in labour productivity. According to the data used here, during the years of recession between 1990 and 1994, in Ireland, GDP growth of 4% a year was required to achieve any increase at all in employment, in Denmark, Spain, Italy and Sweden, 2½%, in Belgium, Germany, Finland and the UK, around 2%, while in Luxembourg and the Netherlands, employment rose at much the same rate as GDP. This picture of marked differences in productive growth in the 1990s is little altered if a different measure of employment — and productivity — is used instead.

The means to increased employment-intensity

All countries in the Union have confronted the dilemma that attempting to raise the employment-intensity of growth may conflict with the equally important aim of trying to achieve high rates of productivity increase in order to maintain and improve competitiveness and thereby boost output growth and the rate of job creation. A possible way out of this dilemma is to focus efforts

to raise employment on sectors of the economy with traditionally high labour intensity.

In all three new Member States, labour productivity growth in manufacturing was much higher than in non-manufacturing during the period 1990 to 1994, as over the preceding five years. All three, therefore, succeeded in combining relatively high employment-intensity of growth in the non-manufacturing sector with relatively high productivity growth in manufacturing. This was also the case in Luxembourg and the Netherlands, where despite labour productivity in the economy as a whole not increasing at all in the 1990s, in manufacturing, growth of around 2% a year has been achieved.

How far the differential rate of growth of productivity has been the result of a conscious employment policy in these Member States is hard to judge, but in these countries relatively high priority has been attached to maintaining high levels of employment and, as noted below, a number of measures have been taken to encourage more people to be employed at a given level of output. Though in Finland and Sweden, employment has fallen in the 1990s and unemployment has risen substantially, this has been in the context of a much deeper recession than in most other parts of the Union (GDP declined by 3½% in Sweden between 1990 and 1994, by over 10% in Finland).

The difficulty is that maintaining employment might raise the costs of production, which in turn has implications for an economy's competitiveness. Moreover, even if the sectors concerned are not directly engaged in international trade they may, either directly or indirectly, supply the sectors which are involved. Equally, a growing number of service activities are becoming internationally traded which further narrows the scope for action, though in many of these sectors low costs *per se* tend not to be the main determinant of competitiveness.

At the same time, the effect on production costs in the traded-output sectors of higher than minimum costs in other parts of the economy will in many cases be very small. Moreover, the possible alternative of having large numbers of people out of work will also affect an economy's competitiveness, not only because of the costs of supporting them but also because of the social unrest and tension which is likely to be caused.

A further approach, which is complementary rather than an alternative, is to seek to increase the number of people employed for a given level of labour input — in other words, to share the available work between more people by reducing the average time that each person works. As noted below, a number of Member States have pursued such a policy, if in some cases to a limited extent, though, as also noted, there are potential problems in trying to enforce working hours centrally.

A key aspect of such an approach is to minimise the effect on production costs of more people being employed for a given level of output. This involves trying to avoid any increase in the average cost *per hour* worked, which effectively means reducing wages *per person* employed. It may also involve encouraging the use of more labour in the production process and less capital — in other words, a substitution of labour for capital which is the reverse of the prevailing tendency — and, therefore, to compensate for a reduction in labour productivity by a rise in capital productivity. The difficulty here is that in many sectors there may be only limited scope for substituting labour for capital without reducing overall productivity and raising production costs, though in the present state of knowledge, and the lack of any reliable way of measuring capital productivity, it is impossible to identify what that scope is.

Nevertheless, the key to sustained employment growth in the long-term is the expansion of highly productive, competitive sectors, which create jobs directly but even more importantly underpin employment creation in other sectors of the economy through the income they generate.

Reduced working time as a means of increasing employment

A widespread, though very gradual, trend is evident across the Union towards greater flexibility in working time arrangements. Though increased flexibility does not inevitably lead to a reduction in average working-time and, therefore, to more people being employed for any given level of output, the trend has been accompanied by a growth of part-time working, a reduction in the standard full-time week and the introduction in a number of countries of career break options. Although in many Member States, working time is a matter for negotiation between the social partners, there are a number of ways in which governments can influence developments, in particular by removing legislative or regulatory obstacles to a reduction in average hours worked (including, for example,

over part-time working and the rules governing entitlement to social security benefits), by setting an example in the public sector and by publicising the possibilities and potential benefits of people working less.

While in a number of Member States, legislation has also been introduced in this area, this has tended to take the form of trying to limit the maximum number of hours worked per day or per week primarily for health and safety reasons rather than specifically to increase the number of people in work. In general, governments have recognised the potential effect on costs and efficiency in certain sectors of seeking to impose reductions in working time centrally. In other words, there is widespread acceptance of the fact that the scope for reducing average hours worked differs between sectors as do the potential costs, or, in some cases, benefits.

Though the precise impact on jobs is hard to estimate, average hours worked have tended to decline over the long-term in the Union and this has contributed to increasing or maintaining the total number of people in employment. Over the period of high employment growth between 1985 and 1990, average hours worked declined from just under 40 per week to 39. Almost all of this decline occurred in non-manufacturing sectors, where average time worked fell by a full hour per week, so potentially adding 2½% to the number of people with jobs (assuming no change in labour productivity).

In the subsequent four years of recession from 1990 to 1994, although average hours worked per week fell, the rate of reduction was less than in the preceding period. In manufacturing, they remained virtually unchanged. In non-manufacturing, they declined by just over half an hour per week, so potentially adding a maximum of around 1½% to the numbers in employment (again given no change in labour productivity) and possibly helping to prevent even larger job losses during the recession. In general, however, there is little evidence that reductions in working time were a major factor in preserving jobs over this period or that the use of temporary short-time working to keep people in jobs was widespread. Indeed, in the depth of the recession in 1993, the average reduction in time worked across the Union as a whole because of slack working amounted to just three minutes a week. This is not to deny, however, that in some sectors in some countries, the effect might have been important.

Indeed the reduction in average hours worked in the Union which has occurred conceals marked differences between Member States. Between 1990 and 1994 — when depressed real income growth and uncertainties about future job prospects may have made it more difficult to get agreement among workers for reduced working hours and when increased cost pressures may have reduced the willingness of employers to move in the same direction — there were reductions in average hours worked per week in all Member States except Denmark and Greece where they increased slightly. However, the reduction overall amounted to more than 2% over this period in only two countries, Portugal and Ireland (where it was as much as 4%). In most countries, the limited decline which occurred was confined to non-manufacturing sectors, where it was in large measure associated with an expansion of part-time working.

The measures introduced

Though the impact may have been limited across the Union as a whole, especially since 1990, efforts have been made in a number of Member States to reduce working-time as a means of expanding the numbers employed. In most cases, in the past these have been directed at influencing the outcome of collective agreements and in many countries, such as Denmark, Germany, France and Belgium, reductions in the normal working week were made in a number of sectors during the 1980s.

Moreover, in some countries (eg France and Belgium), governments have encouraged employers to participate in collectively agreed reductions in hours worked per employee, conditional on the creation of additional jobs, through the incentive of lower social charges on such jobs.

There have also been a number of recent attempts to increase the flexibility of working time arrangements in countries where these are subject to legislation, such as in Spain, Finland and Sweden. At the same time, in Austria, France, Germany, Italy, Portugal and Spain, short-time working was subsidised during the recession in order to keep people in employment, though in none of these countries was the number of people affected large enough to have a significant effect on average working time overall.

A policy with a longer-term focus, directed at reducing not hours per week but the amount of time worked over a person's lifetime (by rearranging when time is worked or by adopting a longer period than a month for reference — eg a year), has been introduced recently in a few

Member States, specifically, in Belgium, Denmark and Sweden and are being actively discussed in Finland. In most countries, there has been increased focus of attention on part-time working. While in many cases basic conditions of employment may be not greatly inferior to those for full-time workers, it is, nevertheless, the case that part-time employees may be penalised in a number of ways, such as in terms of their career prospects or exercising their trade union rights. A widespread aim, therefore, has been to make part-time employment more attractive, either through promoting its acceptance by employees and employers alike (as in the Netherlands over many years or in Germany more recently), or through incentives, such as reductions in social contributions or wage subsidies (as in France, Italy and Belgium) or through using employment in the public sector to promote part-time job creation (as in the Netherlands).

In many cases, policy is directed at encouraging older employees to work part-time rather than full-time to free up jobs for younger people either through paying benefits to those who take up partial retirement or subsidising wages (as in France, Belgium, Portugal — where it is linked to the older person training someone younger — Denmark, Sweden, Spain, Finland and Austria).

Growth of part-time working

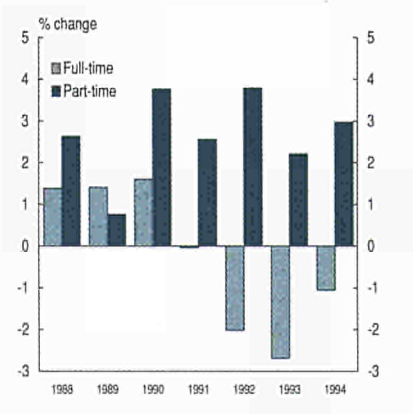
This widespread emphasis on promoting part-time employment is reflected in employment trends. One of the most marked features of labour market developments over the past decade has been the growth of part-time working, especially during the recent recession when they seem to have provided a more flexible means for employers to adjust their work forces in line with demand. In a number of Member States, however, especially in the South of the Union, it remains comparatively rare. In Spain, Italy and Portugal, it still represents under 8% of employment and in Greece under 5%, in contrast to 21% in Denmark, 24% in the UK, 25% in Sweden and 36½% in the Netherlands.

Over the growth period in the late 1980s, 20% of the net additional jobs created in the Union were part-time. Women filled 95% of these and one third of the increased numbers of women entering employment during this period went into part-time work. In the Netherlands, the proportion was as high as 75% and, more significantly, in Germany, where the importance of part-time was less than the Union average, 83%. In both these countries, moreover, part-time jobs accounted for a relatively high share of the increased employment of men — 47% in the Netherlands and 23% in Germany. On the other hand, in Denmark, Sweden and the UK, where it was high, the proportion of women in employment in part-time jobs went down, as it did in Spain, Portugal and Luxembourg, where it was low.

In the period of recession, 1990 to 1994, the growth of part-time working was much more significant. Whereas the total numbers in employment fell, part-time jobs increased (Graph 4). Moreover, the rise was general across the Union. Except for Denmark and Sweden (where the fall was much less than for full-timers), all Member States experienced an expansion in the numbers in part-time employment. In 7 Member States, Belgium, Germany, Spain, France and the Netherlands, Italy and the UK, either all or almost all of the increase in jobs for women over this period were part-time, in the latter five countries, the number of women in full-time jobs falling. In Ireland and Portugal, growth of part-time jobs accounted for more than half the increase in employment of women. Only in Denmark was there a fall in part-time working among women during these years. The fall, moreover, has been substantial (from 38% to 28%) and has potentially important implications insofar as it signifies that growth of part-time working among women is not an inevitable tendency as economies develop. (In Sweden also, the relative number of women in part-time jobs is less than ten years ago.) It may be significant that in Denmark the reduction has been accompanied by a fall in what constitutes normal full-time hours to 37 hours a week — the lowest in the Union.

Elsewhere, the growth of part-time working was of major importance in preventing the employment of women declining significantly over the recession period. However, the number of men working part-time also increased, while in all but Luxembourg, the Netherlands and Greece, the number of men in full-time work declined, in many

4 Growth of full and part-time jobs, 1988-94



cases substantially. This is a new phenomenon not evident in previous years. Whether it is related to the depressed level of economic activity or whether it marks the beginning of new trend towards part-time working among men as well as women will only become clear with time.

The growth of part-time working raises a number of issues to do not only with reductions in working time and work-sharing, but also with the terms and conditions of employment attached to such jobs and the status of the people taking them up. From one perspective, part-time jobs are a means of enabling women especially but also some men to more easily reconcile family responsibilities with working careers — and the need to earn income — while at the same time enabling employers to organise their businesses more flexibly and to make more effective use of fixed capital and equipment (business premises as well as plant and machinery). From another perspective, they represent inferior jobs with limited career prospects which are taken up only because those concerned have no alternative option.

The Community Labour Force Survey throws some light on these issues. In 1994, two-thirds of all women working part-time were doing so because they did not want a full-time job, though only one-third of men. In the two countries where such jobs were most prevalent, however, the Netherlands and the UK, 80% of women in part-time professed to not wanting a full-time job. At the same time, only one in seven women had taken up such a job because they had been unable to obtain a full-time one.

Temporary jobs

A third of the additional jobs which were created in the Union over the growth years 1987 to 1990 were temporary, or rather fixed-term, and 40% of the additional jobs for men. Three-quarters of these extra jobs, however, were in one country, Spain. Only in two other countries, France and Portugal, was the expansion of temporary working of any significance over this period. In the subsequent four years, only in the Netherlands was there any marked growth of temporary working, though there was also some expansion in Ireland, Spain and Italy. Overall, however, the proportion of jobs that were fixed-term fell over this period.

In 1994, only 10% of men and 12% of women in employment worked in temporary jobs. Only in Spain, where at 30% it was considerably higher than in the rest of the Union, Denmark and Finland (where it was just over 11%) was the proportion of men employed in such jobs above 10%. For women, for whom fixed-term jobs were more prevalent, the share of such jobs in the total was over 10% in nine Member States — in Finland it was 14%, in the Netherlands 15% and in Spain as high as 37%.

These figures, however, need to be interpreted with some caution. To a large extent, the variation in the importance of fixed-term contracts which exists across the Union reflects differences in labour market regulations and customary practices. In no sense are they an indicator of the instability or precariousness of employment. In most countries, employers have little need for recourse to temporary contracts to be able to adjust their work forces in line with orders. Indeed, fixed-term contracts of lengthy duration may pose more constraints on companies than normal contracts of employment. Thus both the substantial growth of temporary jobs in Spain during the latter part of the 1980s and the marked increase in France were symptoms of the particular employment legislation that prevailed at the time. The marked reductions which occurred in Greece and Portugal during the early 1990s are equally products of a change in legislation reducing the incentive to businesses to employ people on a temporary basis.

Changes in self-employment

Most Member States have policies to encourage self-employment, both to help the unemployed find work and to stimulate the creation of small businesses so as to provide more employment opportunities and, in some cases, to strengthen the productive base of the economy, especially in new areas of activity. In all Member States, except Italy, Luxembourg, the Netherlands and Austria, the unemployed have been able, since the 1980s, to continue receiving unemployment benefits while starting up their own businesses. In many countries (Belgium, Germany, France, Ireland, Portugal and the UK), this kind of scheme was expanded during the recent recession as unemployment increased.

In practice, however, despite increased incentives, the importance of self-employment has not changed greatly in most parts of the Union over the past 10 years. In 1994, 15% of those in employment in the Union were self-employed. In 1987, the figure was 16%.

Over the Union as a whole, the share of self-employment in the total fell slightly in the growth period from 1987 to 1990. In the subsequent four years, it remained

almost unchanged. If, however, these figures are adjusted to exclude agriculture, where over half of those employed are self-employed and which experienced a substantial decline in employment throughout the period, a slightly different picture emerges. In the growth years, self-employment outside agriculture increased slightly in importance. In most Member States, the relative numbers of self-employed either remained constant or rose a little; only in Spain was there any reduction and in Portugal and the UK there was a marked expansion, with a quarter of all the additional people becoming employed being self-employed.

During the recession between 1990 and 1994, the relative numbers of self-employed outside agriculture expanded in all but five Member States, though again the rise was in most cases comparatively small. In Belgium, Denmark, France and the UK, where there was a fall, this reversed the growth which had taken place in the growth period leaving the share of self-employment in the total either the same as or lower than 7 years earlier.

While the share of self-employment in total employment in industry and services rose in the other Member States, only in four countries — Ireland, Portugal, Finland and Sweden, was the share more than one percentage point higher in 1994 than in 1987. Though governments may have attempted to boost the rate of small business creation over time, especially during period of high and rising unemployment and, indeed achieved some success, this seems to have been largely offset by an increased rate of small business failure during such periods, which it is more difficult for policy to tackle.

Wage growth and productivity

As noted above, an increase in the employment-intensity of growth needs to be accompanied by a restraint on real wage increases in order to keep down costs of production and avoid higher labour costs squeezing profits. In other words, average real wages per person employed — or, more precisely, average real labour costs — need to increase by less than output (or value-added) per person employed to leave room for employers to be able to expand the size of their work forces without suffering lower profits and, therefore, having less finance for investment.

Growth, therefore, needs to be underpinned by employment-creating investment, which will both provide jobs directly and raise productive capacity so that growth is not brought prematurely to an end by inflationary pressure and the jobs created can be sustained in the longer-term.

In the Union as a whole over the period of high employment growth, labour productivity grew by just under 2% a year as already noted. This was significantly higher than the rise in real labour costs (under 1½% a year), giving scope for a significant expansion in investment and in the numbers employed (Graph 5).

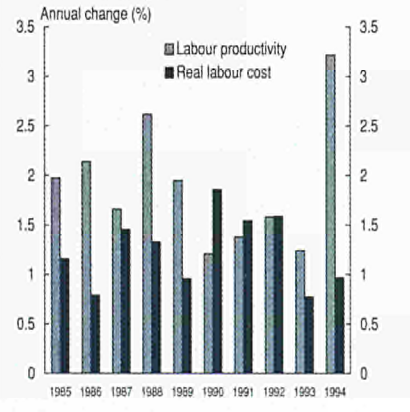
In 12 of the 15 Member States, labour productivity growth also exceeded the rise in average labour costs. The three exceptions were Luxembourg, Sweden and the UK, where in some degree the growth of average labour costs imposed a squeeze on profits. This, moreover, was also the case in the US, where average labour costs over this period also rose by more than labour productivity.

In the recession period from 1990 to 1994, both labour productivity and labour costs rose at much the same rate as before, leaving similar scope for expanding the numbers in employment. Again this was accompanied by a rise in profits rather than increased numbers of jobs. In this period, however, six Member States experienced higher growth in real labour costs than labour productivity — Luxembourg once more, Belgium, Denmark, the Netherlands, Austria and Portugal (though in the latter case, data problems make it hard to be sure). Real labour costs also grew faster than labour productivity in the US and Japan over this period despite the more employment-intensive pattern of growth that both achieved as compared with Europe.

Job growth in new areas of activity

Despite the recession, significant growth of employment has occurred in a number of service sectors in recent years, many of these meeting new needs which have been

5 Growth in labour productivity and real labour costs, 1985-94



The environment and employment

Although there are no reliable figures for employment in environmental activities, estimates from the Community LFS suggest that almost 1½ million people, just over 1% of the total in work, were employed in sectors associated with environmental protection in the Union in 1994. Almost 500 thousand of these were in sewage and waste disposal, 250 thousand in the water industry and just over 90 thousand in recycling. The rest were in instrument engineering, only a small part of the output of which takes the form of measuring, control and filtering devices. Between 1985 and 1992, employment rose by over 3% a year in the Union, well over twice the rate in other sectors. The relative numbers employed were comparatively high in the UK, France and Germany in 1994 and much lower than the Union average in Greece and Portugal, though these countries apart there is no apparent tendency for employment in these sectors to vary with the level of economic development.

While sectors which are major sources of pollution are vulnerable to job losses as protection measures are strengthened, there is little evidence that their international competitiveness is likely to be damaged as a result. Indeed, their position in world markets and prospects for long-term growth could be improved by early adaptation of processes of production and products to tougher environmental standards.

There is also little evidence that employment levels or the rate of job creation will tend to suffer if more extensive environmental protection measures are implemented in the Union. Though there will inevitably be a shift of employment between sectors, which might in the short-term cause a temporary rise in unemployment, so long as aggregate demand and real income levels are maintained, the job losses in some sectors will tend to be compensated by job gains in others. This applies *a fortiori* to the proposed policy package combining the imposition across the Union of a CO_2/energy tax with reductions in employers' social contributions designed to reduce the costs of employment. Model simulations indicate that such a package stands to achieve the 'double dividend' of reducing fossil fuel use and, therefore, environmental damage while increasing the numbers in employment (see Part III, Section 2 for details).

stimulated by rising levels of real income per head and technological advance, such as business and computer-related services and telecommunications, and leisure and recreational activities, and by growing social and environmental awareness, such as care for the elderly and infirm, improved sanitation and recycling. Growth of employment, however, has occurred in instrument engineering, partly boosted by environmental protection measures, but more generally reflecting the high level of international competitiveness of the leading European manufacturers in this industry. Many of the activities where net job creation occurred during the recession involve the provision of collective goods or services and are, therefore, to a significant extent either located in the public sector or funded by government. At the same time, there is an increasing shift towards more private sector involvement through private-public sector partnerships or contracting-out (privatisation). Moreover, a high proportion of the new jobs created were in small and medium-sized businesses, which account for some 70% of employment in the private sector and which have been responsible for an estimated 80% of private sector employment growth since the mid-1980s.

Nevertheless, the role of government, whether central or local, remains critical to the future prospects for employment growth. In environmental sectors, for example, which are the subject of a special analysis in the Report (Part III, Section 2), the numbers employed over the past decade have expanded by around twice the rate of total employment in the Union, and seem set to continue rising at a similar rate, though much depends on future legislation and/or the

implementation of taxes and charges to stimulate the expansion of protective measures, such as filtering emissions or disposing of waste effectively, and clean-up operations (see Box and Part III, Section 2).

Local employment initiatives

Employment stands also to be boosted by local development and employment initiatives. These are a means both of meeting local needs, which arise from improving standards of living or changing pattern of behaviour, and which have so far been inadequately catered for either by the private sector or by public authorities, and of increasing the rate of job creation. As noted above, personal and collective services have been a major area of job growth even during the recession and offer the potential for even more significant expansion in the years ahead.

The areas where the potential for meeting local needs could provide substantial numbers of new jobs — some 140–400 thousand a year according to macro-economic model simulations — include home help services, child care, new information and communication technologies, assistance to young people, better housing, security, local public transport services, revitalisation of urban areas, local shops, tourism, audio-visual services, local cultural development as well as waste management and the other environmental sectors noted above. These areas were identified in a recent Commission Communication (COM(95) 273, June 1995), which also suggested measures which Member States might take to encourage the development of activities in these areas (including helping to overcome institutional and regulatory obstacles, financial barriers (such as high indirect labour costs) and training problems) as well as improvements in Structural Fund operations (see Box).

Point 3: Reducing non-wage labour costs to stimulate job creation

The high and persistent levels of unemployment in the Union coupled with the observation that a large proportion of the unemployed have relatively low levels of skills and qualifications, and, therefore, relatively low levels of productivity, has focused attention on the cost of employment, particularly of those with low skills. Specifically, policy concern has centred on the various factors in the Union which seem to set a floor to labour costs for such people and result in them being higher than their potential contribution to the value-added of a business in which they might be employed, so deterring their recruitment. Among these factors are:

- institutional and other constraints on the geographical and occupational mobility of labour with scarce skills;
- the influence of trade unions in maintaining wages at above the market clearing level;
- social attitudes on what constitute acceptable wages which can often be as powerful in setting a floor as trade unions or minimum pay legislation;
- social charges levied on employers which serve to add a fixed element to labour costs over and above wages actually paid to workers;
- the interaction between the tax and social benefit system which may create disincentives for those out of work to take up jobs on low wages or deter movement between low paid jobs because of high marginal net deduction rates on low incomes.

At the same time, in most Member States, concern about labour costs being too high at the lower end of the scale has been matched by an equal concern to preserve the protection of workers who are already low paid and who are vulnerable to potential exploitation. This includes a large number of women, who are the target of equal opportunity policies throughout the Union (the commitment to which was emphasised at the Essen Summit as noted above). A pure market solution involving the dismantling of institutional and legislative arrangements and fundamental changes in social attitudes has, therefore, been widely rejected.

Attention has, therefore, been focused on ways of reducing labour costs to employers, to give them more incentive to create jobs, without reducing the income received by those on low rates of pay. In consequence, measures have been considered in many Member States for lowering the cost of employing young and/or low skilled people through reducing social charges — ie social security contributions. In a number of Member States, selective measures of this kind have been introduced in the past year or two (see Part II, Section 3 for details).

Employers' statutory social security contributions vary significantly across the Union, from 29% of

labour costs in Italy, around 25% in Belgium, France and Spain, to around 10% in Ireland and the UK and under 5% in Denmark. In most Member States, moreover, they are the same proportion of labour costs at low earnings levels as at higher levels, in some cases more. Only in the UK are they significantly lower at very low rates of pay.

They also tend to be much higher in the Union than in competitor economies. In the US, for example, statutory contributions amounted to under 10% of the cost of employing someone on average earnings in 1993. However, non-statutory contributions, such as health insurance costs tend to be higher than in Europe, so reducing the difference between the two, though for many on low pay in the US, employers may pay little or nothing of such costs, so giving rise to a wide gap between the costs of employment at the bottom end of the pay scale in the US and Europe. According to the latest Community Labour Cost Survey, in 1992, indirect labour costs (which include not only employers' statutory social security contributions, but also vocational training costs, contribution to private insurance schemes and other charges — but exclude paid days not worked or bonuses) in industry varied from around 30% of the total costs of employment in Belgium, France, Italy and Sweden (where they were over 31%) to under 20% in Ireland and Luxembourg, 15% in the UK and under 4% in Denmark. In the US and Japan, they averaged around 22%, more than in these latter countries and similar to the level in Germany.

Over the 1980s and up to 1992, at least, the level of indirect labour costs in relation to total labour costs remained much the same in most Member States. Only in Spain (up),

Employment and the Structural Funds

The Structural Funds have a budget of 189 million ECU, at 1995 prices, for the period 1994 to 1999, play a significant role part in the pursuit of the Union's social and economic cohesion objectives. Their aim, through various instruments (including, in particular, the Social Fund, the Regional Development Fund and the Cohesion Fund), is to encourage overall territorial development which is vital for maintaining employment over the long-term, though they also help to combat youth and long-term unemployment as well as to assisting workers to adapt to industrial change. The further aim is to ensure coherence between the different instruments and agreed Community policy in a common programme of action directed at fulfilling the Essen Summit recommendations and the longer-term objective of improving competitiveness, growth and the prospects for employment. This need for coherence and a strengthening of partnership arrangements between all those concerned in their implementation was reaffirmed in the recently-adopted Medium-term Social Action Programme.

The creation and maintenance of jobs over the long-term is a key element underlying all programmes. Structural assistance helps to support demand through adding to regional income while helping to finance investment in infrastructure, productive capacity, human resources and technological potential which strengthen the competitiveness of the regional economy.

Increasing the job-creating effect of assistance

As shown in Part I of the present Report, the employment-intensity of economic growth in the Union is relatively weak as compared to other comparable countries. An important aim is to increase the effects of measures on employment whilst respecting the orientation of programmes already agreed for the 1994 to 1999 period, through:

- improving the operation of regional and sectoral aid programmes and the employment content at the local level of infrastructure projects and aid to productive investment;
- anticipating better technological change (especially information technology) in order to maximise its potential;
- including the aim of increasing employment in all funding decisions, which means that development plans submitted by promoters should also include forecasts of labour and skill requirements;
- exploiting more fully areas of job creation both traditional (such as local cultural activities and products) and new (personal, social and environmental services);

- encourage dynamic organisation of work and working time to help reconcile work with family life and redirect support from passive income maintenance to active employment policies to help cover the costs of transition (eg through employment subsidies) to new patterns of production;

- achieve the right balance of support for investment in both fixed capital and human resources, which are both essential to development, structural adjustment and employment;

- help develop business services and local know-how which are preconditions for the development and diffusion of new technologies and, therefore, for improving long-term competitiveness and growth.

Helping people into work

Increased competitiveness is not an end in itself, but needs to be accompanied by economic measures based more firmly on integrating, or reintegrating, people into the labour market and ensuring equality of opportunity. This involves coordinating income support with active measures (such as confidence building, work experience, help with literacy and numeracy, assistance with health, housing, childcare and education as well as more traditional training and job search skills, combining them more effectively with those aimed at indigenous development and regeneration of deprived area and developing a genuine bottom-up approach to improving local capacity, involving all the interested parties.

Proposed action

The implementation of these priorities must, however, contain an explicit commitment to the principle of equal opportunities for women and men, including further action to reduce employment constraints on women and strengthening efforts in favour of those who are particularly disadvantaged (eg lone parents or members of ethnic minorities).

The proposed measures and change in emphasis require systematic evaluation of how better to develop the potential of local development and employment initiatives and necessitate improved coherence between instruments and a strengthening of partnership between those involved at all levels, including within national administrations. The Commission, therefore, proposes in the context of the December 1995 European Council to establish territorial agreements on employment aimed at enlarging and deepening the partnership process.

France and the Netherlands (down) did it change by more than 1 percentage point.

The scale of the tax wedge

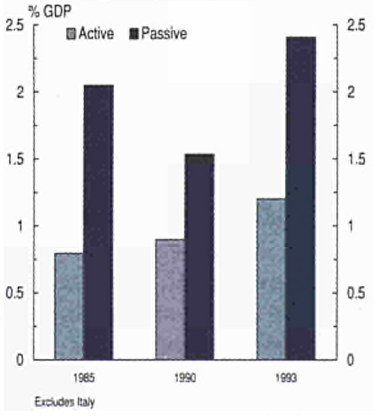
Countries with relatively low levels of employers' contributions in the Union tend to have relatively high levels of taxes on wages and employees' contributions, reflecting the greater reliance on the latter to finance social expenditure. Nevertheless, significant differences in the total deduction from labour costs going to government or social security funds remain between Member States — largely between the lower tax, lower income countries in the South together with Luxembourg and the UK and the higher tax, higher income countries in the North. While total labour costs (ie the gross wage paid plus employers' social contributions and other indirect costs), affect the demand for labour on the part of employers and their willingness to create jobs, it is the take-home pay of employees (ie the gross wage net of taxes and other charges) which affect the latter's willingness to work and, therefore, the supply of labour. Consequently, attention needs to focus on both magnitudes when considering the job creation process and how this can be affected by policy. Although there is ongoing debate about these issues, there is broad agreement that employers' demand for labour will tend to be affected by changes in total labour costs, especially the demand for low skilled workers, and that changes in indirect labour costs will tend to affect the overall cost of labour to a greater extent than changes in other taxes, at least over the short-term. In other words, what matters for policy is both the overall amount of deductions from labour costs —

ie the tax wedge — and the part of this which represents charges on employers.

Analysis of the total deducted in social contributions and taxes in Member States in 1993 indicates that the overall government charge on the employment of a single worker with earnings of only half the average was as high as 40% of labour costs in five Member States (see Box and, for more details, Part III, Section 1). In five other Member States, on the other hand, it was under 30%. For workers with families, deductions were relatively low (under 20%) in most countries. By comparison, the deduction in the US for a single person on half average earnings was around 25%, lower than in most European countries, and for a couple with children, under 20%, in line with the European average.

There are two dilemmas facing governments in Europe seeking, through whatever means, to reduce labour costs at the bottom end of the scale without lowering take-home pay. The first is that any revenue foregone or additional expenditure incurred has to be recouped in other ways, and national governments are at present considering alternative sources of revenue (eg taxes on the use of natural resources and energy). The second is that high marginal tax rates tend to result. This may mean that low-skilled workers get locked into very low paid jobs with little incentive to seek to earn more — or for employers to pay more (the so-called 'poverty trap'). Moreover, high taxes on work combined with high benefits may mean that there is little net gain and so little incentive for being employed rather than unemployed (the 'unemployment trap'). The only way of avoiding high marginal deduction rates is to have a less steeply graduated tax-*cum*-benefit structure, but this serves to extend the range of such schemes to those further up the income scale, so increasing the budgetary cost. High marginal rates, in other words, tend to be a hard-to-avoid feature of policies targeted on either reducing the employment cost or raising the real income of those on very low pay levels.

6 Active and passive labour market spending, 1985, 1990 and 1993



Point 4: Improving the effectiveness of labour market policies

Most Member States have tried to shift the balance of labour market policies over time from passive income support of the unemployed to active measures to attempt to get them into work — such as the provision of training, placement, job search assistance and counselling, and job subsidies (as described in Part II, Section 4). The substantially higher levels of unemployment which most have experienced since 1990, however, combined with tight budget constraints, have in large measure frustrated these efforts. Of the total expenditure of around 3½% of GDP devoted to labour market policies in the Union, 60% in 1993 went on unemployment benefits and a further 10% or so on early retirement pensions, leaving just over 30% for active measures — slightly more than 1% of GDP (Graph 6).

Nevertheless for the majority of countries in the Union — the exceptions are Denmark, France, Ireland, Luxembourg, Sweden and the UK — this represented a higher proportion of GDP than in 1985 adjusted for the change in unemployment. At the same time, the scale of expenditure adjusted for differences in unemployment varies markedly between Member States, from 4% of GDP in 1993 in Austria and over 3% in Denmark and Sweden for each 5% of the work force unemployed to under 1% in Greece and Spain. In interpreting these figures, however, account needs to be taken of the activities of the private sector, especially as regards training and job placement, which are only included in the figures to the extent that they are supported by public transfers.

Evaluating the effectiveness of the various elements of policy poses severe difficulties, not least because it is impossible to be sure what would have happened in the absence of the measure in question and in part because of the problem of allowing for the adverse effects on people and organisations other than those assisted. Measures to subsidise jobs, in particular, have usually been found on evaluation to involve both high 'deadweight' loss (the former factor) and large displacement effects (the latter factor), so that the net effect on unemployment overall has probably been small, though the redistribution of unemployment between people which is implied may, nevertheless, serve a useful purpose.

Average and marginal tax and contribution rates in the Member States

The main features to emerge from the analysis of social contributions and taxes levied on wages of workers at various levels of earnings and with differing family circumstances across the Union are:

- for a single person on the average earnings of a production worker in manufacturing, total deductions ranged from 55% of labour costs in Belgium to under 40% in Greece, Spain, Portugal, Luxembourg and the UK as well as in the US;

- although for a single person on only half average earnings, deduction rates were lower than at average earnings in all countries, they were, nevertheless, over 40% in five Member States — Belgium, Denmark, Germany, Italy and the Netherlands; by contrast, they were under 30% of labour costs in Spain, Ireland, Portugal and Luxembourg and under 25% in the UK, lower than in the US;

- the average net rate of deduction for someone on half average earnings with a dependent spouse and two children was above 20% in only four Member States — Greece, Spain, Italy and the Netherlands — and if housing benefits are taken into account, the rate in the Netherlands is reduced to below 20%; in Luxembourg and the UK, because of in-work benefits, the net take-home pay was more than the cost of employment;

- marginal rates of deduction from labour costs, which are key indicators of incentives, were as high as 66% in Belgium for a single worker on average earnings and around 60% in Ireland, Denmark and the Netherlands, but as low as 37% in Greece and 31% in Spain; in all other Member States, except in the UK and Portugal where they were around 40%, marginal rates were 50% or higher;

- for a single worker on half average earnings, the marginal rate of deduction was as high as 60% in Belgium and 55% in Denmark and Italy; in Germany, France and the Netherlands, it was over 50%. Only in three countries, Greece, Spain and Portugal, was the rate under 40%; in the US, it was around 30%, similar to the rate in Greece, the lowest in the European Union;

- in most Member States, the marginal rate of deduction for a worker on half average earnings with two children was lower or much the same as for a single person; in Italy, Luxembourg and the UK, however, it was higher, especially in the latter two, where the interplay of the tax and benefit system, designed to maintain the income of those at work at acceptable levels, produced marginal rates of close to 100% in Luxembourg and around 90% in the UK; in the US, if foods stamps are taken into account, the marginal rate was around 55%, higher than in most Union countries;

- only in four Member States did the marginal deduction rate generally increase as earnings rose; in others, they were either higher at the bottom end of the earnings scale than at the top or reached their highest point in the middle income ranges and then declined or showed no clear pattern; in most parts of the Union, therefore, the combined tax and contribution system is far from being progressive.

Despite questions about its effectiveness, expenditure on employment subsidies rose in relation to GDP in the Union between 1985 and 1993, especially in Denmark, Germany, France, Finland and Sweden.

On the other hand, employment services have generally been found to perform a valuable function in assisting the unemployed find work and have the merit of involving relatively little cost in relation to other measures. Expenditure on these increased between 1985 and 1993 in all Member States, except Greece, Ireland and Luxembourg, and there were especially large rises in the Netherlands, Finland and the UK.

In recent years, moreover, reforms have been introduced in this area in a number of countries to end public sector monopolies and allow private sector involvement (in Austria, for example, this occurred as recently as 1994 and in Italy the obligation to notify all job vacancies to the public employment service was abolished in 1995). As a result, private placement agencies have developed and expanded. At the same time, the operation of public agencies have been improved and made more effective (new initiatives have been launched in Belgium, Denmark, France, Finland, Sweden and the UK) and better links have been established with benefit offices. In Belgium and Germany, temporary employment agencies have been established for the unemployed, in the latter following the Dutch model.

The effectiveness of expenditure on training is especially difficult to assess, partly because of the problems of monitoring the career profiles of the people trained over the long-term. The scale of spending varies enormously, in part reflecting counterpart variations in the participation of the private sector in the training effort. In most Member States, it increased between 1985 and 1993, especially in Germany, Sweden, Finland and France.

Point 5: Improving measures to help groups hard hit by unemployment

Two prominent features which emerged in labour markets throughout the Union in the 1980s were, first, a substantial increase in unemployment among young people and, secondly, the growing numbers of unemployed who were out of work for long periods of time. Both were reflections of the acute shortage of jobs in the early 1980s and both led to policies being developed in Member States, as well as at Union level, to tackle the problems.

Unemployment of young people

Youth unemployment, in particular, has been the focus of extensive and intensive action.

This has taken two main forms: encouraging more young people to stay in education and training longer in order to improve their qualifications and basic skill levels and making it easier for them to find jobs by increasing access to training, developing closer links between education and training and business and through subsidising work experience (for details of the measures taken over the recent past, see Part II, Section 5).

The proportion of young people receiving education and training beyond basic schooling has increased markedly since the mid-1980s and, while the shortage of jobs in the 1990s undoubtedly contributed to this, the growth could not have occurred without governments providing the necessary facilities.

Despite the efforts made, the rate of youth unemployment in the Union at the latest count (May 1995) was not much different, at over 20% for both men and women, from the level reached in the mid-1980s which sparked the policy action in Member States. Rates in Spain (42%) and Italy (34%) remain extremely high, as they do in Finland, France and Greece (all over 25%).

Both the figures and the changes over time, however, are deceptive. The increasing numbers remaining in education and training mean that the work force of young people on which unemployment rates are calculated has become progressively smaller. The number of young people who are unemployed, therefore, has fallen considerably in a number of countries. This is particularly true of the 15 to 19 age group, where participation in the work force has fallen to only 25% across the Union as a whole. Whereas the rate of unemployment in the Union for teenagers was 23% of the labour force in 1994, this, in practice, meant that only 6% of those of this age were unemployed. Only in Spain (14%), was the figure over 10%. Most significantly, in Belgium and France, where teenage unemployment rates were over 35%, under 4% of the people in this age group were unemployed.

There remains a serious problem of youth unemployment in the Union, but in most countries it relates to the 20 to 24 age group rather than to younger people. For this age group, 21½% of those in the labour force were unemployed in 1994, 14½% of

all those in the age group — 27% in Spain, over 16% in France, Ireland and Italy. As increasing numbers have stayed in education and initial training longer, the major unemployment problem has effectively shifted to older age groups.

In many Member States, policy has yet to catch up with this, partly because in some degree it poses different kinds of problems, since many of the people affected have already been through the further education and initial training system.

Long-term unemployment

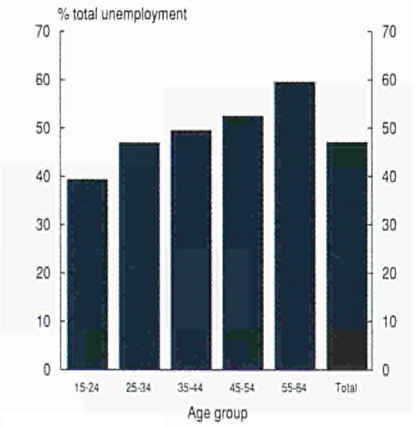
The scale of long-term unemployment has not changed greatly over the past decade. In 1994, almost half (48%) of those unemployed in the Union had been out of work for a year or more, more than half of these for two years or more. These figures are slightly lower than in the mid-1980s. However, again this tends to give a misleading impression of the changing scale of the problem. In period of increasing unemployment, as in the recent past, the proportion of the unemployed who are long-term unemployed will naturally tend to fall as an increasing number of people (who by definition cannot be long-term unemployed) join the unemployment register. In practice, the number of long-term unemployed is higher now than in the mid-1980s, while the rate of long-term unemployment (the numbers relative to the labour force) is the same.

Apart from Italy and Greece, where more than elsewhere, it is particularly a problem of the young, long-term unemployment affects older members of the labour force more than younger ones. Of the unemployed in the Union aged between 55 and 59 in 1994, 55% had been unemployed for a year or more and over 50% of the 50 to 54 year olds (Graph 7). Moreover, almost two-thirds of the long-term unemployed in the 55 to 59 age group had been looking for a job for at least two years.

The persistence of the long-term unemployment problem reflects the difficulties of alleviating it. On past evidence, though the achievement of high rates of net job creation may create a better environment for reducing the scale of the problem, in itself it will not resolve it. Underlying problems which need to be tackled are, on the one side, the loss of confidence, disillusionment and degradation of skills suffered by those who have been trying without success to find a job for a year or more and, on the other, the reluctance to hire someone who has not worked for a long time and may have become unaccustomed to doing so.

Because of the nature of the problem, policy in Member States has tended to concentrate increasingly on counselling and placement (see Part II, Section 5 for details). The very different levels of long-term unemployment across Member States, which seem to bear little relationship to overall levels of unemployment, suggest that some countries — such as Denmark where only around 30% of the unemployed had been out of work for a year of more in 1994 — have been more successful than others in their efforts.

7 Long-term unemployed, 1994



Part I Trends and prospects

Introduction

The central aim here is to assess the employment performance of Member States by analysing the main developments over the recent past, especially over the past decade or so when a period of historically high rates of employment growth has been followed by a period of economic recession and large-scale job losses over much of the Union. Its focus is on the overall trends in net job creation and underlying labour market conditions, including the specific areas for action identified in the conclusions of the European Council meeting in Essen in December 1994. The aim is to provide a basis for assessing the effectiveness of employment policy overall, which can ultimately only be satisfactorily judged in terms of whether it results in the better achievement of end-objectives.

Employment objectives, however, are not unidimensional. It is not sufficient merely to examine whether more or less jobs are being created or whether unemployment is going up or down. There are a number of other aspects which are no less important, such as where jobs are expanding or declining, the changing terms and conditions of employment and the main groups in the labour market being affected. All of these need to be considered in order to form an overall view of performance.

Outline

The analysis is divided into six sections. In the first, employment developments across the Union as a whole over the recent past are examined and compared with those in other industrialised parts of the world, specifically the US and Japan, in order, in part, to provide a background for assessing trends in individual Member States.

The second section considers the performance of Member States in creating jobs relative, in the first place, to the need for employment, as reflected not only in the prevailing level of unemployment but also in the potential growth of the labour force and, secondly, to the growth in output.

The third section examines the pattern of the change in employment in some detail, focusing, in particular, on the number of jobs going to women as opposed to men, the change in the importance of self-employment relative to waged employment, the number of part-time as opposed to full-time jobs, the sectors in which the jobs have been created or lost and the kinds of skills and qualifications demanded. A specific point of interest is to identify new forms of employment and new areas of activity which are developing to replace jobs lost in declining sectors.

The fourth section examines the effects of these changes in employment on unemployment in Member States, especially of those groups in the labour market which have been hardest hit by job shortages — the young in most countries, older age groups in others. Particular attention is focused on long-term unemployment which has been a major problem in the Union over the past decade.

The fifth section considers developments in certain important labour market features in Member States. Specifically, it examines, first, changes in wage levels — and in labour costs, in general — relative to changes in labour productivity in order to assess the scope for employers to create additional jobs and, secondly, changes in working time.

The final section reviews the prospects for the Union economies over the remainder of 1995 and in 1996 according to the latest short-term forecast, focusing especially on the prospective growth of employment in the different Member States and on the implications for unemployment during this period.

Section 1 Employment and unemployment trends in the Union

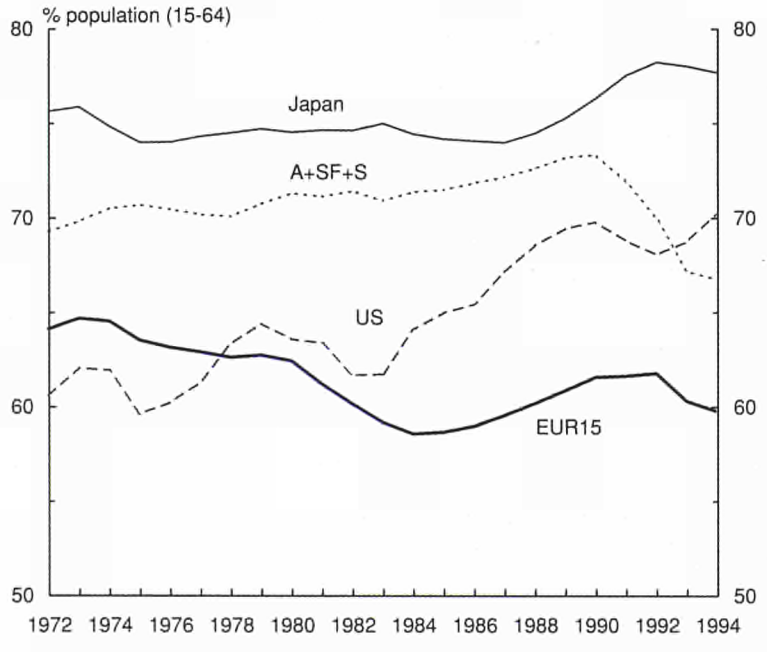
The numbers employed in the European Union as a whole (ie including the three new Member States as well as the new Länder in the East of Germany) fell by around 4% between 1991 and 1994 and by around 2% in 1993 alone, in each case, twice as large as any previous fall over a comparable period since the war. (Employment fell by 1% in 1975 and 1981, following the two world oil price crises and by around 2% between 1980 and 1983 (see Box for a description of the employment figures used here). The period of record employment growth between 1985 and 1990, when the net addition to jobs was greater than at any time over the preceding 30 years was, therefore, followed by a period of record job losses. As a result, the total numbers in work in 1994 in the Member States taken together were about the same as they had been in 1988. Around 60% of the 10 million or so extra jobs created between 1985 and 1990 were, therefore, effectively lost in the three years 1991 to 1994.

Of the net loss of jobs of 6 million between 1991 and 1994, around 800 thousand were in two of the new Member States, Finland and Sweden, both of which were hit particularly hard by the recent recession, while just over one million was in the former East Germany. At the same time, some of the older Member States experienced similarly large job losses. In Italy, the numbers in employment fell by over 1.7 million, in the UK, by almost 900 thousand (and by 1.7 million including the fall that occurred in 1990 before the recession started elsewhere), in Spain, by almost 800 thousand and in the former West Germany, nearly 600 thousand.

The three latter countries together were responsible for over 60% of the growth in the number of people in employment in the Union as a whole between 1985 and 1990 — each experiencing a rise of some 2 million. Each, therefore, lost during the recession a significant proportion of the jobs gained earlier. While the fall in employment was not common to all Member States between 1991 and 1994, in the five countries in which employment increased — Belgium, Ireland, Luxembourg, the Netherlands and Austria — the rise was in no case large enough to prevent unemployment from increasing.

The loss of jobs meant that employment in the Union declined from a peak of 62% of working-age population (the employment rate, a measure of the performance of

8 Employment rates in the Union and elsewhere, 1972-94



Employment in the Union

Unlike for unemployment, where there is a generally accepted source of comparable data on the position in different Member States (the Eurostat comparable unemployment rates), there is no agreed set of data on employment in the Union which is similarly regarded as the most comparable and reliable. This is a serious deficiency especially given the increasing concern of policy with employment and job creation. It is even more serious when the two series commonly used, the employment series from the National Accounts and that derived from the annual Community Labour Force Survey (LFS), show different figures and different changes over time, as they do for some countries.

Fortunately for the majority of Member States, there is not a significant difference between the two sources, though since the LFS relates to a specific point in time (Spring) and the National Accounts to annual averages, some difference is to be expected. For some countries, however, and for four, in particular — Italy, Luxembourg, the Netherlands and Portugal — there is a substantial difference, of 10% or more in terms of numbers employed. For Italy, the difference arises from the inclusion in the National Accounts figures of estimated numbers working in the informal or grey economy, who will often have two jobs; in Luxembourg, from the fact that significantly more people work in the country (and are included in the National Accounts figures) than are resident there (which is the basis for the LFS figures); and in the Netherlands, from the fact that the National Accounts data are in terms of person-years rather than numbers. In Portugal, the reason is unclear.

In the case of all these countries, as for Belgium and Denmark in respect of changes over time, the conclusions drawn from an analysis of employment figures, and the policy implications, can, therefore, vary according to the source used. This applies not only to the numbers in work by also to the numbers in the labour force, which are given by the sum of those employed and those who are unemployed. (In cases where the National Accounts data are used to measure employment, this gives rise to an in-built inconsistency insofar as the labour force figures which underlie the unemployment rates are different from the sum of employment plus unemployment.)

The employment data analysed in this Report differ according to the issue concerned, as explained in the Sources section at the end. In general, the LFS is used for all detailed analysis of labour market features. When examining year-to-year changes in total employment over time, however, the National Accounts data are used since these ought to be a more reliable indicator of these than the LFS, partly because of the sample basis of the latter, partly because of periodic rebasing and improvements in design. For Italy, the Netherlands and Portugal, however, because of serious problems with the National Accounts data, especially given the main concern here which is to examine the numbers in employment rather than the volume of labour input or the number of jobs, LFS data have been used for total employment (the average of quarterly figures for Italy and Portugal). Although it is not entirely satisfactory to mix sources in this way, in this case, there seems little alternative given the data at present available. This means that the figures for total employment in these three countries and in the Union as a whole quoted in this Report may differ from those in other Commission publications based wholly on a single source of data.

Employment in the new Member States

So far as possible, given the constraints of data availability, the new Member States have been included in the analysis. The figures used for Finland and Sweden come from their national labour force surveys and should be broadly comparable with data from the Community Labour Force Survey, though the form of the questions asked may in some cases be slightly different. For Austria, there is as yet no labour force survey and the data used come from other national sources. These, it should be emphasised, are much less comparable with the figures for other Member States and should be considered as indicative only.

Employment in Germany

The data for Germany examined in this Report relate to the former West Germany for the years before 1991 and for the years after to total Germany including the new Länder, except where indicated (which is usually where it significantly distorts the analysis of changes over time).

Member States in creating job for those who are likely to want to work, working age being defined as 15 to 64) in 1992 to under 60% in 1994, back to the 1988 level after 8 years of continuous increase (Graph 8). (The employment figures used differ from those in previous *Employment in Europe* reports, see Box for details.)

The decline in the new Member States, which was wholly confined to Finland and Sweden, was much more pronounced. After rising gradually throughout the 1970s and 1980s, in contrast to the rest of the Union where it fell from 65% to 58% in the decade after the first oil price crisis, employment declined between 1990 and 1994 from 73% of working-age population to 67%, still well above the level in the other Member States taken together but lower than at any time over the preceding 25 years.

Because of the earlier onset of recovery, the employment rate in the US increased between 1992 and 1994 at about the same rate as it fell in Europe, reaching just over 70% in 1994, higher than ever before in the post-war period, reflecting the increased number of women in work. In Japan, on the other hand, the employment rate fell in these two years but it was still almost 78% in 1994, well above the average rate in Europe or the US.

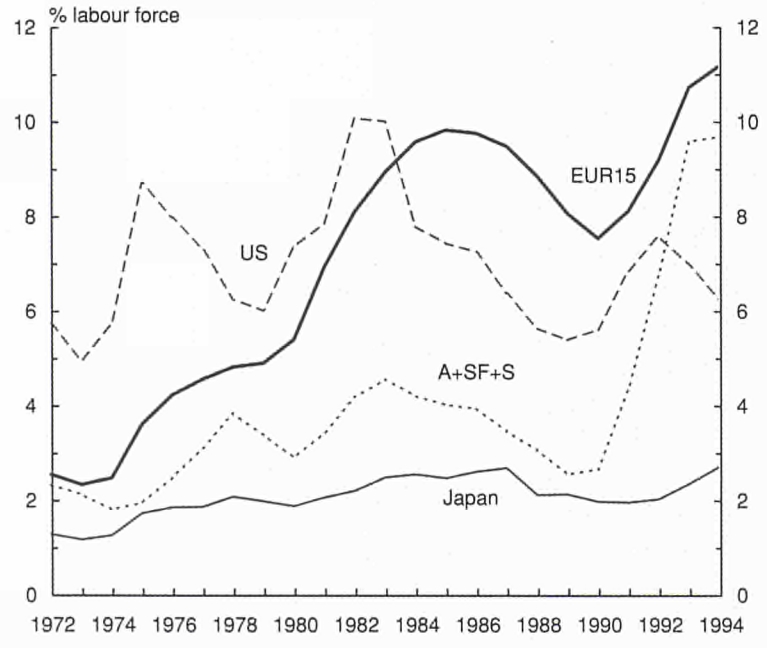
The significant fall in employment in the Union since 1990 has led to a steep rise in unemployment. After falling to 7½% in 1990 from a peak of just under 10% in 1985, the average rate of unemployment in the 15 Member States rose to just over 11% in 1994 (Graph 9). (The figures for unemployment rates have recently been revised, see Box.) The upward trend in unemployment evident since the first oil price crisis in 1974 seems, therefore, to have been resumed having been halted temporarily during the five years 1985 to 1990, the only time over the past 20 years when the rate has fallen.

Reflecting the sharp drop in the numbers employed, unemployment increased particularly steeply in the three new Member States, from under 3% in 1990 to 9½% in 1994, though again, virtually all of the rise occurred in Finland and Sweden, especially the former where it rose to over 18%. This experience contrasts markedly with the record of these three countries over the 1970s and 1980s, when they succeeded, both collectively and individually in keeping the rate of unemployment well below that in the rest of the Union.

In the US, the growth of employment from 1992 on led to a fall in unemployment from 7½% to under 6½% in 1994, below the average of the past 20 years and approaching the lowest figure achieved since 1974 (5½% in 1989). Unlike the European Union, therefore, there is no sign of an upward trend in unemployment over this period, and since 1983, the US has succeeded in attaining both a consistently lower rate of joblessness than the Union and a higher level of employment in relation to population of working age.

The same is true of Japan, though in this case the superior performance in terms of maintaining high numbers of people in work and low rates of unemployment dates back to well before the 1980s. Despite its most serious recession of the post-war years, Japan has succeeded in keeping employment above 75% of working-age population — though it fell slightly between 1992 and

9 Unemployment rates in the Union and elsewhere, 1972-94



Revisions to Eurostat unemployment rates

The comparable unemployment rates published each month since 1989 by Eurostat are based on the Community Labour Force Survey to accord with ILO international standard guidelines. These are updated using the figures for the numbers registered as unemployed in each Member State and then expressed as a percentage of the estimated labour force. The method of calculating the figures was revised at the beginning of 1995, in consultation with national statistical offices and the OECD, to improve international comparability. The published figures were also extended to cover Finland and Sweden (but not yet Austria), the new Länder in Germany and the US and Japan.

The revisions consisted of:

- the introduction of a more comparable benchmark from 1992 following the revision to the LFS (which could lower unemployment figures);
- the inclusion of more recent data for this benchmark;
- the estimation of the labour force from quarterly labour force surveys for Italy, the UK, Spain and Portugal;
- improvements to the processing of reference periods and the integration of 1991 Census of Population results.

The effect of the closer application of ILO guidelines was to reduce the numbers unemployed in Belgium, Denmark, Greece, Ireland, Italy and the Netherlands, while the use of the 1991 Census results increased the numbers unemployed in Belgium, Spain, France, Italy and Portugal and reduced them in the Netherlands. These effects offset each other in Belgium and, to some extent, in Italy and reinforced each other in the Netherlands.

The analysis here includes Austria for which national sources of data on unemployment have been used. These, it should be emphasised, are not directly comparable with the figures for other countries and should be regarded as indicative only.

1994 — and unemployment below 3%. While the rate has risen since 1992, the increase has been less than 1% of the labour force, considerably lower than the rise in Europe.

Recent changes in unemployment

The latest monthly unemployment figures indicate that the average rate in the Union in May 1995 was just under 11% (on a seasonally-adjusted basis, which applies to all the monthly figures quoted in this section and other parts of the Report), marginally below the average rate for 1994. Indeed, the rate of unemployment seems to have reached a peak one year before in the second quarter of 1994 at 11.4% of the labour force. Though it has declined since then, the fall has, therefore, been small — less than half a percentage point (Graph 10). Moreover, virtually all of the fall occurred during the third and fourth quarters of 1994, and since January 1995, the rate has remained more or less constant.

While economic output over the Union as a whole seems to have started growing again since mid-1993 and while there are signs of an increase in the numbers in employment during the course of 1994, these trends have so far had a minimal impact on the numbers out of work. Although there is an inevitable lag before a growth of output feeds through into increased job creation and lower unemployment, it is, nevertheless, slightly disturbing that the fall in unemployment seems to be slowing down one year after it began to decline rather than accelerating.

On the other hand, this is not so different from the experience

during the early stages of previous period of economic recovery in 1985 and 1986. Then, the average rate of unemployment in the Union reached a peak in June 1985 at 10.2% of the labour force. By the end of 1985, it had fallen slightly to 10%, but it then remained at about this level during the whole of 1986, showing only a marginal tendency to fall. It was not until around the middle of 1987, two years after the peak rate, that unemployment started to decline significantly. In mid-1988, however, it was still over 9%, only 1 percentage point lower than at the peak.

Although history will not necessarily repeat itself, this experience suggests that unless the net rate of job creation is greater than during the early part of the previous economic upturn, unemployment could well prove very slow to fall from its present level. In 1986, the numbers in employment in the Union increased by just under 1%, in 1987, by almost 1½%. The 1986 figure is much the same as the present forecast of employment growth in 1995, the 1987 figure higher than now forecast for 1996, as described below. The outcome, however, depends not just on the growth of employment but also on the growth of the labour force. The prospects for the latter are also examined below.

Unemployment of men and women

It remains the case in the Union that women are significantly more affected by unemployment than men. In May 1995, the average unemployment rate for women stood at 12.8% of the female labour force, whereas the average rate for men was 9.8%, 3 percentage points lower. Both rates reached a peak at around the same time in the second quarter of 1994, the rate for men peaking at 10.4%, the rate for women at 13.1%.

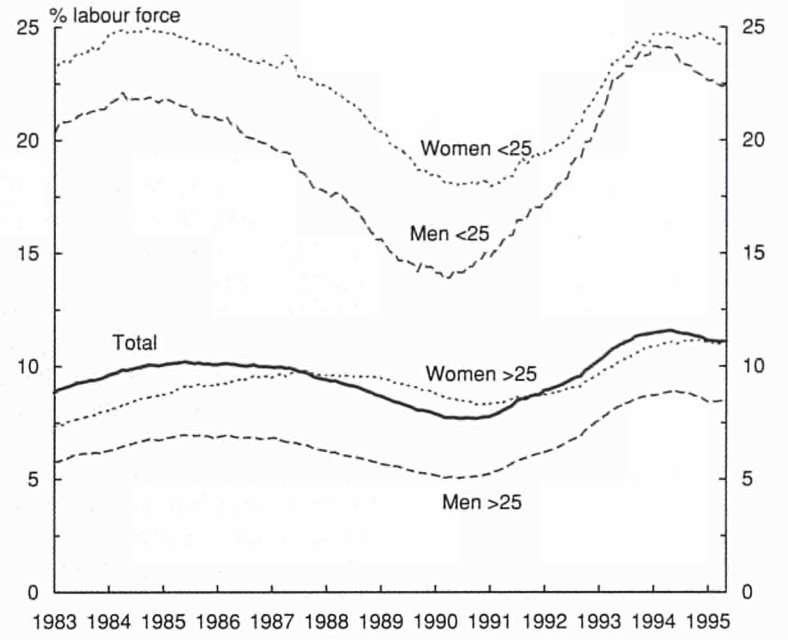
The pattern of change since the peak was reached, on the other hand, differs for the two. Whereas the rate for men fell by ½% of the male labour force during the latter part of 1994 and has remained constant during the first four months of 1995, the rate for women declined only marginally during the course of 1994 but has continued to fall very slowly during 1995.

On past experience, it would be expected that the rate for men will fall by more than the rate for women as the recovery proceeds, though this depends very much on the structure of employment growth, on the one hand, and changes in labour participation on the other. During the previous economic upturn, the rate for men fell progressively from over 9% in May 1985 to just over 6% in 1990. By contrast, the rate for women hardly changed at all in the first three years of recovery. In May 1985, it was 12%. Three years later in May 1988, it was still over 11½%. The rate then fell over the next two years but remained above 9½% even at its lowest point. The gap between the men's and women's unemployment rate, therefore, widened from 3 percentage points in 1985 to almost 4½ percentage points towards the end of 1988 when the women's rate began to fall more rapidly. It then narrowed as men were hit much harder than women by the recession, as analysed in more detail below. Since the recovery began, the gap between the two rates has started to widen again as unemployment of men has fallen slightly more than that of women.

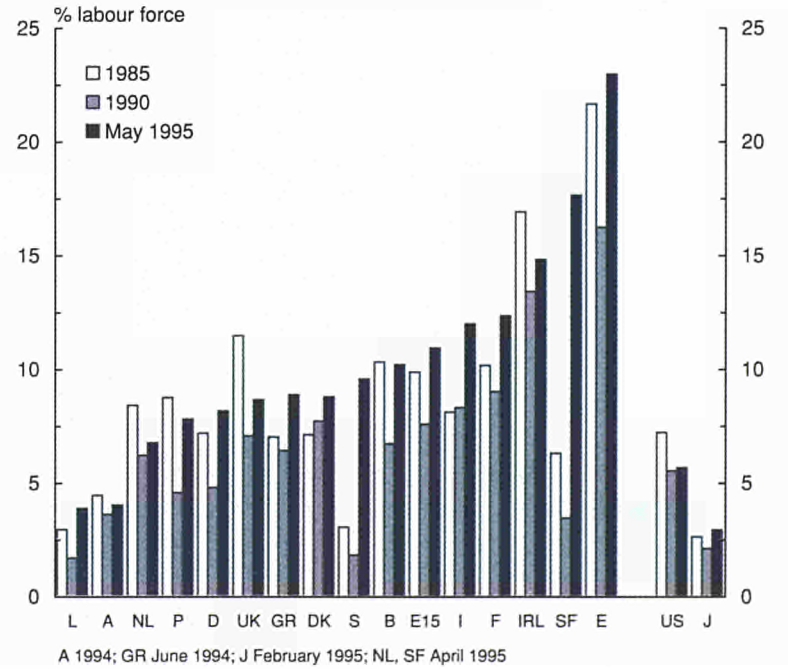
The comparative behaviour of the two rates, however, is only partly

10 Unemployment rates by sex in the Union, 1983 - May 1995

11 Unemployment rates by sex and age in the Union, 1983 - May 1995



12 Unemployment rates in Member States, US and Japan, 1985, 1990 and May 1995



A 1994; GR June 1994; J February 1995; NL, SF April 1995

attributable to the relative changes in employment of men and women. An equally important part of the explanation lies in the relative changes in the labour force, and, more especially, in the different behaviour of rates of participation in the labour force. In particular, an increasing proportion of women of working age entered the labour force as the Union economy recovered from the mid-1980s on, at a faster rate than the growth of jobs could match. In the subsequent recession, the rise in the participation of women slowed down moderating the rise in unemployment. Although the decline in the participation of men was even more pronounced during this period, as shown below, it fell a long way short of the scale of job losses among men and unemployment increased significantly as a result, bringing the rate closer to that of women. Nevertheless, without the fall in participation of men, the rise in unemployment would have been significantly greater and the problem of inadequate rates of job creation in the Union even more apparent.

Unemployment of young people

Unemployment among young people under 25 which emerged as a particularly acute problem in the recession of the earlier 1980s declined significantly during the period of economic recovery from 1985 onwards (Graph 11). The rate for young men fell especially sharply, from around 22% to under 14% over this period, while the rate for young women declined from 25% to around 18%. In both cases, the extent of these reductions was significantly greater than among older people, for men and women aged 25 and over the decline amounting to

only around 1½% of the labour force.

In the subsequent four years of recession, unemployment among both young men and young women increased markedly, especially among the former. Indeed the unemployment rate for men under 25 rose by more between 1990 and 1994 than it had fallen during the preceding period of economic growth. By the beginning of 1994, therefore, at around 24%, it was above the level of its previous peak. While the rate for women increased by less over this period, it remained above that of men, rising to over 24½% in 1994. The gap between the two rates, however, which had widened between 1985 and 1990, narrowed appreciably.

Unemployment in the Member States

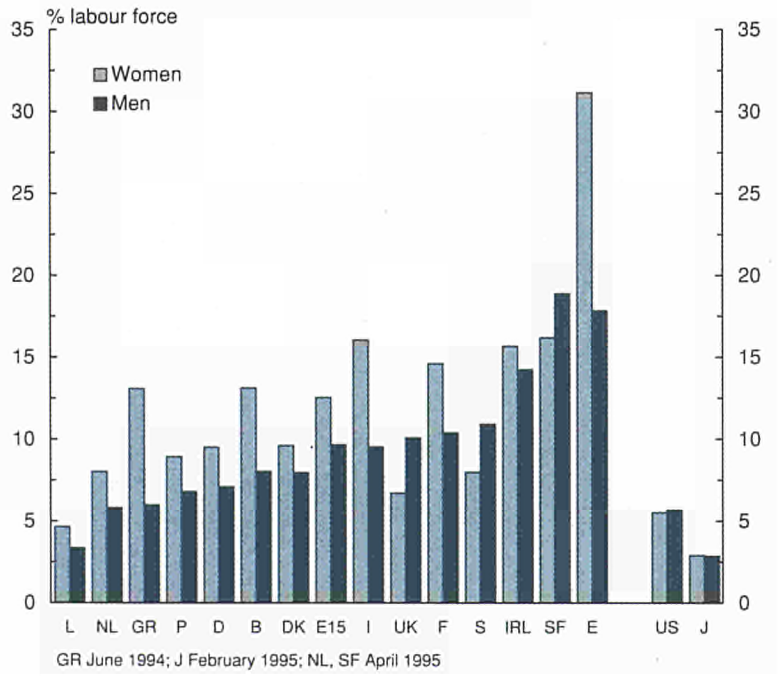
The rate of unemployment is far from uniform across the Union. On the latest count, it varied from almost 23% in Spain and 16½% in Finland to under 4% in Austria and Luxembourg (Graph 12). In five Member States — the two former countries plus Ireland, Italy and France — unemployment was above 12% and in a sixth, Belgium, above 10%. In only three countries — the Netherlands as well as Austria and Luxembourg — was the rate below 8%.

Moreover, in ten of the 15 Member States, the level of unemployment in May 1995 was higher than it had been ten years earlier at the high point of the previous recession, while in Belgium, it was only marginally lower. In all of these countries, therefore, the reduction in unemployment achieved during the period of high employment growth between 1985 and 1990 has been fully reversed. Other than Belgium, the only four Member States to have lower unemployment rates in mid-1995 than ten years before were the Netherlands, where there has been a much greater reduction in average hours worked and shift to part-time employment than anywhere else in the Union, Portugal, the UK and Ireland, which emerged from recession earlier than the other countries and where in consequence, unemployment has fallen by more over the past year. In both cases, however, unemployment never quite reached the rates of the mid-1980s during the recent recession.

The higher rate of unemployment for women than for men which is evident at the Union level remained true of all Member States in May 1995, except three, the UK, Sweden and Finland. In 7 Member States, including Finland, the rate for women was over 13%, in Spain over 30% (Graph 13). By contrast, only in three Member States, Spain, Finland and Ireland, where unemployment overall was the highest in the Union, was unemployment among men over 13%.

The gap between men's and women's rates was particularly wide in the Southern Member States, especially in Spain, Italy and Greece, where in each case the rate for women was well over 1½ times higher than the rate for men — over twice as high in Greece. In the North of the Union, only in Belgium was the difference similarly wide. In all of these countries, moreover, the rate of participation of women in the labour force was lower than elsewhere in the Union, apart from in Ireland. In these countries, therefore, not only were a relatively small proportion of working-age women part of the

13 Unemployment rates of men and women in Member States, US and Japan, May 1995



GR June 1994; J February 1995; NL, SF April 1995

work force, but a high proportion of those that were unable to find jobs. (The differing experience across the Union as regards unemployment is examined in more detail in Section 4 below.)

Employment and labour force growth

The increase in unemployment which has occurred since 1990 in all Member States in respect of both men and women would have been greater, as noted above, had there not been a fall in the rate of growth of the labour force in the Union. The reduction in net job creation over this period, therefore, was accompanied by a withdrawal of a significant proportion of people from the work force, just as the increased job creation in the preceding period of economic growth was accompanied by a rise in participation. In other words, there appears to be a positive relationship between the rate of labour force growth and employment growth, particularly over the past ten years.

Thus, between 1985 and 1990, when employment grew on average by around 1½% a year, the number of people in the Union's work force increased by around 1% a year. Between 1990 and 1994, when employment fell, the labour force increased only marginally, and actually contracted between 1991 and 1994 (Graph 14).

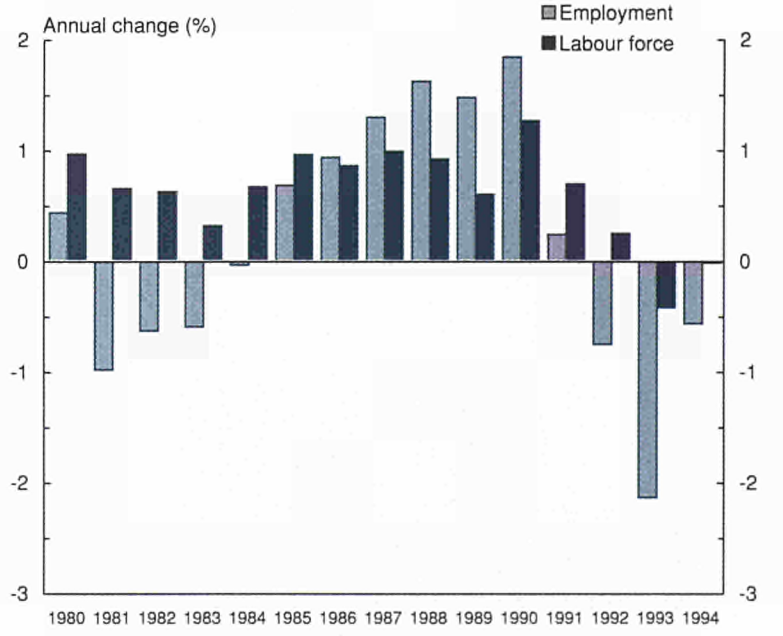
Demographic trends and changes in participation

Examining the period before 1990 and the period after in more detail reveals that whereas the Union's labour force increased by 5 million between 1987 and 1990, it expanded by only 650 thousand in the subsequent three years. Changes in population of working age, however, account for very little of the difference. Rather, it is due predominantly to differential changes in rates of participation. If participation rates had remained unchanged, the Union labour force would have increased at only a slightly lower rate between 1990 and 1994 than over the preceding three years — by around 950 thousand a year, 3.8 million people in total, rather than by just over 1 million a year, 4.1 million in total, a difference of only 300 thousand over the four years (Graphs 15 and 16, which show the separate effects on the total labour force in the Union of changes in population and changes in participation of men and women within broad age groups — see Annex for details). In other words, changes in rates of participation were responsible for expanding the Union labour force by an additional 1.9 million in the earlier period (650 thousand a year) over and above the increase in population and for reducing it by 3 million in the later period.

The sharp decline in participation which occurred in the 1990 to 1994 period arose principally among young people under 25, both men and women, and among men in the 25 to 54 age bracket. At the same time, while increasing participation of women of prime working age was the major source of labour force growth in both periods, it occurred at a much slower rate in the years after 1990 than before and, therefore, offset less of the declining participation of men of all ages and of younger women.

The reduction in participation of young people was in itself responsible for a fall in the total labour

14 Changes in employment and labour force in the Union, 1980-94



force in the Union of over 3 million between 1990 and 1994, a considerably higher figure than over the previous three years (600 thousand). As noted in Section 4 below, this is mirrored in an increase in participation in education and training.

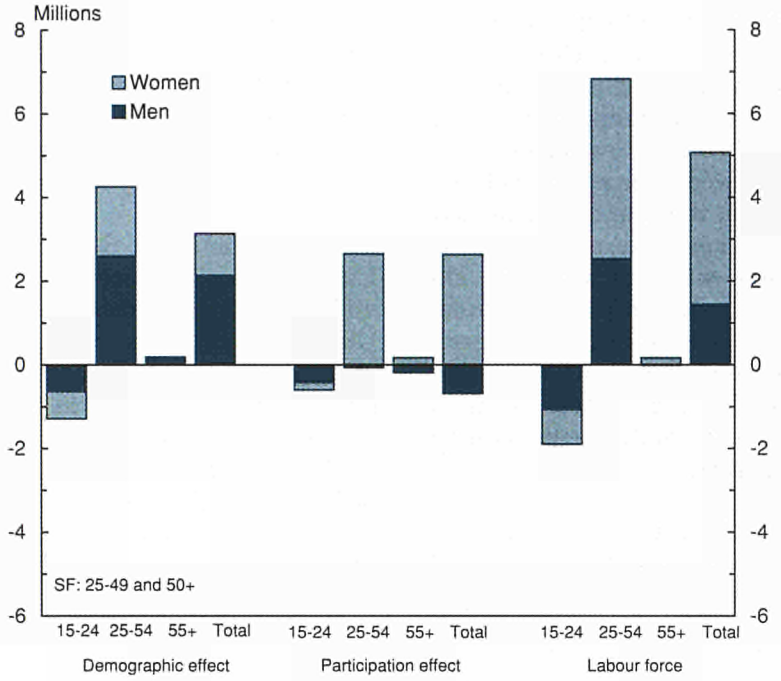
The decline in participation among men in the 25 to 54 age group, which served to reduce the labour force by just over 1.2 million, is more disturbing. In this case, there are no beneficial side-effects which can be cited to justify the disappearance of men of prime working age from the job market.

In the older age groups, participation of men fell by less in terms of those affected but was still significant, reducing the labour force by over 900 thousand between 1990 and 1994, some 700 thousand more than in the three years before.

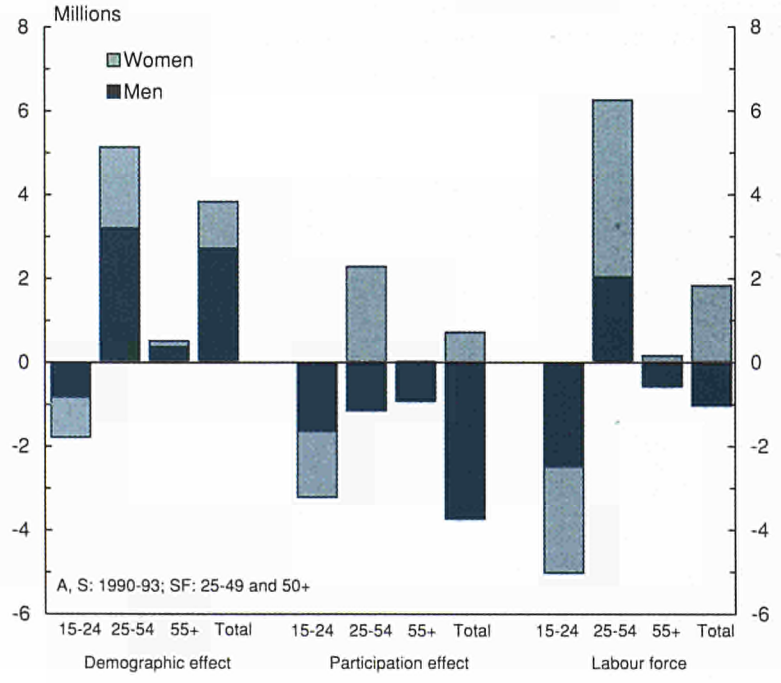
In sum, therefore, just under 45% of the reduction in the Union labour force between 1990 and 1994 of 5.6 million relative to what it would have been, had participation continued to increase at the same rate as in the preceding three years, is attributable to lower participation of young people under 25, almost 20% to that of men aged 25–54 and around 12% to men retiring earlier. The remainder is predominantly due to a reduced increase in the participation of women aged 25–54.

As the economic recovery proceeds and the rate of net job creation increases, it can be expected that the tendencies evident before the recent recession will re-emerge and participation will again rise so increasing the growth of the labour force and slowing down the fall in unemployment.

15 Changes in labour force in the Union, 1987-90



16 Changes in labour force in the Union, 1990-94



Employment and output growth

Over time, the rate of net job creation and contraction in the European Union has closely mirrored the rate of change in GDP. An increase in GDP growth has tended to be followed after a period of time by a rise in the rate of employment growth. A key issue, given the large numbers without work in the Union, whether officially recorded as unemployed or not, is whether it is possible to create more jobs from a given level of output — ie to increase the employment-intensity of the growth.

Over the 1980s, the growth of labour productivity (here defined as GDP per person employed) in the Union as a whole was remarkably constant at just under 2% a year during periods both of slow growth — 1980 to 1985 — and of economic upturn — 1985 to 1990 (Graph 17, in which GDP is lagged two quarters to take some account of the delayed response of employment to changes in output, though, in practice, the full response is likely to take a number of years to materialise).

In the period of economic recession between 1990 and 1994, when employment fell, the growth of productivity was much the same as in the preceding economic upturn. Employers, therefore, seem to have succeeded in adjusting their work forces in line with the depressed rate of output growth during this period.

This experience in the European Union during the recent recession differs significantly from that in the US and Japan. In the recent period of recession, 1989 to 1992, the growth of productivity in the US was similar to the average for the 1980s. In 1993, as the economy picked up, employment increased at the same rate as output and productivity growth was well below the rate experienced in the same year in the European Union, where the economic situation was markedly different (Graph 18).

In Japan, where in the 1980s the growth of labour productivity was consistently higher than in Europe averaging over 3% a year and only falling below this rate when GDP grew by less than 3½%, the recent recession has witnessed an absolute decline in productivity as the numbers in employment have been maintained (Graph 19). In both 1993 and 1994, when output hardly changed at all, employment increased marginally. In Japan, therefore, in contrast to Europe, productivity growth seems to have been sacrificed to the preservation of jobs.

The contrast between the experience in Europe and that in the US and Japan is especially marked for non-manufacturing sectors as opposed to manufacturing industry. In particular, employment in non-manufacturing activities has expanded much more relative to output growth in the 1990s in the latter two countries than in Europe, while, up to the recent recession, productivity in manufacturing has risen at least as fast. In both countries, therefore, and especially in the US, relatively high priority seems to have been accorded to employment in sectors where competitiveness and, consequently, productivity growth are less critical considerations because a much smaller share of output is traded internationally (see Annex for more details).

17 Change in GDP and employment in the Union, 1980-94

18 Change in GDP and employment in the US, 1980-94

19 Change in GDP and employment in Japan, 1980-94

Changes in working time

One means of increasing the number of people employed for any given level of output is through reducing the average amount of time each person works. Although there are difficulties in introducing a deliberate policy of this kind centrally, since the scope for adjusting working time differs markedly between sectors of production, as do the potential costs — or in some cases benefits — it is, nevertheless, the case that average hours worked have tended to decline in most parts of the Union over the past ten years. While the precise impact on jobs is difficult to estimate, it has almost certainly contributed to increasing or maintaining the number of people in employment. As described below, much of this reduction reflects a growth in part-time working, especially among women, though the average hours worked by those employed full-time has also tended to come down.

Between 1985 and 1990, average hours worked per week over the Union as a whole declined from just under 40 to 39, a fall of 2% in five years. As a result while the total hours worked (the volume of labour input) rose by 5½%, the number of people employed increased by 2 percentage points more, by 7½% (Graph 20 — see Annex for definition of working time).

In the subsequent four years, the total hours worked in the Union fell by 4½% as economies went into recession. The number of people employed, however, declined by just over 3%, over 1% less, as the average hours worked per week fell from 39 to 38½. Nevertheless, while this reduction in working time seemed to reduce the fall in numbers employed, the rate of decline was less than it had been in the preceding five years. There is, therefore, little sign in the aggregate data at least, of reduced working time being used as a deliberate means of maintaining the numbers of people in work during the period of slow growth (though there were differences between sectors — see Annex).

20 Changes in numbers employed and total hours in the Union, 1986-94

Section 2 Member State performance in creating jobs

Whereas the focus of the previous section was on employment developments in the Union as a whole, the concern of this and the remaining sections is with developments in the different Member States.

The need for jobs

Objectives for job creation can only be determined in terms of the need for jobs. This varies from Member State to Member State not only because of differences in the prevailing level of unemployment but also because of differential rates of growth of the labour force. An important basis for assessing employment performance is, therefore, the extent to which countries are successful in achieving a rate of net job creation which ensures that all those people who want — or need — to work can find employment.

Changes in the labour force

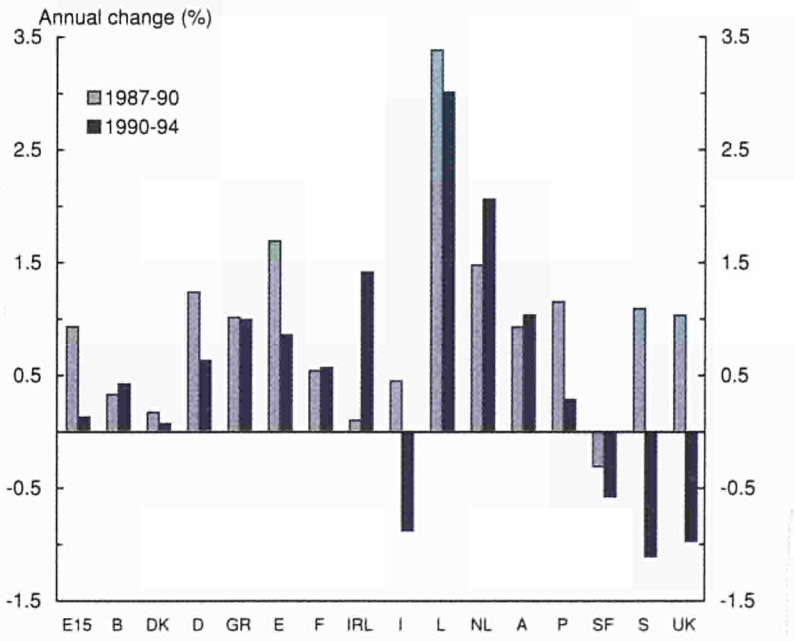
Over the past, labour force growth has varied significantly from year to year, reflecting, on the one hand, long-term trends in population and participation and, on the other, shorter term influences, specifically, changes in migration flows and in economic activity or the rate of net job creation.

The main long-term trends, which are common to most Member States, are:

- a slowdown in the growth of population of working age as a result of lower birth rates — over the 1970s, population in the Union increased by around 1% a year on average, over the 1980s, by around ½% a year;
- an increasing tendency for young men and women to stay longer in education and training, which is reflected in a reduction in rates of labour force participation;
- a tendency for men to retire earlier which is associated with a declining rate of participation in the older age groups;
- a growing tendency for women, especially married women, to want to work, which has led to a significant upward trend in the participation of women in the 25–54 age group.

These long-term trends, however, can be offset or reinforced by shorter term influences. Fluctuations in economic activity, which lead to a slowdown or acceleration in the rate of job creation, have had a major effect on participation in recent years, as described above. In only four of the 15 Member States, did the

21 Change in the labour force in Member States, 1987-90 and 1990-94



labour force expand by more over the period 1990 to 1994 than over the preceding three years, though in a fifth, France, the increase was much the same in the two periods (Graph 21). Moreover, in three of these four countries, Ireland, the Netherlands and Austria, there was either no significant difference between the rate of employment change in the later and earlier periods or employment increased by more between 1990 and 1994 than before.

The only country, therefore, in which the labour force grew by significantly more in the period of lower employment growth was Ireland. Here labour force growth was much affected by the change in the pattern of migration, which led to a higher growth of working-age population after 1990. In particular, large scale outward migration was replaced by inward migration, partly because of the lower demand for labour elsewhere, partly because of the favourable economic prospects in Ireland itself (GDP growth averaged almost 4% a year between 1990 and 1994, far higher than anywhere else in Western Europe).

The marked decline in the rate of labour force growth in most parts of the Union after 1990 was due to the same forces discussed earlier for the Union as a whole, declining participation of young people under 25, men of 25 to 54 and older men of 55 and over (see Annex for a detailed analysis).

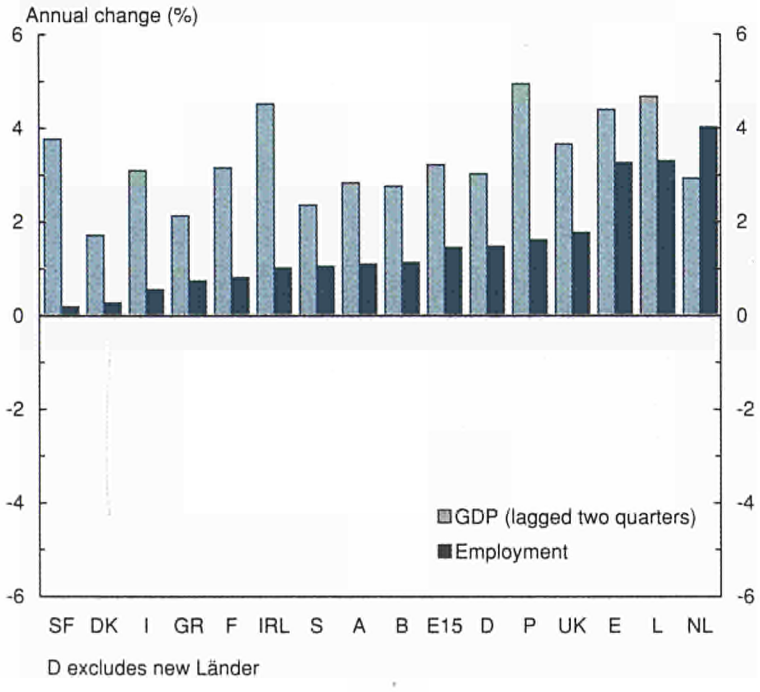
How successful have Member States been in translating economic growth into jobs?

The relationship between output and employment examined in Section 1 for the Union as a whole conceals significant differences between Member States. In particular, while in all countries there is a close association between changes in output and employment over time, in the sense that when GDP growth has increased or fallen this has normally been followed by a counterpart change in the numbers in work, some seem to have been noticeably more successful than others in translating output growth into jobs. Although, in general, there is some tendency for the increase in the numbers employed to be higher, or reduction to be lower, in those countries which have achieved a relatively high rate of output growth, the relationship is by no means uniform.

In the growth period between 1985 and 1990, GDP increased by just over 3% a year over the Union as whole and the numbers employed by 1½%. In four countries, Ireland, Luxembourg, Spain and Portugal, growth averaged more than 4% a year (Graph 22). In all of these apart from Ireland, the numbers employed also increased by more than the Union average — by over 3% a year in both Spain and Luxembourg. In Ireland, despite a growth rate of GDP of 5% a year, employment went up by only 1%. In two other countries, the UK and Finland, GDP also rose by more than the Union average, but whereas in the UK employment also went up by more than elsewhere, in Finland as in Ireland, the numbers employed rose by relatively little — in this case, by under ½% a year.

Of the six countries in which employment increased by more than the Union average, GDP growth was also above average in all but two — Germany and the

22 Growth of GDP and employment in Member States, 1985-90



Netherlands, in both of which growth was also only slightly below and where in the latter there was a much larger shift towards part-time working than elsewhere. Of the 9 Member States where GDP growth was less than the Union average, the numbers in work also increased by less than average in six, the exceptions being Belgium, where the rise in both GDP and employment differed only marginally from that in the Union as a whole, Ireland and Finland as noted above.

The experience of this period was, therefore, that in countries which achieved a relatively high rate of output growth, there was a greater chance of a higher than average expansion of employment. At the same time, high growth was not a sufficient condition for securing a large rise in employment, as Ireland and Finland demonstrated. On the other hand, no countries succeeded in achieving a high rate of employment growth between 1985 and 1990 without having a growth rate of GDP above or close to the Union average.

A similar conclusion emerges from the experience of the period of recession between 1990 and 1994. In the Union as a whole, GDP growth averaged 1% a year over this period, while the numbers employed fell by just under 1% a year. Of the six Member States — Luxembourg, the Netherlands, Ireland, Austria, Greece, Germany and Portugal — in which employment rose instead of falling during these years, all but Greece achieved a growth of GDP which was at least 2% a year (Graph 23).

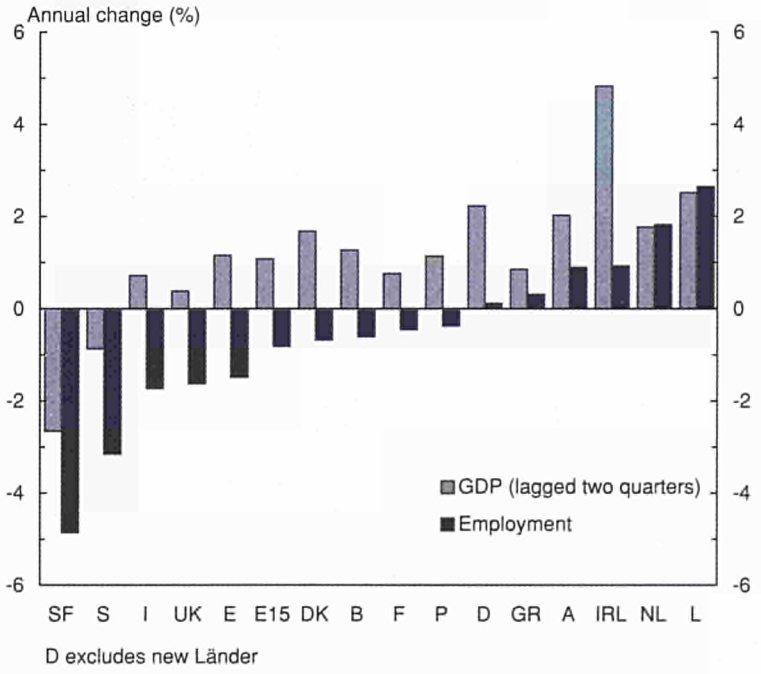
Similarly, there were five Member States where employment fell by more than the Union average between 1990 and 1994 — Finland, where it declined by just under 5% a year and where GDP also declined markedly, Sweden, where employment fell by 1½% a year and GDP by just under 1% a year, Italy, the UK and Spain. Of these only in Spain was the growth of GDP more than the Union average, and then only marginally.

Moreover in all four countries where employment fell but by only slightly less than the Union average — Denmark, Belgium, France and Portugal — the rate of GDP growth was very similar at around 1% a year.

Over the period of recession, therefore, there was a somewhat closer relationship between the change in GDP and the change in employment across Member States. During these years, no Member State, except Greece, succeeded in achieving an increase in the numbers in work without having a growth rate of GDP of close to 2% a year or more. Moreover, employment fell by most in those countries where GDP either declined or rose by less than 1% a year.

This experience, together with that for the earlier period of economic recovery, strongly suggests that output growth is a necessary condition for achieving any significant expansion in the numbers in employment. At the same time, there were marked differences between Member States in the rate of productivity growth — or in the employment-intensity of output growth — which show that a high rate of economic growth is not a sufficient condition for obtaining a high rate of employment growth.

23 Growth of GDP and employment in Member States, 1990-94



D excludes new Länder

The employment-intensity of growth in Member States

Countries have had differing success in translating economic growth into more jobs, though generally the ones which have experienced the largest increase in employment per unit of output have also experienced the highest rates of net job creation.

Between 1985 and 1990, the three Member States achieving the largest gains in employment — the Netherlands, Luxembourg and Spain — were also the three experiencing the smallest rises in output per person employed — ie the most employment-intensive growth (Graph 24). Indeed, the country where the numbers in work increased by most, the Netherlands, was the only Member State where productivity measured in these terms declined over the period (though much of the apparent decline in productivity was due to shorter hours worked per person). Two other countries where productivity growth was below the Union average — the UK — or marginally above — Germany — also experienced above average growth in employment. On the other hand, in Portugal, the only other country where the numbers in work also expanded by more than average, output per person rose by more than anywhere else in the Union.

At the other end of the scale, three of the four Member States experiencing significantly higher than average productivity growth over this period — Finland, Italy and France, where GDP per person employed rose by over 2% a year — were among three of the four countries where employment rose by less than 1% a year.

In the subsequent four years, 1990 to 1994, the two Member States where employment rose by most — Luxembourg and the Netherlands — were also the only two where GDP per person employed failed to increase at all over this period (Graph 25). In the other two Member States experiencing a rise in employment, however — Germany and Austria — GDP per person increased by more than average. On the other hand, in all five countries where the numbers employed fell by most during these years — Finland, Sweden, Italy, the UK and Spain — productivity increased by more than average (by around $2^1/_2$% a year).

From this it would appear that those Member States in which aggregate labour productivity has grown relatively slowly have done better in terms of increasing or maintaining levels of employment than those where productivity has risen relatively rapidly. This is also generally true of manufacturing and non-manufacturing sectors considered separately (see Graphs 26 to 29).

It should be emphasised, however, that it is important to be wary in drawing policy conclusions from this observation. In particular, it is not possible to conclude that those countries which experienced relatively high rates of labour productivity growth before and after 1990 would have done better if they had succeeded in reducing this. Much depends on the methods of achieving this and, in particular, the implications for output growth. If the growth of output is depressed either by the lower level of productivity itself or by the measures taken to raise employment, then the effect of this on job creation could offset any beneficial effects of the measures themselves. Thus it remains essential for economies to have highly productive and internationally competitive sectors in order to underpin employment growth.

In the US, as noted above, employment-intensive growth has been concentrated in non-manufacturing sectors where a high proportion of output is non-traded and where, therefore, achieving high productivity growth is less of a priority and potentially less damaging to output growth. Much the same seems to be true of all three new Member States, where the growth of productivity in manufacturing was substantially in excess of that in non-manufacturing in the period both before and after 1990 (by over $3^1/_2$ percentage points a year between 1990 and 1994). This was also true of Luxembourg and the Netherlands where productivity growth in manufacturing of 2% a year since 1990 has been combined with a reduction of productivity in non-manufacturing.

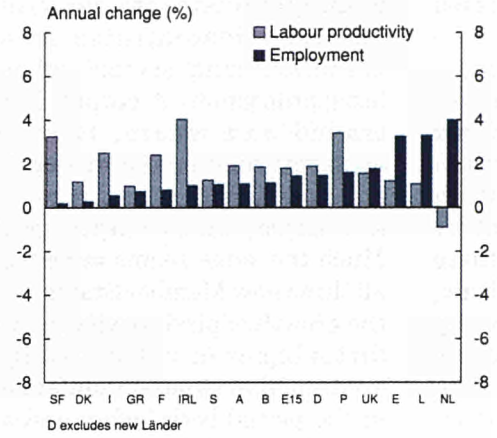
Although it is difficult to judge how far this has been a deliberate result of policy, maintaining a high level of employment seems to have been accorded relatively high priority in these countries and (as noted in Part II), a number of measures have been implemented in recent years in pursuit of this. The fact that in Finland and Sweden, employment has fallen since 1990 by more than anywhere else in the Union despite this policy aim needs to be considered in the light of the deep recession which has hit them over this period.

Changes in working time

The changes in labour productivity as defined above conceal, in most countries, reductions in average

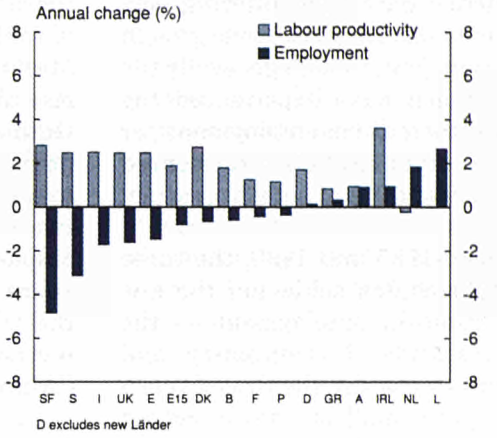
Changes in labour productivity and employment in Member States, 1985–90 and 1990–94

24 Total economy, 1985-90



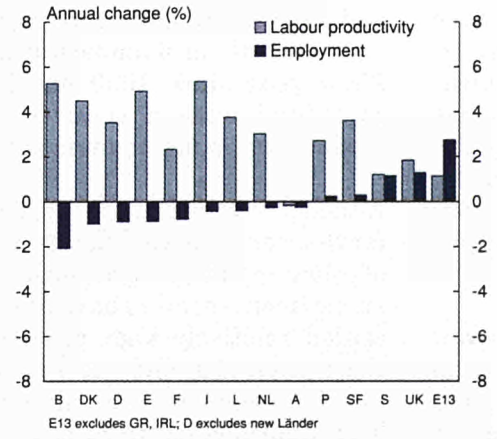
D excludes new Länder

25 Total economy, 1990-94



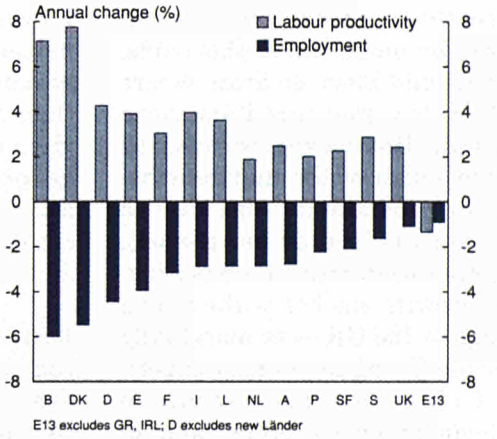
D excludes new Länder

26 Manufacturing, 1985-90



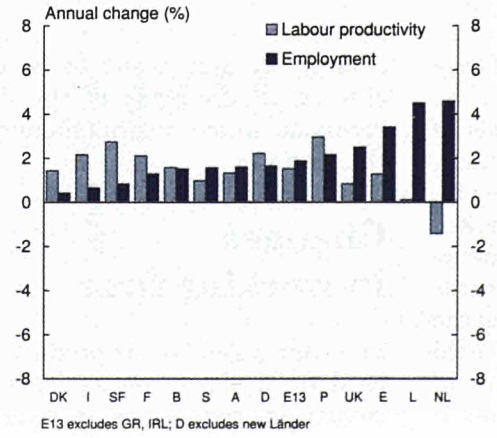
E13 excludes GR, IRL; D excludes new Länder

27 Manufacturing, 1990-94



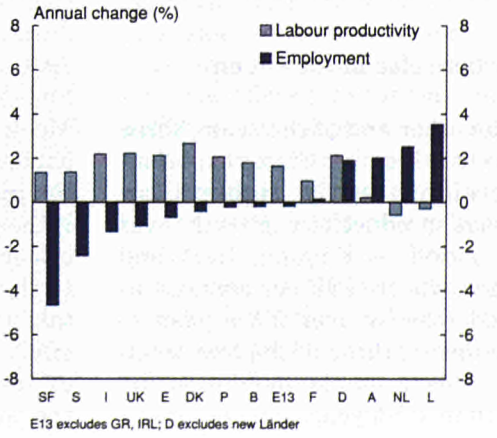
E13 excludes GR, IRL; D excludes new Länder

28 Non-manufacturing, 1985-90



E13 excludes GR, IRL; D excludes new Länder

29 Non-manufacturing, 1990-94



E13 excludes GR, IRL; D excludes new Länder

hours worked by those in employment. These have contributed to maintaining larger numbers in work, while at the same time causing the growth of output per hour worked (the true measure of labour productivity) to diverge from that of output per person. In the Netherlands, in particular (though data problems exaggerate the reduction which occurred), a fall in average working time contributed significantly to the growth in the number employed in the economy between 1985 and 1990 (Graph 30). In Belgium, Germany, Greece and France, moreover, the numbers in employment increased by twice the rise in total hours worked (ie total labour input) over this period (though in Greece, this seems to have had much to do with the decline of employment in agriculture where average hours worked per week were markedly higher than in industry or services), while in Denmark and Finland, the numbers in work rose at the same time as total hours worked declined. In all of these cases, therefore, reductions in average hours per week helped to increase the growth of employment significantly, as they did in Austria and Portugal.

By contrast, in Ireland, Sweden, Italy, Luxembourg and the UK, reductions in average working time seem to have made little or no contribution to increasing the number of jobs in the economy. Indeed, in Sweden and the UK, average hours worked rose over this period — the only two Member States where this was the case — and the numbers in employment went up by less than total hours worked.

In the subsequent four years, 1990 to 1994, reductions in working time also contributed in virtually all Member States to maintaining the numbers in employment. The only two countries where this was not the case were Denmark and Greece, in the former employment falling by more than total hours worked and in the latter rising by less (Graph 31). The contribution to job preservation of reductions in working time — amounting to a fall in average hours of over ½% a year — was particularly significant in Belgium, Germany, Portugal, Ireland and Sweden.

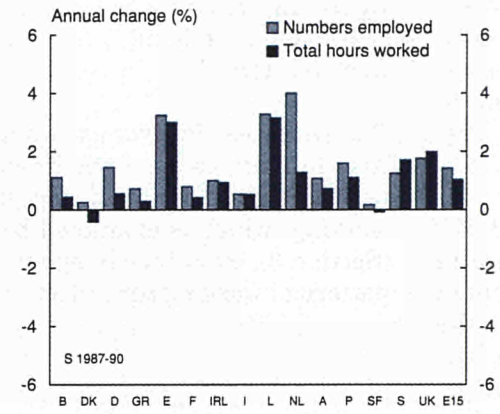
There is, however, a marked difference between the experience in manufacturing industry and that in the rest of the economy. In the growth period 1985 to 1990, the numbers employed in manufacturing in the Union as a whole went up by only marginally more than total hours worked, implying little fall in average working time. This experience was repeated in most Member States, only Denmark, Germany, the Netherlands and Austria showing any significant reduction in the hours worked per person (Graph 32). In the subsequent four years, much the same was true, only Portugal, the UK and, most especially, Sweden, showing a perceptibly smaller fall in the numbers employed in manufacturing than in total hours worked, while in Denmark and the Netherlands, the numbers in employment declined by more than total labour input, indicating a rise in average hours worked (Graph 33). In the other countries, the two changed more or less at the same rate.

In non-manufacturing, all countries except Sweden and the UK experienced a reduction in average working time between 1985 and 1990, so that the number of people employed rose by more than total hours worked (Graph 34). In the subsequent four years of recession, in all Member States, except Denmark, reductions in average hours worked in non-manufacturing sectors contributed to maintaining the numbers in employment, especially in Ireland and Portugal, where they declined by almost 1% a year, and Sweden, where they fell by over 1% a year, a reduction of around 1½ hours a week (Graph 35).

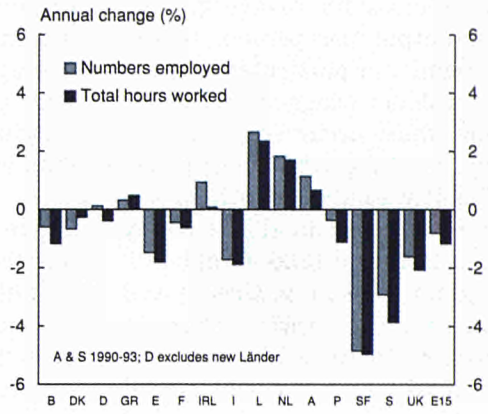
The reduction in average working time in most parts of the Union is linked to the growth of part-time working, which is examined below (Section 3), as is the change in the pattern of working time (Section 5).

Changes in numbers employed and total hours worked in Member States, 1985–90 and 1990–94

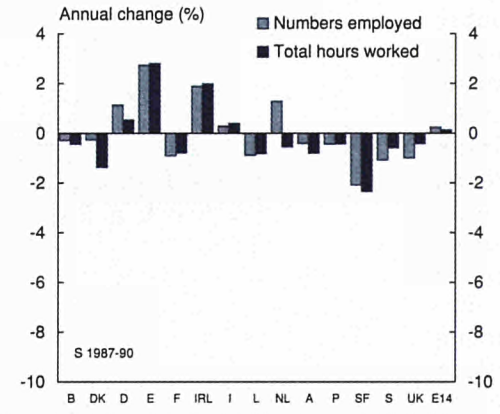
30 Total economy, 1985-90



31 Total economy, 1990-94

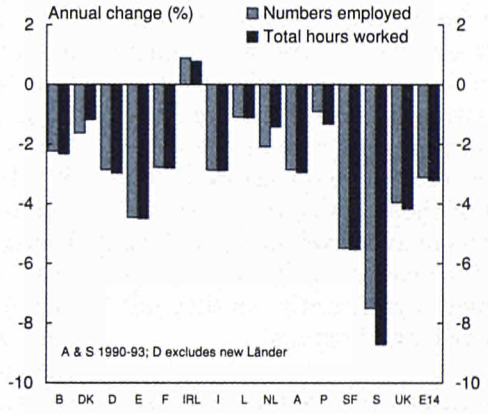


32 Manufacturing, 1985-90



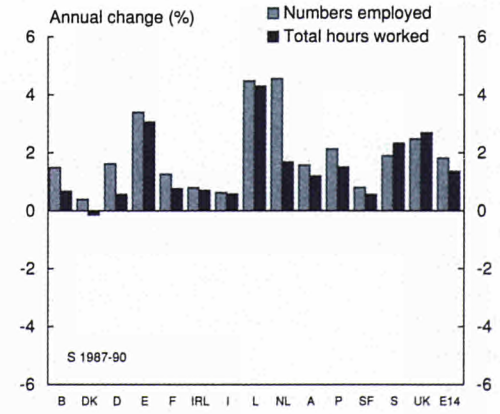
No separate figures for employment in manufacturing and non-manufacturing for GR

33 Manufacturing, 1990-94



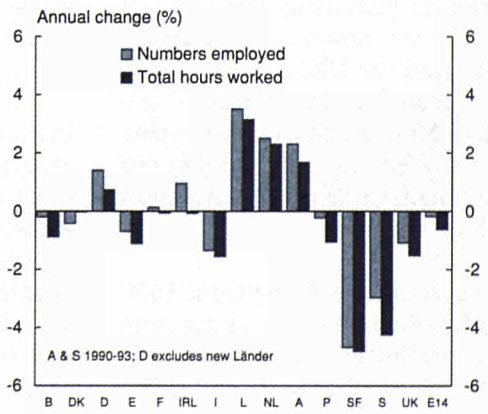
No separate figures for employment in manufacturing and non-manufacturing for GR

34 Non-manufacturing, 1985-90



No separate figures for employment in manufacturing and non-manufacturing for GR

35 Non-manufacturing, 1990-94



No separate figures for employment in manufacturing and non-manufacturing for GR

Section 3 The changing pattern of employment

More jobs for women less for men

The period of job growth between 1987 and 1990 saw the employment of men in the European Union increase, whereas over the 20 years before it had fallen. In the 10 years 1975 to 1985, the number of men employed had declined by around 3 million, or 4%, and in the decade preceding that by around 1 million. In contrast, the employment of women had shown an even more pronounced long-term growth, increasing by 3 million, or by 7%, between 1965 and 1975 and by a further 10% over the next 10 years.

In the three years 1987 to 1990, the number of men in employment went up by over 3½ million, or almost 4½%; as a result over 45% of the net additional jobs created over the Union as a whole went to men. This was predominantly the consequence of growth of jobs in industry, which like the employment of men had shown a marked downward trend over the preceding years. Just as men seem to have lost out more than women from the reduction in industrial employment which had gone before, simply because they accounted for the preponderance of the work force — over 75% in the Union as a whole — so too they gained from the renewed expansion of employment in industry during the growth years.

In the 10 years 1975 to 1985, the number of industrial jobs had declined by 7 million, 1½% a year on average. Three-quarters of those who lost their jobs over this period were men. Since this is the same figure as their share of employment, men's and women's jobs declined proportionately. Between 1987 and 1990, the number increased by 2½ million in the Union, by almost 6% overall or 2% a year. Of these, just under two-thirds went to men, less than their share of the industrial work force. Indeed, the rate of growth of men's employment in industry over this period was only half that of women. Nevertheless, this growth was in stark contrast to the losses suffered in the years before.

Women, therefore, gained proportionately more than men from the expansion of employment in industry over this period, taking over a third of the net additional jobs and increasing their share of the work force. They also, however, gained disproportionately from the expansion of services, taking 75% of the net additional jobs created over this period, much more than their share of employment (under half in 1987), though this was broadly in line with the trend increase in their share in previous years.

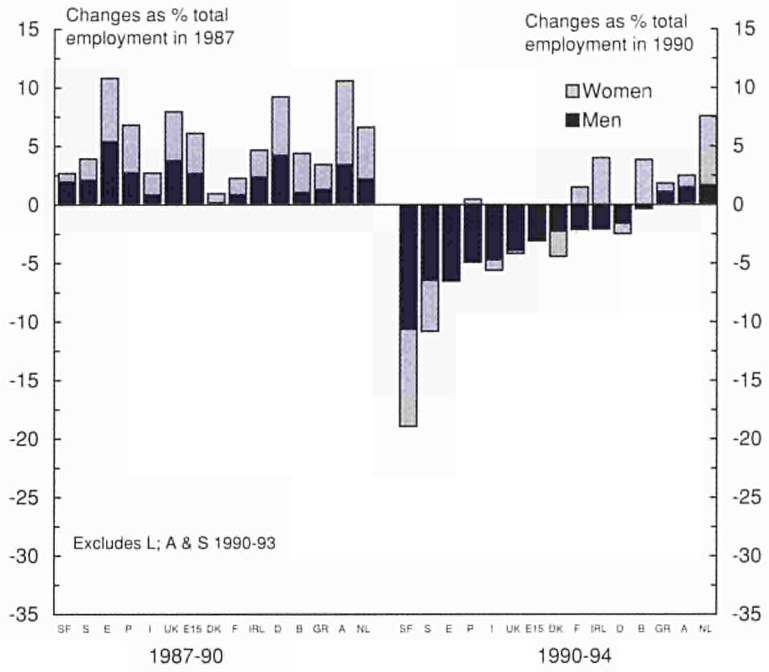
In agriculture, which continued to shed jobs between 1987 and 1990 despite the overall expansion of employment, both men and women experienced much the same rate of employment loss (around 10%).

The implication is, therefore, that given the rates of growth of industry and services which occurred, the increase in the employment of men was lower than would have been expected on past trends. Women, in other words, continued to expand their importance in the Union work force over this period.

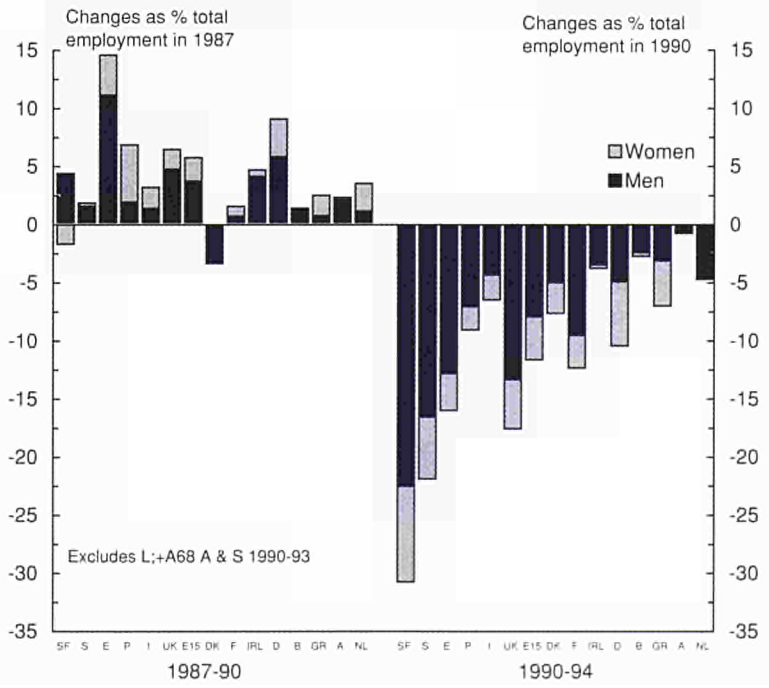
In the years of recession after 1990, the employment of men resumed its long-term downward trend, declining by over 4½ million between 1990 and 1994, more than cancelling out the gains made in the preceding three years. At the same time, the employment of women fell only very slightly.

Underlying this difference in experience, as in earlier years, was a sharp decline in employment in industry. Between 1990 and 1994, the number of industrial jobs fell by almost 12%, almost as much as over the entire 10 years 1975 to 1985 and considerably more than the increase experienced in the latter part of the 1980s. Unlike in earlier years, job losses hit women proportionately more than men (employment of women falling by over 15%, of men by under 11%). For women, however, unlike men, the continuing expansion of jobs in services compensated for this decline and an accelerating loss of jobs in agriculture (which shed over 2 million jobs over this period, a decline of 20%, though again divided evenly between men and women). For men, given the importance of industrial employment, it fell a long way short.

36 Relative change in employment of men and women in Member States, 1987-90 and 1990-94



37 Relative change in employment of men and women in industry in Member States, 1987-90 and 1990-94



Changes in employment of men and women in Member States, 1987 to 1994

In all countries in the Union, the employment of both men and women increased between 1987 and 1990 (Graph 36, in which changes in employment of men and women are expressed as a percentage of total employment in the base year to show their relative contribution to the change in employment over each period). In all but four countries — Greece, Luxembourg, the Netherlands and Austria — the number of men in work declined between 1990 and 1994, in Italy, Portugal and the UK, contributing around 5% to the overall decline in employment, in Spain and Sweden, 6½ and in Finland, 10½. These all experienced a significant growth in the employment of men in the preceding three years, but in each case, the net gain was more than wiped out by the subsequent net loss.

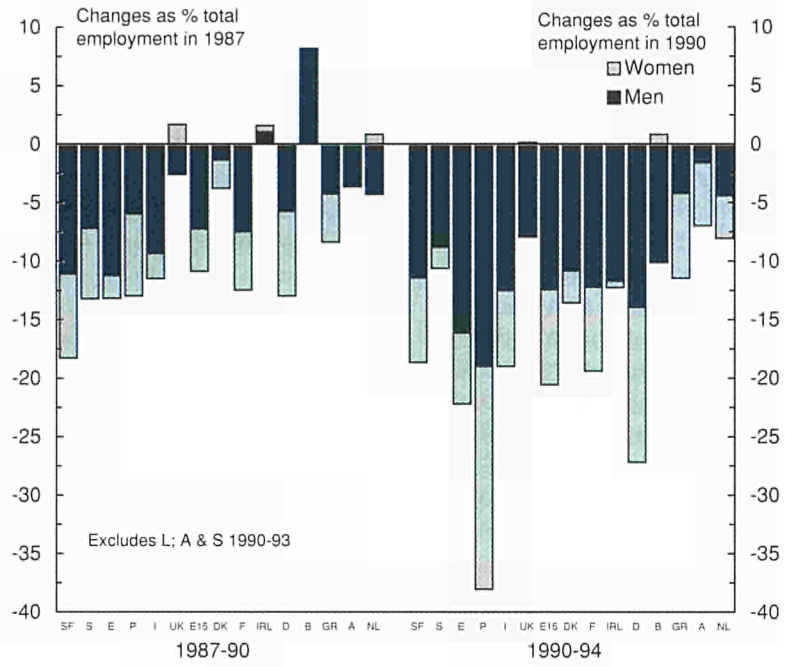
In all these countries, as elsewhere in the Union, the difference in experience between the two periods was largely attributable to what happened in industry. In the three years 1987 to 1990, the number of jobs in industry increased throughout the Union, except in Denmark. In Spain, the number expanded by almost 5% a year, in Germany, the UK and Portugal, by over 2% a year. In each of these countries, the growth in employment of men in industry was less than that of women, as indeed, it was in most other Member States, except for Belgium, Ireland, Austria, Finland and Sweden (Graph 37). Yet in most cases, it was sufficient with the increase in jobs for men in services to offset the continuing loss of jobs in agriculture.

Between 1990 and 1994, the number of jobs in industry declined in all Member States without exception, the reduction being particularly pronounced in Finland, where it amounted to over 35%, Sweden, where it was over 20%, and the UK and Spain where it was over 15%. This contributed to a major extent to the significant decline in employment of men overall in all of these countries. In Portugal, where there were also significant job losses in industry, an enormous loss of jobs in agriculture was even more important (almost 40% of agriculture jobs disappeared in this four-year period) (Graph 38).

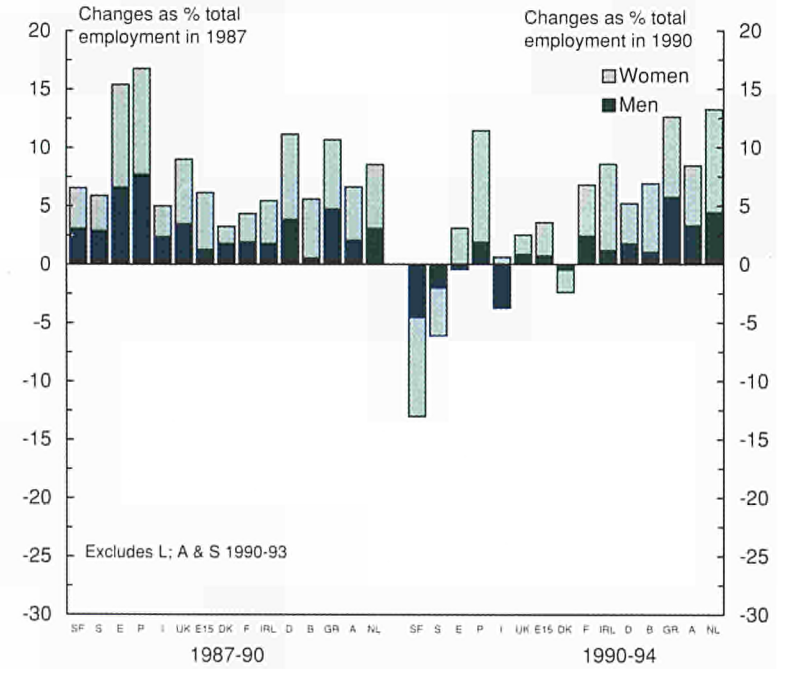
By contrast, the employment of women, having risen by much more than that of men throughout the Union between 1987 and 1990 (except for Finland), continued to expand in seven Member States in the subsequent four years, while in two others, the UK and Spain, it fell only marginally. In Finland, Sweden and Denmark, however, it declined significantly (by 5% a year in the first, 2½% a year in the second and 1% a year in the third). Nevertheless, in each case apart from Denmark, the fall was less than that of men.

This continued growth, or much smaller fall than that of men, in the employment of women largely reflects, first, the fact that jobs in services, where the great majority of women are employed, went on expanding in most countries over this period, in sharp contrast to the loss of jobs in industry, and, secondly, the increasing share of jobs in services going to women. Overall in the Union, service employment grew by just under 1% a year during the four years 1990 to 1994, though this was less than over the preceding three years (2% a year). Indeed, in France, Ireland and the Netherlands, growth

38 Relative change in employment of men and women in agriculture in Member States, 1987-90 and 1990-94



39 Relative change in employment of men and women in services in Member States, 1987-90 and 1990-94



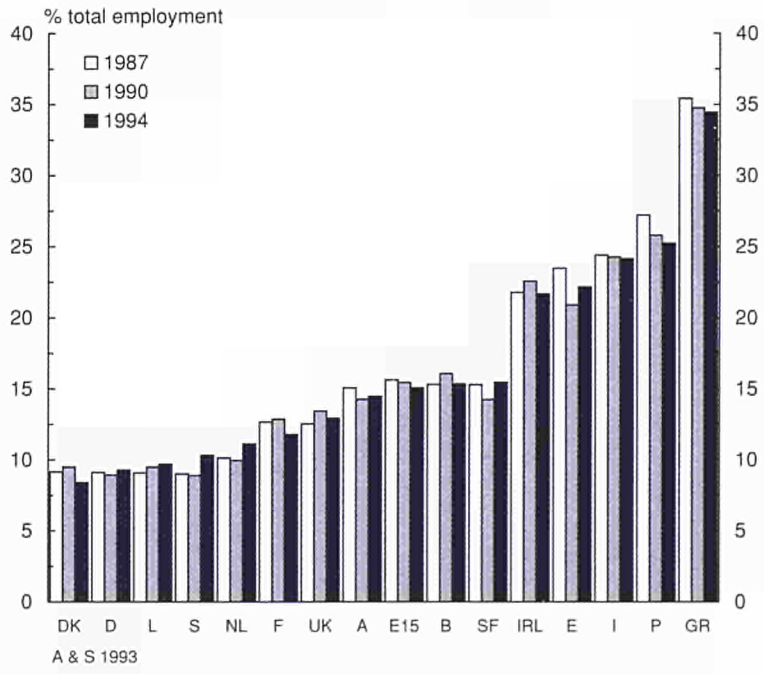
was higher over the later period. Moreover, in all Member States, where employment in services rose, the number of women employed increased by more than that of men (Graph 39). The number of women also rose in Italy where jobs for men declined. In the three Scandinavian countries, however, employment of women in services fell by more than that of men. Significantly perhaps, these are also the three countries in the Union where the proportion of women employed in this sector is substantially greater than that of men (in Finland and Sweden, 60% of service jobs are filled by women). The long-term trend towards women taking an increasing share of jobs in services may, therefore, not be unlimited.

As analysed in some detail below, a significant proportion of the additional jobs filled by women have been part-time, whereas the jobs lost in industry and agriculture have predominantly been full-time. Underlying the shift in employment between men and women, therefore, is a further trend — that of a shift in jobs from full-time to part-time. Unlike the relative growth of women's employment, however, this trend is much more apparent in the Northern and more developed parts of the Union than in the South and less developed areas.

As a result, growing numbers of men have become unemployed over the long-term but equally significantly, an increasing proportion of men of working age have withdrawn from the labour force completely, as noted above.

The paradox is, however, that unemployment rates of women have risen to higher levels than those of men even though women's employment has expanded while men's has contracted. The explanation lies in the substantial increase in the number of women coming on to the labour market in most parts of the Union which has outstripped the expansion of jobs.

40 Self-employment in Member States, 1987, 1990 and 1994



The changing status of those in employment

Self-employment versus waged employment

Over the period 1987 to 1994, the number of self-employed in the Union remained broadly unchanged in relation to the total numbers in work. In 1994, some 15% of those in employment in the Union were self-employed, slightly lower than in 1987. Self-employment, however, was significantly more important for men than for women, accounting for around 19% of the total in both years as against 9½% in the case of women.

Nevertheless, there are considerable differences in the importance of self-employment across the Union, especially between the North and the South. In Greece, over a third of all those in employment in 1994 were self-employed, in Italy and Portugal, around 25% and in Spain as well as Ireland, just over 20% (Graph 40). By contrast, in Denmark, Germany and Luxembourg, the proportion was less than 10%. This partly reflects the scale of employment in agriculture where over half of those in work are self-employed in the Union as a whole. Nevertheless, even outside agriculture, a higher proportion are self-employed in the Southern Member States than in the North — around 20% in 1994 in Spain, Italy and Portugal, almost 30% in Greece.

1987 to 1990

Between 1987 and 1990, the number of self-employed in the Union increased at an average rate of just under 1½% a year, slightly less than the growth of total employment of just over 1½% a year. As a result, self-employment accounted for only 12% of the overall increase in the numbers in work over this period and its share of total employment declined slightly. Outside agriculture, however, where employment declined substantially, self-employment increased by more than 3% a year and its share in total employment in industry and services rose over the period.

In most Member States, self-employment in industry and services grew at a similar or faster rate than the number of employees (excluding Austria, for which the data are not sufficiently detailed). This was particularly the case in Portugal and the UK, two countries where the growth of total employment was especially pronounced. In each case, the increase in self-employment was responsible in itself for expanding total employment by some 2% between 1987 and 1990, with women accounting for much of the increase in Portugal. In both countries, around a quarter of all the increase in employment between these two years was in the number of self-employed, twice their share of the total number in work in 1987 (Graph 41, which shows the contribution of the change in self-employment and employees to overall employment in industry and services over the period).

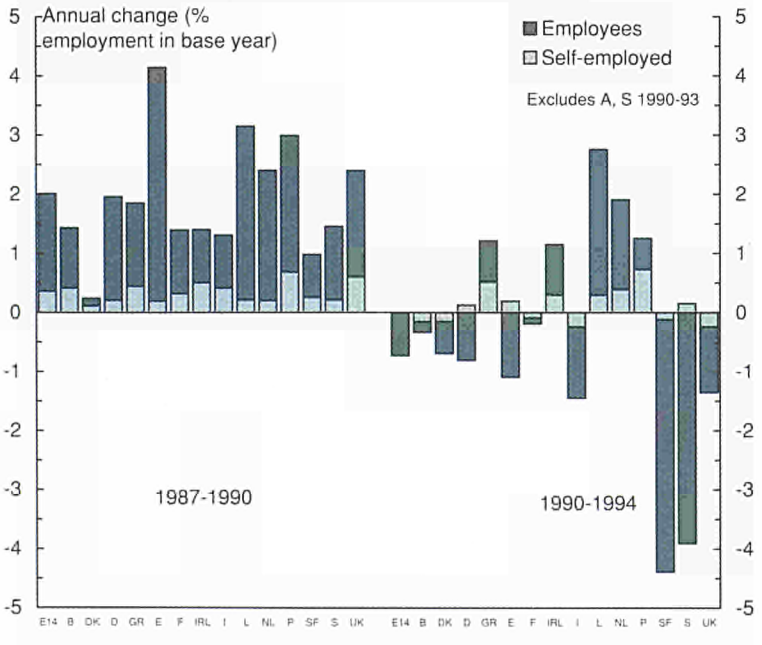
The other countries where the growth of self-employment made a major contribution to net job creation were Denmark, Finland, Ireland and Belgium. In the former, where total employment declined over the period, the number of self-employed increased by some 5%, not enough to compensate for the large reduction in waged and salaried employment. In Finland, self-employment accounted for a quarter of job growth. In Ireland, self-employment expanded by almost 10% over the period and accounted for almost 40% of the overall increase in the numbers in work, while in Belgium — where, as in Portugal, the rise in female self-employment was especially marked — it increased by a similar amount and was responsible for a third of the total rise in employment.

Apart from in Belgium and Portugal, and to a lesser extent, in Germany and Greece, the growth of self-employment between 1987 and 1990 was largely concentrated among men, reflecting the much greater numbers of men who are self-employed in the Union. In Finland, the UK and Ireland, in particular, where the growth of self-employment was an especially important source of the net addition to jobs, all of the people who became self-employed in the former were men and three out of four in the latter two.

1990 to 1994

In most Member States, 9 out of the 15, the number of self-employed fell between 1990 and 1994, as it did over the Union as a whole. As in the preceding three years, however, much of the decline was a result of job losses in agriculture, which accelerated during this period. Excluding this sector, the number of self-employed expanded in 9 of the 15 Member States (including Austria, which is not shown in the Graph), the exceptions being Belgium, Denmark, France, Italy

41 Contribution of change in self-employed and employees in non-agriculture to total employment in Member States, 1987-1990 and 1990-94



Finland and the UK. In Denmark and the UK, in particular, the fall in the numbers of self-employed was especially marked, reducing overall employment by some 1%, almost as large as the increase had been in the three years before. As a result, the share of the self-employed in total employment in the UK was virtually the same in 1994 as it had been in 1987 before the large growth occurred. This was also the case in Belgium, while in Denmark, France and Italy, the share was lower in 1994 than in 1987.

In Finland, however, though self-employment declined, the fall was much less than that of employees — 6½% in industry and services as opposed to over 19% — and the share of the self-employed in total employment increased. In Germany, Spain, Portugal and Sweden, moreover, the number of self-employed in industry and services rose while total employment declined, and in Greece, Ireland and the Netherlands, the growth of self-employment was proportionately greater than the increase in the number of employees. In all of these countries, therefore, self-employment helped either to boost the numbers in work or prevent a larger fall — though this was disguised by the effect of large-scale job losses in agriculture (see Annex for an analysis of flows into and out of self-employment). This was especially the case for men, for whom in sharp contrast to the reduction in waged employment, self-employment went up slightly between 1990 and 1994.

Part-time versus full-time jobs

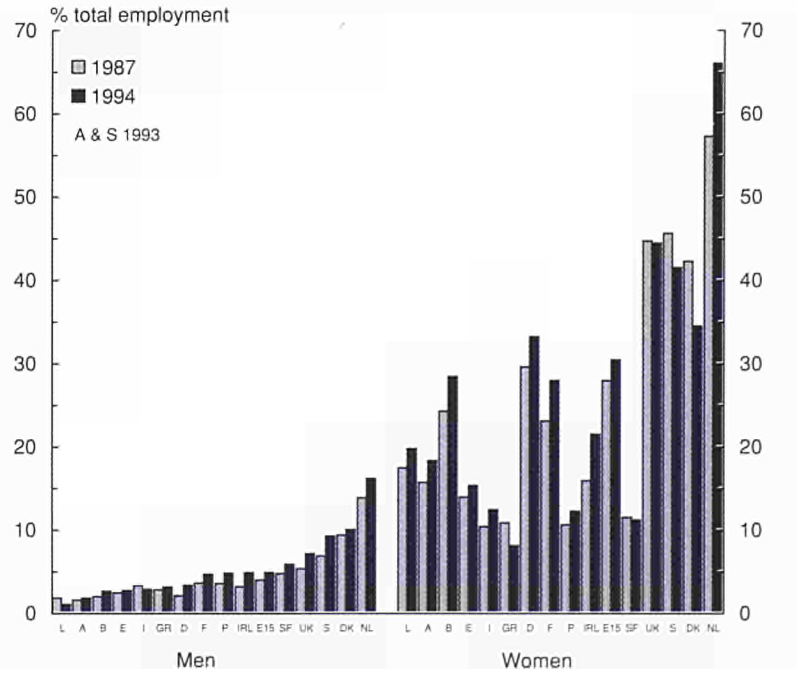
Part-time employment in most parts of the Union has expanded significantly over the recent past both in absolute terms and relative to full-time employment. This was especially true during the recession after 1990.

In 1994, 15½% of all those in employment worked part-time as compared with 13% in 1987 and 13½% in 1990. Much of the increase, therefore, occurred during the recession years when the number of full-time workers fell. In 1994, almost 31% of all female jobs in the Union were part-time, up from 28% in 1987 and 1990. Though part-time working is significantly less important among men, it, nevertheless, increased at much the same rate as for women between these two years to reach almost 5% of total male employment by 1994 (Graph 42).

Between 1987 and 1994, Greece was the only Member State to experience, for both men and women, a fall in the number of part-time jobs relative to full-time. There was, however, also a decline in the relative number of men working part-time in Italy and Luxembourg and a more substantial reduction in the number of women working part-time in Denmark. The latter is significant given the high proportion of women employed part-time and indicates perhaps that the trend towards part-time working may have some limit. Apart from in Greece and Denmark, the importance of part-time employment among women increased throughout the Union.

Despite its widespread growth, part-time working remains a much more pronounced feature of Northern Member States than in the South, where in 1994 it accounted for only between 8% (Greece) and 15% (Spain) of female employment. Part-time working among both men and women is particularly high in

42 Part-time working in Member States, 1987 and 1994



Denmark, where 34½% of women in employment were in part-time jobs in 1994 (though the figures is tending to fall rapidly), Sweden where the figure was 41%, the UK where it was 44½% and the Netherlands, where 66% of women and 16% for men worked part-time, much more than anywhere else in the Union.

1987 to 1990

Between 1987 and 1990, part-time working grew by 3% a year, accounting for over a fifth of the total increase in employment over the period as a whole. Over the same period, full-time employment increased by under 1½% a year.

The largest growth in part-time working occurred in Germany (over 9% a year), Ireland (5½% a year), Belgium and the Netherlands (both around 5% a year). In both Germany and the Netherlands, more part-time jobs were created than full-time and these were responsible for around two-thirds of the total increase in employment. While the increase in the Netherlands was in relation to an initial position where part-time working was already high, accounting for 30% of total employment, in Germany, it accounted for only 13% of total employment in 1987, no higher than the Union average.

Women filled 95% of the additional part-time jobs created between 1987 and 1990 and one third of all the extra jobs taken by women were part-time. In contrast, 98% of the increased number of jobs for men over this period were full-time (Graph 43). In Greece, Spain, Italy and Finland, the number of men working part-time fell. Nevertheless, in three countries, in particular, the importance of part-time working among men rose significantly. In Germany, the proportion working part-time increased from 2% to almost 3½% over the period and 23% of the net addition to jobs for men were part-time. In the Netherlands, 47% of the net addition to jobs were part-time. In Denmark and Austria, the number of full-time jobs fell by 2% over the period while part-time jobs increased.

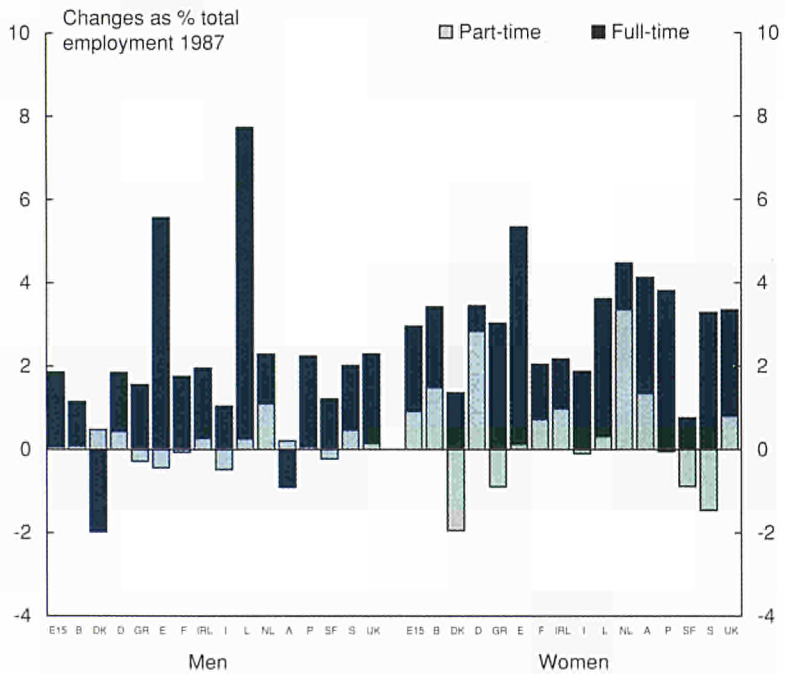
By contrast, for women in Denmark and Finland, the reduction in part-time jobs more than outweighed the expansion of full-time ones and employment overall declined. Part-time employment of women also declined in Greece, Italy and Sweden, while in each case the number of full-time jobs for women expanded. In Spain, Luxembourg, Portugal and the UK, though part-time employment of women rose over the period, the proportion employed part-time declined.

On the other hand, the growth of part-time employment of women, as for men, was especially marked in Germany and the Netherlands — in the former case accounting for 83% of all new jobs created and in the latter for 75%. Elsewhere, the growth of part-time jobs was responsible for some 45% of the total increase in employment of women in Belgium and Ireland and for around a third of the increase in France and Austria, all countries where the proportion of women working part-time was below the Union average.

1990 to 1994

In the subsequent four years of recession, the growth of part-time employment was fairly general across Member States. While the total number in employment fell by almost 3% in the Union as a whole, the number of part-time jobs

43 Contribution of change in part-time and full-time working to total employment in Member States, 1987-90



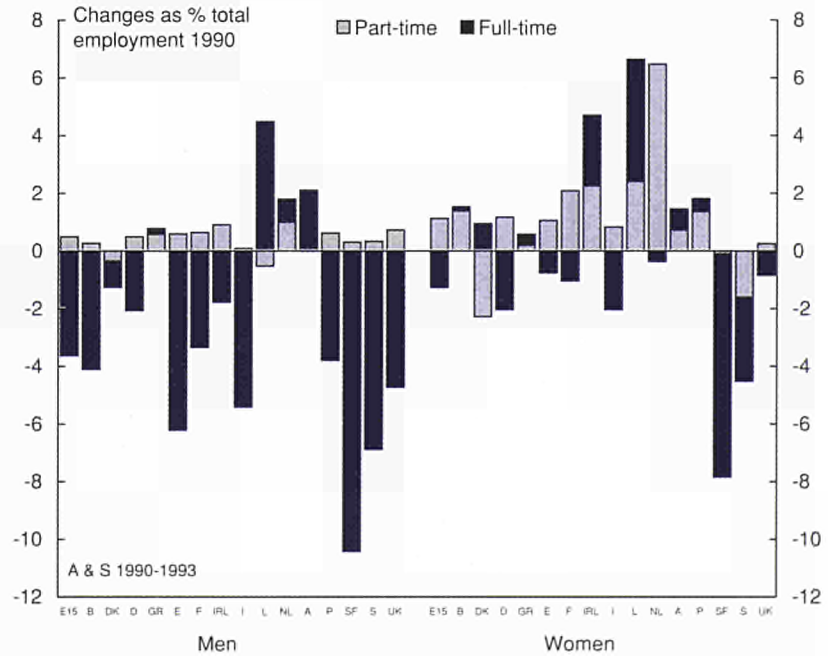
increased by some 13%, in itself adding 2% to total employment and partly compensating for the decline in full-time jobs of 5%. In every Member State, with the exception of Luxembourg, the Netherlands and Austria, the number of people working full-time declined between these two years, while in all, except Denmark and Sweden, the numbers working part-time expanded.

Growth of part-time working was common to both men and women. For men, whereas full-time employment declined by 5½%, part-time jobs increased by 21% and the number of men working part-time expanded in every Member State except Denmark and Luxembourg. In all but four countries, Greece, Luxembourg, the Netherlands and Austria, this growth took place in the context of significant falls — of up to 10% in Spain and Portugal — in full-time working. In five Member States — Germany, Greece, Spain, France and Ireland — part-time employment of men increased by more than a third over the period as a whole, in another three — Belgium, Portugal and the UK — by more than a quarter. Although the proportion of men working part-time was very small, therefore, it was nevertheless a significant source of job growth during these four years (Graph 44).

In the case of women, total employment declined marginally between 1990 and 1994 in the Union as a whole. Whereas the numbers employed full-time declined by 3½%, the number in part-time jobs went up by 11%. Apart from in Denmark Sweden and Finland (where it remained broadly unchanged), the number of part-time jobs expanded in every country, in many cases offsetting to a major extent the fall in full-time working. Indeed, in France, the Netherlands and Portugal, the increase was sufficiently large more than to compensate for the loss in full-time jobs.

In general, therefore, the growth of part-time working contributed to a major extent to maintaining levels of employment in the Union after 1990, or in a number of cases, to preventing it from falling even further. Unlike in previous periods, the number of part-time jobs for men increased significantly virtually throughout the Union. Because of the greater numbers involved, however, the expansion of part-time jobs was a particularly important factor in maintaining the growth of employment for women.

44 Contribution of change in part-time and full-time working to total employment in Member States, 1990-94



Temporary versus permanent jobs

Although temporary jobs in the Union account for only around 10% of total employment, they have been an important source of employment growth. This was especially the case during the period 1987 to 1990, which saw significant increases in a number of Member States, notably Spain.

Nevertheless, data on temporary working needs to be interpreted with caution (see Annex). To a significant extent, variations in its importance across the Union, and indeed over time, tend to reflect differences in regulations governing employment and in economic characteristics. Temporary working is likely to be more prevalent in countries where agriculture remains an important source of employment because of the larger scale of seasonal work, as well as in countries where there are more restrictions and higher costs on the dismissal of permanent staff (or, more precisely,

those who have no determinate date on their contract of employment). Since permanent staff, defined in this sense, may be subject to dismissal at relatively short notice, the fact that a particular country may have only a relatively large number of employees working on temporary contracts does not necessarily signify that employment is less secure and certain than elsewhere. This needs to be borne in mind when interpreting the results of the following analysis.

In 1994, temporary jobs, here defined to include those on fixed-term contracts of whatever duration as well as seasonal and other temporary workers, accounted for only around 11% of the total number of employees in the Union, around 10% of men and 12% of women. These proportions ranged from 31% of men and 38% of women in Spain, much higher than elsewhere, to 6% or less of men and under 10% of women in Belgium, Luxembourg, Italy and the UK, countries with very different employment legislation. Apart from the latter four countries and Spain, the scale of temporary employment did not diverge very far from the Union average in 1994 in any of the Member States (Graph 45).

Between 1987 and 1994, the share of temporary jobs in the total increased by aroun 1 percentage point across the Union as a whole. In many Member States, however, there was no change or a reduction. Most of the growth occurred in Spain, where, because of institutional changes, the share of temporary working doubled in the space of just three years between 1987 and 1990 to reach 30% of total employment. By 1994 the share had risen further to 33%. The only other Member States to register a significant growth over the period were France and Finland, the proportion of employees in temporary posts rising from under 8% in 1987 to almost 11% in 1994 in the former and from 11% to 13% in the latter. By contrast, in Germany, Portugal and Greece, the proportion of employees in temporary work fell by around a third.

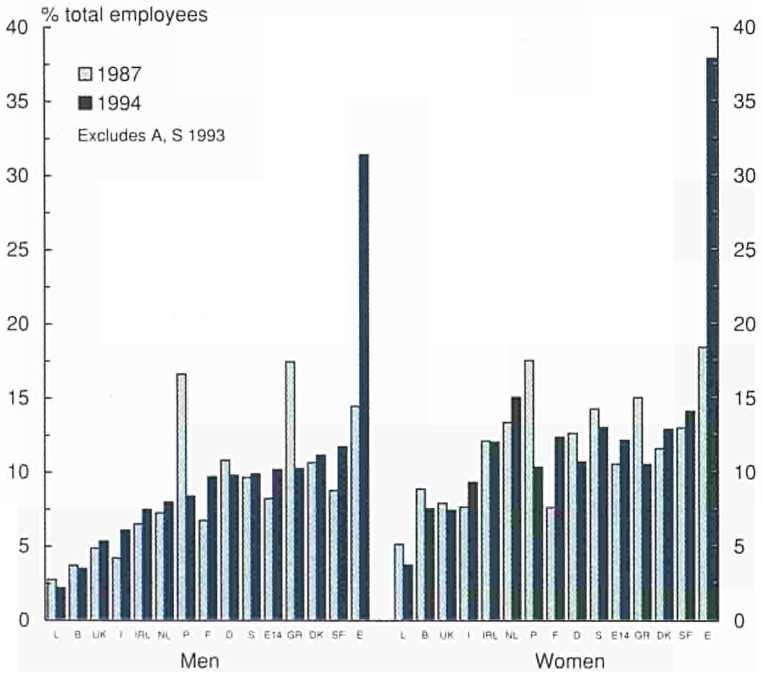
1987 to 1990

The substantial expansion of temporary working in Spain has been by far the major factor underlying the growth in temporary jobs in the Union over the past decade or so. Indeed this expansion accounted for three-quarters of the overall increase in temporary employment in the Union between 1987 and 1990. The influence of Spain, therefore — and to a much lesser extent, the growth in France — resulted in temporary working accounting for a third of the total increase in employment across the Union between 1987 and 1990. For men, almost 40% of the net addition to jobs were temporary ones.

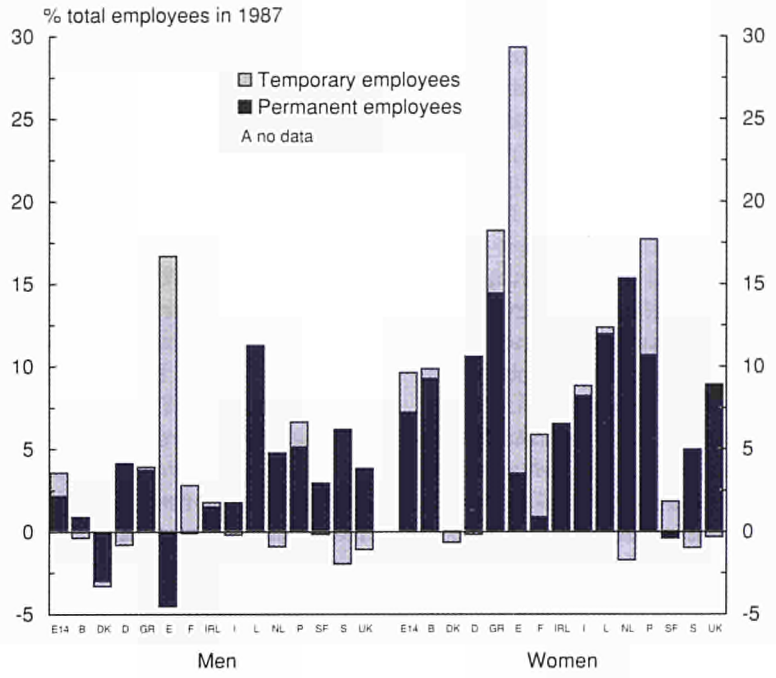
Growth of temporary working was responsible for more than all of the large increase in employment in Spain over this period. While the number of permanent jobs declined, the growth in temporary jobs added around 12% to the total number in work (Graph 46). In France, expansion in temporary employment accounted for over 90% of the net addition to jobs between these two years, while in Portugal a third of all new jobs were temporary. In Finland, moreover, wheras temporary working among men declined, it rose among women, more than affecting the fall in permanent jobs.

Apart from these three countries, however, the creation of temporary jobs contributed very little to the

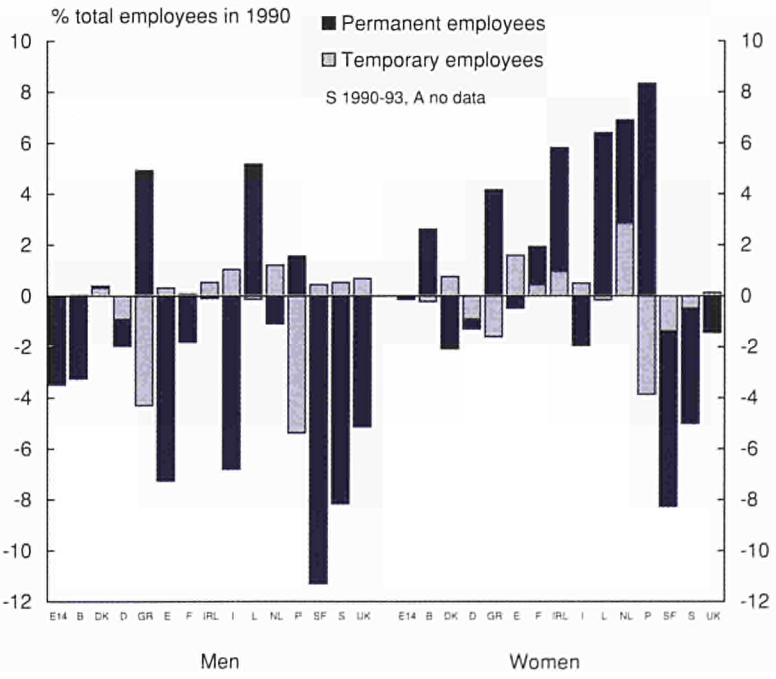
45 Temporary employees in Member States, 1987 and 1994



46 Contribution of change in temporary and permanent jobs to total jobs in Member States, 1987-90



47 Contribution of change in temporary and permanent jobs to total jobs in Member States, 1990-94



overall increase in employment over the period. In Denmark, the Netherlands, Sweden and the UK, the number of (men and women) employees in temporary posts declined. In the latter three cases, this fall was accompanied by a marked expansion in the number of people in jobs with normal contracts.

1990 to 1994

Between 1990 and 1994, while the number of employees in permanent jobs in the Union fell by 4%, the number in temporary jobs declined by 1%. This, however, conceals marked differences between Member States. In Spain and France, the two countries to experience the largest expansion of temporary working in the growth years, as well as in Denmark, Italy, and the UK (where it had fallen or remained unchanged in the preceding years), the number of temporary jobs increased over this period, whereas the number of permanent jobs declined, in Spain, Italy and the UK, significantly (Graph 47).

In Ireland and the Netherlands, the number of employees in temporary work also increased, in each case by proportionately more than the growth of employment as a whole. In the former, the rise in temporary jobs accounted for a third of the overall increase in employment, in the latter, 45%. In the other seven Member States, the number of employees in temporary jobs declined between 1990 and 1994 — in Greece and Portugal, substantially so — except in Sweden, where it remained unchanged. The pattern of change across countries was similar for men and women, apart from in Finland and Sweden, in both of which the number of men in temporary jobs increased, while the number of women fell.

Part-time in preference to full-time jobs

For employers, part-time employment may offer increased flexibility in adjusting the work force to variations in demand, whether over the working week or day, or even over the cycle, while at the same time increasing the utilisation of premises and equipment. Equally, there may be a genuine demand for such types of job among sections of the work force, in that it gives women — or men — greater opportunity for reconciling family responsibilities or other activities with work.

Data collected as part of the Community Labour Force Survey (which exclude the three new Member States) shows that, on average, six out of ten part-time workers in the Union in 1994 stated that they took a part-time job because they did not want a full-time one. This figure, however, conceals a considerable difference between men and women. While two-thirds of women working part-time did not want a full-time job, this was the case for only a third of men (Graph 48). In both the Netherlands and the UK — where part-time working is more prevalent than elsewhere in the Union — four out of five women employed part-time did not want a full-time job. In France as well as in the Netherlands again, around half (51% and 46%) of all men employed part-time preferred this to being in full-time employment.

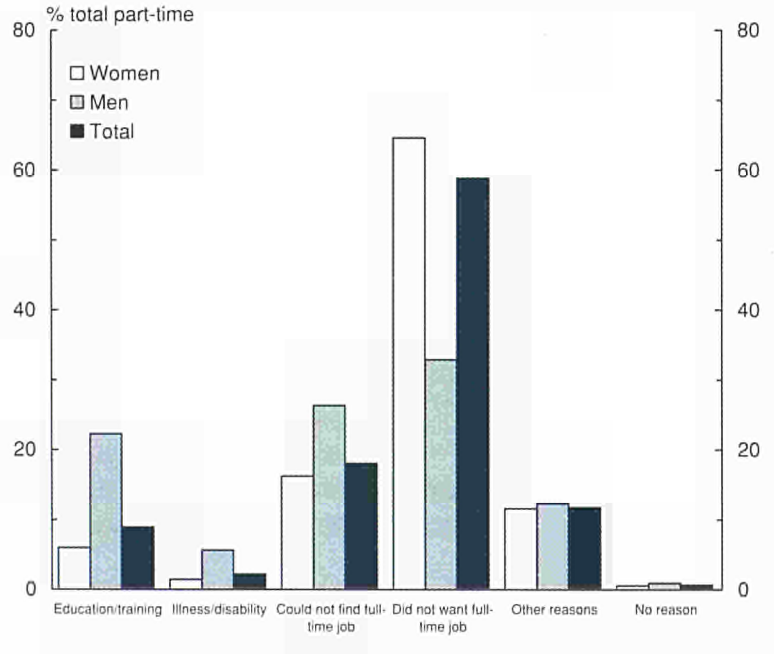
Other answers tend to confirm these findings. Over one in four men employed part-time in the Union stated that they had taken this type of work because they could not find a full-time job. For women, the proportion was less than one in six. However, as many as 55% of men working part-time in Ireland stated that they did so mainly because they could not find a full-time job, while in Greece the proportion was 53%, in France 49% and in Italy 44%.

New areas of job growth

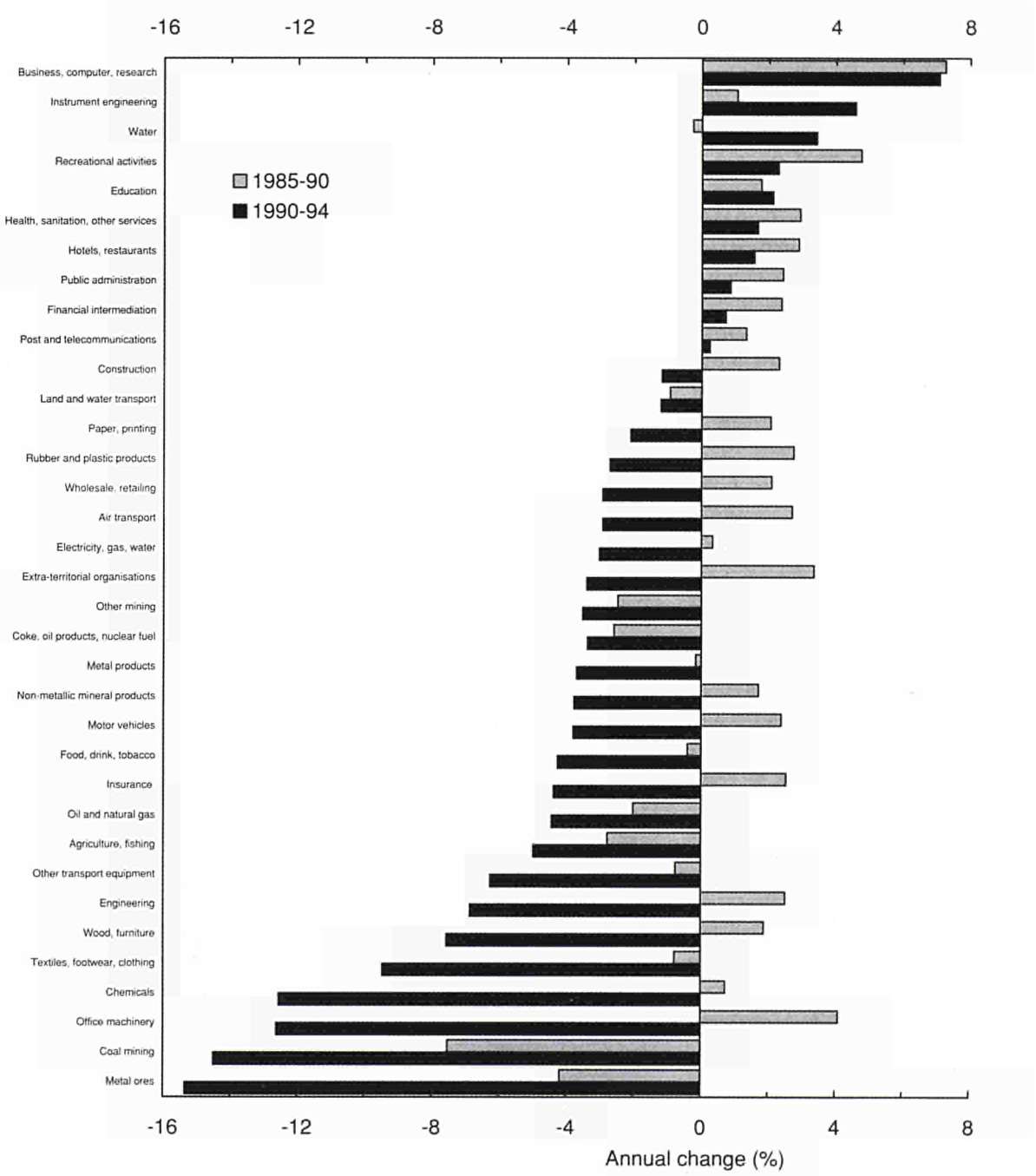
Although there was a significant decline in employment in the Union between 1990 and 1994, there was, nevertheless, a number of sectors in which jobs expanded. In ten sectors of activity which it is possible to distinguish from the data available and which together accounted for around 47% of the total employed in the Union in 1994, the numbers employed increased over this period (Graph 49; the sectors listed in the graph are described in more detail in the Annex as are the data used). In another 25 sectors, however, including most of manufacturing industry, agriculture and coal and other mining, employment declined, in many cases, significantly (in coal and metal ore mining, jobs were lost at the rate of around 15% a year, in office machinery and chemicals, by over 12% a year). Moreover, many of these sectors were ones which experienced a significant growth in jobs in the period between 1985 and 1990 (office machinery, mechanical and electrical engineering and motor vehicles). They also include four service sectors — land and water transport, air transport, wholesale and retail distribution and insurance — three of which (all except the first) also registered an increase in employment in the earlier period.

The highest rate of job growth since 1990 has been in business services and computer-related activities where employment increased by 7% a year between 1990 and 1994, much

48 Reasons for taking a part-time job in the Union, 1994



49 Changes in employment in NACE 2-digit sectors in the Union, 1985-90 and 1990-94



the same as in the preceding five years. Significant employment growth also occured in instrument engineering and the collection, purification and distribution of water, the only two sectors where the number of jobs increased by more over this period than in the years before 1990. Apart from these two industries, all of the other 8 sectors in which employment went up between 1990 and 1994 were service activities, most of which recorded relatively high rates of job growth in the earlier period.

Most of these sectors are ones involving either the provision of collective services, such as water, health care and sanitation, education and public administration and/or ones with a significant amount of central, regional or local government involvement, such as recreational services and post and telecommunications.

As described more fully later in this Report, many of the areas of job growth during the recession years and earlier were in environmental sectors, such as recycling and sewage and waste disposal as well as the water industry already mentioned. They include, in addition, part of the instrument engineering industry (monitoring equipment and emission control devices, in particular), which was the only manufacturing sector to register an expansion of employment across the Union between 1990 and 1994. Between 1985 and 1992 (the last year for which comparable data are available for these sectors), the rate of net job creation averaged 3% a year, twice as much as in other sectors. This amounted to an extra 250 thousand jobs in total over this period and if estimates of employment growth in nature conservation, national heritage preservation and parks and open spaces (the so-called soft environmental sectors) are included, an additional 500 thousand or more jobs — 5–7½% of the increase in employment in the Union (see Part III, Section 2 for more details).

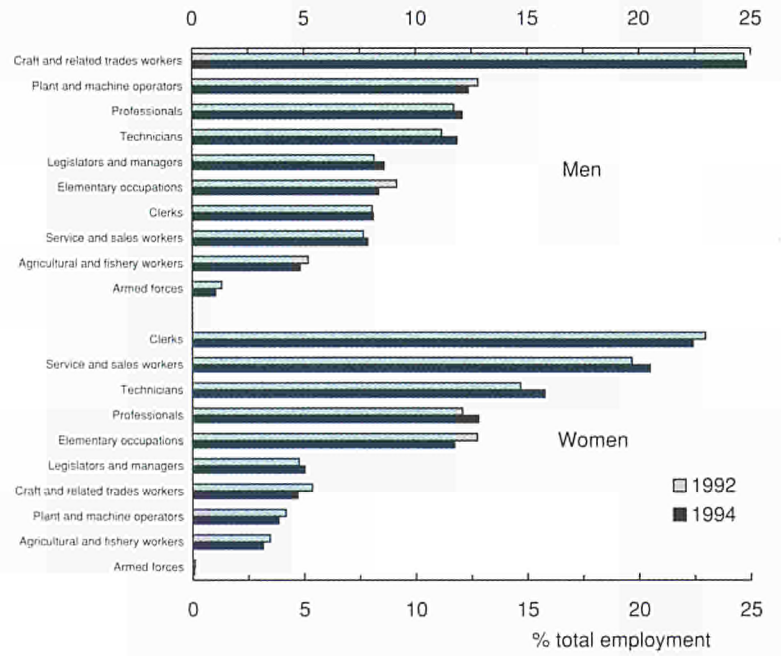
These sectors are included in those identified by the Commission's Local development and employment initiatives (Com (95) 273, June 1995) as having significant future job growth potential as well as meeting local needs. They might also merit serious consideration of special support programmes at the Union level as in the US, Japan and Canada.

Changes in occupational structure of the work force

Over the long-term in the Union there has been a gradual shift in the structure of occupations away from manual jobs, skilled as well as unskilled, towards non-manual jobs, especially those with a high skill content, requiring extensive education and training. This shift has been particularly marked during periods of economic recession, when the demand for high level skills has usually continued to expand, while those with relatively few qualifications have both suffered job losses directly — especially those employed in industry — and have found it difficult to obtain alternative employment as competition on the labour market for scarce jobs has intensified (see *Employment in Europe, 1994*, Chapter 8, for an analysis of occuptaional shifts during the 1980s).

The experience during the recent recession has been no different. In the two years 1992 to 1994 (the longest period for which comparable

50 Employment by occupation among men and women in the Union, 1992 and 1994



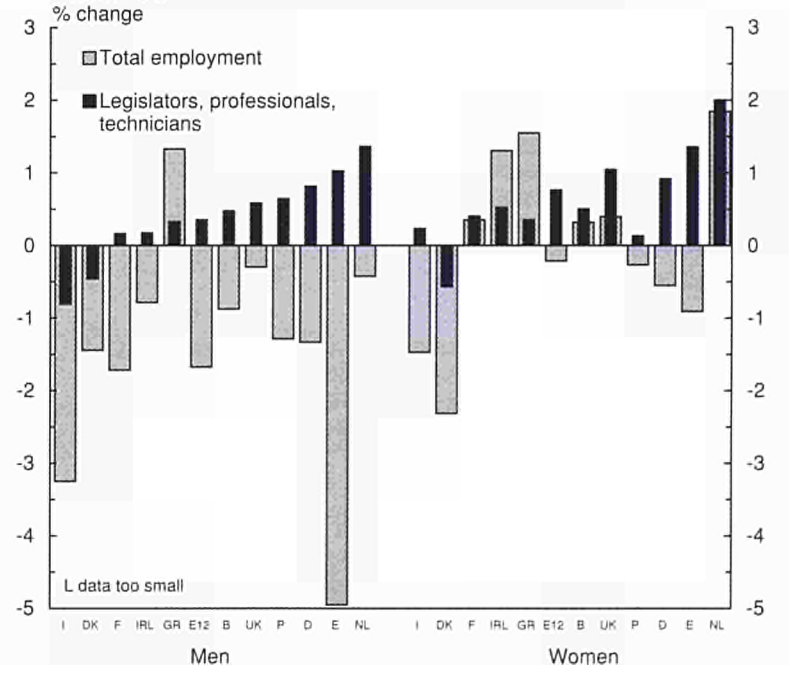
data are available because of the change in the system of classifying occupations), when the total numbers in work declined by 2% in the Union as a whole, the number of managers, professionals and technicians in employment expanded by 3½%. At the same time, the numbers employed in low skilled, manual jobs (in elementary occupations) and as agricultural or fishery workers fell by 10%. As a result, in just two years, the share of total employment accounted for by the higher skilled professions increased from just over 31% to 33%, with each of the categories, managers, professionals and technicians, showing an increase.

The same tendencies are evident for both men and women, though in the case of women, there was also a significant growth in the relative numbers employed as service and sales workers over this period as well as in those employed in the higher skilled professions (Graph 50).

The tendencies are also apparent in most Member States. Between 1992 and 1994, all countries in the Union, apart from Denmark, experienced an expansion of the share of managers, professionals and technicians in total employment in respect both men and women (the figures for Denmark, moreover, involve some estimation to correct for the evident change in classification of farmers and fishery workers between the two years and are, therefore, not entirely reliable) (Graph 51).

At the same time, there was not only both a relative and absolute reduction in the number of men and women employed in basic manual occupations across the Union, the only exceptions being Greece and Portugal (where there are again certain problems about data comparability between the two years), but also a similar reduction in the numbers working in more skilled manual jobs (as craft and related workers and plant and machine operators).

51 Change in employment among legistators, professionals and technicians in Member States, 1992-94



Section 4 Unemployment trends in Member States

As indicated above, the inroads made into reducing the number of people without work through the high rates of job creation between 1985 and 1990 were nullified by the recent recession. Moreover, though the rate of unemployment in the Union appears to have peaked, the downward trend has so far not been significant.

The focus here is on the groups which have been hit hardest by unemployment in different parts of the Union. It considers, first, changes in total unemployment of men and women in the Member States, secondly, the problem of youth unemployment, thirdly, the problem of long-term unemployment, and, finally, the variations in unemployment between regions within Member States and the way these have changed over the recent past.

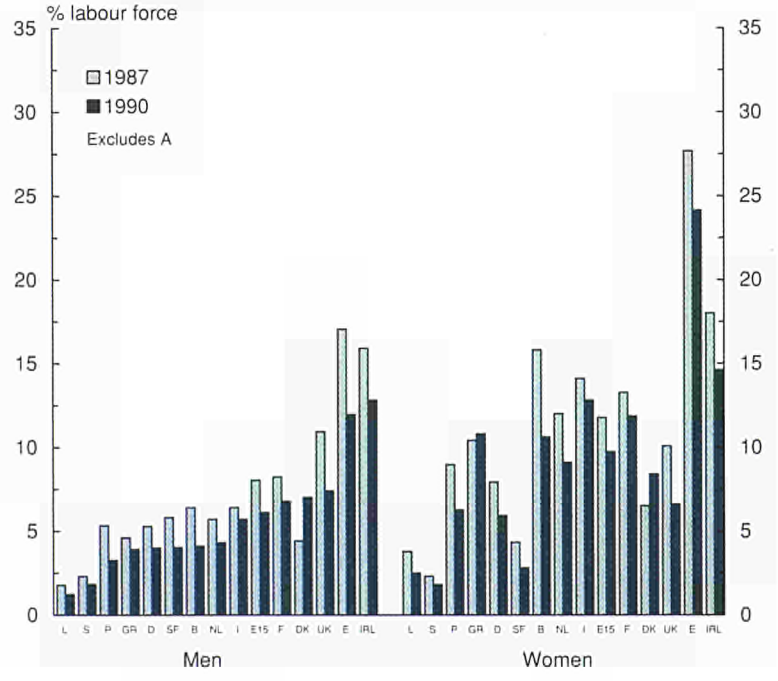
Unemployment among men and women

In the period of economic recovery in the late-1980s, the rate of unemployment of both men and women fell in every Member State, except Denmark, where it rose for both, and Greece, where the rate for women increased (Graph 52). In 1987, 8% of the male labour force in the Union was unemployed and by 1990, the figure had fallen to just over 6%. For women, unemployment declined over the same period from 12% to just under 10%.

In Member States, in general, the rates for men and women fell to similar extents so that the gap between the two remained much the same, with proportionately more women than men being unemployed except in the UK, Finland and Sweden. In Spain, however, unemployment among men declined by significantly more than among women, by almost 6% of the labour force as opposed to under 4%, while in Belgium, the rate for women declined by around 5% of the labour force, the rate for men by only around 3%.

In the early 1990s, however, when unemployment began to rise again, men were much more affected than women. In all Member States except for Denmark, where the two rose by much the same, the rate of male unemployment increased by more than that of women (Graph 53). In the Netherlands, unemployment of women fell over this period, while for men it rose and in the UK, the rate for men increased from 7½% to just over 10%, while for women it remained virtually constant. In Belgium (where women had benefited more than men from the fall in unemployment) and

52 Unemployment rates of men and women in Member States, 1987 and 1990



Italy, the rate for men went up by around twice the increase for women.

Changes in unemployment by broad age group

The greatest beneficiaries of the fall in unemployment between 1987 and 1990 were young people under 25, the number of whom in the Union fell by a third in the case of men and a quarter in the case of women. The decline was particularly marked in the less developed countries (Spain, Ireland, Southern Italy and Portugal) where youth unemployment was especially high (Graphs 54 and 55).

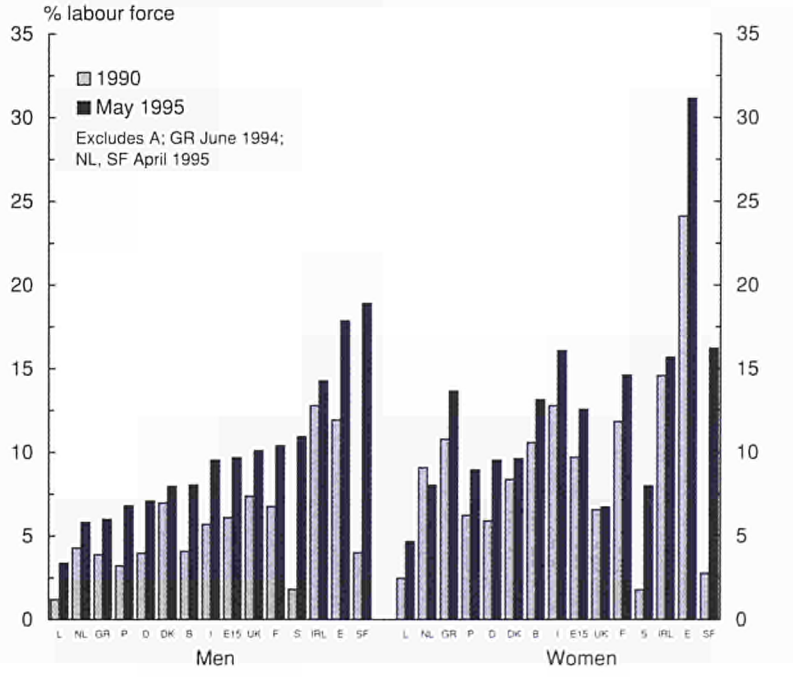
In comparison, the decline in unemployment among prime-age (25 to 49) and older people (50 to 64) was less marked. In the case of both men and women, both age groups experienced a fall in unemployment of under 2 percentage points. For women, in contrast to men, however, there were marked differences between Member States. While in Belgium, the Netherlands and the UK, there was a significant decline in the unemployment rate of women of 25 and over, in Denmark, Greece, Spain and Italy, the rate increased — in the latter two countries, despite a fall in unemployment among women under 25.

Just as young people gained most from the fall in unemployment in the late 1980s, they were more affected by the increase that occurred from 1990 onwards. Although the rate for both men and women under 25 increased, the rise was especially marked for men (Graphs 56 and 57). In Belgium, Spain, France, Finland and Sweden, the rise was more than 10% of the labour force and in Ireland and the UK, more than 5%. In the case of women under 25, only in Spain, France, Finland and Sweden, did the rate rise by more than 5% of the labour force, and in Denmark, the Netherlands and Austria there were falls.

For those of 25 and over, in the Union as a whole men were affected much more than women by the rise in unemployment, but this was far from universal. In Denmark, Germany, Greece and Spain, the unemployment rate for women of 25 and over went up by more than the rate for men, despite job losses being concentrated among the latter. On the other hand, in most of the other Member States, the rise in the rate for men was substantially greater than for women. Indeed, in the Netherlands, the rate for men increased while that for women fell.

In general, the increase in unemployment affected the 25 to 49 age group more than older people. In the case of men, the only exceptions were Greece and Portugal, where they were affected to the same extent, and Austria and Finland, in the case of women, the latter two countries plus Germany, Italy, and the UK.

53 Unemployment rates of men and women in Member States, 1990 and May 1995

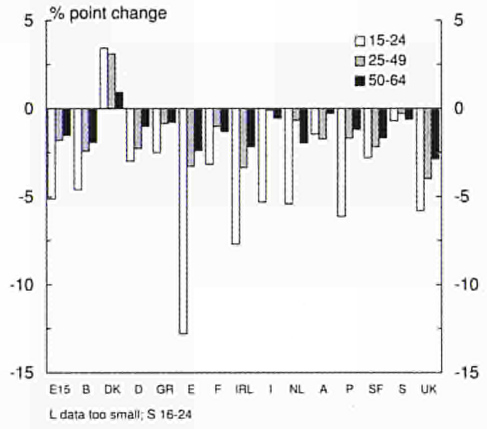


The scale of unemployment by age group in the Member States

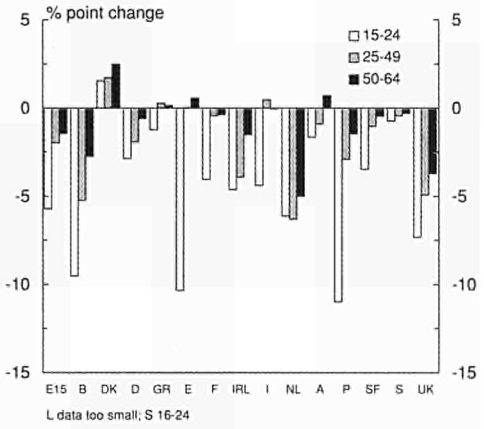
At the Union level, the rate of unemployment declines markedly with age, though it is relatively high for those between 50 and 59. Thus young people between the ages of 15 and 24 who are members of the labour force are over three times more likely to be unemployed than someone in their late 40s, the age group which has the lowest rate of

Change in unemployment rates by age group in Member States, 1987–90 and 1990–94

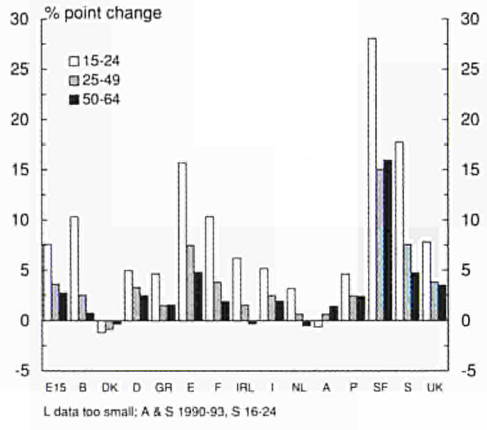
54 Men, 1987-90



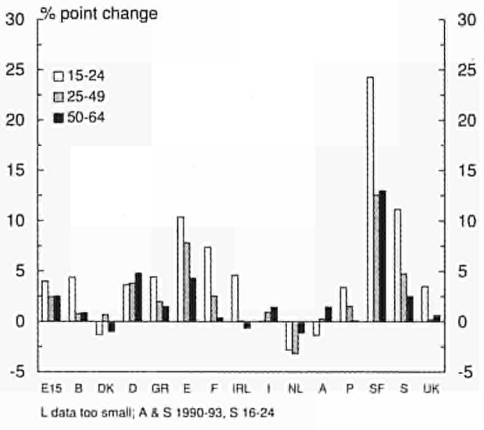
55 Women, 1987-90



56 Men, 1990-94



57 Women, 1990-94



unemployment. These, in turn, are half as likely to be unemployed as someone in their late 20s and 25% less likely to be employed as someone in their late 50s (Graph 58, which like the remaining graphs in this Section exclude the three new Member States for which data are not available). This pattern applies to both men and women, though for each age group, the rate of unemployment among women is higher than for men, except in the case of those of 55 and over, where the rate for men is higher (Graph 59).

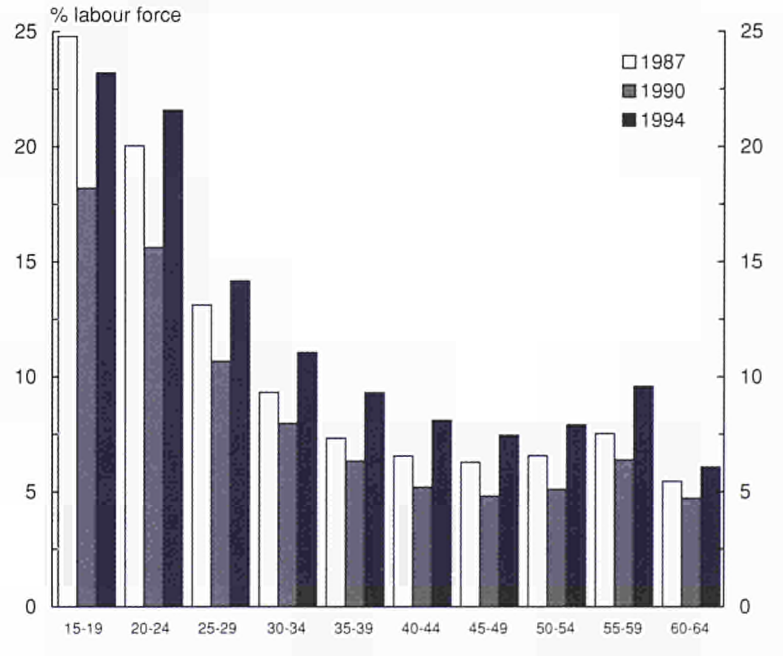
This is a pattern, moreover, which has remained broadly unchanged over time, though in the recent recession, those of 30 and over seem to have been affected more by the rise in unemployment than those under 30 and especially than those under 20. The pattern, however, and, therefore, the nature of the unemployment problem differ somewhat across the Union, in the sense that the age groups affected most are by no means the same in each Member State. While in the majority of Member States rates of youth unemployment are far higher than for those over 25 and unemployment rates tend to decline with age, there are exceptions (Graphs 60 to 70).

In six Member States — Belgium, Spain, Greece, France, Italy and, to a lesser extent, Ireland — unemployment rates, for both men and women are particularly high for young people under 25, with a rate as high as 60% in Spain, and decline consistently with age. The main difference in rates is between those under 25 and those over. The same pattern holds for men and women, though, with the exception of the 20 to 34 age group in Ireland, rates of unemployment among women exceeded those for men up to the age of 55, especially in the three Southern Member States.

In the other five Member States — Denmark, Germany, the Netherlands, Portugal and the UK — youth unemployment rates are much lower, though a similar pattern of differentials holds in that these rates are, nevertheless, significantly higher than for older people. The exception is Germany, where there appears to be no specific youth unemployment problem as such. This apart, the main difference from the first group is that generally unemployment rates are relatively high for those in their 50s. This is particular so in Germany where unemployment among those of 55 and over is substantially higher than among younger age groups. The pattern, however, is less clear-cut in the Netherlands, where unemployment rates begin to rise from the age of 35 upwards while in Denmark the rise begins at the age of 45.

Overall, therefore, youth unemployment is a particular problem in the South of the Union as well as in Ireland, while unemployment among older age groups is a problem in the North. Though France and Belgium also have relatively high unemployment rates among young people, this partly reflects the very low levels of labour force participation of those under 25, and especially those under 20, in these two countries as described below. The numbers affected are, therefore, proportionately much lower than in the South.

58 Unemployment rates by detailed age group in the Union, 1987, 1990 and 1994

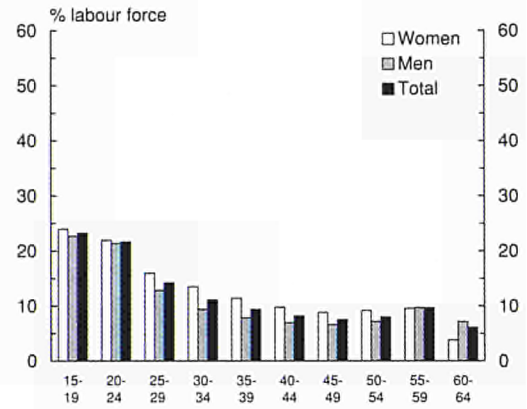


Youth unemployment

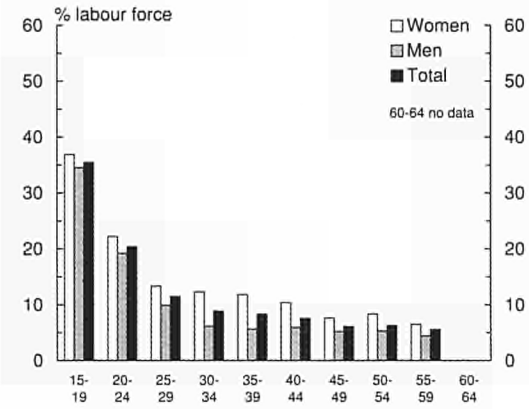
The problem of youth unemployment is one of particular concern not only in itself but because of the potentially adverse consequences

Unemployment rates by age group in the Union, 1994

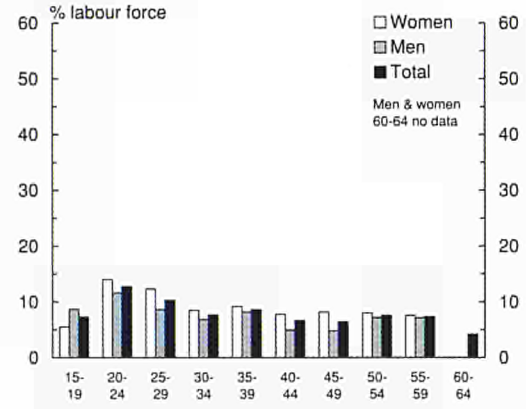
59 EUR12



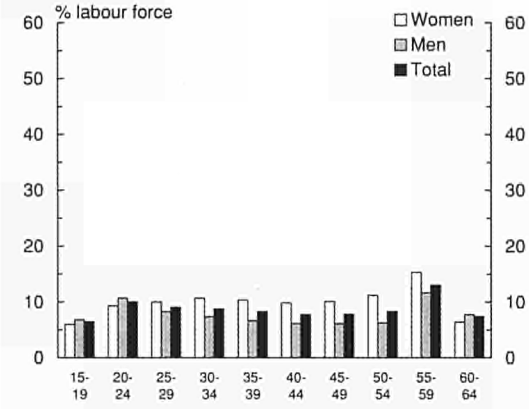
60 Belgium



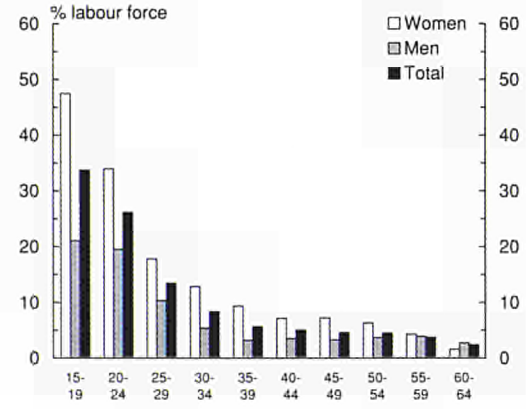
61 Denmark



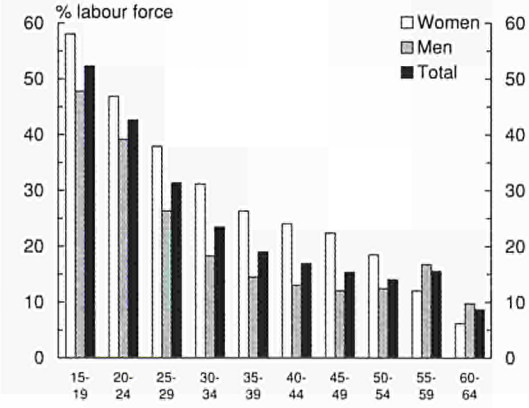
62 Germany



63 Greece

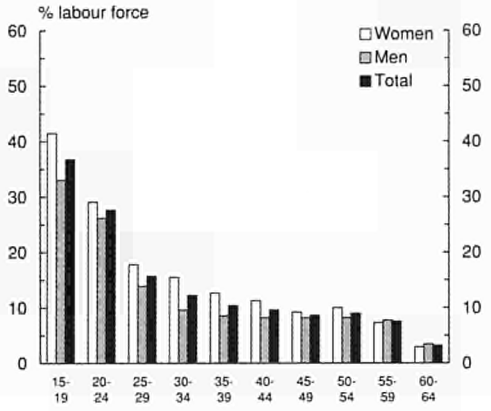


64 Spain

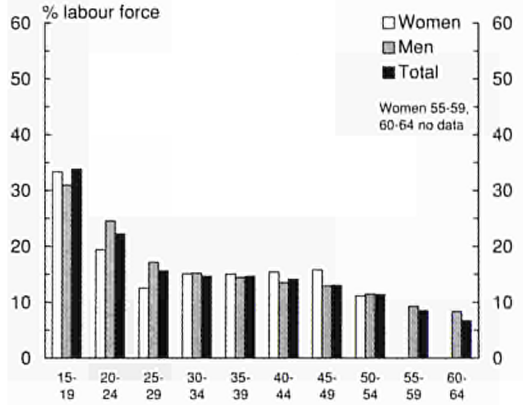


Unemployment rates by age group in the Union, 1994

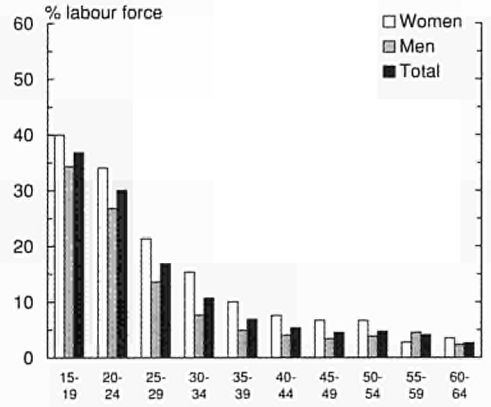
65 France



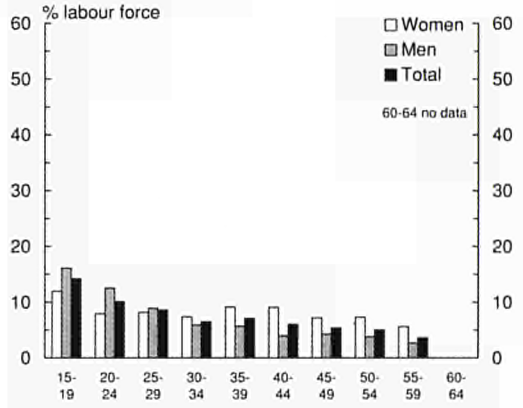
66 Ireland



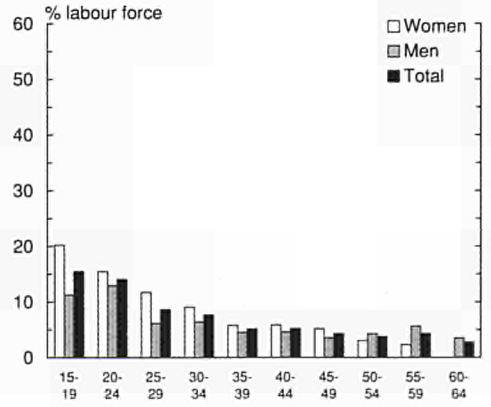
67 Italy



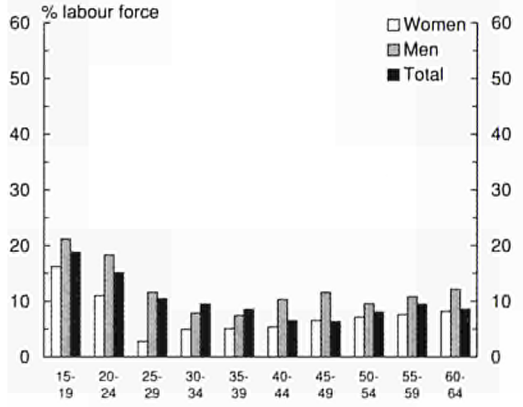
68 Netherlands



69 Portugal



70 UK



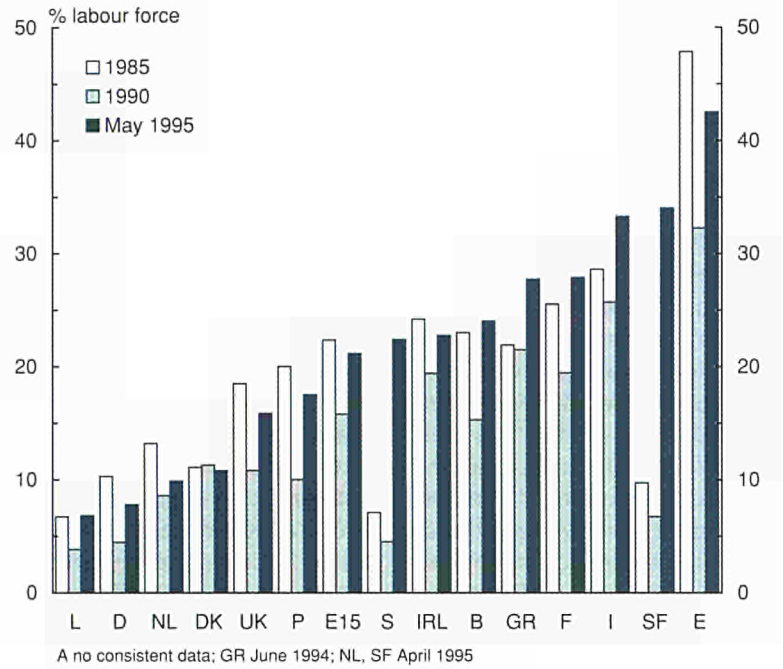
for the future career prospects of large numbers of young people and the disillusion which could be generated at an early age. On the one hand, there is a concern that young people are leaving the education system with insufficient qualifications, or at least ones which do not suitably match the demands of the labour market, on the other, that the labour market is failing to provide the work experience which may be of vital importance in their later careers.

Across the Union as a whole youth unemployment rates in 1995 are much the same as they were in 1983 (21%), despite efforts on the part of most Member States to tackle the problem. The average rate of youth unemployment remains over 2½ times higher than the average rate of those of 25 and over, much the same in the US and Japan.

Within the Union, in all Member States except for Denmark, the rate of unemployment of those under 25 was higher in May 1995 than in 1990 before the onset of recession. Nevertheless, in 8 of the 14 Member States for which data are available (there are no comparable data for Austria), the rate was lower than in the mid-1980s (Graph 71). The exceptions were two Southern Member States — Greece and Italy — two of the new Member States — Finland and Sweden — and two countries in the centre of the Union — Belgium and France. These latter two are special cases because of the relatively small numbers involved, as shown below. In the other four countries, youth unemployment rose markedly in the early 1990s, especially in Finland and Sweden, where at the latest count the rate was three times as high as in the mid-1980s.

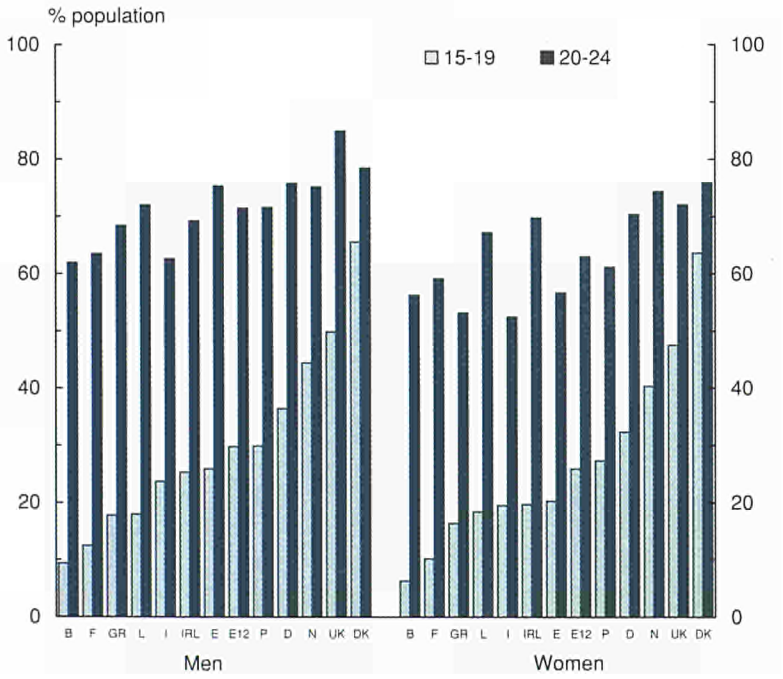
Changes in youth unemployment rates, however, can only be properly

71 Unemployment rates of young people under 25 in Member States, 1985, 1990 and May 1995



A no consistent data; GR June 1994; NL, SF April 1995

72 Activity rates of young people in Member States, 1994



interpreted in the light of demographic trends and developments in participation rates. These are explored below.

Demographic trends and participation rates

As noted in an earlier section, the population of young people has tended to fall across the Union, especially in Northern Member States, while the participation of those under 25 in the labour force has declined. There are, however, important differences between teenagers, ie those under 20, and those aged 20 to 24. In particular, participation rates among the latter are much higher (averaging around 65% in the Union) than for teenagers (averaging around 25%). Moreover, the variation in rates between Member States — from 52% for women in Italy to 85% for men in the UK — is far less than among teenagers — from only 6% for women in Belgium to over 65% for men in Denmark (Graph 72 — there were no data for the three new Member States).

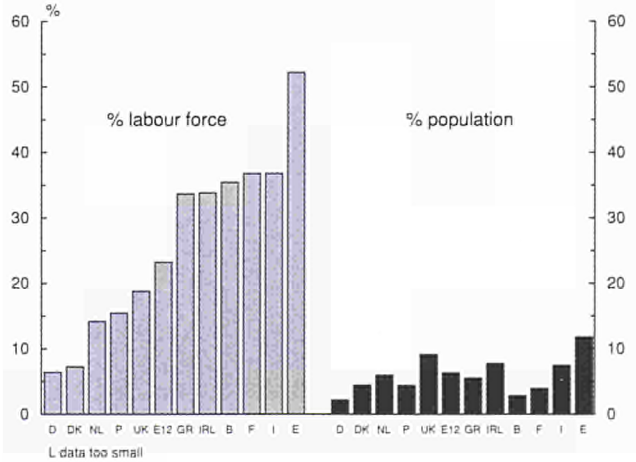
For teenagers, in particular, participation rates are relatively high in the Northern Member States, apart from Belgium and France where they are much lower than elsewhere, partly because of the higher school-leaving age and the more clear-cut demarcation between those in education and training and those in the labour force. Thus, whereas in other Member States some proportion of those participating in education and training in this age group are also recorded as part of the labour force, in the sense that they spend part of their time working, in Belgium and France, very few are.

This large variation in participation rates means that the teenage labour force in some countries — Belgium and France especially — is very small. A high unemployment rate among this group, therefore, can affect a relatively small number of people. This is demonstrated if teenage unemployment is measured not in the usual way as a proportion of the labour force, but rather as a proportion of the population of teenagers. While almost a quarter (23%) of the teenage labour force was unemployed in the Union in 1994, this amounted to only 6% of the teenage population. Even in the Member State worst affected by teenage unemployment — Spain — unemployed teenagers accounted for only 12% of the age group as opposed to 52% of the teenage labour force. In France and Belgium, one in three teenagers in the labour force were without work but only 4% of the age group in France and under 3% in Belgium (Graph 73).

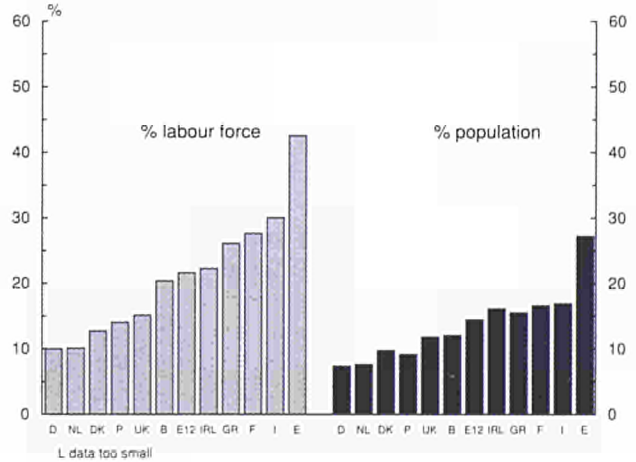
Measuring teenage unemployment in this way produces a new ranking of Member States in terms of the scale of the problem. Although Spain remains the country with the most serious problem, the UK appears as having the second most serious, with 9% of teenagers unemployed, while Belgium and France are ranked only behind Germany as the countries with the least serious problem in the Union.

Unemployment rates of young people aged 20 to 24 are less liable to mislead since a higher proportion are economically active, as noted above. In 1994, 21½% of the labour force in the Union in this age group were unemployed which represented 14½% of the total population of this age. In Spain, where the unemployment rate was much higher

73 Unemployed aged 15-19 in labour force and population in Member States, 1994



74 Unemployed aged 20-24 in labour force and population in Member States, 1994



than elsewhere, 27% of the age group were unemployed and in France, Ireland and Italy, over 16% (Graph 74).

The problem of youth unemployment in the Union, therefore, seems far more serious for those in their early 20s than for those younger, who have tended to be the main target of policy.

Participation in the labour force and in education and training

From a policy perspective, it is important to clarify the extent to which both low rates of participation of young people in the labour force and their decline over time are related to increased numbers staying in education and training as opposed to high levels of genuine inactivity in its fullest sense.

Over the period 1987 to 1994, activity rates for both teenagers and young people aged 20–24 fell significantly across the Union, more during the later years of recession than in the earlier years of growth. In 1987, 37% of teenagers were classed as being economically active — 28% employed and 9% unemployed (Graph 75). By 1990, the teenage participation rate had fallen to 34%, all of the fall being due to lower unemployment, the proportion in work remaining the same. By 1994, the participation rate was down to 28%, largely reflecting a large fall in employment to only 22% of teenage population. The proportion unemployed increased only very slightly.

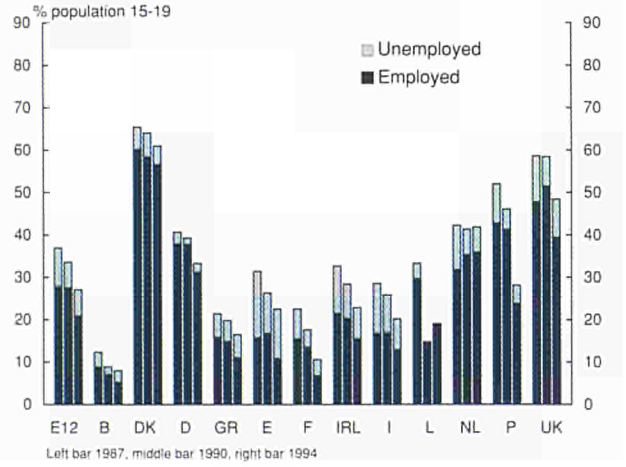
The fall in participation was general to all Member States except for the Netherlands, where it remained unchanged. Moreover, in most countries, the decline accelerated after 1990. The biggest falls occurred in Portugal and France, where participation rates fell by 20 percentage points and 10 percentage points, respectively, though falls of almost 10 percentage points were also recorded in Ireland and the UK.

The pattern among those aged 20–24 was similar, participation rates falling very slightly between 1987 and 1990 — by ½ percentage point only — as a result of a drop in the proportion unemployed, coupled with a smaller increase in the proportion with jobs. Between 1990 and 1994, participation rates fell sharply from 73½% to 67% as the proportion of young adults in employment declined from 62% to 54% (Graph 76).

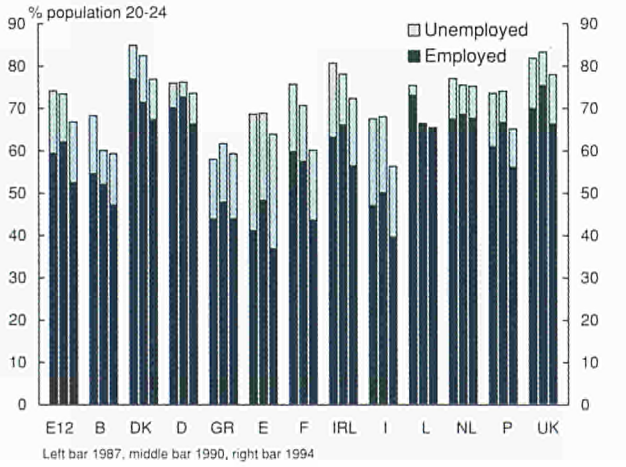
Apart from in Greece, in all Member States participation rates were lower in 1994 than in 1987. However, in contrast to teenagers, participation rates increased slightly between 1987 and 1990 in five countries — Germany, Spain, Italy, Portugal and the UK — and employment rates more so, reflecting perhaps the inducement effect of the increased chances of finding a job. In each of these countries, participation rates fell significantly between 1990 and 1994, as they did in a number of other Member States — in France from 71% to 62%.

In 1994, 73% of teenagers in the Union were classified as economically inactive. The vast majority of these, 95%, however, were in full-time education. In practice, the reduction in participation (ie rise in inactivity) since 1987 has been accompanied by an increase of equal proportions in the flows into

75 Activity rates for teenagers aged 15-19 in Member States, 1987, 1990 and 1994



76 Activity rates for young people aged 20-24 in Member States, 1987, 1990 and 1994



full-time education. In Greece, Spain and Portugal, where the proportion of the inactive in education or training had been relatively low, the flow into education exceeded the rise in inactivity. This was also the case in Belgium, Germany and the Netherlands, where the proportion of the inactive in education was already low. In Denmark, Ireland and the UK, however, the proportion of inactive young people in full-time education declined between these two years, especially after 1990 (Graph 77).

Despite the increases which have occurred in recent years, the highest rates of full inactivity among teenagers in 1994 were in the four Southern Member States, together with Denmark and the UK, where around 5% of the age group were neither in the labour force nor in education or training. In the North of the Union, these two countries apart, the proportion was 2% or less.

Of greater concern, perhaps is the high proportion of young adults of 20 and over who were neither working nor in education. While a third of the population aged 20 to 24 in the Union were classed as inactive in 1994, only 72% of these were in full-time education, so that almost one in ten of this age group were inactive in the fullest sense (Graph 78).

In most Member States, participation in education or training of this age group rose between 1987 and 1994 in line with the fall in participation in the labour force. In France and Portugal, in particular, it rose by much more. In contrast to the situation for teenagers, there were no marked differences between the South and the North of the Union in 1994 in the rates of full inactivity, Greece and Italy apart, where the rates approached 15%.

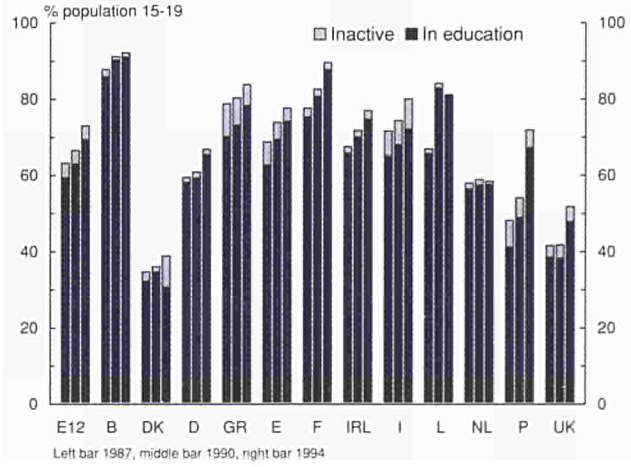
Long-term unemployment

On past experience, a substantial proportion of the unemployed in the Union at present will remain out of work for a long period of time, at least a year or more and in many cases, longer. In 1994, around 48% of the unemployed had been out of work for at least a year, a proportion which has fallen only slightly over the past decade. Long-term unemployment has a self-perpetuating character. For the employer, there is the psychological barrier of hiring someone who has not worked for some time and, therefore, has in some sense lost the habit. For the employee, there is the sense of disillusion and loss of confidence and motivation which results from vainly searching for a job for months or even years.

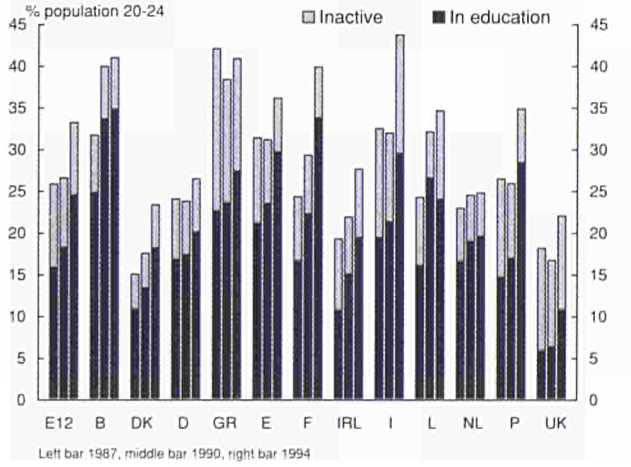
The evidence indicates that in most countries it is the older people who become unemployed who are most at risk of long-term unemployment and this may significantly affect their decision to remain in the labour force. In many cases, those on the verge of pensionable age may well be pushed into early retirement if their chances of finding employment are poor.

On average, men and women are affected to a similar degree by long-term unemployment. In 1994, 47% of unemployed men in the Union and 50% of unemployed women had not worked for a year or more, while more than half of these (26% of men and 29% of women) had not had a job for two years or more. Moreover,

77 Inactivity rates for teenagers aged 15-19 in Member States, 1987, 1990 and 1994



78 Inactivity rates for young people aged 20-24 in Member States, 1987, 1990 and 1994



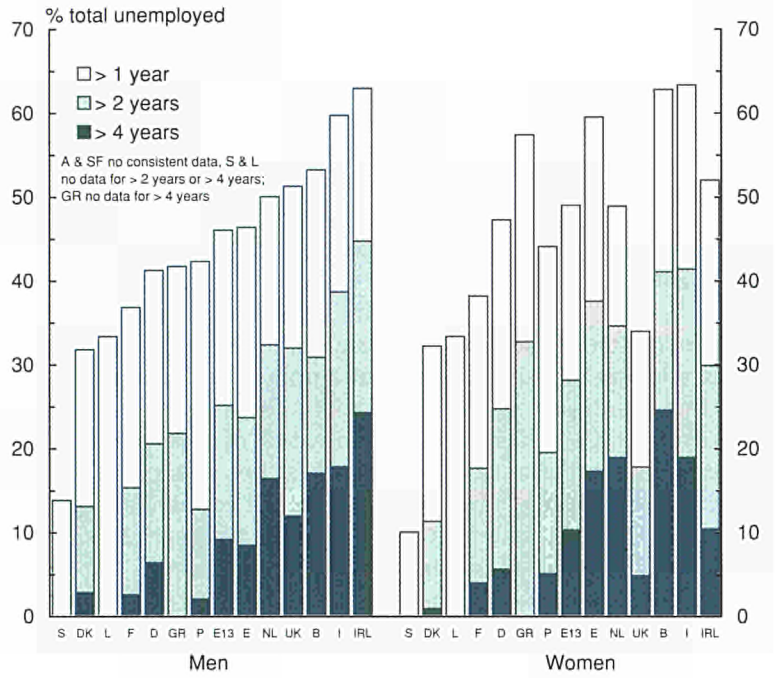
9% of unemployed men and 10% of unemployed women had been out of work for at least four years (Graph 79 — there are no comparable data for Austria and Finland).

Long-term unemployment bears little relationship to overall unemployment rates. Belgium, the Netherlands and the UK all had below-average unemployment rates in 1994 yet — in the former especially for women, in the latter two, for men — relatively high proportions of long-term unemployed (over 50%). By contrast in Spain, which had by far the highest rates of total unemployment, the proportion who were long-term unemployed was no higher than the Union average, while in France with higher than average unemployment, the proportion was one of the lowest in the Union.

Not surprisingly, there is a close relationship between long-term unemployment — where job seekers have not worked in a year — and very long-term unemployment — where they have not worked in two years. Hence 45% of unemployed men in 1994 in Ireland, where long-term unemployment was higher than anywhere else in the Union, had been out of work for over two years compared with only 13% in Denmark where it was lower than anywhere else. The same is true by and large for those who have been out of work for four years or more, which was the case for 24% of unemployed men in Ireland and 25% of unemployed women in Belgium, as against less than 1% of unemployed women in Denmark.

The implication is that, over the Union as a whole, one in two people who have been out of work for a year is likely to remain unemployed for at least another year and often

79 Incidence of long-term unemployment by duration in Member States, 1994



80 Unemployment and long-term unemployment rates in Member States, 1987, 1990 and 1994

longer, for men in Ireland, Italy, the UK and the Netherlands and women in Belgium, Italy and the Netherlands, two out of every three. This provides some indication of the relative failure of these Member States to integrate the long-term unemployed back into work.

Changes in long-term unemployment 1987 to 1994

While the proportion of the jobless in the Union who are long-term unemployed has declined slightly since the mid-1980s, there are somewhat different experiences between the Member States. During the period 1987 to 1990, when unemployment fell in most Member States, so did the proportion of long-term unemployed, though there were exceptions — notably Greece, Italy and the Netherlands — where falling unemployment was accompanied by an increase in the proportion out of work for a year or more.

A degree of caution, however, is needed when interpreting these figures since the proportion of long-term unemployed will tend to vary according to the state of the economic cycle. Thus during a recession when there are significant inflows of people into unemployment the share who are long-term unemployed will inevitably decline because of the increasing proportion who have newly lost their jobs. Conversely, during periods of economic upturn when there are less flows into unemployment, the proportion will tend to increase.

81 Long-term unemployment in the Union, 1986-94

In terms of long-term unemployment rates (ie long-term unemployed as a percentage of the labour force), which give a better indication of developments than the figures for shares of the unemployed, all countries experienced a reduction between 1987 and 1990 apart from Greece and Denmark where the overall unemployment rate increased as well as the long-term rate (Graph 80).

In the period 1990 to 1994, as the overall rate of unemployment increased in all Member States, the proportion of long-term unemployed fell in Belgium, Germany, Italy, France and Ireland and rose in Greece, the UK, Spain and Luxembourg. In terms of long-term unemployment rates, however, apart from Ireland, where it remained constant, and the Netherlands, all Member States registered an increase over this period and in 7 of the 12 Member States considered here the long-term rate was higher in 1994 than it had been in 1987. The increase was particularly marked in Germany and Spain, in the former, partly reflecting the problem in the former East Germany, in the latter, the steep rise in total unemployment.

Looking at the year-to-year changes in more detail, it is evident that as overall unemployment has fallen in the Union so has the rate of long-term unemployment, though not necessarily the share of unemployed who have been out of work for a year or more (Graph 81). By 1994, the share of long-term unemployed in total unemployment had reached the same level as in 1990. From past experience, it can be expected that this share will increase in 1995 and possibly 1996 unless there is a higher rate of net job creation in the Union than is now expected.

Long-term unemployment by age group

Long-term unemployment seems to have a disproportionate effect on older people than on younger people. Whereas 60% of the unemployed aged between 55 and 64 had been unemployed for a year or more in the Union in 1994, and almost 55% of the 50 to 54 year olds, the figure for those in the 20 to 24 age group was only around 43% (Graph 82). A similar tendency is apparent for the incidence of very long-term unemployment. On average 37% of the unemployed in the 55 to 59 age group had been unemployed in 1994 for two years or more as compared with 27% in the 25 to 29 age group.

Of the 10 Member States for which there are reliable data (ie excluding Denmark and Luxembourg where the numbers are very small), 8 displayed the same pattern of variation between age groups as the Union as a whole. Only in Greece and Italy was there a lower incidence of long-term unemployment among those of 50 and over than among younger people. In all the other Member States, the proportion of long-term unemployment in the total increases with age

(Graph 83). This was especially the case in Belgium, Ireland and the Netherlands, where two out of three of the unemployed between the age of 50 and 64 had been out of work for at least a year. In every Member State — Greece and Italy included — the probability of being unemployed for two years after already having been out of work for one year was higher in the older than younger age groups.

The regional incidence of unemployment

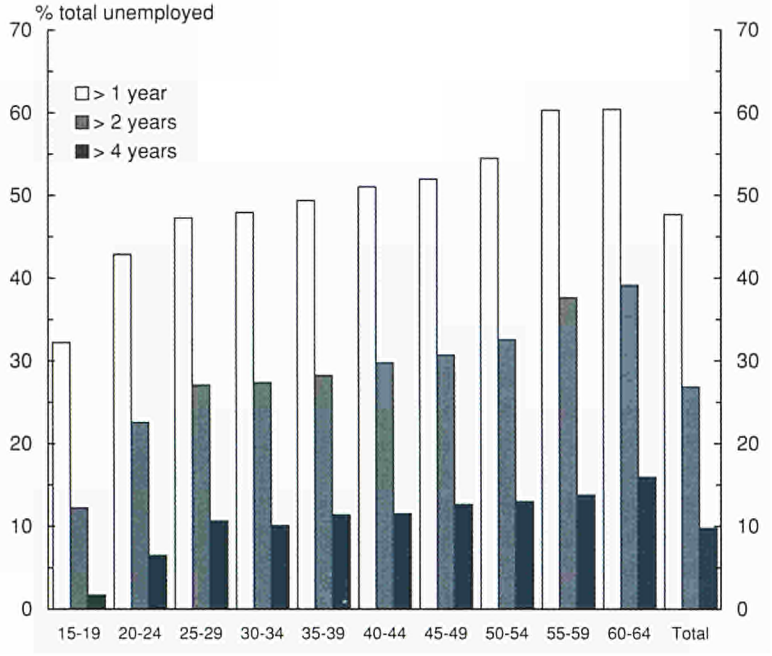
The way that unemployment affects different regions across the Union is important not only in respect of economic and social cohesion but also in relation to labour market balance. The lack of job opportunities, however, is reflected not only in the unemployment figures but also in rates of participation in the labour force. The two, therefore, have to be considered together when assessing both the threat to cohesion and the need for jobs.

Regional unemployment and participation rates

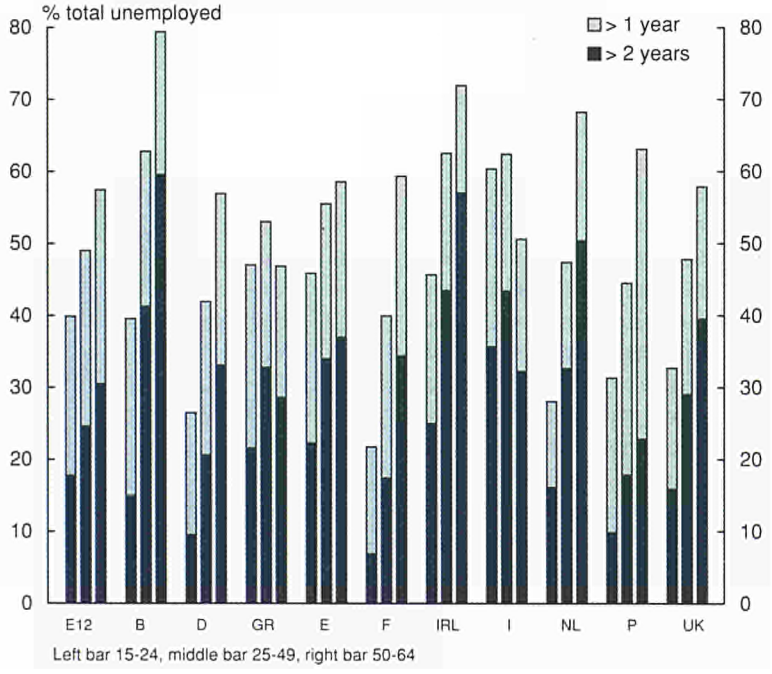
In 1994, unemployment rates in the (NUTS 2) regions of the Union varied from a low of 3½% in Luxembourg to a high of 35% in Andalucia (Southern Spain). In 22 regions, the unemployment rate was above 18%. Most of these regions were in Spain (16) and Southern Italy (4), areas with a history of high unemployment (Map M1). Two of the new German Länder also had unemployment rates above 18%.

By contrast, the 20 regions with the lowest unemployment rates were

82 Incidence of long-term unemployment by age group in the Union, 1994



83 Incidence of long-term unemployment by age group in Member States, 1994

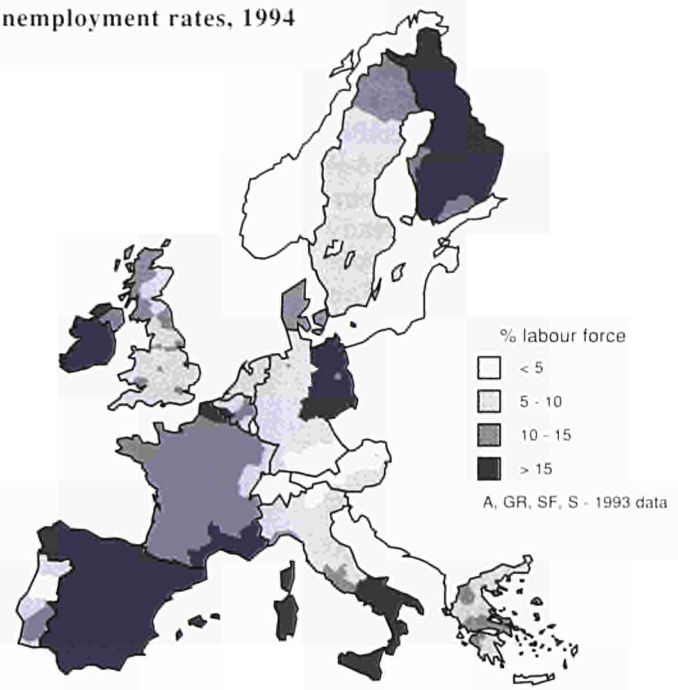


somewhat more scattered across the Union, in Luxembourg, Germany (12), Portugal (2), Northern Italy (1) and Greece (4), though in general, regions with lower than average rates tend to be in the central regions rather than the peripheral ones.

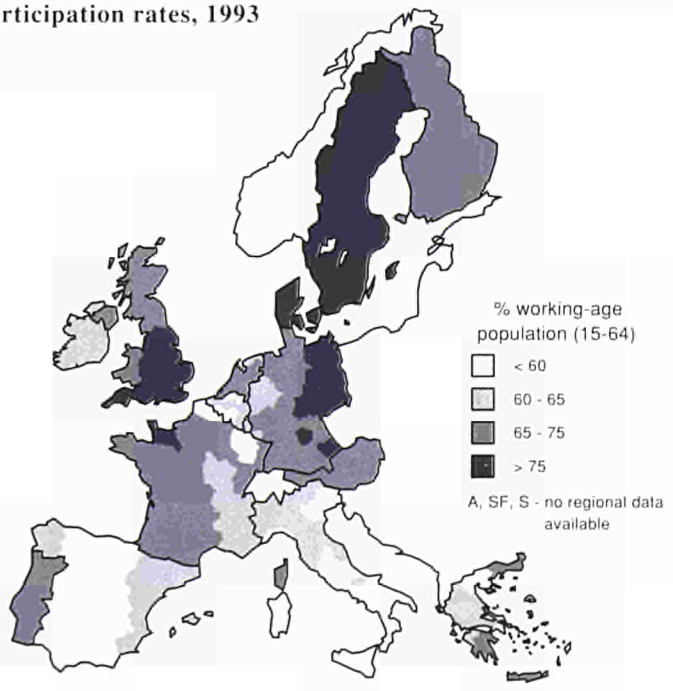
The rate of participation (defined as active population in relation to population aged 15 to 64) varies just as much between regions as unemployment, largely reflecting differences in the proportion of women in the work force. Moreover, the regions where it is low also tend to be those where unemployment is high. In 1993, the lowest rate was 51% in Ceuta y Melilla (Spanish province in North Africa), the highest 86½% in Berlin. There were 17 regions in 1993 with participation rates above 75%, of these 7 were in the UK, 8 in Germany (including all the new Länder and Berlin), Denmark (counted as one region here) and Basse-Normandie (North-West France) (Map M2). Of the 20 regions with the lowest participation rates, 9 were in Spain (7 of these also being among the 20 regions where unemployment was highest) 8 in Italy (of which 4 were among the top 20 unemployment regions), two in Greece and one in Belgium (Hainaut).

Of the 20 regions with the highest unemployment rates, therefore, 15 also had rates of participation in the bottom quarter of the distribution. The other five had participation rates which were only just above this, apart from the two new German Länder, where the participation rates were over 80%. In these regions (in Spain and Southern Italy), therefore, high unemployment is combined with low participation and the potential for a large rise in the labour force. Their need for job growth is, in other words, doubly pressing.

M1 Unemployment rates, 1994



M2 Participation rates, 1993



Of the 20 regions with the lowest unemployment rates, 16 had participation rates above the Union average, 7 of these in the upper quarter of the distribution. The majority of regions with low unemployment rates, therefore, also have a high rate of participation, and accordingly a comparatively low potential for labour force growth and a lower need than elsewhere for a high rate of employment growth. In general, therefore, taking account of disparities in participation serves to increase the apparent scale of the problem of employment imbalances across the Union.

Changes in unemployment disparities in the Union

There are clear signs that disparities in regional unemployment rates across the Union as a whole tend to narrow during periods of economic growth and high rates of net job creation as occurred in the second half of the 1980s. There are equally clear signs that they tend to widen during periods of recession. Between 1990 and 1994, therefore, problem regions with the highest rates of unemployment suffered the largest increases in joblessness, so reversing the improvement in their relative position experienced over the preceding five years.

However, these aggregate tendencies for the Union as a whole conceal divergent trends within Member States. In particular, over recent years, there are equally clear signs that differences in rates of unemployment between regions in the larger countries of the Union at least have tended to narrow rather than widen. The resolution of this apparent inconsistency — widening disparities in unemployment across the Union's regions and narrowing disparities within countries — lies in the fact that differences in average rates of unemployment between Member States have tended to widen significantly over the past few years, and especially during the recent recession.

A statistical measure of the disparity in unemployment rates (the standard deviation weighted by the labour force within each NUTS2 region, excluding the new German Länder and the French Overseas Departments for which insufficient data are available) indicates that during the late 1980s, the disparity between Member States fell, though only marginally, from 4.1 in 1985 to 3.3 in 1990 (Graph 84 — there are no data for the three new Member States). During this period of recovery, therefore, there was some convergence in unemployment rates between Member States — those with the highest rates experienced on average a larger decline than those with the lowest rates. For example, unemployment in Spain fell by 6 percentage points, from 22% to 16%, in Luxembourg, by 1½ percentage points, from 3% to 1½%.

However, by 1994, after three years of recession, the disparity between Member States was larger than it had been in 1985 (4.6 compared to 4.1). The difference between the unemployment rates in Spain and Luxembourg had risen from 14½ percentage points to 20. The disparity between rates of unemployment in (NUTS 2) regions, which is, of course higher than between Member States, rose from 4.2 in 1983 to 5.1 in 1985 as unemployment increased, declined only slightly to 4.9 in 1990 and then rose during the recession, but by less than the disparity between Member States.

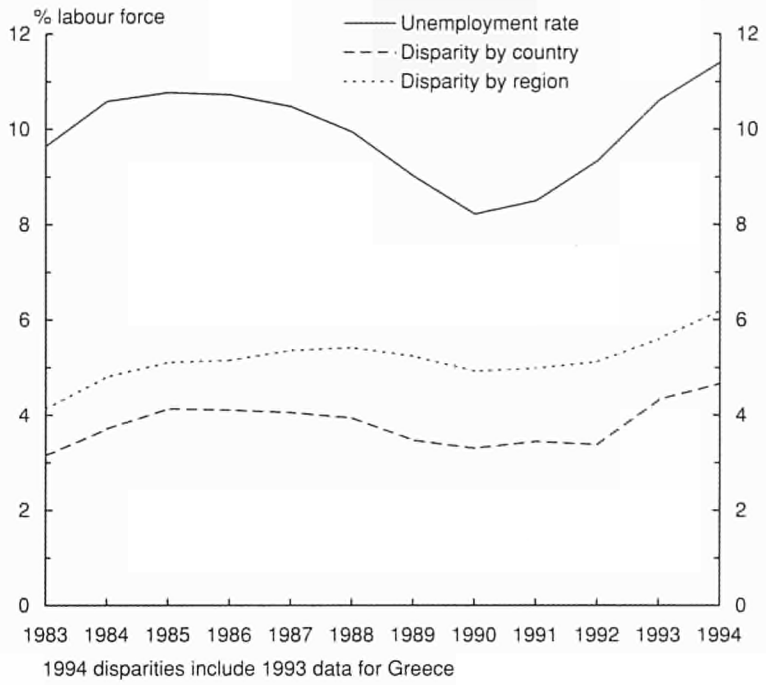
Disparities in unemployment in the Member States

In most Member States, regional disparities in unemployment seem to have narrowed over the recent past, though in a number of cases they remain wide. In Spain, the difference between the unemployment rate in the region where this was highest and in the region where it was lowest was over 19 percentage points in 1994, higher than in any other country. Nevertheless, it was lower than it had been in 1987 when the difference was over 23 percentage points (Graph 85). In the UK, the difference in 1994 was only 8 percentage points, down substantially from that in 1987 or 1990 when it was 14 percentage points, as a result of unemployment declining in the worst affected regions and rising in regions with historically low rates. In Germany, where the addition of the new Länder widened disparities considerably (from 7 percentage points to 15), in the former West Germany, the difference between the highest and lowest rates also narrowed, if by less than in the UK (by 1½ percentage points between 1987 and 1994).

Although in France there was no change in the gap between the highest and lowest regional unemployment rates over this period, the difference remaining at around 8 percentage points, this was in the context of a rise in national unemployment from 10½% to 12½%.

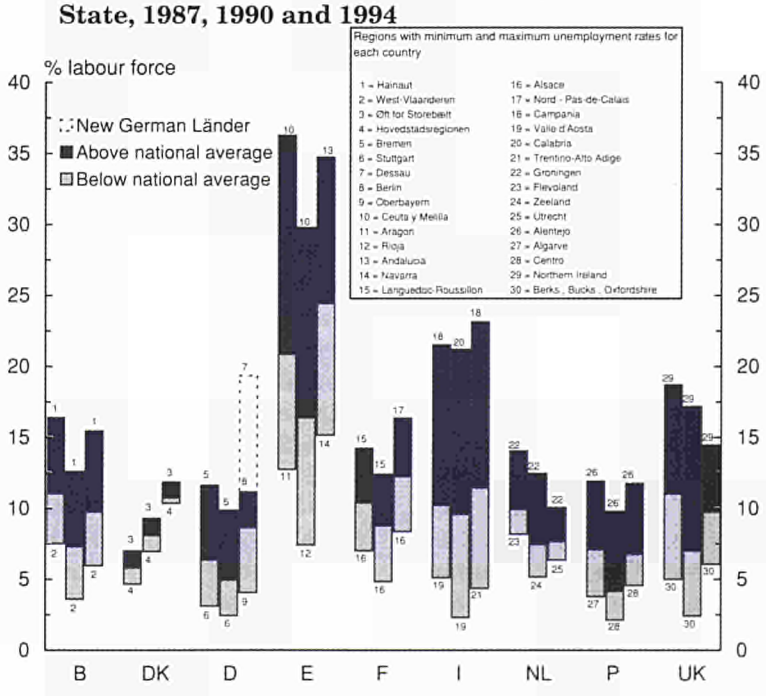
Of the larger countries, only Italy experienced a widening of disparities between 1987 and 1994, the difference between the highest and lowest rates increasing from 16½ percentage points to rates to nearly 19.

84 Trends in unemployment rates in the Union, 1983-94



1994 disparities include 1993 data for Greece

85 Variations in unemployment rates by Member State, 1987, 1990 and 1994



Left bar 1987, middle bar 1990, right bar 1994; no regional data for GR, IRL

Despite this general narrowing of disparities, the areas affected by high unemployment and those enjoying low rates have not changed much. The identity of the regions with the highest and lowest rates was in many cases the same in 1994 as in 1987 and where it changed, the new region is usually located very close to the old one (typically in the same NUTS 1 area — the key in Graph 85 lists the regions with the highest and lowest unemployment rates).

This narrowing of regional differences in regional unemployment rates is confirmed by the statistical measure of disparity (though the there are some interesting differences between the Member States as noted in the Annex to this Report, which also examines changes in unemployment rates by Structural Funds status).

These results indicate that there is no simple relationship between disparities in regional unemployment and the national rate of unemployment in most of the larger Member States. The tendency for disparities to narrow during periods of falling unemployment and to widen when it increases, apparent at the Union level, no longer seems to hold in all Member States. From one perspective, this is encouraging, since it signifies that periods of increasing unemployment do not necessarily need to be associated with widening inequalities in job opportunities. From another, however, it raises an important question as to why disparities between Member States widened during the recent recession.

Section 5 Developments in key features of the labour market

Changes in labour costs relative to productivity

The rate of growth of wages in any economy is important from a number of perspectives, not least from that of job creation. If average wages rise faster than the growth of value-added per person employed — or labour productivity — then this will tend to squeeze profits and the finance for investment as well as putting upward pressure on the rate of inflation. This will threaten employment both directly and indirectly through the potential effect on cost competitiveness and trade performance. If alternatively, wages increase by less than productivity, then this will provide scope for the generation of more jobs whether in the short-term because firms can employ more people for a given sum or in the longer-term if the additional profits produced by higher productivity are invested in business expansion or are used to increase market share.

Two points to note in this regard are, first, that wages are only one element of costs — other elements, such as raw materials or intermediate goods imported from abroad can equally affect profits and the scope for job creation, as can the behaviour of exchange rates which has been particularly volatile in recent years. Secondly, the key relationship in the context of inflation is between changes in value-added per person and average labour costs (including the non-wage element) measured in relation to the average price of output rather than of consumption which is the usual measure. What matters to a producer, in other words, is how labour costs are rising relative to the price which is obtained for the product sold, since this will determine the profit margin, and not whether the wages paid to employees give them more or less purchasing power. This measure, normally termed the real product wage — though since it needs to be defined to include all labour costs, direct as well as indirect, it is termed average real labour costs here — can behave very differently from the real wage as usually measured.

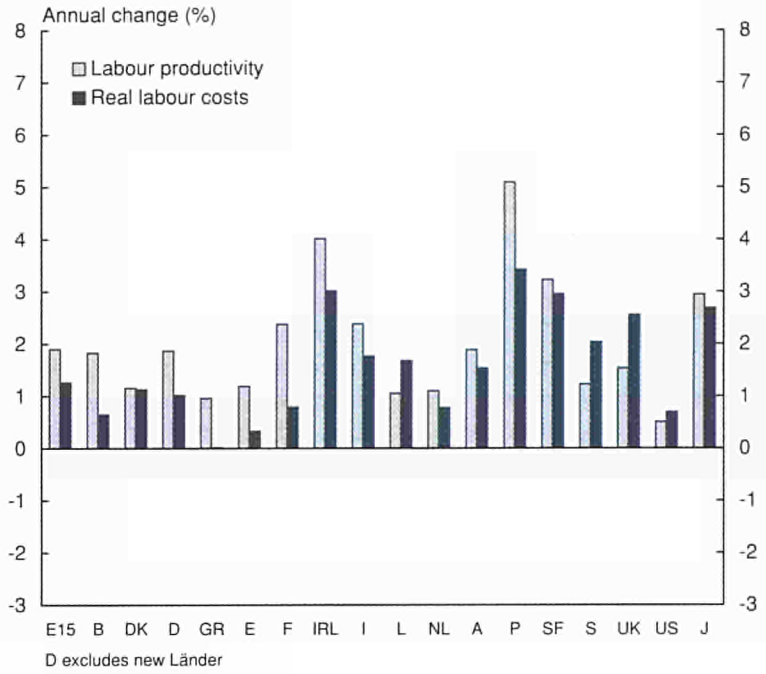
Over the Union as a whole during the period of high employment growth between 1985 and 1990, labour productivity grew by just under 2% a year as already noted. This was the same rate of increase as average real wages as conventionally measured but because output prices rose faster than consumer prices, it was significantly higher than the rise in average real labour costs (under 1½% a year) (Graph 86). Over this period, therefore, average real wages were able to rise by almost 2% a year and still provide scope for increases in the numbers employed.

In 12 of the 15 Member States, labour productivity growth also exceeded the rise in average real labour costs over this period. The three exceptions were Luxembourg, Sweden and the UK, where in some degree the growth of average wages imposed a squeeze on profits. This, moreover, was also the case in the US, where real labour costs also rose by more than labour productivity.

In the recession period from 1990 to 1994, the growth of real wages in the Union fell to only 1% a year. Average real labour costs, however, because of output prices increasing by less than consumer prices, rose at much the same rate as in the preceding five years — just under 1½% a year — as did labour productivity, at just under 2% a year (Graph 87). This, therefore, left much the same scope for expanding the numbers in employment as in the earlier period, though this time, a rise in profit margins was not accompanied by any growth in employment. Indeed, the numbers in work fell.

In this period, however, six Member States experienced higher growth in average real labour costs wage than in labour productivity — Luxembourg once more, Belgium, Denmark, the Netherlands, Austria and Portugal (though in the latter case, data problems make it hard to be sure). Real wages also went up by more than labour productivity in the US and Japan over this period despite the more employment-intensive pattern of growth that

86 Growth in labour productivity and real labour costs in Member States, US and Japan, 1985-90



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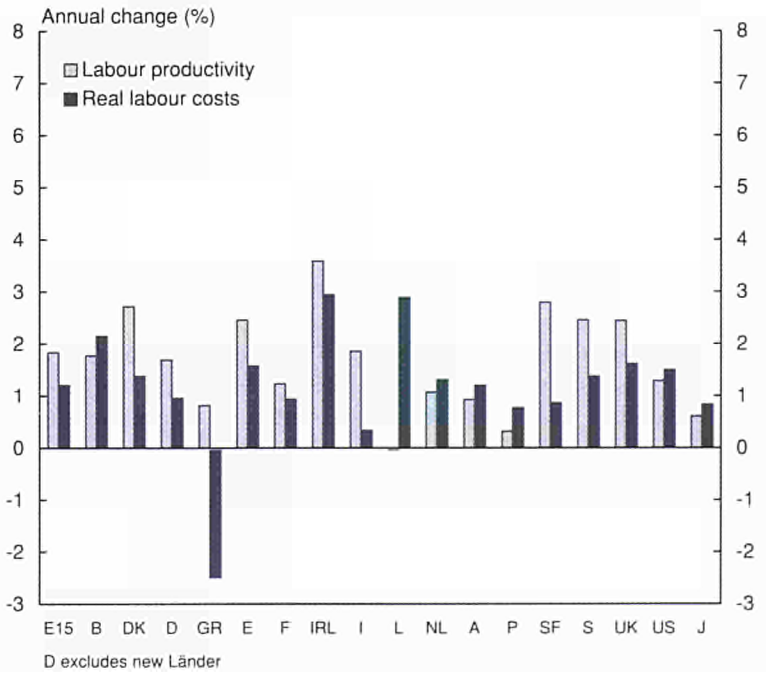
87 Growth in labour productivity and real labour costs in Member States, US and Japan, 1990-94



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both achieved as compared with Europe. In these two countries, therefore, an expansion in the number of jobs was accompanied by a fall in the share of profits in value-added (see Annex for an analysis of changes in manufacturing and non-manufacturing).

Changes in the pattern of working time

In many parts of the Union, the pattern of average hours worked a week has changed very little over the past ten years or so. In the majority of Member States, for men in particular, though in many cases also for women, there is a standard number of hours a week which most employees work, ranging from 37 hours in Denmark to 40 hours in the Southern Member States, and this tends to alter only very gradually over time. In most cases, therefore, the distribution of employees in terms of the number of hours worked a week was much the same in 1994 as in 1987 (there are no data available for the three new Member States).

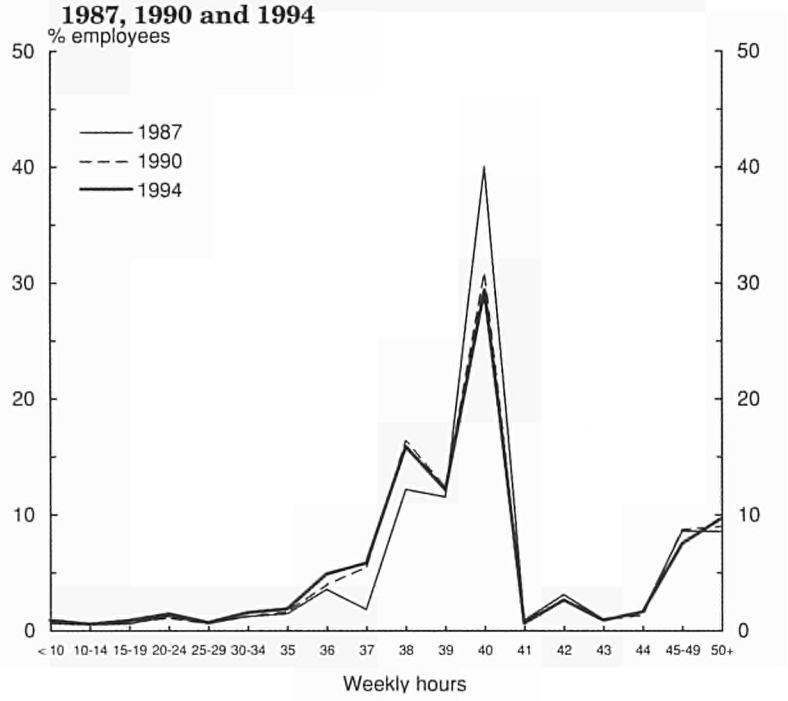
At the Union level, the most notable features over the period 1987 to 1994 were, first, a small reduction in the proportion of both men and women in full-time employment working a standard 40 hour week and an increase in those working between 37 and 39 hours, with most of the change occurring before 1990 (Graphs 88 and 89). This change, however, was by no means universal. It occurred predominantly in Denmark (from 39 hours in 1987 to 38 hours in 1990 and 37 hours in 1994), Germany (from 40 hours in 1987 to 38 hours in 1990) and Ireland (from 40 hours in 1990 to 39 hours in 1994). By contrast, in

Greece and the Netherlands, there was some increase in the proportion of men and women working 40 hours a week and a reduction in those working 38 hours a week, especially after 1990, though in the Netherlands, this was coupled with growing numbers working under 35 hours a week and in Greece, with a rise in the numbers working over 45 hours a week. (The analysis here relates to those employed in industry and services taken together and excludes agriculture where there are problems measuring hours of work on a comparable basis — see Annex for a more detailed analysis of changes over this period.)

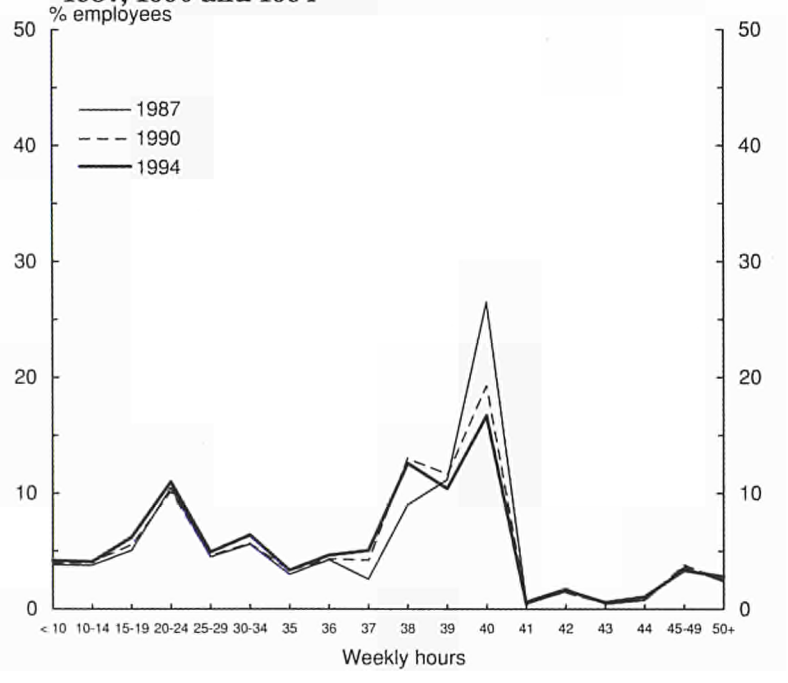
The second feature was a general expansion of the relative numbers of women in particular working part-time hours of between 10 and 29 a week. Over the Union as a whole, the proportion of women working these hours increased from 24% in 1987 to just over 26% in 1994 (Graph 90). This is in line with the growth in part-time employment noted above, though the scale of the change is somewhat less, reflecting the rising numbers working 30 hours a week and over who regard themselves as part-time rather than full-time employees, especially in the Netherlands. The only Member State where such a growth did not occur between 1990 and 1994 was Denmark, which stands out as the one country to experience not just a decline in the proportion of women working part-time hours, but a substantial one (from 27½% in 1987 to 21½% in 1994).

Almost all Member States also experienced a growth in the proportion of men working part-time hours over the recession years 1990 to 1994. The only country to experience a decline was the Netherlands (where the proportion fell from 7½%

88 Distribution of male employees in industry and services by hours usually worked in the Union, 1987, 1990 and 1994



89 Distribution of female employees in industry and services by hours usually worked in the Union, 1987, 1990 and 1994

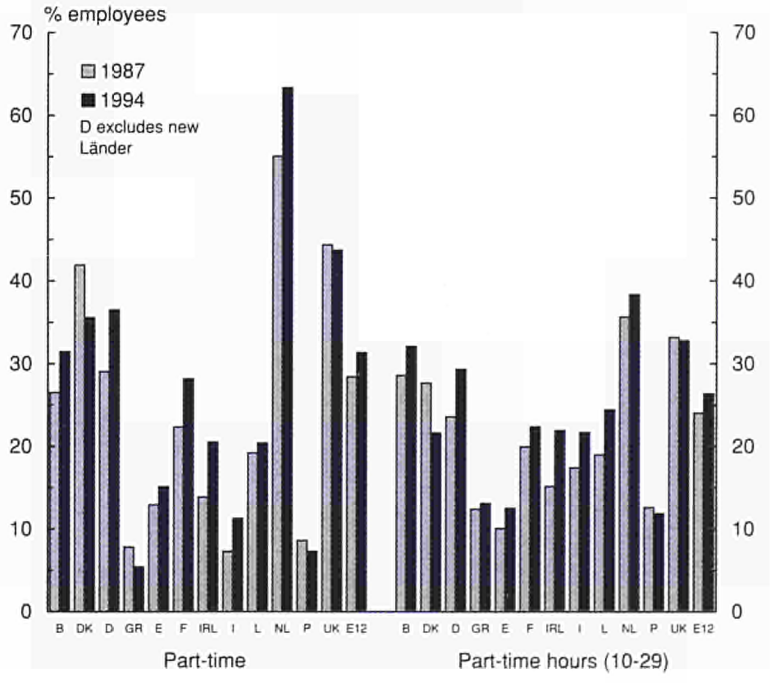


to 5½%), which conflicts with the data on part-time employment which show an increase (from 14½% to 15½%).

The third feature was an equally widespread growth in the relative numbers of men in particular normally working relatively long hours a week of 50 and over, especially over the period after 1990. This proportion rose from an average of 8½% in the Union in 1987 to over 9½% in 1994 (which may not seem large but amounts to an increase in numbers of 14% or around 700 thousand). Again the rise was widespread, with only the Netherlands showing any fall in relative numbers over this period. For women, there was relatively little change in most Member States, the only countries experiencing a significant increase in the proportion with a normal working week of 50 hours or more being Greece, Portugal and the UK, countries where this was already high.

Although the changes in working time have in most cases been comparatively small, the overall picture is one of a gradually declining uniformity and a very slow movement towards a smoother frequency distribution curve with the proportion of men and women working a standard full-time number of hours a week tending to fall, the proportion working part-time hours tending to rise and, in the case of men, the proportion usually working long hours also tending to go up.

90 Share of women working part-time and part-time hours in Member States, 1987 and 1994



Section 6 Short-term prospects for growth and employment

The recovery of the Union economy became firmly established in 1994, output recovering by just under 3%. The renewed growth was driven by a strong pick-up in the world economy, a marked easing of monetary conditions within the Union and the achievement of higher productivity, improved competitiveness and better profitability by Union enterprises. As a result, the recovery has been led by strong export performance and increased investment.

The factors underpinning the recovery in 1994 are expected to continue to exert a positive influence in 1995 and 1996. However, the pace of economic growth is likely to be moderated by the exchange rate turbulence which led to large movements in intra-European exchange rates in early 1995, triggered by pronounced weakening of the US dollar against the Deutschmark. As a result, instead of the increased pace of expansion previously foreseen, economic growth in the Union is forecast to stabilise at around 3% a year in both 1995 and 1996 (Graph 91).

The main factors shaping the growth outlook are:

- growth in the rest of the world is expected to slow down from its high rate in 1994, but Union export markets should still expand significantly. US growth is expected to regain momentum after weakening in the first half of 1995, Japanese imports to rise following the appreciation of the Yen and Union export markets in South-East Asia, Eastern Europe and Latin America to continue growing rapidly;

- business and consumer confidence in the EU weakened somewhat in early 1995, but is expected to remain consistent with healthy GDP growth;

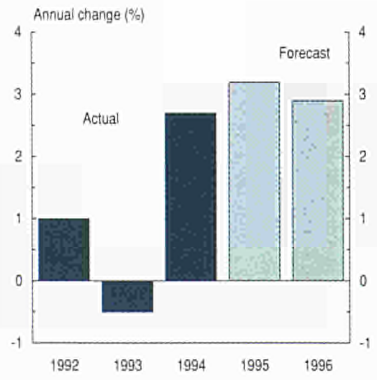
- the exchange rates developments in early 1995 are likely to affect growth adversely especially in the countries where appreciation occurred, while in the depreciating countries the need to prevent higher inflation from becoming ingrained may offset any short-term boost to activity;

- changes in monetary policy partly may offset the effects of the exchange rate changes, short-term interest rates having been reduced in Germany and increased in most depreciating countries. In the Union as a whole, monetary conditions remain supportive of economic growth continuing at its present rate;

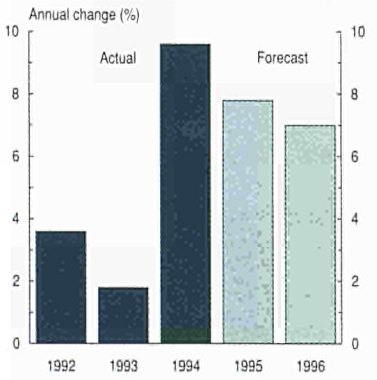
- long-term interest rates fell significantly in early 1995 throughout the Union, thereby reversing much of the increase in rates which took place in 1994.

Recovery remains soundly based. Union exports are expected to continue increasing at a relatively high rate, though by less than in 1994 (Graph 92), and investment to expand by some 6% a year in 1995 and 1996 (Graph 93). The resulting expansion of productive capacity combined with only a moderate

91 GDP, 1992-96



92 Exports, 1992-96



increase of private consumption growth to 2 and 2½% in 1995 and 1996, respectively (Graph 94), implies that, for the Union as a whole, capacity constraints are less likely to be encountered at an early stage of the recovery. Relatively low wage and price inflation, relatively high profitability, investment growth and labour availability are conducive to a prolonged period of robust, non-inflationary output growth so long as appropriate macroeconomic policies and effective labour markets policies are followed.

Inflation

Inflation appears to have reached a low point around the end of 1994. However, no resurgence of inflationary pressure is expected in 1995 and 1996 and the rate of price increase is forecast to remain low at just over 3% a year, largely because wage increases are assumed to remain subdued (even though there were signs of acceleration in some Member States in early 1995) so keeping down the rise in unit labour costs despite increasing resource utilisation.

Inflation rates across the Union, however, are likely to become more diverse in 1995. In 11 of the 15 Member States inflation of 2–3%, or only slightly above, is expected, while it is expected to remain at 4½–5% in Italy, Spain and Portugal and at 9% in Greece (Graph 95). Any resurgence of wage and price inflation could jeopardise the pace of recovery by forcing an early tightening of monetary policies.

Public finances

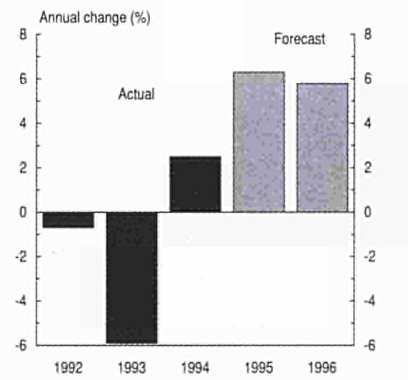
Over the Union as a whole, public deficits are expected to decline from 5½% of GDP in 1994 to just under 4% in 1996, half the reduction being due to increased economic activity, half to tighter fiscal policies. The aggregate structural deficit of Member States taken together is estimated to remain high in 1995 and 1996 and the projected reduction is only enough to stabilise government debt at 70% of Union GDP in 1995 and 1996. Fiscal consolidation efforts are, therefore, set to achieve a relatively small reduction in the structural deficit by 1996, despite three years of output growth of around 3% a year. The forecast, however, is based on policies which were known in May 1995, and additional tightening in Member States could produce a larger reduction.

Given present policy, the general government deficit in 7 countries is expected to be at or below the reference value of 3% of GDP by 1996 (Denmark, Germany, Ireland, Luxembourg, the Netherlands, Finland and the UK), while the additional tightening in order to meet this value is equivalent to less than 1% of GDP in three countries (France, Belgium and Austria). Fiscal deficits are projected to remain high in the remaining Member States, particularly in Greece, Italy and Sweden (despite a marked reduction).

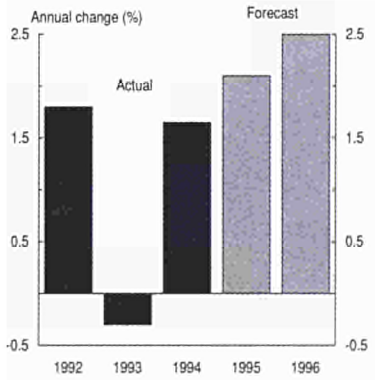
Risks and uncertainties

The uncertainties surrounding the forecast for 1995 and 1996 have been heightened by the currency turmoil of early 1995. There is a risk that loss of competitiveness in appreciating countries may lead to a more pronounced reduction in business confidence and dampen the growth in investment by more than

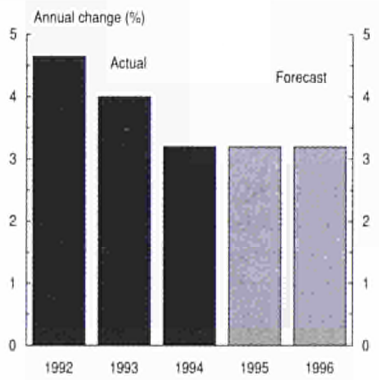
93 Investment, 1992-96



94 Consumption, 1992-96



95 Inflation, 1992-96



expected. In depreciating countries, the risk of higher inflation and consequent erosion in purchasing power along with expectations of tighter economic policies may restrain consumption by even more. In addition, a more pronounced slowdown in the US than anticipated could depress world growth and reduce Union exports. If these risks were to materialise, the outlook for growth and employment would be less favourable, though any complete halt to recovery is unlikely.

Employment

The recovery in 1994 led to an earlier rise in employment than previously expected. Fears of a 'jobless' recovery do not appear well founded. In 1995 and 1996, growth in the Union is projected to lead to an increase in employment of around 1% a year, which corresponds to the net addition of about 3 million jobs over the two years, in line with past relationships.

In 1995 as well as in 1996, employment is expected to rise in all Member States, with particularly strong rates of increase in Denmark, Spain, the Netherlands, Sweden, the UK and most especially in Luxembourg, Finland and Ireland (Graph 96).

Unemployment

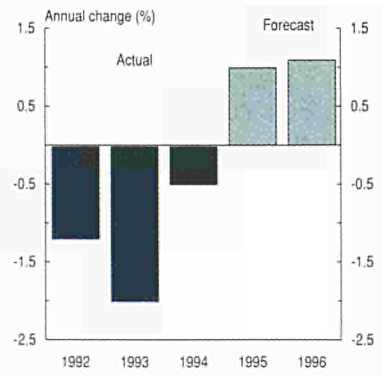
Despite this growth of employment, a projected expansion in the labour force of some 1.4 million people over the two years (more than in the recent past, but less than in previous periods of recovery) means that unemployment in the Union will decline by only around 1.6 million. Consequently, the rate is forecast to fall from 11% to an average of 10% in 1996, still unacceptably high.

Unemployment is forecast to fall in all Member States between 1994 and 1996, the largest declines being expected in Finland, Denmark, Ireland, the UK, Spain and Sweden. Nevertheless, the rate is expected to remain well above 20% in Spain and above 10% in France, Finland, Ireland and Italy, though in 1996 it should decline to below 8% in Germany and the UK (Graph 97). In Austria, Luxembourg, the Netherlands and Sweden, where unemployment is well below the Union average, the reduction is expected to be less than elsewhere.

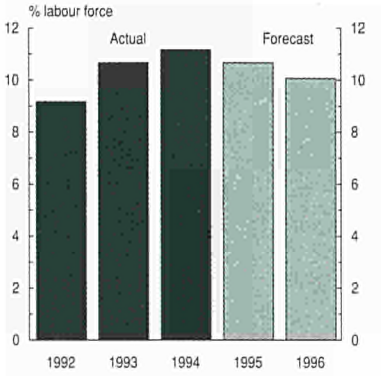
If the economic recovery were to continue at a similar rate in 1997, unemployment in the Union could be reduced by a further 1% of the labour force to around 9%. In order to reduce it significantly below this, strong and sustainable growth is necessary over the medium-term, combined with more effective labour market policies, which may need to be accompanied by significant changes in systems of education and training and possible reform of labour market regulations.

Moreover, whether unemployment falls at the rate projected depends on future changes in the rate of labour force participation across the Union which are difficult to predict. As emphasised earlier, if a high rate of employment growth is sustained, then participation and the labour force could well increase by more than expected as more people are attracted onto the labour market. In this case, the fall in unemployment could be slower than forecast — or, more precisely, the fall in hidden unemployment could be greater, the fall in open unemployment smaller.

96 Employment, 1992-96



97 Unemployment, 1992-96



Part II Progress in implementing change in employment systems — trends in employment policies in the Member States

Section 1 Promoting investment in vocational training

Essen Conclusions: *"Improve employment opportunities for the labour force, by promoting investment in vocational training. To that end a key role falls to the acquisition of vocational qualifications, particularly by young people. As many people as possible must receive initial and further training which enables them through life-long learning to adapt to changes brought about by technological progress, in order to reduce the risk of losing their employment."*

The promotion of investment in vocational training concerns the financial commitments made by all those involved — governments, enterprises, social partners and individuals — to increase the skill levels of the work force. However, it is also important to see investment in a wider sense of the use of financial and other resources to improve the quality of vocational training and the opportunities provided by diversifying provision and making it more accessible. This section examines the development of training policies and action in Member States in the light of these various objectives drawing upon the information which they have provided, and which has been summarised and integrated into the education and training contribution to the 'Tableau de bord' (see Box). This analysis is centred around three main themes:

- improving training systems in the Member States;
- improving the employability of people;
- developing new relations between training and work.

Improving training systems to respond more effectively to needs

Many Member States had already committed themselves to a process of reform of education and training systems before publication of the Commission White Paper, *Growth, Competitiveness, Employment*, with the specific aim of making training more responsive to differing geographical, occupational, sectoral and individual needs.

This has led to training becoming more decentralised. In Belgium responsibility for the content of training has been devolved to the Flemish and French speaking communities, while training itself is provided through organisations covering specific regions. In France, responsibility for the training of young people has been devolved to the regions. In Italy, the regions have responsibility for promoting and financing training in the context of a national framework, while educational institutions have autonomy over management and teaching methods. In Denmark, vocational training colleges and local training committees have also been given greater autonomy in planning and delivery. In the UK, the implementation of national training policy has been devolved to a network of locally-based Training and Enterprise Councils (TECs), with the aim of tailoring provision to local needs. In Finland, where public authorities play an important role, initial training is provided mainly by vocational institutes and universities with particular emphasis on maintaining a high level of provision in quantitative and qualitative terms. In Sweden, basic vocational training, which is organised somewhat differently from elsewhere, takes place within the education system and local employment agencies are, in principle, free to purchase on the open market the training courses they consider best suited to the needs of the unemployed.

In many Member States — for example, Germany and the Netherlands — there is a long tradition of private sector involvement

in both initial training under 'dual-system' arrangements and continuing training in respect of their employees. Nevertheless, in these countries and elsewhere, decentralisation and attempts to make training more relevant to changing labour market needs has been accomplished by greater emphasis on private sector involvement in the implementation of policy and efforts to improve links between education and training and industry and commerce. There has also been a marked expansion in the training services provided by the private sector. For example, the TECs in the UK are led by private sector employers. In Spain, public authority training plans provide for cooperation with the private sector in the preparation and implementation of training measures. In Austria, the public sector has given up its monopoly over the provision of vocational training in the specialised higher education sector, while in Sweden, upper secondary schools are obliged to have contact with employers, since 15% of student courses in the third year are carried out in the work-place.

Training provision

All Member States provide a wide range of training programmes and arrangements to meet the needs of the labour market and of individuals and to encourage life-long learning. In the context of tight control on public expenditure and budgetary constraints, training continues to be afforded high priority. In Germany, for example, spending on training has increased in 1995 despite a reduction in total public expenditure. There is, however, a clear trend towards rationalisation, improved coordination and better targeting of provision. In Sweden, the number of people in different forms of training within the education system will be higher in 1995 than ever before and, together with traditional labour market programmes, some 190 thousand people on average will undertake a training course of some kind.

All Member States have developed publicly-funded initial training programmes to help reduce unemployment among young people. Provision for young people consists largely, on the one hand, of *school-based systems* incorporating periods of work experience, as in France, Sweden, and Finland and, on the other, of *work-based systems*, as in Germany, the Netherlands and Denmark with periods of off-the-job training in vocational schools or colleges. It also includes additional support for those with special needs to help integrate them into the labour market.

Training provision for adults is characterised by a wide range of systems. As for training of young people, the private sector plays a substantial role, both as investor and provider. Flexibility is given a high priority, though in all Member States the framework for provision is not as clearly defined or as systematised as for young people. A notable tendency is to give individuals greater responsibility for identifying and meeting their own training needs. Publicly funded provision in all Members States is aimed at priority groups. In all cases, training programmes are provided for the unemployed,

The tableau de bord

This section is based upon information collected during the Commission's preparation of a 'Tableau de bord' (management chart) to provide an overview of Member State policies in the framework for employment (including the adaptation of education and training systems) agreed by the European Council at Brussels.

Information on education and training was compiled and presented in close cooperation with the Directors-General for Vocational Training in the Member States and in consultation with the social partners. Member States provided contributions focusing on:

- the development of vocational training policy (including strategic objectives, decision makers and quality);
- ways in which they are promoting access to training and lifelong learning;
- ways in which training is used to help people adapt to structural change;
- vocational education and training and the transition to working life for young people.

Additional information is taken from Member State reports on continuing training, the report on the implementation of the PETRA programme and *Quality and Relevance — The Challenge to European Education (IRDAC)*.

particularly the long-term unemployed, while enterprises are assumed to be responsible for training their own employees, most Member States provide publicly-funded training for those in employment focused particularly on those threatened by unemployment because of industrial change and those at a disadvantage (eg low qualified workers, people with disabilities and ethnic minorities). Other priorities reflect particular national concerns. In Ireland, there is public support for the training of managers and employees of companies locating in Ireland. Management training is also a priority in Portugal. In Italy and in the new Länder in Germany, training support is provided for regional development, while in Luxembourg, there is a provision for professionally qualified workers who are unable to find a job to match their skills. In Denmark, greater flexibility has been introduced for target groups, including the possibility of cross-sectoral training.

The growing role of the private sector in the provision of vocational training is a notable feature across Europe. The increased need for new and sometimes more specialised skills, often resulting from the introduction of new technology, has in many areas encouraged the private sector to develop its own training. In France, there are over 20,000 known private training providers and it is estimated that there are around 60,000 in the Union as a whole, many of them small. Most larger companies have departments dealing with human resources or contract out training to independent providers.

As part of efforts to improve the efficiency of training, there is a trend towards greater use of new technologies and flexible forms of learning in both the public and private sector. Flexible forms of learning include multi-media material and open and distance learning, often combined with traditional methods. These entail certain advantages such as a reduction in learning time, greater adaptability and increased access. In France and Luxembourg, for example, centres for research into the potential use of new technology in training have been set up. To widen accessibility, the UK has used television broadcasting of education material and lectures for many years in the form of the Open University.

Some Member States are seeking to take advantage of innovation in training practice and delivery developed at both national and, through partnerships, European level. In France and the Netherlands, information campaigns and publicity material have been used to promote the use of innovative training techniques and to disseminate the use of good practice. In Austria 'trainer circles' have been established to encourage the exchange of views and information on new training methods.

Quality in training provision

The quality of vocational training programmes is another increasingly important concern. To ensure quality, national governments often require training providers to meet certain standards before they are allowed to give courses. Firms and individuals purchasing training services, however, tend to have little guide to the quality of the training on offer, particularly of continuing training. Increasing effort is, therefore, being made to improve the transparency of the diverse market of training providers to introduce various quality standards and measures in a number of different ways. Systems of quality certification are being used or developed in a number of Member States, including Belgium, Denmark, France, Portugal and Greece. In Germany, Austria and the Netherlands there are statutory standards for continuing training provision. In Ireland, the Government is in the process of establishing TEASTAS — the Irish National Certification Authority — to be responsible for the development, implementation, regulation and supervision of the certification of all non-university third level and all further and continuing education and training programmes. TEASTAS will also provide a structure for the formal involvement of business and the social partners and will try to ensure that the needs of business for skilled personnel are met, in particular, by improving links with the education and training system. In addition, it will facilitate access to a structured system of graded educational/training qualifications, allowing progression from basic levels to advanced degree level, in accordance with needs and abilities. In the UK, the focus is on the results of training programmes, rather than the way it is provided (see Box). In Finland, an evaluation system for training is being developed by the National Board of Education, to include self-assessment of schools, outside evaluation and evaluation made within branches as well as a national set of indicators. The quality, relevance and effectiveness of training are also being evaluated through a number of research programmes.

Identifying future skill needs

All Member States are affected by the changing nature of the labour market and the new skills it

requires. The trend is towards skilled jobs. Professional and technical occupations increased even during the recession years 1990 to 1994, while jobs for production workers fell significantly. Job content is also changing as are the sources of employment.

Member States are attempting to keep pace with this change. In a number of them, including Germany, France, the Netherlands, Austria, Sweden and the UK, there are regular revisions to job profiles and qualification content, often carried out in consultation with the social partners and employers organisations.

Most Member States also make some efforts to forecast skill needs, seeking to improve the effectiveness of the resources allocated to training by concentrating on areas of need. A variety of methods are used often in combination, the most common being: *vacancy analysis* (in Belgium), *analysis of the trends in qualifications* (Denmark, the Netherlands, Portugal and Finland), *labour market, sectoral and regional surveys* (Germany, Greece, Spain, Sweden, the UK and Austria) and *forecasting models* (Ireland and some regions of Italy). In France, skill needs are monitored by a *network of training observatories*, in Luxembourg, by the National Institute for the Development of Continuing Training. Despite the variety of means, there is a common view that current methods are not effective in forecasting change and there remains difficulty in anticipating skill needs in different sectors, especially given the pace of technological advance.

The importance of keeping pace with new technology and the emergence of the Information Society is also recognised. There is a clear trend towards the development of initial and continuing training programmes incorporating both the theory and application of new technology. In Finland, information technology is a compulsory element of vocational education and training. Similarly, a foundation course in information and communication technology is compulsory in all schools in Austria. In Ireland, under the Vocational Preparation Training Programme (VPTP), which provides integrated education, training and work experience to improve the employment prospects of young people who have completed compulsory schooling but whose skills are inadequate, there is an obligation on providers to include a 'new technology' component. However, the importance of the Information Society and its impact on vocational training goes beyond meeting emerging skill needs. It also includes a need to ensure wide participation and to avoid exclusion which itself is dependent upon education and training.

Raising the skill level of the work force

In all Member States, there is recognition of the importance of

Ensuring quality in vocational training provision

UK

The UK approach is characterised by a focus on outputs. There has been considerable effort to develop standards of competence which are reflected in vocational qualifications and increasingly training is geared towards achieving these. Contracts for publicly-funded training provision specify that training should lead to a qualification, the Training and Enterprise Councils (TECs) acting as monitoring bodies.

Portugal

Quality is maintained through legal provisions and guidelines which set minimum standards. Work is underway to specify current needs in order to regulate the training market, with a view to introducing a certification system for vocational training provision.

France

The government has responsibility for the administration and financial management of training organisations. The *Office professionnel de qualification des organismes de formation* (OPQF) can issue an opinion on training providers following assessment of their organisational structure, the views of clients and the competence of the trainers. Standards are in the process of being prepared to establish a framework for defining occupations. The certificate of quality assurance (AFAQ), awarded to training providers, conforms with the international quality standard ISO 9000 and encourages them to develop quality assurance systems enabling them to clarify their procedures and establish arrangements for ensuring quality.

improving the skills of the labour force as a whole. This is, in part, to increase the productive potential of the economy, in part, to widen individual access to jobs. There is a clear link across the Union between someone's chances of being employed and their level of education. In 1994, around 11½% of those in the labour force with only basic education or less were unemployed — 10½% of men, 12½% of women. For those with additional educational qualifications (who had completed an upper secondary education course), the average unemployment rate was reduced to 8% — just under 7% of men and 10% of women — and for those with university education or the equivalent (third level education), to 5½% — 4½% of men, just under 7% of women (Graphs 98 and 99). This relationship holds for almost all Member States, the main exception being Greece, where unemployment was higher among men who had completed a university or equivalent course. The extent of the difference in rates between those with different educational attainment levels, however, varies somewhat across the Union. For men, it is particularly wide for Ireland, the UK and Germany; for women, for Ireland, Belgium and Denmark.

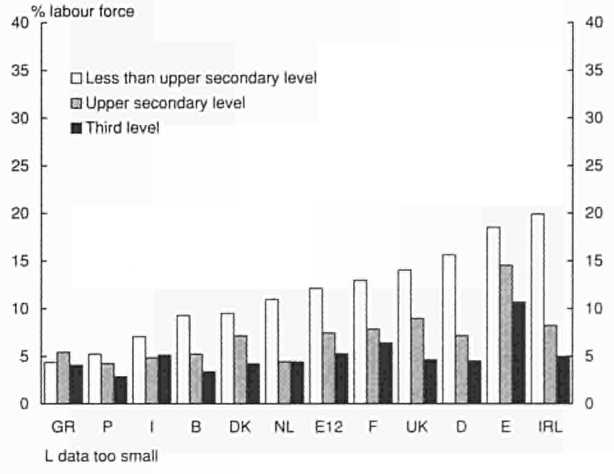
At Essen, the European Council pointed to the key role of vocational qualifications in improving employment opportunities. It is increasingly clear, that though higher qualifications are not a guarantee of employment, since the poorly qualified are more prone to unemployment, access to training and qualifications are of key importance.

Access to training

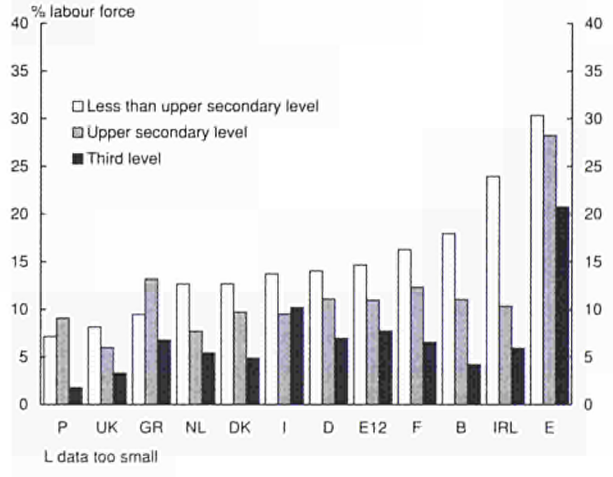
A combination of factors has led to a growing emphasis on the importance of continuing training throughout the Union. Demographic trends mean that fewer young people are entering the labour market each year so that the skills of the existing work force need to be adapted and improved. Moreover, the impact of technological change upon job content and work organisation requires the ongoing adaptation of skills to meet new and ever more pressing needs. However, despite the growing requirement for on-going continuing education and training, systems in the Member States remain centred upon the provision of an initial block of learning to qualify in a trade, craft or profession. Nevertheless, steps have been taken in Member States to promote continuing education and training.

The principle of access to training throughout a person's working life is accepted in all Member States who have introduced a range of measures to promote it. Some have legal entitlement to paid training leave, with take-up being determined most often at the level of the firm. For example, in Belgium, there are arrangements for paid study leave for approved general or vocational education for workers under 40, the cost to the employer being covered (fully or partly) by public funds. Most of the German Länder have laws providing for around 5 days educational leave, implemented through collective agreements. In Denmark, up to one year can be taken on approved adult education or vocational training courses. The trainee receives an allowance — which can be supplemented by the employer — and under job rotation arrangements, the worker can be temporarily replaced by someone who is unemployed. In Portugal, Finland,

98 Unemployment rates of men aged 25-59 by education level, 1994



99 Unemployment rates of women aged 25-59 by education level, 1994



Sweden and France, employees are entitled to training leave (in France training credits are being developed to provide entitlement to time off for off-the-job training). In Greece, Luxembourg, the Netherlands and Italy, entitlement to training leave — paid and unpaid — tends to be decided through collective agreements between the social partners, again with implementation at the enterprise level. In Ireland and the UK, access to training is a matter of negotiation and voluntary agreement between employers and employees.

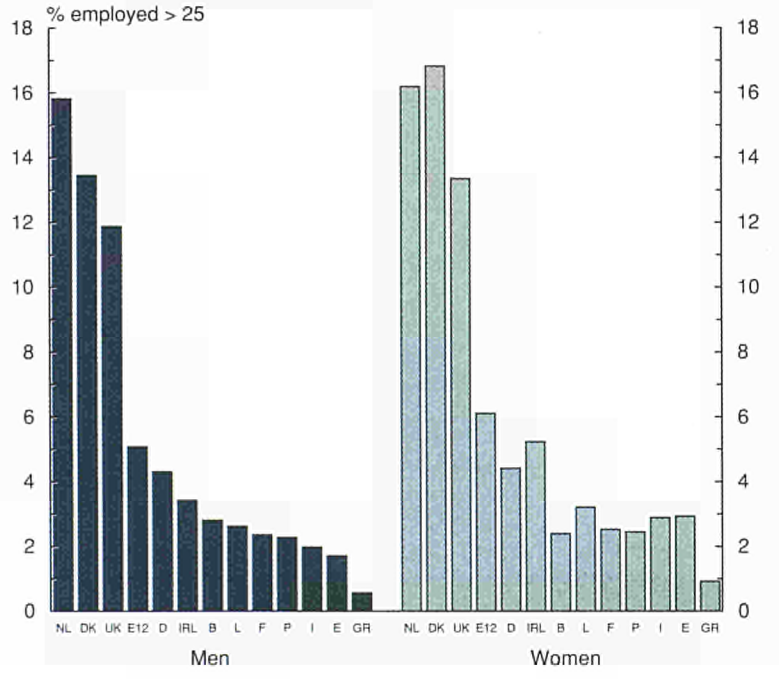
In addition to providing allowances to the unemployed who participate in government training programmes, Member States have a variety of financial incentives to facilitate access to and encourage take up of training. Tax relief on expenditure by individuals for training in specific occupations or leading to recognised qualifications is available in Belgium, Greece, France and the UK, where a system of subsidised loans for education and training linked to career development has also been introduced. A range of measures are also in place to encourage investment by enterprises. The UK has initiatives to assist small and medium-sized enterprises develop the skills of their work force and integrate training into company business plans, and to promote the message that good training practice pays. In France, tax relief is available to enterprises for certain types of training expenditure, while in Greece, Spain, Ireland and Portugal, there are public funds to help firms implement training plans.

Training levies on such expenditure is financed by company wage bills in a number of Member States. In Belgium, there is a compulsory levy of 0.1% of the total salary bill to finance unemployment support measures and a further 0.15% (to be increased to 0.2% in 1996) for training of groups at risk. In Greece, the levy which funds general training programmes is to be increased from 0.25% of the salary bill to 0.45%. In France, firms are obliged to invest at least 1.5% of their salary bill in training (0.15% for companies with less than 10 employees). In Ireland, the levy varies from 0.25% to 1.25% of the salary bill according to sector.

However, the effect of the extensive provision in Member States is difficult to assess. The data available on continuing education and training are not standardised, with training being defined in different ways in different countries — in some countries, for example, workers' salaries are included as a training cost, in others not. These difficulties have to be borne in mind when interpreting figures on participation in job-related continuing education and training, defined as all organised systematic activities in which people take part to obtain new skills for a current or future job, increase earnings or generally improve their opportunities for advancement (Graph 100, which is based on LFS data, shows those receiving training in 1993 in the four weeks immediately prior to the survey).

Despite the desire in Member States to improve the skills of the work force as a whole, evidence suggests that participation in job-related continuing training is closely linked to the previous level of educational attainment, which implies that the focus is on those who already have skills to continue to develop their ability. By the same token, those least qualified and so most vulnerable in the labour market are least likely to receive training. There is also concern about access to continuing education and

100 Proportion of employed aged 25 and over receiving vocational training in Member States, 1993



training for other sections of the labour force, notably women and those working in SMEs.

Equal opportunities for women

In most European countries, women generally attain an equally high level of education as men, but in a more limited range of subjects. Moreover, proportionally more women are employed in low-skill occupations, in fewer sectors and occupy a minority of managerial and supervisory jobs. This is true of all Member States. Existing preconceptions remain a barrier to access to training opportunities for women, though often they choose not to enter certain professions, such as engineering. Women also are more likely to face the problem of combining training and family responsibilities.

The growing importance of women in the labour force is widely recognised and a number of initiatives have been taken in Member States to promote access to training for women and to tailor provision to meet their needs. Many involve positive action, such as specific courses for women in occupations or sectors traditionally occupied by men, including management. There is also a focus on guidance and support for women returning to the labour market after a period of absence (see Box).

Promoting access to training for women

In all Member States, a small minority of engineers are women. In Ireland, the figure is only 4%. Studies to identify the reasons for this have highlighted the stereotypes already present in initial training, with more emphasis being placed on science subjects for boys than for girls and with engineering being seen as a 'dirty job' and 'not for girls'. Yet the results of girls in science at school match those of boys.

The Dublin Institute of Technology in Ireland, for example, has launched two initiatives to stimulate women's interest in engineering, one a two-week summer course for young girls at secondary school, to inform them about the engineering profession, the other to provide part-time scientific training to young women under 25, who have completed secondary education with insufficient grades in science subjects to enter the Institute of Technology. Successful completion of this course qualifies them for the first year of engineering studies.

A savings bank in Denmark in which 57% of staff were women, but only 5% of whom held serious managerial posts as against 93% who were secretaries, introduced in the recent past training courses for women wanting to become managers. The aim was to overcome perceptions of career advancement being an 'all or nothing process' and to help women define a long-term career plan, combining the company's needs with their personal circumstances. In a few years, the number of women managers has increased to 20%.

Small and medium sized enterprises

SMEs account for 70% of Union employment in the private sector and are the principal job creators, being responsible for an estimated 80% of jobs generated in the private sector over the past decade. In addition, an increasing number of larger firms are reorganising into SME-type structures, to become more flexible and respond more rapidly to the market. However, SMEs face a number of barriers as regards investment in training. Some, such as a lack of finance and skills are familiar, but SMEs often also have difficulty in quantifying their skill needs. As a result, they can be reluctant to invest in training except where there is an immediate business problem or because there is a legal requirement.

To address these problems, some Member States, including Belgium, France, Ireland and Portugal, include those working in SMEs among priority groups for receipt of publicly-funded training provision. In Spain, public funds are available to groups of SMEs for the implementation of joint training plans. In Finland, training for workers in SMEs is supported by labour market programmes. In addition, in many other Member States, regional and local organisations such as Chambers of Commerce, have policies which include the promotion of training opportunities to develop SMEs.

New routes to qualifications

As well as widening and promoting the take up of training provision, some Member States, such as France, Austria, Finland and the UK, have developed new ways of recognising and validating informal training and/or work experience (see Box). Systems of accumulating credits that can lead to a formal qualification are also being introduced in Italy. In Ireland, the

National Certification Authority (TEASTAS) will facilitate access to a structured system of graded qualifications, as noted above, while the possible accreditation of prior learning is currently being considered by the National Council for Education Awards.

Improving relations between training and work

The role of the Social Partners

Another clear trend is the increasing involvement of the social partners in training. Although their importance has long been recognised and in some Member States their involvement, in policy-making has been institutionalised, there has recently been greater emphasis on the role and responsibility of the social partners whether in the context of existing arrangements or in the development of new ones. As a result, in all Member States, social partner organisations are represented at various levels of decision-making and are involved in some capacity in the planning and content of vocational training as well as the development of qualifications. In some Member States, notably France, Germany, the Netherlands and Austria, training and skill needs, access to training and training leave and allowances, feature in legally-binding collective agreements. The social partners are also actively involved in training delivery, as in Denmark and Italy, while in Spain they jointly manage public funds for the development and implementation of training plans. In Portugal, the social partners develop their own initial and continuing training programmes.

New forms of working time/training arrangements

Economic restructuring in Member States has been accompanied by the use of more flexible working arrangements, involving, for example, part-time employment. There has also been a trend towards contracting-out activities previously performed within the firm, in an attempt to reduce costs while maintaining quality. New technology is also leading to the development of new forms of employment, such as teleworking. This trend has important implications for training in terms of access — part-time and temporary workers are among those least likely to receive training — and the way businesses perceive their training needs as regards, for example, the training standards they expect from subcontractors. The development of new arrangements combining working time and training is still at an early stage in some Member States.

Towards life-long learning

The developments taking place show that all Member States recognise the need to improve and adapt their education and training systems and are actively engaged in reform. Although the systems are different, the problems faced are similar, though varying in importance. All are seeking to create a

Recognition of work experience and informal training

Finland has recently adopted a system for recognising vocational qualifications irrespective of how they are acquired. Those who have acquired their skills through work experience as well as those in education or training are able to take the same examination and receive a formal qualification, awarded by examination boards comprising employer and trade union representatives and teachers.

The UK has a system of National Vocational Qualifications (NVQs) which specify the standards required for competence and which are gained either formally through training or informally through work experience. Assessment for NVQs is carried out by approved centres operating under the control of the body awarding the qualification. Competence is assessed by observation in the workplace of a person's skills in carrying out specific activities and by oral and written tests.

In Austria, those who have not taken an apprenticeship examination but have work experience can enter the final apprenticeship examination, so long as they are at least 21 and provide evidence of their skills and knowledge. In addition, those with upper secondary level vocational qualifications who have completed three years of work experience are entitled to call themselves 'engineer'. After three further years of work experience they can take an examination to qualify for the corresponding diploma.

framework for encouraging investment in vocational training and the development of life-long learning. Although there are no clearly defined models of the latter, the reforms have certain common features.

Life-long learning is, in general, seen as an overall system incorporating the range of education and training aspects to economic and social development, as well as a shared responsibility between the public sector, employers, trade unions and individuals. The need for on-going investment in education and training is recognised along with the need to encourage firms and individuals to invest in skills and to adapt them continuously to meet future economic and social challenges. Different methods of financing training have also begun to be explored as has the need for a wide range of accessible, flexible training provision using a variety of approaches and methods including new technology.

A key feature emerging is a commitment to equality of opportunity for men and women and for different sections of society, particularly those who are disadvantaged. All Member States take responsibility for training provision for the most vulnerable — specifically young people and the unemployed — and recognise the need to improve access to training more generally.

There is also awareness that the lack of clear measurable indicators makes it difficult to assess the impact of reforms — or the return on investment. The European Commission has undertaken with the Member States a wide-ranging study of expenditure and participation in continuing vocational training which could provide a clearer picture. It is already clear, however, that the reform process will need to be sustained over a long period to be successful.

The European Social Fund contribution to investment in training

In addition to direct measures for job creation, the European Social Fund (ESF) devotes a large share of its resources (around 47 billion ECU in the period 1994 to 1999) to supporting Member State training efforts.

Objective 3 of the Structural Funds, which absorbs about 27% of ESF resources, focuses on young people, the long-term unemployed, those who have difficulty entering the labour market — such as the disabled — and women. Support is given to improvements in training systems as well as training itself. The basic aim is to improve the employability of the people targeted. As regards young people, there is special emphasis in several Member States on developing apprenticeship schemes and changing both the theory and practical content of training. The *Employment Initiative* will enable the ESF to support innovation in the field of training for the target groups.

Ensuring equality of opportunity is a general aim of the Structural Funds and especially of the ESF under Objective 3, which seeks to promote a wider access of women to training schemes, including apprenticeships, the development of specific programmes for women where necessary, and support services such as child care.

The new Objective 4 of the ESF is geared especially to the identification of future skill needs and to the corresponding adaptation of worker qualifications. As such, it supports Member State efforts to develop life-long learning and adaptation to changes brought about by technological progress (which is one of the Essen priorities). Its aim is to encourage greater investment by businesses in human resources in order to both preserve jobs and increase competitiveness. Priority is given to support of SMEs to anticipate their skill needs and train their employees accordingly. Particularly innovative ideas to adapt the training systems to this preventive approach will be supported through the ADAPT programme.

The ESF also makes a major contribution to national training measures in the context of regional programmes (Objectives 2 and 5b and regional Initiatives) and gives special support to the less developed Objective 1 regions to strengthen and improve education and training systems and to encourage closer links with business.

Section 2 Increasing the employment-intensity of growth

Essen Conclusions: *"Increasing the employment intensity of growth, in particular by:*

- *a more flexible organisation of work, in a way which fulfils both the wishes of employees and the requirements of competition;*
- *a wage policy which encourages job-creating investments and in the present situation requires moderate wage agreements below increases in productivity;*
- *finally, the promotion of initiatives, particularly at regional and local level, that create jobs which take account of new requirements, e.g. in the environmental and social-service spheres."*

A more flexible organisation of work

A general trend in the regulation of working time is towards greater flexibility. Several Member States have encouraged a shortening of working time and a number of measures have been taken to promote the development of flexible arrangements. Though in most countries working time is a matter of negotiation between the social partners, governments can exert an influence by removing obstacles to adjustment. Working time can be reduced in several ways:

- by reducing standard full-time hours
- by work sharing or job splitting
- by replacing full-time by part-time jobs
- by limiting overtime
- by working short-time during periods of depressed demand
- by introducing career breaks and other special forms of leave.

Over the long-term, the average annual hours worked per employed person have declined across the Union. Between 1983 and 1994, normal weekly working hours declined on average by around 4%, or by an hour and a half (Graph 101). However, the extent of the reduction varies considerably between Member States, which suggests that there is untapped potential for working time reductions in many.

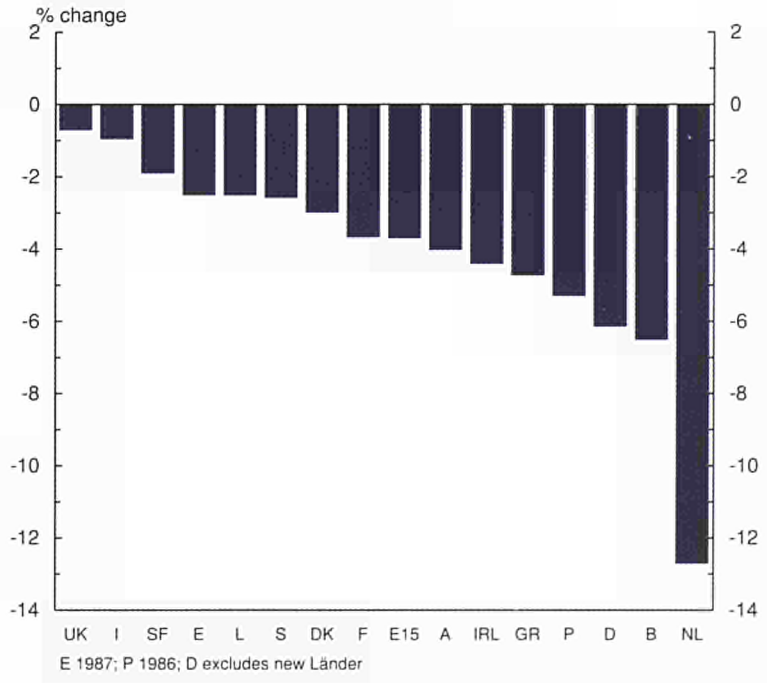
Reductions in standard full-time hours

In several Member States a shortening of working time and increased work sharing is seen as one way of raising employment and combating unemployment. The main ways of exerting an influence directly have been by limiting the normal hours of work and overtime working. However, most of the agreements on shortening of working time have been negotiated at plant level. Since 1984, a series of agreements for reducing weekly hours have been concluded in Germany, the most prominent recent example being the Volkswagen four-day week experiment.

In some countries, governments have sought to introduce positive incentives into collective agreements to increase employment through working time reductions and promote work-sharing. Such initiatives have been taken in France and Belgium, which also experimented with similar measures in the early 1980s. In France, the *Loi quinquennale* includes a number of measures relating to the

organisation of working time. Firms signing work sharing agreements, for example, were entitled — until December 1994 — to rebates of social security contributions of 40% in the first year and 30% in the two following years, so long as hours worked were reduced by at least 15% and combined with a proportionate reduction in wages and a 10% expansion in the work force. Employers, however, showed little interest in this, apparently because of the requirement to offset two thirds of the reduction in working time by new recruitment. The same law also provides for the possibility of annualisation of working time on the initiative of the employee, on condition that this is coupled with a reduction in standard working hours. Since 1994, employers in Belgium expanding their work force on the basis of a company work sharing plan have been entitled to a flat rate reduction in social security contributions of around 625 ECU a quarter per employee. In addition, legislation provides for a range of possibilities to introduce flexibility measures through collective agreements. In Spain, labour market reform has introduced a number of possibilities for increased flexibility of working time. In Finland, revised regulations are under preparation to increase flexibility in working time. In 1993, there were agreements in the metal and engineering industry, which increased flexibility, while an ongoing research project is considering the different working hours and their effects. In Sweden, the government has recently appointed a special Working Hours Committee to investigate the consequences of alternative reductions in working hours and the way in which Swedish law can be changed to make rules on working hours more flexible.

101 Change in average hours usually worked per week in Member States, 1983-94



E 1987; P 1986; D excludes new Länder

The substitution of part-time for full-time work

Several Member States have taken measures to promote part-time work, with the aim of increasing the numbers employed. (In 1994, 4½% of men unemployed in the Union and 23½% of women were seeking part-time rather than full-time employment, though the figures for men varied from 27½% in the Netherlands to only 2% in Spain, and for women from 70% in the Netherlands to under 6% in Greece — see Graph 102.)

In most Member States, legislation on part-time employment gives the same social protection as for full-time workers as regards the minimum period of notice, redundancy pay and so on. However, part-time employees often suffer in terms of promotion and career prospects and have greater difficulty in exercising their trade union rights.

In a number of Member States, including Germany, France and Belgium, there are incentives to employers and employees designed to expand part-time employment or to convert full-time contracts into part-time ones. In Germany, employees who become unemployed after switching from full-time to part-time jobs are entitled to unemployment benefit at the full-time rate for a period of three years. A part-time initiative (*Teilzeitoffensive*) was introduced in 1994 to promote the acceptance of part-time work on a voluntary basis. According to a study, more than 25% of full-time employees would be willing to reduce working hours, and it is estimated that 60% of jobs could be converted to part-time with costs being offset by productivity gains. In France,

employers have been able to obtain a rebate of social security contributions since 1992 if they hire an additional part-time employee or convert an existing full-time job into a part-time one. In Belgium, in 1994 the Flemish Government introduced incentive allowances for employees transferring from full-time to part-time jobs and working between 50% and 80% of normal hours. In Italy, subsidies for employees and cuts in employer's social contributions have been introduced to encourage the expansion of part-time work (see Section 3).

In many countries, older workers have been encouraged to opt for partial retirement, in some cases coupled with the requirement that the firm in question takes on someone from the unemployment register. France in 1992 expanded its programme of giving income support to employees taking up gradual early retirement, so long as additional jobs were created and redundancies avoided. In Belgium, workers who change their contract of employment to part-time are entitled to unemployment benefit plus a supplement from their employer if a younger person is hired. In Portugal, older workers have been able since 1993 to opt for a reduction in working time during the four years before retirement with their income maintained by a subsidy (of up to twice the minimum wage) from the IEFP (the Portuguese labour market authority) if an unemployed person is hired and trained by them. In this way, additional jobs are created and skills passed on. In Denmark, workers aged between 60 and 65 are able partially to retire and receive a flat-rate allowance if their working time is reduced by at least 25% but less than 12 hours a week. In Sweden, partial retirement is also open to workers aged 60 to 64, so long as they work more than 17 hours and less than 35 hours a week. In 1994, the rate of compensation was reduced to 55% of the former wage. In Spain workers over 62 are able to reduce their working time by 50% by agreement with their employer so long as they accept a 55% reduction in wages and an unemployed person is hired to work for the other half of the time. In Finland and Austria, legislation also provides for the partial retirement of older workers providing certain conditions are met.

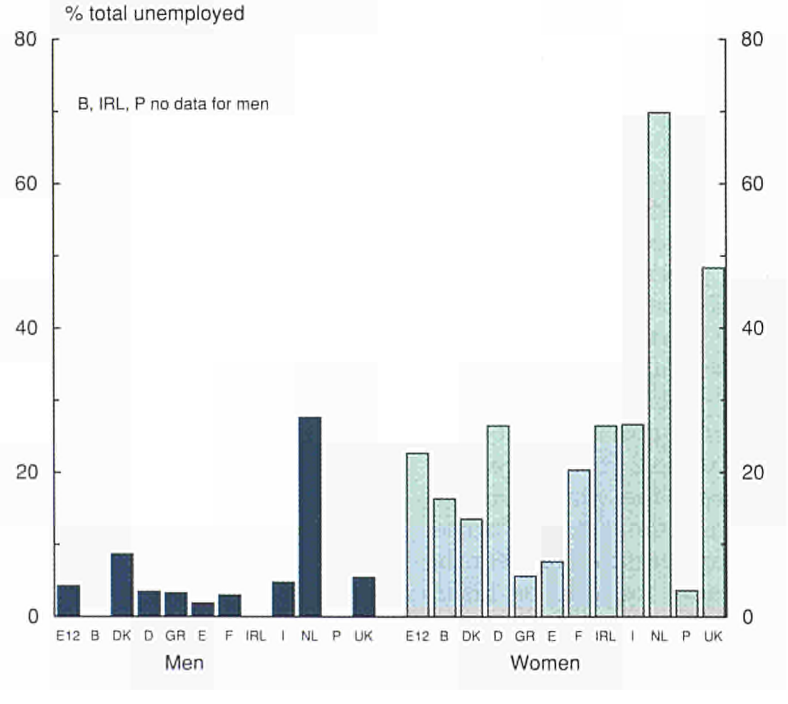
Limiting overtime to create additional employment

Little if any attempt has been made in Member States to limit the use of overtime in order to promote employment, mainly because overtime is regulated in most countries. In some Member States, including Sweden, Denmark, Finland and Italy, it is controlled by collective agreements, in others, general legislation is open to modification by collective agreements to accommodate the particular needs of different sectors. Only two countries, the UK and the Netherlands, have no overtime regulations.

In Spain, statutory premia for overtime working were abolished in 1993 and where there is no collective agreement, compensation for overtime takes the form of time off rather than additional pay. In Germany, on the other hand, the Working Time Law stipulates that daily hours of work in 1994 can be extended without any need for special reason.

This will allow employers to make more flexible use of their existing

102 Unemployed seeking part-time employment in Member States, 1994



work force, but the effect on employment is likely to be marginal.

Short-time work

Several Member States, including Austria, France, Germany, Italy, Portugal and Spain, have schemes to encourage temporary reductions in working time as an alternative to redundancies, providing income support to the employees affected who work less than their normal week. The workers concerned remain employed while receiving public benefits — usually paid through the unemployment insurance system. The take-up rate of these schemes, as expected and intended, is highly cyclical. During the recent recession, the number of participants in such schemes increased sharply in several Member States, especially in Germany, where short-time working was heavily used to soften the effects of the economic transformation in the East.

In both France and Germany, the maximum duration of benefits for short-time working has been extended. In France, a special short-time working programme was introduced in December 1993 for firms with economic difficulties. The maximum duration of benefits was extended to 1,200 hours from 700 over a period of 18 months to two years. The state subsidy to employers for workers on short-time working was also increased. In Germany, special conditions for extended structural short-time working of up to 2 years have been applied across the whole country. However, in contrast to France, German employers have to bear the costs of health and pension insurance contributions during the period of short-time working. A number of German firms in economic difficulty have also negotiated cuts in working time outside the framework of the short time working programmes. In Italy, special temporary conditions were introduced between 1993 and 1995 for workers in companies concluding 'solidarity contracts' (*contratti di solidarietà*) to avoid redundancies or increase jobs. Employees may receive up to 75% of wages (normally 50%) for lost hours for a maximum of two years (in the Mezzogiorno up to three years).

Maternity leave

The most common form of leave is for maternity. Though this was primarily introduced for health reasons, it has consequences for employment. The duration of leave and level of benefit vary between Member States. The duration is 14–16 weeks in most Member States (Belgium, France, Germany, Ireland, Luxembourg, the Netherlands, Portugal, Spain and the UK), though is longer in Italy at 20 weeks and in Denmark at 26 weeks.

In some Member States, including Denmark, Finland and Sweden, employees of both sexes are entitled to parental leave. In addition to the statutory 26 weeks' leave, in Denmark a new scheme enables employees to agree with their employers extended leave of up to 52 weeks. In December 1994, there were around 50,000 people on parental leave — 64% of the total number on leave at the time. Sweden has the most extensive parental leave system with employees receiving 90% of their previous wage for the first month, 80% (reduced to 75% from 1996) for the next 270 days and a flat-rate allowance for a further 90 days. In Finland, women receive maternity allowance for 105 working days and either parent then receives a parental allowance for a further 170 working days. In the UK, women who have been in employment for at least two years are entitled to 40 weeks' maternity leave. In Germany, employees have a statutory right to parental leave for a maximum of three years (previously two years). In Ireland, the new Maternity Protection bill will make it easier for women to combine work and family responsibilities.

Career breaks

In addition to maternity and parental leave, other forms of temporary absence from work exist in a number of Member States, including training leave, sabbaticals and career breaks.

In Belgium, a right for employees in the private sector to take career breaks for up to one year, or to change temporarily to working part-time instead of full-time, was introduced in 1994, a similar right already existing in the public sector. In Denmark, a scheme granting employees entitlement to training and sabbatical leave for up to one year in addition to parental leave was also introduced in 1994, the main aim being is to encourage voluntary job rotation between the employed and the unemployed, though replacement is required only for sabbatical leave. Employees on parental and sabbatical leave receive an allowance equal to 80% (from 1995, 70%) of unemployment benefit, whereas for training they receive 100%. In Sweden, a special labour market measure, the *trainee temporary replacement scheme,* was introduced in 1991 with the aim of assisting employers to increase the skill level of their work force. Under the scheme, firms obtain a reduction in the levy on payroll if they

hire someone temporarily to replace an employee undergoing training. In Finland, there are plans to introduce a system of job rotation to enable someone unemployed to replace an existing employee for a fixed period of time.

Employment creation to meet new needs

Following the Commission's report, *Local development and employment initiatives: an investigation in the European Union* (SEC 564/95), which identified 17 areas of activity which could potentially expand to meet new needs, such as social and communal services and environmental protection, the Essen conclusions singled out job creation in these areas for special attention. The paradox of high unemployment, especially among the low skilled, coexisting with needs that remain unmet was, according to the White Paper, in part a result of the relatively high cost of labour coupled with the reluctance of workers to take jobs classified as personal services or unskilled work. There are a number of ways of promoting employment in these areas including subsidising demand (through, for example, tax deductions or voucher schemes) or the supply of such services.

Two recent initiatives in France and Belgium seek to promote job creation in services by tax rebates and voucher schemes. In France, 'service employment vouchers' have been introduced to encourage the creation of jobs in domestic services — and the substitution of legal for illegal (black) labour. The scheme provides both a subsidy in the form of a tax deduction (of 50% of costs up to a maximum of around 7,300 ECU for domestic employees working less than 8 hours a week or under a fixed-term contract of less than one month) and simplified administrative procedures (no employment contract or pay slip is required and social insurance contributions do not have to be calculated). In Belgium, *Agences locales pour l'emploi* (ALE) were established since 1994 with the aim of placing the unemployed in jobs in areas such as personal services, environmental protection, security services and leisure activities. Employers are able to purchase special vouchers from the ALE to pay the people they hire. In Germany, a new national programme (*produktive Arbeitsförderung*) was established in 1994 under which non-profit-making firms in social services, environmental protection and youth assistance are entitled to a wage subsidy equal to the average level of unemployment benefits. In Sweden, the Government has proposed that the labour market 'Work experience' programme should operate primarily in the environmental and cultural sectors. In the Netherlands, the Government is considering reducing labour charges on firms in the domestic services sector, the intention being to put those working legally on a more equal footing with those working illegally, and plans to introduce experiments in 1996. In Denmark, the Government in 1994 introduced for a period of three years an allowance (of around 12 ECU an hour) to households declaring work carried out for them (such as washing, cleaning or gardening). In Ireland, Community Employment provides temporary work experience plus training for between one and three years for the long-term unemployed and other special categories of unemployed. Under the scheme, public sector and voluntary organisations receive grants to carry out projects of benefit to the local community.

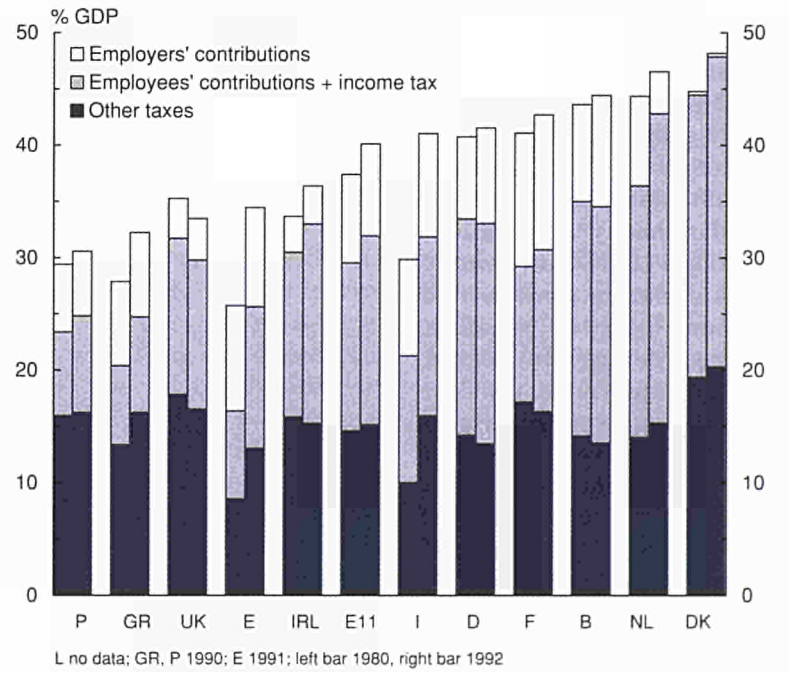
Several Member States have adopted measures to stimulate the environmental sector, to assist mainstream industry meet new environmental standards and to support firms producing relevant equipment, technology and environmental services. In Italy, tax incentives are available to new firms establishing in energy efficiency, recycling and related sectors. In Spain, there is financial support for the conversion of production processes and machinery to reduce pollution. In the Netherlands, green investment is exempt from taxes on dividend and interest. In Sweden, a scheme to subsidise jobs in environmental industries has recently been introduced to accompany existing support for investment in sewage treatment, extension of central heating networks, noise reduction, the clean-up of contaminated sites and improvement of natural areas, as well as for household investment in solar heating and for firms investing in sustainable processes over and above what is required by law.

Section 3 Reducing non-wage labour costs

Essen conclusions: *"Reducing non-wage labour costs extensively enough to ensure that there is a noticeable effect on decisions concerning the taking on of employees and in particular of unqualified employees. The problem of non-wage labour costs can only be resolved through a joint effort by the economic sector, trade unions and the political sphere."*

Statutory levies on employers range from 14% to 34% of GDP across the Member States; taxes on employment, including both employers' and employees' social contribution and payroll taxes, vary equally as widely from 25% to around 50% of GDP (Graph 103). Despite these differences, common trends can be identified in almost all Member States. Whereas between 1980 and 1992 the average rate of taxation on consumers' expenditure was stable (at around 13%) and declined on capital (from 44% to 41½%), taxes on labour rose (from around 35% to 40%). The UK is the only country in which the overall tax burden did not increase over this period.

103 Taxes and social contributions in Member States, 1980 and 1992



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Since 1993, all Member States have introduced, or are planning to introduce, reductions in indirect labour costs by reducing social contributions. In some countries, the reductions are temporary and targeted at certain groups of worker to stimulate increased employment. Others have taken steps to reduce indirect labour costs permanently.

General reductions

In recent years, several Member States — specifically, Luxembourg, Portugal, Spain and the Netherlands — have made permanent reductions in social contributions. In Spain, contributions were reduced by one percentage point (0.8% for employers and 0.2% for employees) in 1995 and in Portugal employers' contributions were lowered by 0.75 of a percentage point. In Austria, attempts were made to lower indirect labour costs by introducing a negative tax option

of 10% of social contributions in 1994. In Spain also, direct taxes on firms have been reduced in an effort to stimulate employment (by just under 5,000 ECU for each new job). In Denmark, the five-year tax reform is aimed at reducing marginal tax rates on wages around the average by 1998, while social contributions will be increased from 5% to 8.6%. Income taxes have already been reduced, financed by more consistent taxation of unearned income and by so-called green taxes on consumption.

Temporary reductions

Several Member States have made temporary reductions in employers' social contributions to stimulate employment. In most countries, these are targeted at disadvantaged groups such as the long-term unemployed, young people or the handicapped.

In Belgium, social contributions were reduced in 1994 on sectors particularly exposed to international competition and on employers taking on manual workers. In France, proposals have been made to reduce employers' contributions for each additional person taken on and for people who were previously unemployed. In Sweden, a new temporary recruitment incentive in the form of a reduction in employers' contributions for people who were previously unemployed has been introduced amounting to some 30% of total wage costs. (Sweden has a long tradition of wage subsidies, usually payable for six months or so, to encourage employers to take on, for example, the long-term unemployed, young people or immigrants, though for the handicapped subsidies tend to be on a more permanent basis. Different forms of wage subsidy are also used in the context of regional policy.) In Ireland, the 1994 Budget restructured employers' contributions, removing the obligation to pay health contributions and the employment and training levy in respect of employees holding medical cards. Employers taking on someone previously unemployed — or, after the 1995 Budget, anyone under 23 — are also exempt from social contributions for up to two years. In addition, VAT has been reduced in certain labour intensive sectors. In Italy, employers taking on young people previously unemployed or handicapped people are entitled to a tax credit of 25% of the taxable salary paid to the employee. In Denmark, subsidies have been introduced to increase employment in the construction industry.

In Belgium, the *Plan plus un* was extended in 1994 to reduce social contributions for a three year period by 100% in the first year and 50% in the third year in the case of employers taking on someone who had been long-term unemployed or someone under 26 who had been out of work for six months. In Germany, a form of payroll subsidy targeted at the long-term unemployed has been introduced. In Portugal, there are special reductions for the recruitment of first-time job-seekers and the long-term unemployed as well as handicapped people. In Italy, employers who create jobs for those classified as belonging to a disadvantaged group are entitled to a reduction in social contributions and tax credits, while those based in the South also pay lower contributions. The system of incentives directed at young entrepreneurs in the Mezzogiorno (ie in Objective 1 regions) was extended in 1995 to areas eligible for aid under Objectives 2 and 5b of the Structural Funds. In Spain, employers who take on young people or who take on someone of 45 or over who was previously unemployed or is disabled on a temporary contract (1–3 years) are entitled to a 75% reduction in social contributions. Those with less than 25 employees and taking on someone under 45 who was long-term unemployed receive a 50% reduction. In Greece and Germany, tax cuts have been introduced for

Member State pursuit of the double dividend

Several Member State have pursued the notion of the double dividend (described in the Commission White Paper, *Growth, Competitiveness, Employment*, of reducing social charges on the employment of labour in order to encourage job creation while imposing increased taxes on the use of natural resources in order to protect the environment (see Part III, Section 2 of the present Report for an analysis of the effects).

The UK has recently imposed VAT on energy and is introducing a new landfill tax coupled with further reductions in employers' social security contributions. Belgium is developing a plan for eco-taxes. Denmark is considering raising eco-taxes to yield the equivalent of 1.4% of GDP. Luxembourg has imposed a social charge (an added excise tax) on energy consumption. Spain has introduced charges on the discharge of effluents. Italy taxes CO_2 and SO_2 emissions and the Netherlands is considering a tax on the use of energy, the revenue from which will finance various reliefs for taxpayers.

employees in certain regions, while in Finland, social contributions vary with firm size and turnover, small firms paying less than larger ones.

This potential job creation effect has led several Member States to follow up on the idea of the so-called 'double dividend', lowering charges on employment, while at the same time imposing heavier taxes on the use of natural resources which causes environmental damage (see Box).

Encouraging employment of low-wage earners

In some Member States, measures have been directed at stimulating the creation of jobs for low-wage earners. In Belgium, Ireland and the UK, employers' social contributions for those on low pay were reduced in 1994. In Ireland, this was followed in 1995 by the introduction of a new lower contribution rate of 9% (instead of the normal rate of 12.2%) in respect of those earning less than around 15,000 ECU a year. In France, the five-year law on employment introduced in 1993 entitles employers to a 5-year exemption from the 5.4% contributions to family allowances in respect of employees earning up to 1.3 times the statutory minimum wage (*SMIC*). In the Netherlands, the general reduction of taxation planned for the period 1995–1998 will be targeted on the low-paid.

As noted in Section 2, there are measures in France and Denmark to encourage 'legal' employment in domestic services, while the Dutch Government is planning similar measures (see Part III, Section 1 for further analysis of the problem of taxation and employment).

Section 4 Improving the effectiveness of labour market policy

Essen Conclusions: *"The effectiveness of employment policy must be increased by avoiding practices which are detrimental to the readiness to work, and by moving from a passive to an active labour market policy. The individual incentive to continue seeking employment on the general labour market must remain. Particular account must be taken of this when working out income-support measures. The need for, and efficiency of, the instruments of labour market policy must be assessed at regular intervals."*

The general objective in Member States in recent years has been to shift the balance of resources from income maintenance for the unemployed towards more active labour market policies.

The large increase in unemployment in Europe since the mid-1970s, which has been concentrated on particular groups — the unskilled, young people and women — and in certain regions and which has been accompanied by the emergence of a serious problem of long-term unemployment, has forced governments to react in various ways. Budgets for labour market policies have risen substantially and many experimental measures have been introduced in the search for an effective solution. Income maintenance for the unemployed, which was initially introduced to support people over short periods of time while they were looking for a job or undergoing training, has increased substantially. Mass unemployment has placed enormous strains on public budgets and systems of support as well as changing their underlying objective.

With a high level of unemployment more pressure has been put on active measures to play a more important role in improving the functioning of labour market. Such measures can be divided into three broad kinds:

- job mediation and placement aimed at matching vacancies and job seekers;
- vocational training to improve the skills and abilities of the labour force;
- subsidised job creation in either the public or the private sector.

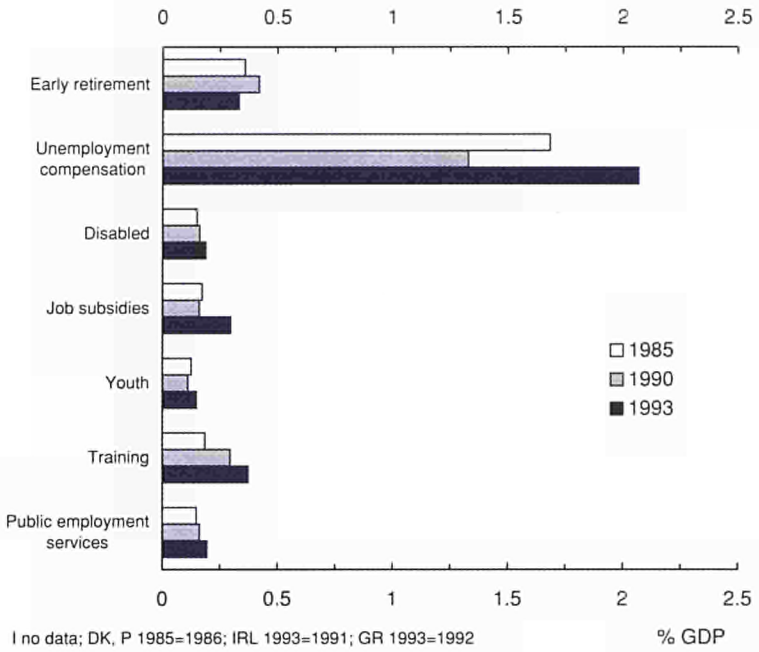
This section examines changes in the amount and pattern of public expenditure on labour market measures and considers each of the different kinds of measure in turn.

Expenditure on active labour market policy

Public expenditure on labour market policies amounted in total to around 3½% of GDP in 1993 for the Member States taken together. Almost 60% of this was spending on unemployment benefits and around 10% on early retirement pensions (Graph 104).

Expenditure, however, varied widely between Member States, partly because of major differences in levels of unemployment. Between 1985 and 1993, total expenditure on such measures, adjusted for the change in unemployment, increased relative to GDP in most countries, the exceptions being the UK, Ireland, France, Luxembourg, Sweden and Denmark. The scale of spending in 1993, adjusted for differences in the numbers unemployed, ranged from under 1% of GDP for each 5% of the

104 Public expenditure on labour market policies in the Union, 1985, 1990 and 1993



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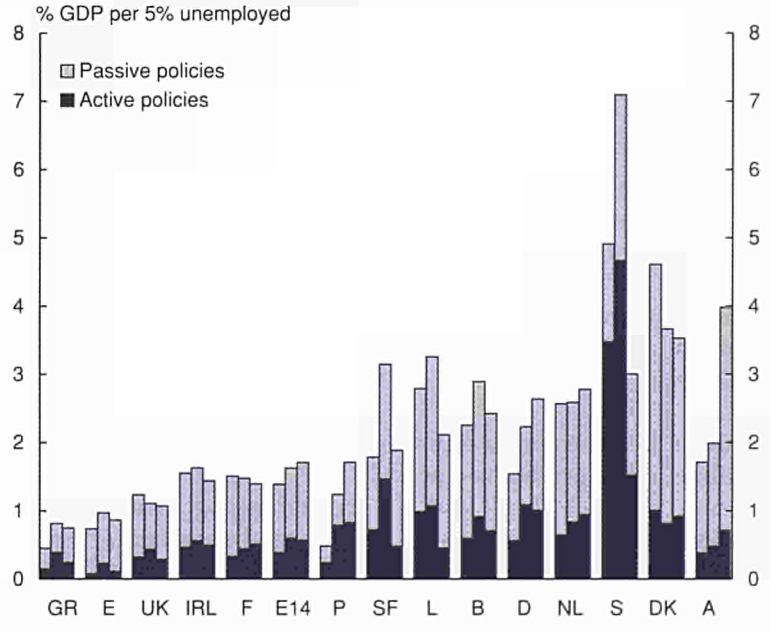
105 Public expenditure on active and passive labour market policies in Member States, 1985, 1990 and 1993



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work force unemployed in Greece and Spain to 4% in Austria (Graph 105).

Expenditure on passive measures, with the steep rise in unemployment, increased in all Member States in the early 1990s, except in Ireland where it remained constant. Adjusted for the rise in unemployment, however, it declined relative to GDP in 9 of the 14 countries for which data are available (the only exceptions being France, Portugal, the Netherlands, Denmark and Austria), whereas it had risen in all countries apart from Denmark over the period 1985 to 1990. The decline between 1990 and 1993 was particularly marked in Finland and Sweden where unemployment went up considerably.

Expenditure on income support (ie passive measures) was around 1% of GDP or less for each 5% of the work force unemployed in Greece, Spain, the UK, Ireland, France and Portugal and around 1½–2% in all other Member States, except Denmark, where it was over 2½% and Austria, where it was over 3%. Expenditure on active measures for each 5% of the labour force unemployed was less than ½% of GDP in Greece, Spain and the UK, around ½% in Ireland, France, Finland and Luxembourg, ½–1% in Portugal, Belgium, Denmark and Austria, 1% in Germany and the Netherlands and 1½% in Sweden.

The results of efforts to shift the balance towards active policy are somewhat mixed. While expenditure on active measures was higher in relation to total labour market spending in 1990 than in 1985 in most Member States, the share declined in all but four Member States between 1990 and 1993. However, it is important to emphasise in this context that these figures cover only

spending by the public sector and exclude private sector expenditure which may well have tended to increase in recent years with the trend towards privatisation of services previously performed by the public sector, with firms taking more responsibility for training, as described above, and with the ending of state monopolies on job placement in a number of countries.

The distribution of public expenditure between different kinds of active measures varies substantially between Member States (Graph 106). In Portugal, Belgium, the UK, Sweden, Germany, the Netherlands and Austria, expenditure on public employment services amounted to around 0.1% of GDP or more in 1993 for each 5% of the labour force unemployed, in Spain, Greece, Ireland, Denmark and Finland, to under 0.05%. Spending on youth measures was highest in Denmark, Ireland, Sweden and Portugal, where it varied from 0.5% of GDP (in this case unadjusted for unemployment) to over 0.7%. In Greece and Austria, it was less than 0.1% (though it should be emphasised that in some countries, youth measures are not separately distinguished). Expenditure on training amounted to 0.25%–0.4% of GDP for each 5% of unemployment in Ireland, Denmark, Germany and Sweden but less than 0.1% in Spain, Luxembourg and the UK. Expenditure on job subsidies were of most importance in Belgium, Denmark, Finland and Sweden at over 0.5% of GDP in 1993 (again unadjusted for differences in unemployment).

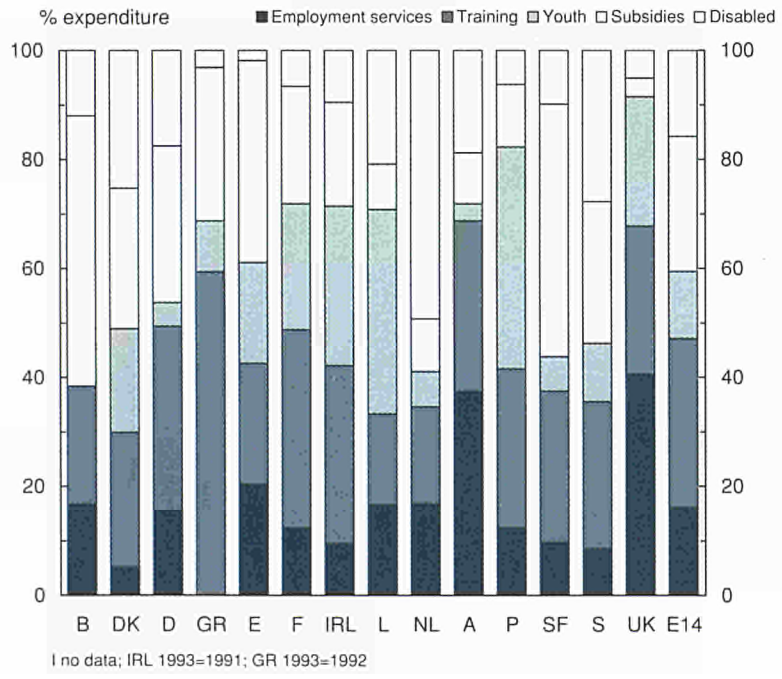
Improving job matching

Public Employment Services have potentially a central role in improving the functioning of the labour market. Although the precise allocation of responsibilities varies slightly between Member States, their tasks generally include matching job seekers to notified vacancies, counselling and advising those looking for work, job broking and, in many cases, administration of income support and of active programmes.

Substantial changes and some improvements in public employment services have been made in several Member States in recent years, and in the majority of countries (8 out of the 14) expenditure was higher relative to GDP in 1993 than in 1985 when adjusted for the change in unemployment (Graph 107).

Reorganisation has taken place in Belgium, Germany and Austria, for example, while in the former two countries, special temporary employment agencies for the unemployed have been established. As noted above, in Belgium, Local employment agencies (*Agences locales pour l'emploi* — ALE) were introduced in 1993 to place the unemployed persons in temporary jobs (see Section 2). In Germany, special temporary employment agencies (START) have recently been introduced for the long-term unemployed and other people difficult to place, modelled on the agencies with the same name in the Netherlands, which have achieved some success. In Austria, the Public Employment Service Act of 1994 increased more decentralisation and legalised private placement agencies, while the training of staff was improved to provide a more professional service. In Italy, the obligation on employers to notify all job vacancies to the public employment service was abolished in 1995 and replaced by a requirement to notify after hiring someone. In

106 Distribution of public expenditure on active measures in Member States, 1993



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Sweden, employment agencies were expanded in both 1994 and 1995. In Finland, the revised Public Employment Services Act was introduced in 1994 to intensify active labour market policy and improve the functioning of the labour market, in part through more effective public employment services.

New placement initiatives or refined counselling were introduced in several Member States in the early 1990s. In France, the employment service (ANPE) launched 'Programme 900,000' in 1992, under which special placement initiatives for the long-term unemployed were taken (see Section 5). In Belgium, a supervision plan for all long-term unemployed under the age of 46 was introduced in 1993. In the UK, 'Restart' interviews were introduced as a major instrument of labour market policy. In Denmark, the 'Employment opportunities' plan was established with the aim of offering a job to all the unemployed over the age of 25 who were still without work after 12–21 months.

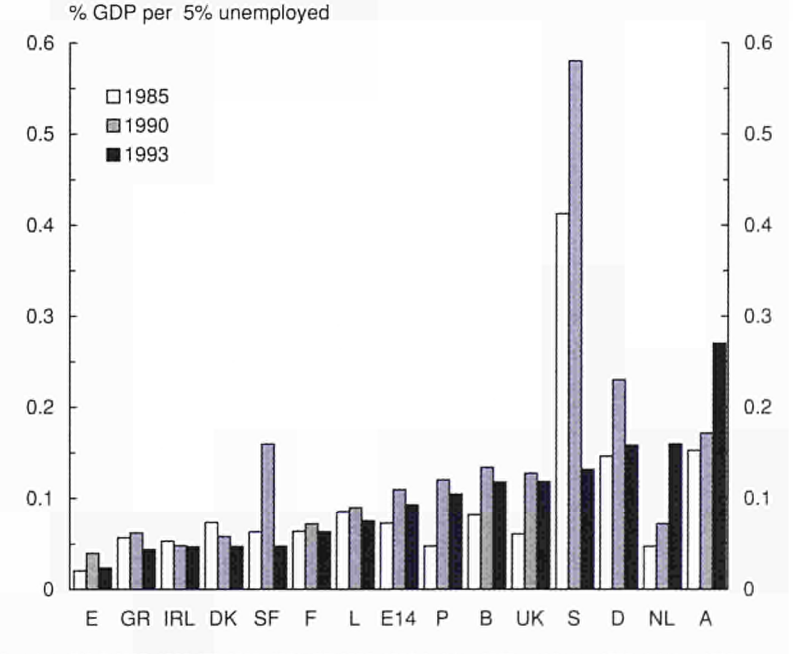
The Employment Services in some countries, such as France and the Netherlands, have made efforts to establish relations with particular firms or sectors, in the former with several large national companies, in the latter with firms in the graphics industry and in health care. In Germany, efforts have been made to increase contacts with small firms.

Training

In many Member States, including Denmark, France, Germany, Greece, Ireland, Sweden and the UK training is one of the largest areas of active expenditure and in most cases spending was higher in 1993 than in 1985 (Graphs 106 and 108). In most countries, publicly-funded training schemes are targeted at the unemployed.

In Denmark, the number of both unemployed and employees undergoing training at any one time is among the highest in the Union. This has been boosted by training leave measures (as described in Section 2 above). In Sweden, the proportion of the unemployed in training increased significantly at the beginning of the 1990s. In Finland, the number has doubled in the 1990s as unemployment has risen, those with no vocational qualifications, in particular, being encouraged to take a training course. In Germany, the unemployed and those threatened by unemployment are actively encouraged to undertake vocational training or retraining.

107 Public expenditure on employment services in Member States, 1985, 1990 and 1993



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Subsidised employment

Measures of job subsidy take a variety of forms, including: temporary jobs in the public sector; subsidies to private sector firms taking on someone who was long-term unemployed, and loans or grants for the unemployed to start up their own businesses. Job subsidies are relatively important in Belgium, Denmark, Germany, Finland and Spain and increased substantially in the latter four countries between 1990 and 1993 (Graph 109).

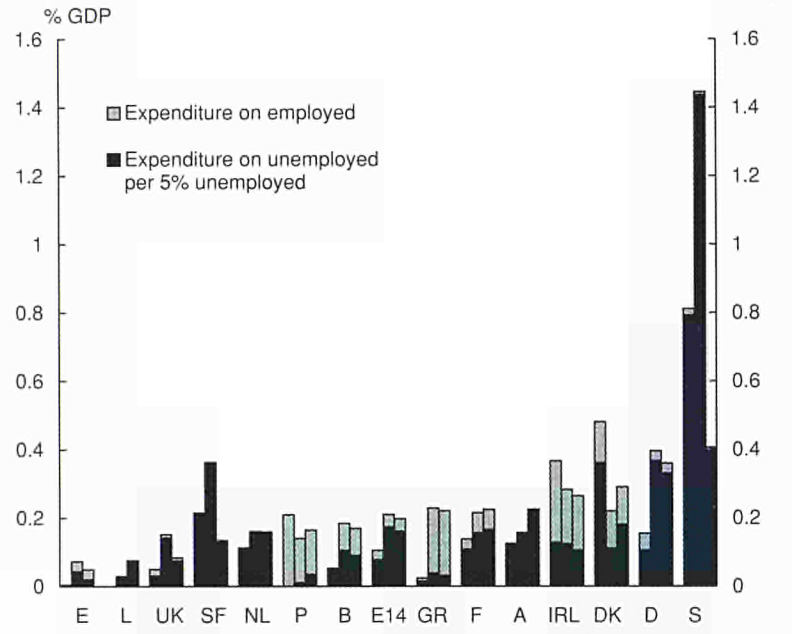
In most Member States wage subsidies are targeted at certain categories of worker, especially the long-term unemployed and young people. In Germany, the 'productive labour promotion' scheme was introduced in the new Länder in 1993 and subsequently extended to

other parts of the country to provide a flat-rate wage subsidy, equal to the average level of unemployment benefit, for taking on hard-to-place unemployed for a maximum period of two years (three in the new Länder). In Denmark, the 'job offer' scheme has been set up to help the long-term unemployed (see Section 5 below). In Spain, recruitment subsidies in the form of a rebate of 50–100% of employers' social contributions have been introduced for firms providing fixed-term contract jobs for 1–3 years to older people or the long-term unemployed receiving benefits. In the UK, 'work trials' were introduced in 1993/4 for people who had been unemployed for more than 6 months enabling them to work for three weeks in a company without it paying anything, the people concerned continuing to receive their usual benefits as well as travel and meal expenses. In Finland, the subsidised employment system was modified in 1995 with the purpose partly of making it possible to combine employment subsidies more effectively with employment services, rehabilitation and training. The number of subsidy schemes was reduced from 19 to 5 and local employment offices were given more freedom of action. In Sweden, there are various forms of wage subsidy including temporary public employment and recruitment support. It was recently decided to target the latter at the long-term unemployed (see Section 5).

Promoting self-employment

Most Member States have measures aimed at encouraging unemployed people to start up their own business by being able to capitalise or continue receiving unemployment benefit. Such

108 Public expenditure on training for the unemployed and employed in Member States, 1985, 1990 and 1993



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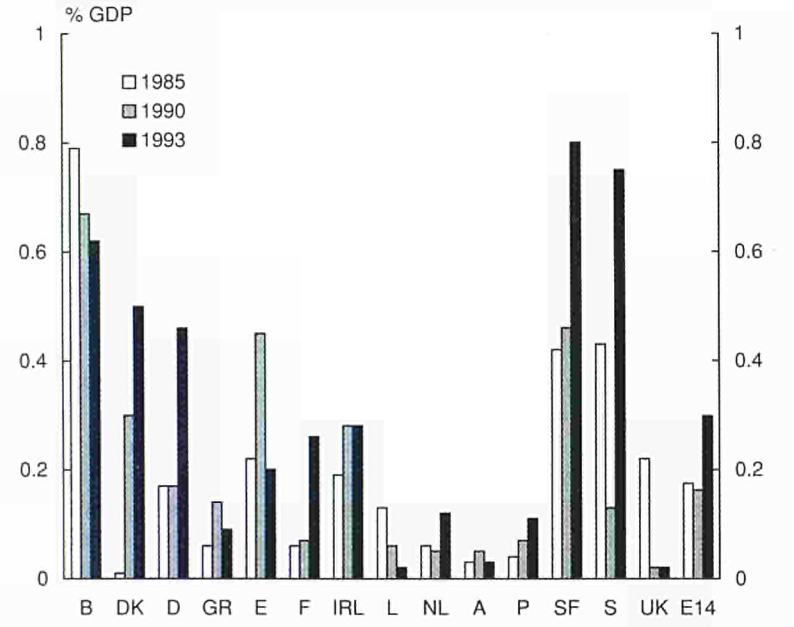
109 Public expenditure on subsidised employment in Member States, 1985, 1990 and 1993



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measures have existed since the 1980s, except in Austria, Italy, Luxembourg and the Netherlands. Between 1990 and 1993, expenditure increased in Denmark, Finland Portugal and Sweden, though it fell substantially in Spain.

In Germany, the period for which the unemployed becoming self-employed can continue to receive benefits was extended from 10 to 26 weeks in 1994 and the ceiling on the amount was abolished. In Portugal, increased funding has been made available for business start-ups since 1993. In Belgium, the existing programme of start-up loans for the unemployed was reorganised in the same year. In Ireland, the 'back-to-work allowance' scheme enables the unemployed (including out of work self-employed) to take up work and retain a percentage of their benefit for up to three years. In France, assistance to the unemployed who create or take over a business was recently extended, and firms are encouraged to lend money to employees who start up on their own.

Maintaining work incentives

The incentive to look for a job is determined by several factors, one of which is the availability of work, another of which is the design of the unemployment benefit system and social protection arrangements in general. In this context both the replacement rate (ie the level of payment relative to income when in work) and the duration of benefit play a role. These issues are examined in more detail in Part III, Section 1 and in *Social Protection in Europe, 1995* (forthcoming).

Some countries have recently introduced measures which attempt to create a more positive link between income support and incentives to work. In the UK, for example, 'in-work' benefits in the form of Family Credits have been introduced to increase the incomes of low-paid workers relative to what they receive when unemployed. The scheme, however, is limited to those with dependent children, though extension to single people is at present being considered. In 1992, the minimum hours of week worked was reduced from 24 hours a week to 16, a change which seems to have increased the number of people taking up such jobs. In Ireland, 'Family Income Supplement' is payable to low-paid workers with families, providing they work at least 20 hours a week.

Evaluations of active measures

Evaluation of labour market programmes has taken the form of both micro and macro studies, the former attempting to assess the effects on individuals, the latter those on wages and employment generally. The results obtained have been subject to a high degree of uncertainty and have sometimes been conflicting. Moreover, many studies relate to economic conditions which are different from those which obtain now which raises questions about the relevance of the results.

Evaluations of public employment services

Studies in several countries have shown that intensified counselling and job search assistance tend to improve the likelihood of finding a job, especially as regards the long-term unemployed. Unlike other active measures, there is much less risk that participants will find themselves locked into programmes and so reduce their job search activity. In Sweden, a study of the Employment Services found that a much larger proportion of those who had received intensive counselling were in work after a year than those who had not received extra help. Studies in the UK and the US have come up with similar results. In the UK, evaluation of the 'Restart' scheme found that, over the year following the Restart interview, the time spent working increased and the time drawing benefit declined. In the US, people who had received more intensive job search assistance were found to have better employment and earnings prospects.

Evaluations of training

In Sweden, a number of studies of the effects of training on subsequent earnings have been carried out with mixed results, some finding positive effects, others negative. A recent study (by Regnér in 1993) found that training had negative effects for most groups, possibly because those receiving benefits while being trained have less incentive to look for a job than those whose benefits are close to being exhausted. Another study concluded that training raises the employment probability of participants by around 5%, which seems to be smaller than the effect of intensive job counselling. The most recent study from the Swedish National Labour Market Board found a significant effect both on salary and the probability of finding a new job. Evaluations of employment training in the US have also found positive effects, while in the UK, follow-up surveys of 'Training for Work' (for adults) and 'Youth Training' indicate that both improve the employment prospects of trainees. In Finland, a comprehensive research programme evaluating training from the individual, firm

and labour market standpoint is at present being undertaken.

Evaluations of direct job creation measures

The empirical evidence on the effects of job creation schemes seems to indicate that both the 'deadweight' losses (ie the money spent which is not actually effective in putting into employment who would have not found jobs anyway) and the substitution effects (ie the fact that the employment subsidised effectively displaces other jobs or other people in work) can be substantial. However, by targeting wage subsidy programmes to particularly disadvantaged groups it seems possible to reduce the deadweight costs. A study of the Employment Incentive programme in Ireland showed that only about 30% of the participants became employed as a direct result of the subsidies given. Evaluation of the recruitment subsidy in the Netherlands found that the combined deadweight and substitution effects were of the order of 70-90%, though this may still be acceptable if an aim is to redistribute unemployment between people. In Finland, a study of subsidised employment found several positive aspects, such as increased motivation and employability of the unemployed helped, as well as negative aspects, such as fewer jobs than hoped and subsidies being used to finance jobs which would have existed anyway. In Denmark, results of studies on the job-offer scheme indicate that around 40% of participants are in work one year after finishing the scheme, though half of these with a different employer than the initial one.

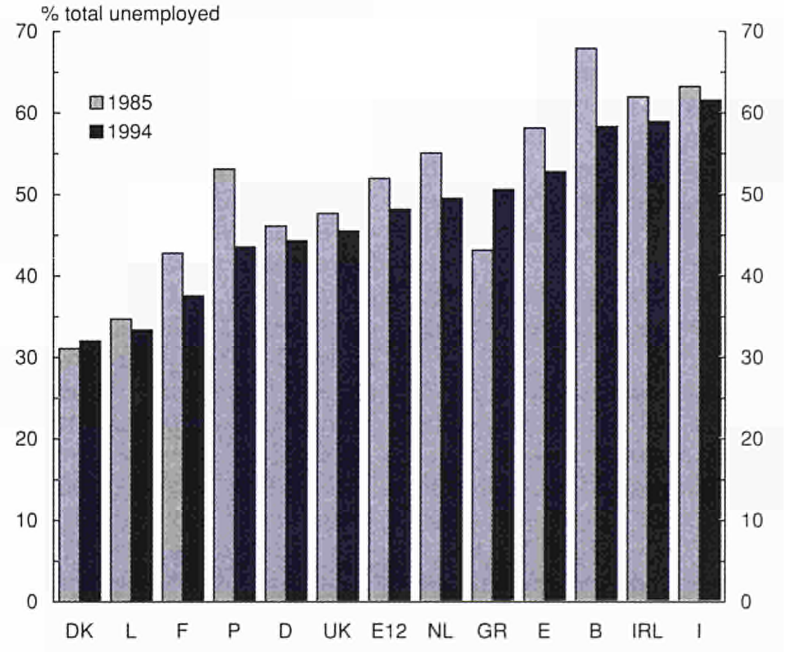
Section 5 Improving measures for groups particularly hard hit by unemployment

Essen Conclusions: *"Particular measures are necessary to help young people, especially school leavers who have virtually no qualifications, by offering them either employment or training."*

"The fight against long-term unemployment must be a major aspect of labour market policy. Varying labour market policy measures are necessary according to the very varied groups and requirements of the long-term unemployed."

"Special attention should be paid to the difficult situation of unemployed women and older employees."

110 Long-term unemployment (> 1 year) in Member States, 1985 and 1994



Long-term unemployed

The evidence suggests that the problem of long-term unemployment cannot be solved by employment growth alone. In the period of high net job creation from 1985 to 1990, the number who had been out of work for a year or more only fell from 52% of the total number unemployed to 48%, where it remained in 1994 (Graph 110). The need is to deal with the specific problem of reintegrating the long-term unemployed back into work by overcoming their particular disadvantages (see *Employment in Europe 1992*, Chapter 8, for a review of the lessons to be drawn from the different experiences in Member States).

The long-term unemployed are by no means a homogeneous group. Measures of assistance must take

account of differences in age, gender and education level. Better results seem to have been achieved in cases where local circumstances and the economic situation have been allowed for and counselling appears to be essential to achieving the most effective targeting and choice of measures for each individual.

Since 1990, several Member States have introduced new initiatives to combat long-term unemployment, including training, job-matching, job clubs and other job search activities, wage subsidies, temporary employment in the public sector and help to the unemployed to start their own businesses.

Job matching measures

A number of recent initiatives have focused on counselling and placement, activities which have proved to be effective in several Member States.

In Belgium and Germany, temporary employment agencies have been formed to help the long-term unemployed establish contact with potential employers and gain work experience, so increasing their employability. In Belgium, agencies have been established in every local authority, with the long-term unemployed being obliged to participate (unlike in the case of other unemployed where it participation is voluntary). In Germany, as noted above, START agencies have been established to arrange placements for the long-term unemployed as well as other difficult to place people.

At the beginning of the 1990s, new placement initiatives or improved counselling measures were taken in a number of Member States. In France, all long-term unemployed were interviewed under 'Programme 900,000'. In Ireland, a more active and locally-based Employment Service is being developed to help the long-term unemployed and increase their access to general labour market, training and education programmes. In the UK, a special two-week (mandatory) programme has been introduced for those unemployed for two years or more who refuse other offers of help at their Restart interview in order to identify for them a route back to work. A system of work trials of up to three weeks has also been introduced for those unemployed for more than six months to enable employers (without having to pay anything) to assess their suitability before committing themselves to employing them. In France, job clubs have recently expanded their activities with an emphasis on the special placement scheme for the long-term unemployed. In Finland, a special programme for the long-term unemployed has been developed with the aim of halving the numbers by 1999, through various means such as increasing the proportion involved in active labour market programmes and developing special employment services for them.

Wage subsidies

In Denmark, the Job Offer scheme under which those unemployed are entitled to a job after 12 months has recently been expanded. The job lasts for at least 9 months in the private sector (7 months in the public sector) and the person concerned receives normal contractual wages. The scheme can be combined with a two-week trial period to enable the employer to decide whether or not to offer a job. In addition, a subsidised 'self-found' job offer scheme has been introduced under which someone who has been unemployed for at least 6 months can find an employer willing to hire them, who then becomes entitled to receive a wage subsidy for three months equal to the full wage so long as the job lasts for at least nine months. In Spain, as described above, a new wage subsidy scheme gives firms offering fixed-term jobs to someone who has been unemployed for a year or more a rebate of social security contributions. In Sweden, policy has been focused more on those unemployed for more than six months since April 1995 by concentrating recruitment support on such people and by allowing this to be combined with the new recruitment incentive for newly hired employees (see Section 3 above). In Finland, a large proportion of those in subsidised jobs are long-term unemployed. In Italy, a new national collective agreement enables a special initial wage negotiated below the normal starting level (70% in the first year, 80% in the second) as an incentive for employers to take on those out of work for a long time and others who are hard to place, provided that the job is a permanent one. Work 'in the public interest' (*lavori socialmente utili*) is also being encouraged in areas such as cultural activities, environmental protection, urban renewal, research, vocational training and support for small and medium-sized firms.

Other measures

In Netherlands, in addition to a range of labour market measures directed at the long-term unemployed, 40,000 extra jobs will be created specifically for them over the period 1995 to 1998 in the health and care sectors, in security services and child care, partly financed by the benefits they would

have otherwise received. In the first year, pay levels have to be limited to the legal minimum wage and may not increase by more than 20% in subsequent years. The new jobs must be additional and regular and must be for an average of 32 hours a week. The scheme will be monitored at least once a year.

In Ireland, the 'Back To Work Allowance' scheme enables the long-term unemployed to take up work and retain a percentage of their unemployment benefit for up to three years. In addition, the Community Employment Programme was launched in 1994 to provide jobs for 40,000 people who had been unemployed for more than a year and other disadvantaged groups. In Finland, the Temporary Employment Contract Act allows employers to take on someone who was long-term unemployed for a fixed period of time even if the preconditions for a fixed-term contract are not met.

Youth unemployment

Action to improve the employment prospects of young people, including those with inadequate qualifications and/or those leaving the education system prematurely, is a priority area for all Member States. There have been two principal approaches:

- encouraging young people to stay in education and initial training longer to minimise the number entering the labour market without adequate basic qualifications;
- facilitating the transition from school to working life by developing closer links between the two and by improving access to training for the most vulnerable.

General and vocational education

The number of young people staying on in education has been steadily rising, as shown in Part I. In some Member States, for example Spain, France, Ireland and Italy, target figures have been set for this, while the UK has fixed targets for achievement of recognised qualifications (see Box). In Ireland, the aim of increasing the numbers staying on in education is being pursued through trying to ensure an effective foundation of general education combined with a strengthened and expanded vocational orientation and through making courses at senior level follow on more closely from those at junior level, as well as by achieving a better balance between vocational studies and preparation for work, on the one hand, and further education, on the other.

In many of the Member States, however, there is a problem of vocational education and training being perceived as a second-class option, offering limited career prospects compared to general academic education and being chosen by young people only because they have no alternative. Raising the status, quality and attractiveness of vocational training is a major policy aim in a number of Member States where action has been taken, as in the Netherlands, for example, to promote 'parity of esteem' with academic education by improving the career prospects offered by the vocational option (see Box). In Belgium, the status of vocational education is being progressively raised through closer links between technical and general education. In

Examples of target figures for young people going into further and higher education

Italy: to increase the proportion of those staying on in education after secondary level to 74% with 65% obtaining a qualification by 1999.

UK: to increase the proportion achieving a National Vocational Qualification (or Scottish Vocational Qualification) level 2 or the academic equivalent by the age of 19 to 85% by 1997, with at least half attaining level 3 or equivalent by the year 2000.

Spain: to increase the proportion staying on in school up to 18 to 80% and to give them the possibility of choosing between a specific training course (middle level) or the '*bachillerato*' by the year 2000.

France: to ensure that, by the end of this century, 75% of young people obtain a qualification at baccalauréat level.

Ireland: to increase the proportion of 16 to 18 year-olds completing the senior cycle to at least 90% by the year 2000.

Portugal, vocational schools for 15–18 year olds have been introduced to encourage more of them to take this option. In Ireland, the establishment of TEASTAS — the Irish National Certification Authority — is intended to help raise the status of vocational education and the National Council for Educational Awards (NCEA — which is to be reconstituted as a sub-board of TEASTAS), has developed a structure for evaluation, to be operational from 1995/96, to provide for the accreditation of prior learning. In addition, the 'Youthreach' programme, aimed at assisting early school leavers, has been expanded in terms of participant numbers since 1994. In the UK, the 'Technical and Vocational Initiative' aims to increase the number of young people of 14 and over studying and qualifying in vocational subjects. General vocational qualifications are also being developed for entry into employment or progression to higher education.

In Austria, even though vocational training has a high reputation, there are a number of measures to sustain and strengthen its attractiveness, including access through the apprenticeship system to higher education. In Sweden and Finland, where there is roughly equal balance between those taking vocational courses and those taking general courses, reforms were introduced some years ago to reduce the number of specialisations in vocational education and provide access to higher education. In both countries as well as in France, however, more recent measures have been taken to make education more practically based and to provide longer periods of practical workplace experience for students.

There is also an increasing focus in Member States on vocational guidance, a development strongly supported by the White Paper. Along with conventional information and advice, efforts have been made in a number of Member States to be more responsive to individuals, enabling pupils at an early age to identify the characteristics and requirements of a profession and to make them aware of their capabilities. In the UK, recent changes have been introduced to make management of the Careers Service more flexible and responsive and further changes are planned. In France, there are classes at vocational colleges to prepare young people of 14 and over for work. In Luxembourg, vocational guidance is provided at an early stage in secondary schools to students according to their attitudes and interests. In Spain, under a new law, tutoring and guidance will be part of the curriculum at every stage of compulsory schooling, with specialist staff being available to support teachers. In some Member States, the choice between general and vocational education is postponed to give the student longer to decide which to opt for.

A variety of schemes have been developed across the Union to integrate young people into the labour market, particularly through training and work experience, often in the form of apprenticeship or trainee contracts. In France, for example, there is a range of employment and training contracts to provide young people between 16–25 with work experience alternating with training for both short periods of 2–8 months and longer one of up to two years. In Finland, the Government in 1994 established a programme for the period 1994 to 1996 to provide vocational training for 30,000 unemployed young people each year and to increase apprenticeships and

The search for parity of esteem

In the Netherlands, a connected series of measures have been introduced to promote parity of esteem between general and vocational education

- ensuring that both sets of qualifications provide access to tertiary legal provision
- delaying the final choice of students between the two for as long as possible
- informing parents, guidance counsellors and other relevant people about opportunities in the vocational training system
- improving the information given to young people about vocational education and the long-term prospects it offers
- introducing financial incentives to widen the choice of technology courses.

(*Source: The prevention of school failure and marginalisation among young people, European Commission, 1994*)

further training of university graduates. In addition, the Employment Contracts Act was amended to allow conclusion of a contract of employment for a specified period, irrespective of the nature of work. In Ireland, a 'Youthstart' programme is in the process of being launched aimed at 16 to 21 year-olds and at integrating the provision of initial training for new entrants to the labour market, with the focus on young people seeking vocational qualifications. In the UK, according to recent figures, 91% of children were involved in work experience in their last year of compulsory schooling, and increased funding to extend this provision was announced in 1995, together with a new apprenticeship initiative covering some 50 sectors.

Several Member States have reformed the content of initial training to promote the acquisition of key, or transferable, skills. In the Netherlands, for example, the inclusion of key qualifications in training curricula helps people change jobs during their working careers. In Luxembourg, a development project launched in 1991 in cooperation with the social partners called for the definition of the practical skills required in different vocational training courses to enable these to be acquired and used in a flexible way. In a number of Member States, including Italy, Sweden and Finland, the general education content in vocational education and training has been increased in recent years and some of the barriers between general and vocational education and training removed by allowing more individual choice of courses.

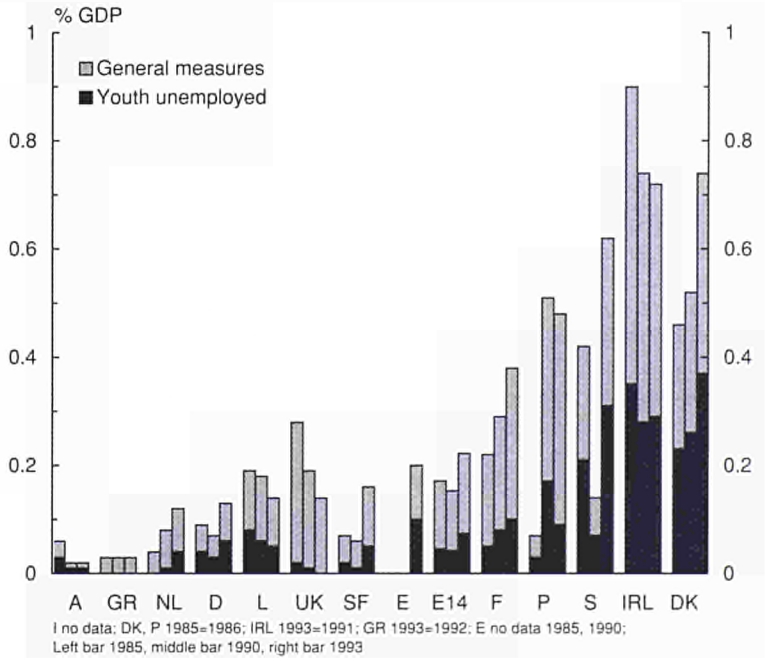
There is also some trend towards trying to ensure that all children have some idea of technology in order to help create a broad-based technological culture from early on. In Denmark, there are special introductory courses of 2–5 days for pupils in their 8th and 9th years who want to enter commercial and technical education and training. In Luxembourg, the 'work-life' project is aimed at raising awareness about the world of work at an early stage and at helping children make a more informed choice about vocational education.

Many Member States have introduced guarantees of training opportunities for young people leaving the education system, though the training offered varies in scope and length.

In Belgium, those leaving school under-qualified can enter '*promotion sociale*', which is training tailored to individual abilities, designed to provide relevant skills for work. In Spain, a 'social or training guarantee' consisting of a number of special programmes aimed at providing 'middle level' training for up to two years has been introduced to ensure that young people do not leave the education system unqualified. In Portugal, the Government and social partners concluded an agreement in 1991 to guarantee at least one year's initial vocational training to young people, especially those leaving the education system with few or no qualifications. In the UK, 'Youth Credits' are being progressively introduced for 16–17 year olds which can be exchanged for training leading to a recognised qualification, with the aim of motivating young people to train, of encouraging employers to invest in training and of establishing an efficient market in training.

In Finland and Sweden, the upper-secondary school systems are designed to accommodate all young

111 Public expenditure on youth measures in Member States, 1985, 1990 and 1993



I no data; DK, P 1985=1986; IRL 1993=1991; GR 1993=1992; E no data 1985, 1990;
Left bar 1985, middle bar 1990, right bar 1993

people moving from compulsory schooling. In Sweden, everyone has a right to such education and municipalities have an obligation to organise this in accordance with the wishes of young people. In addition, upper secondary school course have been extended to include a third year of vocational training. In Finland, grants to general and vocational upper-secondary schools ensure that there is no shortage of finance to accommodate everyone wishing to enter.

The expansion of vocational training throughout the European Union has helped reduce youth unemployment. Several Member States also provide financial incentives to employers to take on young people.

Youth measures

Expenditure on labour market programmes for young people is highest relative to GDP in Portugal, Denmark, Ireland and Sweden, though there was no general tendency for spending to increase in the early 1990s as youth unemployment rates rose. While there was a marked rise in Finland, France, Sweden and Denmark, spending declined in Luxembourg, the UK, Portugal and Ireland (Graph 111).

Several Member States have job guarantee programmes for unemployed youth. In the Netherlands, this programme gives all those under 21 unemployed more than 6 months the right to a job. In Denmark, municipal authorities are obliged to give young people (under 25) an activation offer after being 13 weeks on social assistance. In Belgium, permanent youth employment guarantee programmes have been introduced. In the Flemish region, guaranteed employment is provided in the public sector for the young very long-term unemployed (those under 25 who have been out of work for more than two years), with employers being paid the minimum wage by the Government. In the Walloon region, the local recruitment plan enables municipalities to employ young long-term unemployed people for up to three years. In Ireland, following the 1995 Budget, employers are entitled to a two year exemption from social contributions in respect of new recruits under 23 years. In Sweden, vocational training for young people has been expanded by increasing the capacity of upper secondary schools to accommodate people in the third year and of universities to admit people. In addition, several programmes, such as European scholarships and computer training centres, have been introduced and those unemployed between 20 and 24 can enter the 'Introduction to Working Life' programme consisting of an on-the-job traineeship for up to four months followed by paid employment for at least six months with the same employer, the aim being to ensure that all young people are employed, in education or on a labour market programme within 100 days of becoming unemployed. In Finland, the number of starting places in vocational training has recently been increased, with emphasis on apprenticeships as a means of reducing youth unemployment, and special employment services have been established for the young.

Wage subsidies

In a number of Member States, including Greece, Belgium, France, Finland and Portugal, there are subsidies to encourage the recruitment of young people. In Belgium, for example, employers hiring people under 26 who have been unemployed for 6 months are exempt from all social contributions in the first year, 75% in the second and 50% in the third.

Older workers

The European Union population is on average becoming older and traditional attitudes towards the elderly and their role in society is tending to change. Growing numbers of people reaching retirement age would like to continue working. While the main labour market measures in Member States are targeted at young people and long-term unemployed, there is an evident need to take more account of this desire.

In several Member States, including Austria, Belgium, Germany and France, there are signs of moves in this direction. In Austria, early retirement is being restricted. In Germany, those unemployed aged over 50 are entitled to a subsidy of up to 75% of earnings for a job lasting 5–8 years. In Portugal, funding has been increased for the long-term unemployed over 45 starting their own business. In Spain, employers pay 75% less in social contributions on temporary contracts concluded with those unemployed aged 45 or over. In Sweden, it is planned to introduce a wage subsidy of half of the cost of wages for long-term unemployed aged over 60.

Part III Analysis of selected labour market issues

Section 1 Labour costs, social charges and employment

Essen Conclusions: *"The measures to be taken should include ... reducing non-wage labour costs extensively enough to ensure that there is a noticeable effect on decisions concerning the taking on of employees and in particular of unqualified employees.*

The first reports will be used to examine ... the effects of tax and support systems on the readiness both to create and to take up jobs."

High and persistent levels of unemployment in the European Union have prompted a search for measures for increasing the rate of job creation in virtually all Member States in recent years. One increasing focus of policy has been, on the one hand, on the large number of unemployed with relatively few qualifications and comparatively low skill levels and, on the other, on the costs involved in employing such people.

In particular, attention has been directed at ways of reducing labour costs to employers, especially those taking on young people and/or workers with relatively low skill levels, to bring the costs of employment more into line with the additional value-added likely to be generated and, therefore, to give employers more incentive to create jobs. At the same time, there is widespread concern to avoid any significant reduction in the income received by those towards the bottom end of the earnings scale who might already be close to the poverty line. In other words, the aim across much of the Union has been to avoid solving one problem — high unemployment — by creating another — a growth in the numbers of working poor.

This has led to the active consideration in a number of Member States and, indeed, at Union level, of the possibility of reducing the scale of social charges — ie social security contributions — imposed on employers taking on relatively low paid workers. Indeed, in some Member States, selective measures of this kind have been introduced in the past year or two, concentrated especially on relieving the charges levied in respect of those previously unemployed (see Part II of this Report above).

At the same time, in many Member States reviews have been initiated of the way in which social protection systems and certain other collective services, such as health care, are funded, with the aim of assessing the potential advantages of moving away from a pattern of financing which, through social contributions in particular, seems to impose a tax on employment. This, however, raises fundamental and potentially far-reaching questions about the basic principles on which social protection systems have been developed — in particular, that entitlement to benefit should be linked to contributions and employers should bear some responsibility for the costs of social support for their employees when they can no longer work (see *Social Protection in Europe 1995*, forthcoming, for a summary description of the social protection systems obtaining in the Member States).

The concern here is to examine the scale of charges on employment in different parts of the Union, including not only the social contributions levied on employers, but also the contributions and taxes on pay levied on employees. These affect the gross wage which employers need to pay since they determine the take-home earnings of employees or, in other words, what the latter are prepared to work for. In general, therefore, the demand for labour on the part of employers is affected by total labour costs (the gross wage plus employers' social contributions and other non-wage labour costs) and labour supply

by what employees receive as pay after the deduction of payroll taxes and other charges.

The focus of this chapter is on the overall difference between total labour costs and take-home pay, or what is usually termed the *tax wedge*, and on the different elements which this comprises, and, in particular, on the size of this at the lower end of the earnings scale, where labour costs are likely to be a more important determinant of job creation than at the upper end.

Outline

A major aim, therefore, is to compare the scale of social charges and taxes which apply to the employment of workers on low rates of pay across the Union in order to give an indication of the differential disincentive which exists against taking on such people. The broader objective is to examine rates of contribution and taxes levied at various levels of earnings on workers with differing family circumstances in the various Member States, to analyse how these change as pay and labour costs increase or decline and to compare the characteristics of the fiscal system in the European Union in these respects with those in the US. The analysis is based on a detailed model of the tax and social insurance system in each Member State and in selected American States which has been constructed (by the Central Planning Bureau in the Netherlands) to enable estimates to be made of the charges payable both by employee and employer in particular cases at widely differing earnings levels.

As such, it extends the analysis included in *Employment in Europe 1994* (Chapter 6), which was restricted by the availability of data to analysing the tax and social contributions paid by someone on average earnings and on 80% and 125% of average earnings. It enables, in particular, the level of taxes and social charges to be assessed and compared at rates of pay well below the average, which is where policy aimed at reducing labour costs is at present being directed.

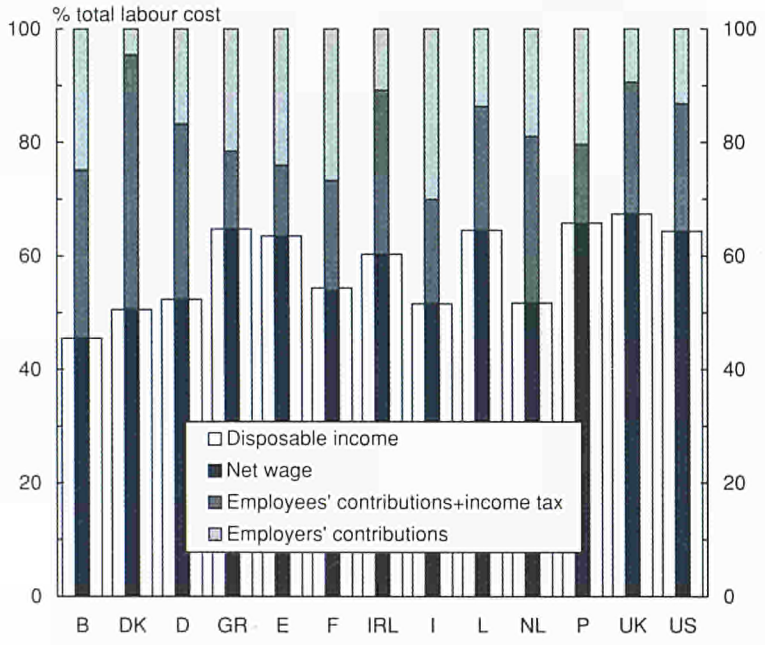
It also enables account to be taken of the effect on charges and disposable income of other fiscal measures, specifically housing benefits and various credits and allowances, such as the family credit in the UK, available to low wage earners with children and complementary social assistance in Luxembourg which set an effective floor to the income of those on low pay. These can be important in some countries in changing the apparent scale of deductions from earnings as well as the marginal rate of deduction as pay increases. Indeed in certain cases, the inclusion of these items can significantly alter the conclusions reached about the impact of the fiscal system on earnings and their potential disincentive effects. At the same time, however, they add a further layer of complication in that their value depends in individual cases not just on family circumstances but also on housing and similar costs which will vary from person to person in a way which is difficult to predict.

Average tax and contribution rates

Social contributions levied on employers

As is by now well known, the average rate of social contribution levied by governments on employers

112 Average deduction rate for a single person at the average wage in Member States and US, 1993



The data and method used in the analysis

The analysis in this chapter is based heavily on a model of the tax and social protection system developed by the Central Planning Bureau in the Hague for the Commission Services. It enables the social contribution and taxes payable by a single person, a married couple and a couple with two children to be estimated at different levels of gross earnings. It also enables the unemployment benefit or social assistance receivable by such a person to be estimated, taking account of their age and employment record. The new Member States were not included in the exercise and, therefore, were not incorporated in the analysis. The exercise did include, however, three selected US States, New York, California and Texas and the figures in the text and in the graphs labelled US are an average of the former two States.

The average gross wage of a male manual worker in industry, as estimated by OECD, has been taken as the benchmark against which to compare rates in the different Member States and to assess the way that these change as earnings and family circumstances vary. Although other figures for the average could have been used instead, it should be emphasised that the results depend only to a minor extent on the precise figure used for the benchmark. It does not mean, in particular, that the results apply only to workers in industry or even only to full-time workers. Indeed when interpreting the results for those on low earnings, it should be borne in mind that a large number of workers, especially women, are employed part-time and, therefore, may earn a wage which represents only a small proportion of the average as defined here.

Partly for convenience in the analysis, employees' social contributions are included with taxes and are treated in the same way as a deduction from gross earnings and it is assumed that wage earners are likely to react in the same way to both. In practice, this is a gross simplification. As noted in the text, employees might well treat social contributions whether paid by themselves or by employers on their behalf as future income in some degree rather than as taxes and, therefore, as equivalent to part of their earnings. How far they are likely to be indifferent to a rise in take-home pay and an increase in employers' or employees' social contributions depends in part on how closely benefits are tied to contributions — whether, in other words, increased contributions are matched by a counterpart increase in benefit entitlement. This will tend to vary from country to country according to the details of the social protection in force.

varies markedly across the Union, from 30% of the total cost of employing someone on the average earnings of a (male) manual worker in manufacturing in Italy in 1993 — an addition of over 41% to their gross wage — almost 27% in France, 25% in Belgium and 24% in Spain, to around 10% of the total cost in Ireland and the UK and under 5% in Denmark (Graph 112, in which, it should be noted, employers' contributions relate only to statutory charges levied as part of the social protection system; discretionary contributions paid by employer which also form part of indirect labour costs are considered below — see Box for a description of the data used).

Since these rates are in the main proportional to gross pay, they are the same in most countries over the range of wage levels paid to the large majority of the work force. (They tend to decline as earnings rise above a certain point since in the majority of countries a ceiling is imposed on the maximum amount payable in respect of any employee, which reflects the counterpart ceiling on benefits. This point varies somewhat between countries, though mostly it is between 1½ times and 4 times average earnings.)

The two main exceptions are Denmark, where a flat-rate charge is levied, which makes it regressive in relation to pay but the amount is small in relation to earnings, and the UK, where employers pay nothing on employees on very low wages (below around 20% of average earnings) and reduced rates on a sliding scale for those on wages below 70% of the average. On the other hand, in the UK because of the low levels of basic state pensions which exist, it is also the case that many

employers, though by no means all, contribute to private pension schemes on behalf of their employees. This tends to increase in some degree the average rate of social contribution — discretionary plus statutory — actually paid by employers in the UK relative to that in other Member States and should be borne in mind throughout the following analysis. (In the Netherlands, the contribution rate also varies with earnings but only to a minor extent on earnings below the average.)

The level of social contributions levied in Europe tends to be much higher than in other parts of the world. At the same time, however, employers in other countries tend to pay more in non-statutory contributions which provide the access to benefits and services which statutory charges provide in Europe. Although such contributions are nominally discretionary, in practice, they have become conventional, at least so far as most reputable employers are concerned, and apply to most full-time jobs, though at more variable rates than is the case for statutory charges. These contributions have, therefore, to be taken into account in any meaningful comparison of European countries with those elsewhere.

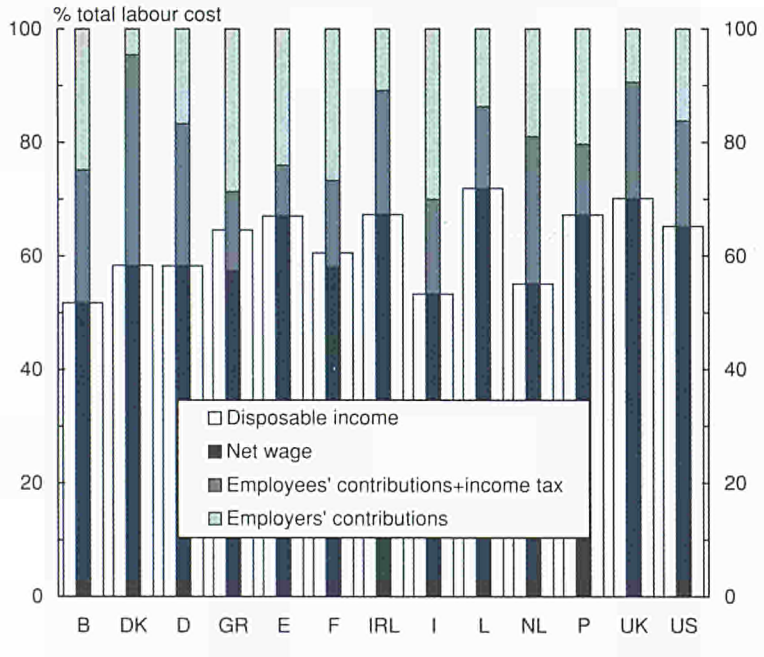
For example, in the US, statutory contributions amounted to under 10% of labour costs for employees on the average wage of a production worker in 1993. However, most employers also covered at least part of the health care insurance costs of most of their employees, which added another 3–4% or more to what they paid in social contributions. Even leaving possible contributions to pensions out of account, therefore, the effective level of social charges on employers in the US for a single person on average wages was around 13% of labour costs, more than in Denmark, Ireland or the UK, on a par with Luxembourg and not much lower than in Germany (where it was around 16%) (Graph 112). If the employee has a family and the employer covers health care insurance costs, then social contributions can approach 20%, not far below the average for the European Union (Graph 113).

Indirect labour costs

Social contributions on employers levied by government are, as noted above, only one element of indirect labour costs paid by businesses, though in the Union they tend to be by far the largest component, others include contributions to vocational training and to private insurance schemes, but not bonuses or holiday pay which are included in direct costs. Results from the Community Labour Cost Survey (which have only very recently become available for 1992) give some indication of the overall importance of these indirect costs in Union Member States and elsewhere. They show that while the level of indirect labour costs in Europe, especially to cover social security, are higher than in either the US or Japan, the extent of the difference in most cases is not large, and for five Member States, the level is below that in these two countries.

In total, taking the figures for industry alone, which are most relevant for assessing the potential effects on relative costs of production, in four countries in Europe, Belgium, France, Italy (probably since data are only available for 1988) and Sweden, indirect labour costs were, on average, around 30% of the total costs of employment in 1992, with the figure in Sweden being just over 31%. Moreover, in

113 Average deduction rate for a couple at the average wage in Member States and US, 1993



Spain, they were only slightly lower than this at 28% (Graph 114). At the other end of the scale, five Member States — Denmark, where they were under 4%, Greece, Ireland, Luxembourg and the UK — had average levels below 20% of labour costs.

These levels were also below those in both the US and Japan, where in each case they were around 22% (though in the US, the figure is likely to be higher, perhaps around 24–25%, since this relates only to the social security element).

In most Member States, the level of indirect costs in relation to the total remained much the same between 1988 and 1992. Only in three cases, Spain, France and the Netherlands — in the first, up, in the latter two, down — did it change by more than one percentage point over this period. (As Part II, Section 3 indicates, however, a number of Member States have introduced measures to reduce indirect costs since 1992.)

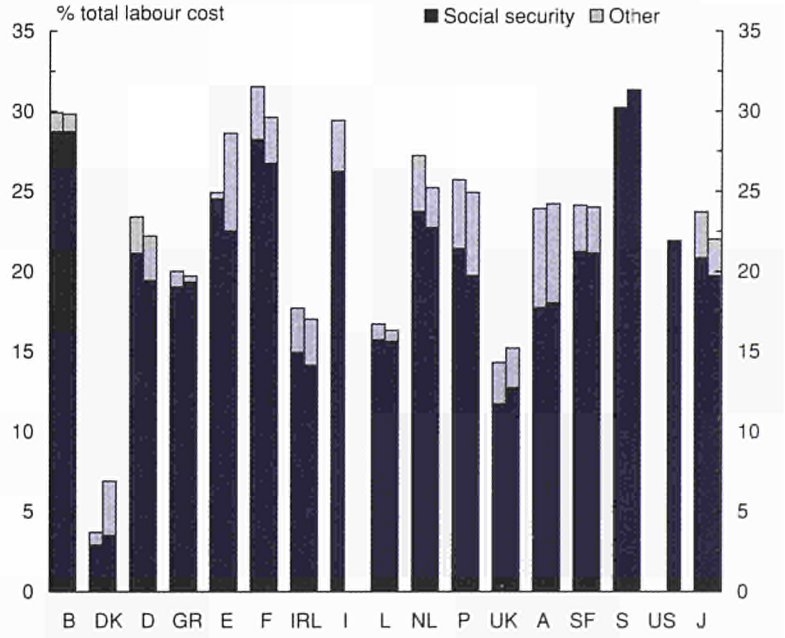
Deductions from gross earnings for someone on average wages

In some degree, there is an inverse relationship across the Union between the level of social contributions levied on employers and the scale of contributions and taxes on income paid by employees. This reflects the fact that low contributions do not necessarily signify a low level of provision of social protection and collective services, but rather a greater reliance on tax as a means of financing expenditure. Denmark, which has the lowest rate of employers' contributions, has one of the highest levels of expenditure on social services in the Union. The social contributions and taxes which employees pay on their earnings, therefore, vary substantially between Member States. (The two are treated here as largely synonymous, on the grounds that, to a significant extent, they will tend to be perceived in the same way by the person concerned: they each represent a statutory deduction from gross earnings and, though the payment of contributions may give entitlement to various kinds of benefit, including a retirement pension, this is not so different from the payment of taxes which are used to provide collective services as well as benefits, even if there may be a less close link between what is paid and what is received — see Box p. 122.)

While employees' contributions, like those of employers, generally vary in proportion to earnings in Member States, at least up to a certain wage level somewhere above the average — except for the countries mentioned above — taxes on pay are progressive everywhere and rise more than in proportion to earnings. For a single person on the average manufacturing worker's wage in 1993, the average rate of contribution ranged from 19% of labour costs in the Netherlands (just over 23% of the gross wage) and around 15½% in Germany and 14½% in France to 5% in Spain and only 2% in Denmark.

On the other hand, the rate of income tax at average male earnings for a single person was considerably high in the latter country than elsewhere in the Union, at over 42% of labour costs (44% of the gross wage). This served to reduce net earnings of the employee in question — their disposable income — to only just over half of the overall cost of their labour to the employer. Almost 50% of this cost, therefore, went to the state in one form or

114 Indirect labour costs in Member States, US and Japan, 1988 and 1992



D 1992 including new Länder; I no data for 1992 ; US no data for 1988 or Other

another (without taking account of the indirect taxes paid on what the employee spent out of their disposable income).

Ireland, which like Denmark, also has relatively low social contribution rates, had the second highest rate of income tax in the Union for someone on average earnings in 1993, though at 21% of total labour costs, this was half the Danish rate. While in the UK, the other country with low contribution rates, the rate of income tax on average earnings was also above the average in the Union (at 16%), it was, nevertheless, below the rate in Belgium, a country with among the highest rates of social contribution in Europe. Indeed, the overall payment of tax and social charges in Belgium was significantly above that in most other Member States, almost 55% of the cost of employing someone on the average wage going to the state and only just over 45% going to the employee.

Apart from in Belgium, in all Member States, the net earnings received by a single person on the average wage in 1993 amounted to more than half of the cost of their labour, even if in Germany, Italy and the Netherlands, as well as in Denmark, it was only slightly above. In the three Southern, less developed, countries — Greece, Spain, and Portugal — as well as in Luxembourg and the UK — the country with the lowest combined rate of tax and contributions — it was over 60%.

This was also true in the US, where there was a similar division of labour costs between taxes, contributions and take-home pay as in the UK, though with a slightly higher contribution rate and lower taxes. For the single worker in question, therefore, the deductions from labour costs in the US were on a comparable scale to those in low tax areas of Europe (US figures quoted in here and elsewhere are an average of two US States as explained in the Box, p.122).

The effect of differences in family circumstances

If the analysis is broadened to include workers with different family circumstances, with spouses and children, the results are somewhat different, since countries vary considerably in the way they treat dependants from a fiscal point of view. In all Member States of the Union, families with children are entitled to allowances or benefits at differing rates and in many cases to some tax relief. In all countries, moreover, workers with dependent spouses pay less taxes than single people.

In the case of an employee with a dependent spouse, tax concessions tend to be higher in the more developed and prosperous Member States than elsewhere, which, therefore, serves to narrow the extent of differences in the overall tax/contribution burden — and in net earnings after tax — across the Union. Thus, whereas in Belgium, Denmark, Germany and Luxembourg, the effect of a dependent spouse is to reduce the income tax levied on employees by 6% of labour costs or more, in Greece, Spain and Portugal, it is reduced by only around 2% or less (Graph 113, in which disposable income as well as the net wage is shown; the two are the same in this case, except for Greece, though they will differ if family or other allowances are paid). This is also the case in the UK, the country with the lowest effective tax burden for a worker without dependants, where income tax is reduced by under 3% of labour costs. In contrast, in Ireland, a country with relatively high tax rates, it is reduced by 7%, resulting in the combined amount of social contributions and tax being much the same in relation to labour costs for a married couple as in Spain or Portugal, whereas for a single person it is higher.

Greece is the only country in the Union where family circumstances alter the rate of employers' contributions. Here, the social charge levied on employers, who directly pay for family support, was higher by just over 7% of labour costs in the case of an employee with a dependent spouse. As a result, the tax burden on such an employee was reduced to a similar extent as in the more developed parts of the Union, though at the expense of increased labour costs for employers. (For Greece, disposable income in relation to labour costs is the same for a couple as for a single person because of the higher labour costs, but the employee receives more in absolute terms.)

Taking account of family circumstances also alters comparisons between Europe and the US. While there are also tax concessions for dependent spouses in the US, on the same scale as those in the more developed parts of the European Union, which increase an employee's disposable income, employers' social contributions tend to be higher as well, specifically as regards paying for health care (though this is voluntary rather than obligatory). In consequence, labour costs tend to be higher in respect of worker with a dependent spouse than for a single person, in the same way as in Greece, and the total charges payable in the form of income tax and social contributions out of

labour costs are correspondingly increased relative to those in most European countries.

Including children in the calculations changes the comparative results even more. As in the case of tax concessions for dependent spouses, employees with children tend to receive more disposable income relative to gross earnings in the more prosperous Member States than in the less developed ones, through higher tax relief and/or more generous child allowances. In other words, the effective government take from labour costs is in general reduced by more in the former countries when there are children than in the latter.

In 1993, the total deductions out of labour costs for a worker with a spouse and two children on average earnings were, for example, reduced to 46% of labour costs in Belgium, putting these at a similar level as in Italy and the Netherlands and below those in Greece (Graph 115). In the latter, because of the additional social contributions payable by employers — in this case, almost 35% of labour costs, 53% of the gross wage paid to the employee — labour costs are increased. The total amount paid from labour costs in the form of taxes and social contributions was, therefore, higher in Greece for a worker with two children than anywhere else in the Union, at over 47%.

Moreover, because of the additional health care costs which are likely to be paid by employers in the US (though on a voluntary rather than statutory basis), combined with a relatively small amount of tax relief, the overall tax plus social contribution payment out of labour costs for workers with children in the US is increased further relative to that in Europe as compared with a single worker. In 1993, the total amount paid out of labour costs in these forms was higher in the US than in five European countries — Spain, Ireland, Luxembourg, Portugal and the UK — and only slightly lower than in Germany and France.

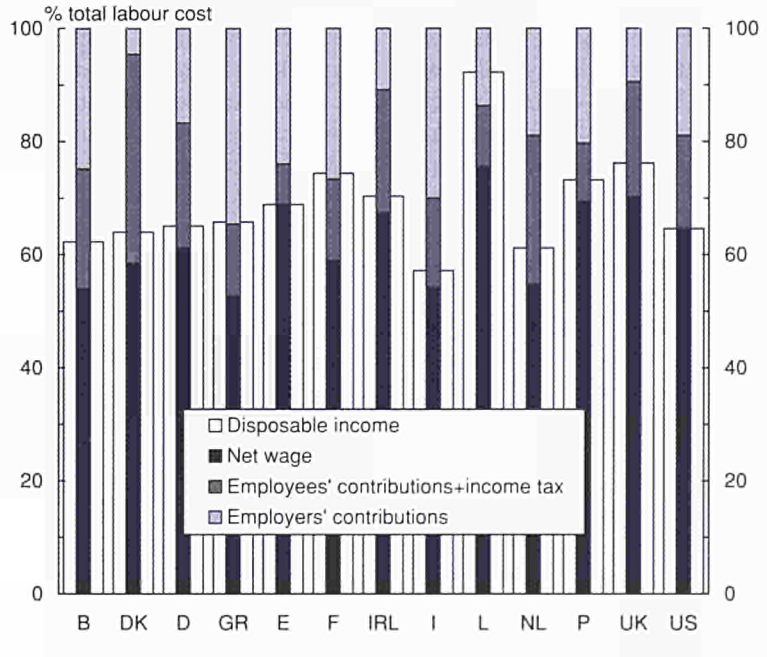
Taking account of child allowances changes the comparative picture even more. These vary significantly in amount across the Union, from over 4,500 ECU a year for someone with two children on average earnings in Luxembourg, if school allowances are included, to nothing in Spain and relatively low amounts in the other countries with income per head below the Union average, apart from Greece, where they amount to around 20% of disposable income.

In 1993, for a worker with two children on average earnings, the net deduction from labour costs was reduced to under 40% in all Member States, apart from Italy, where, because of the relatively low level of family allowances, it was still as high as 43%. Indeed, for 8 countries in the Union, the overall net amount deducted from labour costs was within the range 30% to 39% of the cost of employment. Apart from Italy, the only three of the 12 Member States to lie outside this range were Portugal, where net deductions amounted to 27% of labour costs, the UK, where they were 24% and Luxembourg, where they were under 8%.

In the US, where no child allowances were payable for someone on average earnings, the net deduction out of labour costs was similar to that in most parts of the Union.

There is a an additional factor to be taken into account in France. Here,

115 Average deduction rate for a couple with 2 children at the average wage in Member States and US, 1993



because of relatively generous housing benefits, a worker on average earnings paying a typical level of rent for someone with this income and with two children, is eligible for a sizeable amount in this respect — around 10% or more of their gross wage. This serves to reduce net deductions even further and to raise the disposable income of employees relative to labour costs. Indeed, after allowing for the payment of housing benefit, the net deduction out of labour costs in France in this particular case was similar to that in the UK in 1993 and lower than in every Member State except Luxembourg.

Nevertheless, including housing benefits in the estimation raises certain problems. In the first place, the amount of benefit entitlement is likely to vary significantly from person to person according to the housing costs incurred. Secondly, payment of benefit is not automatic, as is that of tax or social contributions, but has to be claimed. Accordingly, it cannot necessarily be assumed that everyone entitled to receive payment will actually make a claim or that claims will be met quickly. Thirdly, housing benefit is also payable to someone not in work — as indeed are child allowances. How far a worker takes housing benefit into account when assessing earnings from employment and how far it influences their behaviour — in respect of working or not working or seeking to improve their job — is, therefore, open to question.

Tax and contribution rates on low earnings

Since, as noted at the outset, the main focus of concern about the level of labour costs relates to those with relatively few skills who are capable of making a comparatively small contribution to a firm's value-added, it is the social contributions and taxes levied on the employment of such workers which are the subject of most policy interest at present. In most Member States, the amount of these in relation to labour costs is significantly different than for someone on average earnings, largely because of the lower rates of income tax to which they are subject. The extent of the difference, moreover, is by no means uniform across the Union, reflecting the marked variations in the schedule of tax rates which exist. Nevertheless, in general, countries which have low rates of deduction from labour costs for those on average earnings, also tend to have low rates of deduction for those lower down the pay scale.

As noted above, only in the UK is the rate of social contributions generally paid by employers for someone on a relatively low wage significantly lower than for someone on average earnings, though it is slightly less in Denmark and the Netherlands and, in a number of countries, lower in selected cases (for young people and/or those who have been unemployed), as also noted above. In 1993, employers' contributions in the UK for someone on 50% of the average wage of a manual worker in manufacturing was only 6% of labour costs, about the same as in Denmark where contributions are set at a low flat-rate.

Partly because of this, the total deduction of social contributions and taxes in the UK for a single person on this level of earnings was markedly lower than anywhere else in the Union, at just over 22% of labour costs (Graph 116). Nevertheless, in four other Member States, Spain, Ireland, Portugal and Luxembourg, the overall deduction amounted to less than 30% of labour costs, though, in the case of Spain and Portugal, by far the greater part of this deduction fell on employers rather than employees.

In Greece, where deductions were also comparatively low at average earnings, the percentage of labour costs deducted at 50% of the average wage, 34%, is only slightly different than at the average wage — by less than 2 percentage points — since most of the deduction consists of social contributions which are proportional to income. Because the rate of income tax is both very low and only slightly progressive, the tax system in Greece overall is less progressive than anywhere else in the Union.

In the six other Member States, the total deduction from labour costs even for someone paid only 50% of average earnings was over 40% in 1993 — in Belgium, as much as 44%.

In Denmark and France, however, a person on earnings as low as this would probably have been eligible for housing benefit. This would have raised their disposable income by around 10% in France if their rent was at a typical level, reducing net deductions to just over 30% of labour costs, similar to the level in Spain and Portugal — and Ireland and Luxembourg — and with much the same proportion falling on employers. In Denmark, housing benefits might have raised disposable income by 3–4%, leaving net deductions of tax and social contributions still at some 40% of labour costs.

Deductions in the US for someone on 50% of average earnings are somewhat less than they are in Denmark, but the difference is not substantial.

In 1993, for a single person on this wage level, the total amount of social contributions and tax payable amounted to just over 30% of labour costs, half falling on employers, half on employees. This level of deduction is around the same as in France, if housing benefits are taken into account, slightly lower than that in Greece but above that in five other Member States.

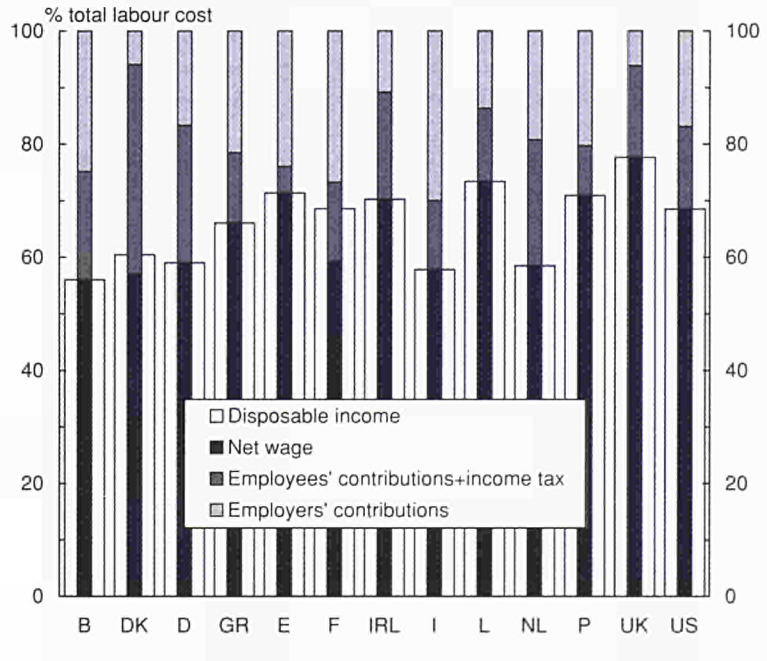
This assumes, however, that employers pay health care insurance costs. If they do not the overall deduction in the US amounted to just under 30% of labour costs in 1993, on a par with Spain, Ireland, Luxembourg and Portugal. In this case, however, employees would have to pay their own health insurance which would reduce their disposable income accordingly.

Relatively few men, at least of 25 and over and working full-time, are likely to earn less than 50% of the average wage for a male worker in manufacturing. Nevertheless, a significant proportion of women, as well as young people, will have earnings below this in most Member States. The comparative pattern of tax and contribution rates as between Member States, however, does not change greatly if the calculations are carried out for even lower earnings levels.

At 40% of the average wage, for example, total deductions for a single person still amounted to around 40% of labour costs in 1993, in Belgium, Italy and France, if housing benefits are ignored (a high proportion of women and young people are probably not eligible for such benefits because housing costs are paid by their parents or husbands), and to around 35% in Denmark, Germany, Greece and the Netherlands. In Spain and Portugal, moreover, the rate of overall deduction was similar to that at half average earnings, at just under 30%, as it was in Ireland, where the rate falls with earnings as income tax is reduced. In Luxembourg and the UK, however, the rate declines to below 20% of labour costs at this level of earnings.

This is substantially less than the rate in the US, which remains at around 30% in 1993 (or just over 25% if health care insurance is excluded).

116 Average deduction rate for a single person at 50% of the average wage in Member States and US, 1993



The effect of differences in family circumstances

The amount of tax and contributions payable in respect of a single person on low wages is particularly relevant from a policy perspective since a significant proportion of those for whom increased job opportunities are sought are young people, most of whom will not be married or have children. Nevertheless, many will also be people with dependants for whom the amount of labour costs paid in tax and social contributions will be somewhat different.

As for someone on average earnings, the effect of taking account of family circumstances is generally to narrow the extent of differences in combined tax and contribution deduction rates which exist across the Union. In the case of a worker on 50% of the average wage with a dependent spouse as compared with a single person, the amount of deductions paid out of total labour costs in 1993 is reduced particularly significantly in Denmark and Germany from over 40% to around 30%, while in Belgium and the Netherlands, it is reduced from around 45% to under 40% and in Italy, from over 40% to under 35%

(Graph 117). Though it is also reduced in Ireland and the UK to below 20%, it remains broadly unchanged in Greece, Spain, Luxembourg and Portugal, countries with low deduction rates for single workers.

In the US, the rate of deduction is also lower for a worker on half average earnings with a dependent spouse than for a single person, at around 24% of labour costs, less than in all countries in the Union, except Ireland and the UK.

In Luxembourg, moreover, a worker on this level of earnings with a dependent spouse is eligible for complementary social assistance even though in paid employment. This effectively sets a floor on their level of disposable income and, in 1993, added some 20% to their net wage, so offsetting virtually all of the contributions and income tax payable.

In addition, in Italy, a couple with earnings lower than average is eligible for household family benefit, which in 1993 at 50% of the average wage would have added just over 7% to disposable income, reducing the overall net deduction from labour cost to under 35%.

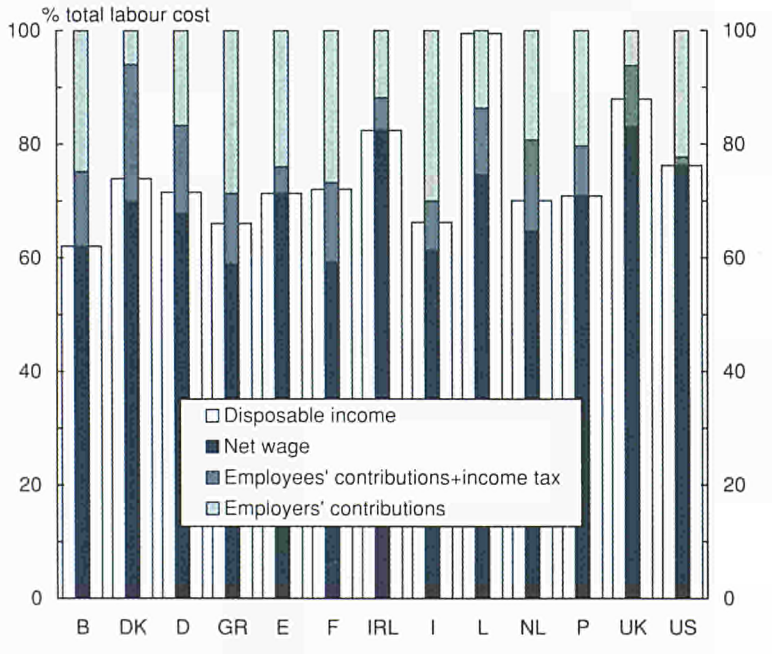
The potential availability of housing benefits for those on low earnings also comes more into play for a couple then a single person, and even more so for couples with children who are likely to have higher costs of accommodation. In general, such benefits are payable in the higher income Member States, specifically, in Denmark, Germany, France, the Netherlands and the UK, though they also exist in Spain but in the form of a tax credit rather than an actual payment (and are included in the estimates discussed above, amounting to around 5% of disposable income).

Because, with the exception of the UK, these countries have relatively high rates of tax, taking account of housing benefits tends further to narrow the extent of differences between countries. In France, the net deduction from labour costs is reduced in 1993 to below 30% and in Denmark to just over 25% for a couple on 50% of the average wage, assuming they have an average level of rent — ie to a level below Spain and Portugal — in the Netherlands to around 30%, the same level as in Spain, and in the UK, to below 15%.

Including children in the comparison makes an even greater difference. The payment of child allowances to a worker with two children on 50% of average earnings reduced the overall net deduction of tax and contributions in 1993 to 20% of labour costs or below in Belgium, Denmark and Germany and lowered even further below 20% in Ireland, Luxembourg and the UK, while in the Netherlands and Italy, it reduced it below 25%, to a level similar to that in Spain (Graph 118). This left only Greece and France of the Member States with total deductions of more than 25% of labour costs (34% and 28%, respectively) for someone in these circumstances, and the only countries in the Union apart from Spain and Italy with deductions at a significantly higher rate than in the US.

The difference with the comparative picture for a single worker on average earnings is striking. While in Greece and Spain, the difference between labour costs and the disposable income received by such a worker was among the smallest in the Union in 1993, for a

117 Average deduction rate for a couple at 50% of the average wage in Member States and US, 1993



couple with two children on half average earnings, it was among the largest. Conversely, in Belgium, Denmark and Germany, with a relatively large difference for the former case, the difference was around the Union average and similar to that in the US.

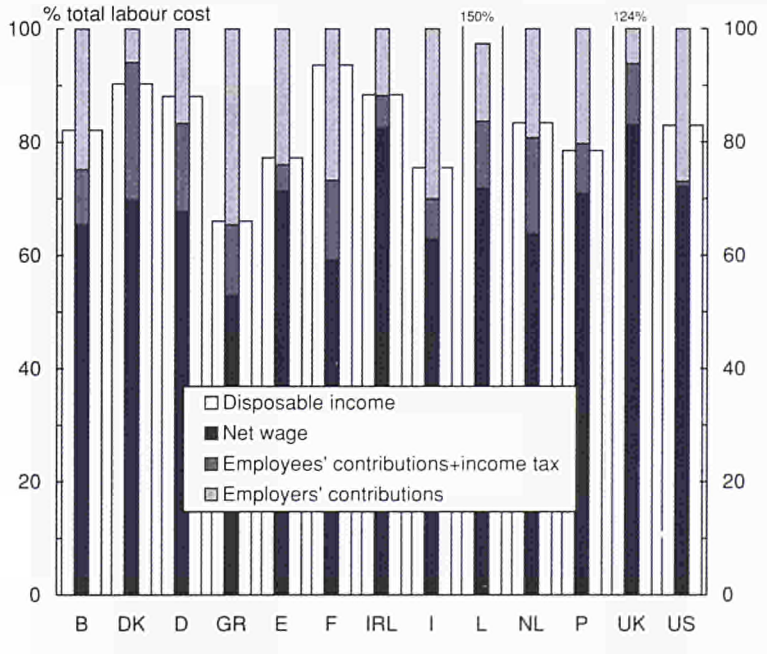
Housing benefits in the five Member States where they are available serve further to reduce the difference between labour costs and disposable income. In the Netherlands, they result in the net deduction from labour costs for a worker on 50% of the average wage with two children being lowered in 1993 to under 20% of labour costs, in Denmark and Germany, to only around 10%, in France, to under 7%, and in the UK, to zero.

In the UK, in addition, workers on low rates of pay with families are also eligible for family credit, designed to bring their disposable income up to an acceptable level. In 1993, for the worker in question, family credit would have added around 25% to disposable income, increasing this to well above the cost paid by the employer for their labour. Like housing benefits, however, family credit is not provided automatically but has to be claimed. Estimates are that around 25% of those eligible do not, in fact, claim.

In Luxembourg, eligibility for complementary social assistance increases disposable income relative to labour costs to an even greater extent. In 1993, for a worker on half the average wage in manufacturing with two children, this added over 60% to net wages and with child allowances more than doubled disposable income.

In summary, therefore, the present policy focus on trying to reduce labour costs at the bottom end of the pay scale without making workers who take up such jobs significantly worse off is against a background where there is already a marked difference in many Member States between what it costs an employer to take on a worker and what the worker receives in the way of disposable income. In other words, much more than in the US, Member States are accustomed to raising the income levels of those on low pay. As a result, they have in some degree relieved employers of the task of ensuring acceptable wage rates. At the same time, over a large part of the Union, employers' contributions on low paid jobs remain relatively high, increasing the difficulty of firms to raise pay levels and, in some cases, of maintaining or creating such jobs.

118 Average deduction rate for a couple with 2 children at 50% of the average wage in Member States and US, 1993



Labour costs for women relative to men

As is well known, women tend to earn less then men and though the gap has narrowed over time, partly as a result of equal pay legislation, it remains significant throughout the Union. The purpose here is not to examine reasons why this gap should exist — how far it is due to women earning less for doing the same type of job as a man as opposed to women doing different, and lower value-added, jobs — but to consider the average costs of employing women relative to men in different Member States and the relative levels of disposable income after taxes and social contributions have been deducted.

The analysis is based on the average gross hourly earnings of women manual workers in industry in 1993 as compiled by Eurostat, these

figures being related to the same series for men. While in practice relatively few women in employment fall into this category, it is the most complete set of comparative data on women's wages available and the figures for earnings of women non-manual workers, where they exist, show in most cases a fairly similar differential in relation to men's earnings. The analysis is restricted to some extent since the tax model used does not explicitly incorporate tax rules as they apply to married women which in some cases differ from those which apply to single women. The estimates are, therefore, confined to single women, though in most Member States, because of the right to opt for separate taxation, the deduction rates calculated will be the same or very similar.

In 1993, the cost of employing a woman on the average earnings of manual women workers in manufacturing varied from around 85% of the cost of employing a man on average male earnings in Denmark and just over 80% in France to just over 70% in Ireland and Luxembourg and to only 68% in the UK (Graph 119). These figures are, in general, the same as the differences in gross earnings between men and women, though in the case of the UK, because of the progressive nature of social contributions, the difference in terms of labour costs is slightly wider, and in Denmark and the Netherlands, where they are regressive, marginally narrower.

The scale of deductions from labour costs are similar for women on average earnings as for men, though in each Member State, slightly smaller because of lower taxes on income — the result of the progressive nature of rates. The extent of the difference, however, varies from only around ½% of labour costs in Greece and 1% in Italy to 4% in Luxembourg and the UK and 5% in Ireland, with the difference in the other countries in each case being between 2% and 3% of labour costs.

In consequence, the pattern of variation in deduction rates across the Union in 1993 was much the same as for men, with just over half of labour costs in Belgium being absorbed by social contributions and taxes and 46–47% in Denmark, Italy and the Netherlands, and, by contrast, only just over 30% in Luxembourg and Portugal and only 28% in the UK.

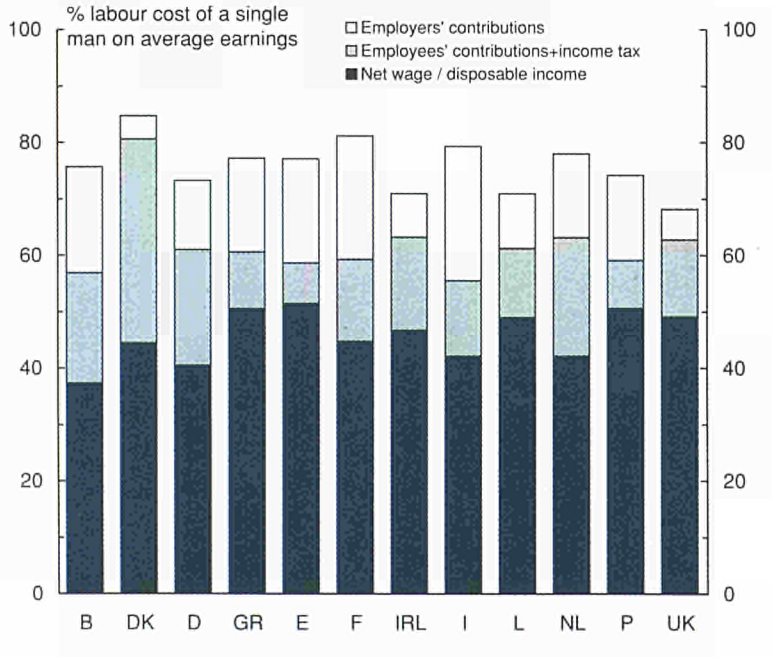
In the UK, Luxembourg and Ireland, therefore, the average cost of employing women as compared to men is lower than elsewhere in the Union and the proportion going in charges to government is also less, so that women retain more of what they earn. In Denmark, Italy and the Netherlands, on the other hand, the comparative cost is relatively high and, at the same time, deductions from labour costs are also higher than in other Member States.

The apparent comparative cost disadvantage, however, has not prevented the employment of women reaching higher levels in Denmark than anywhere else in the Union — though perhaps the high relative earnings in this country are a consequence of the high rate of employment rather than a deterrent.

Marginal tax rates

As well as the average deduction from labour costs represented by taxes and social contributions, the marginal rate of deduction is also of relevance. It is this which

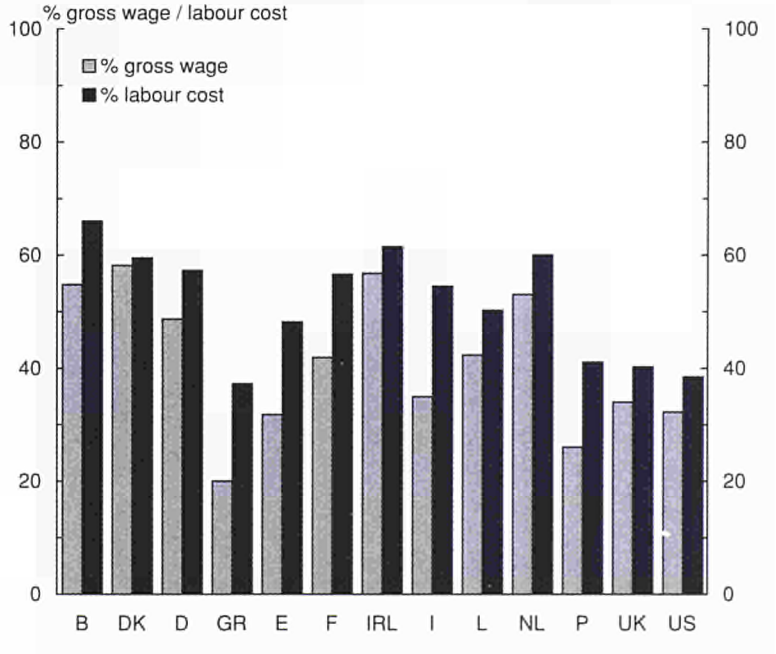
119 Average deduction rate for a single woman on average earnings in Member States, 1993



determines how much of any increase in wages directly benefits the worker and, therefore, how much, on the one hand, labour costs for employers will rise for any given increase in pay and, on the other, how much incentive there is to any individual to seek a better job or to increase their work effort. (A further important question is the extent to which there is an incentive for people to work rather than to be unemployed or inactive. This depends in part on the level of income support available under systems of social protection, which is an issue examined in some detail in *Social Protection in Europe 1995*, forthcoming.)

High marginal tax rates tend, therefore, to imply relatively large disincentives, though how large and how important relation to other factors, are questions which have been the subject of much debate and much empirical study over the years in many countries without clear conclusions emerging. Nevertheless, other things being equal, any government should seek to keep down marginal tax rates to avoid possible disincentive effect. Other things, however, are rarely equal. In the first place, low marginal tax rates tend to conflict with the equity principle that those who can best afford it should pay more in tax. As a result, income tax schedules are progressive in virtually all countries. Secondly, low marginal rates also conflict with the need for government to raise revenue to fund social protection systems and collective services. In practice, it is difficult to find the finance for the extensive social services which have been developed in Europe while keeping marginal tax rates down. The continuous attempts to broaden the tax base have in large measure been pursued with this end in mind.

120 Marginal deduction rate for a single person at the average wage in Member States and US, 1993



Marginal rates at average earnings

The relative levels of marginal rates of tax — or more precisely the marginal rate of tax and social contributions combined — in Member States, measuring how much total charges change as gross earnings rise or fall, vary in some degree with average levels. The composition of charges, however, especially the split between social contributions, which tend to be proportional to earnings, and taxes, which tend to be progressive, is also an important influence. This is particularly the case for a single person on average earnings for whom complications like tax concessions for dependants or special allowances do not apply. In 1993, the marginal rate of deduction for such a person varied from 66% in relation to labour costs in Belgium (ie almost two-thirds of any increase in labour costs resulting from an increase in earnings went in taxes and social contributions and only one third to the employee), 61% in Ireland and around 60% in Denmark and the Netherlands to 37% in Greece and only 31% in Spain, in both cases reflecting the importance of social contributions as compared with income tax (Graph 120, which also shows the marginal rate of deduction out of gross earnings for employees — ie excluding employers' contributions from both numerator and denominator). In Spain, the marginal rate of deduction for an employee out of gross earnings — the rate most relevant for a worker, who is not much concerned with how employers' contributions vary with pay — was under 10% in 1993, in Greece, under 20%.)

Of the other Member States, all apart from Portugal and the UK,

where they were just over 40%, had marginal deduction rates of over 50% in relation to labour costs. By comparison, the rate in the US was under 40%.

For workers on the same wage level with dependent spouses and children, the marginal deduction rates were lower than for single people in 8 of the 12 Member States in 1993 and the same in four — Denmark, Greece, Portugal and the UK (Graph 121). The extent of the difference in rates is most marked for Ireland, where the marginal deduction rate was just over 40% for a couple with two children at this level of earnings as opposed to just over 60% for a single person, and Luxembourg, where it was only around 25% instead of 50%.

In the US, the marginal deduction rate was also lower for workers with dependants. In 1993, for someone on average earnings with two children it was around 35%, lower than in any European country except Luxembourg.

Marginal rates on low paid jobs

Although the variation between countries in marginal deduction rates for workers on below average earnings is similar to that described above, there are a number of differences. In particular, in some countries, marginal rates are lower on low paid jobs than on more highly paid ones, in other countries, they are higher, though much depends on individual and family circumstances.

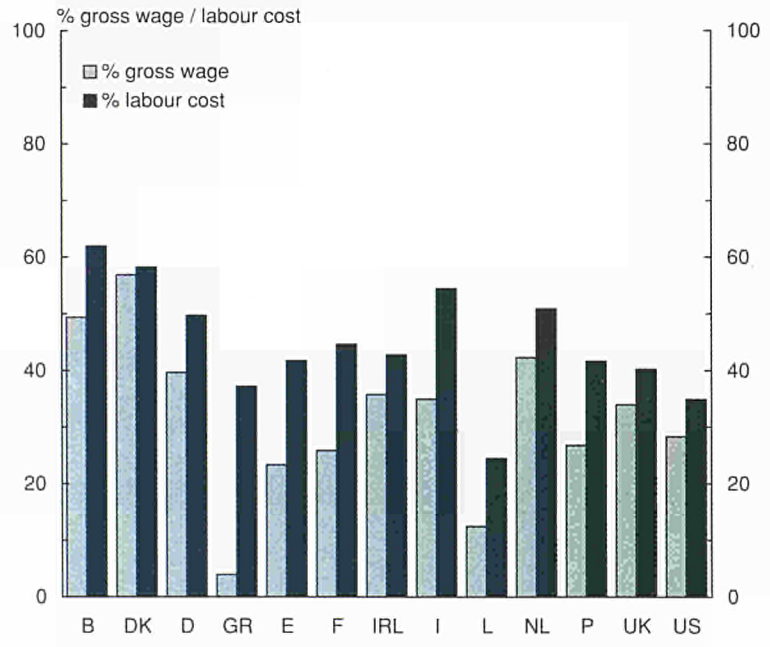
In 1993, there were 9 Member States where the marginal rate for a single worker tended to decline as earnings fell, one where it remained much the same — Denmark — and only two where the rate was slightly higher towards the bottom end of the income scale — Italy and the UK (Graph 122). In these two countries, this reflects the progressive nature of income tax and, in the case of the UK, of social contributions, at this end of the scale, which is designed, in practice, to relieve the tax burden on those with low levels of pay and to increase their disposable income. The pursuit of such an objective, however, can give rise to high rates of marginal tax especially if relief is targeted on those below a certain level of earnings. As noted below, there is an inherent conflict, which is often ignored in the policy debate, between bringing the income of those on low rates of pay up to an acceptable level and keeping down marginal tax rates to avoid significant disincentive effects.

Despite the general lower rates of tax prevailing at low pay levels, for a single worker on half average earnings, in three Member States — in Belgium, Denmark and Italy — the marginal rate of deduction was over 55% (in the first, over 60%) and in three other countries — Germany, France and the Netherlands, it was over 50%. Only in three countries — Greece, Spain and Portugal — three of the least developed in the Union, was the rate under 40% (in the two former, under 35%).

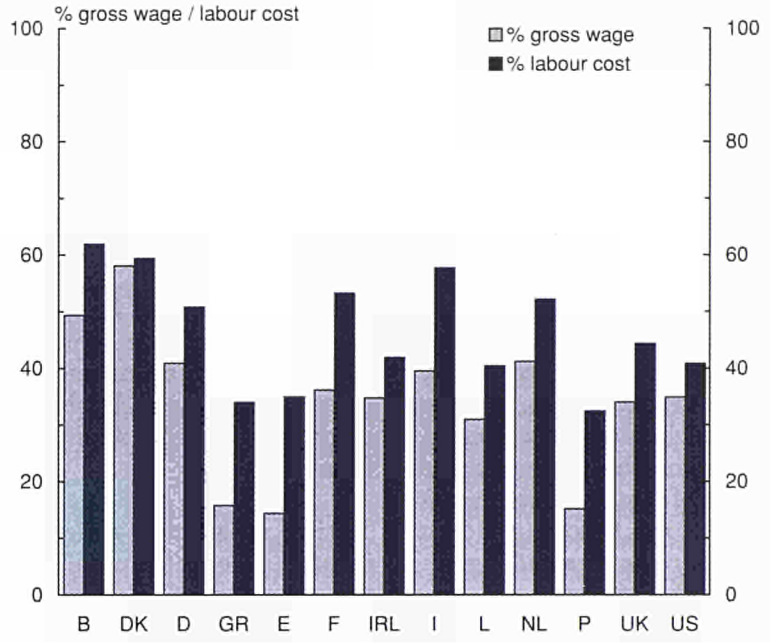
The marginal rate in the US for such a worker was around 40%, similar to that in Luxembourg and below that in all Member States apart from Greece, Spain and Portugal.

Taking account of differences in family circumstances changes the comparative picture substantially. In seven Member States, the marginal rate of deduction for a worker on half average earnings

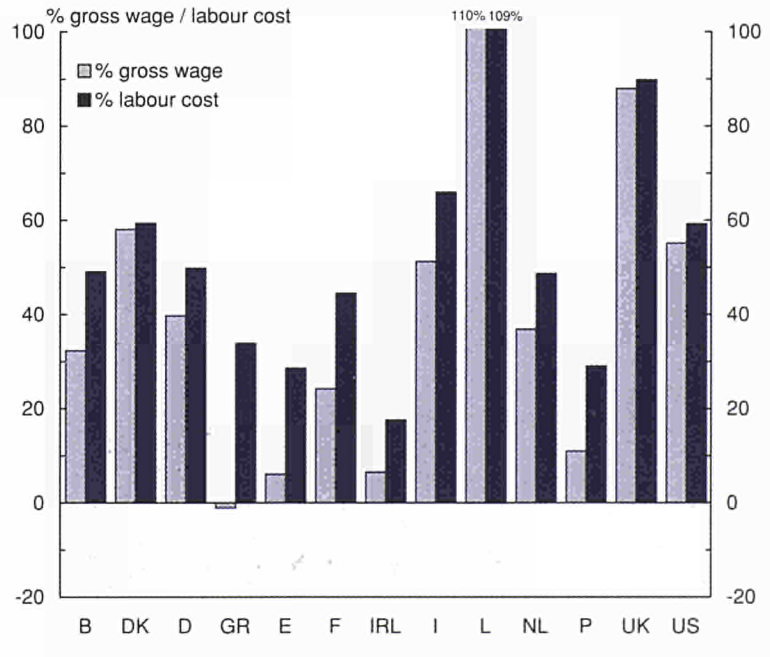
121 Marginal deduction rate for a couple with 2 children at the average wage in Member States and US, 1993



122 Marginal deduction rate for a single person at 50% of the average wage in Member States and US, 1993



123 Marginal deduction rate for a couple with 2 children at 50% of the average wage in Member States and US, 1993



with two children was lower than for a single person in 1993, in some cases only slightly, but in France and Ireland, significantly (by around 25 percentage points in the latter). In two, Denmark and Portugal, it was much the same. In three countries — Italy, Luxembourg and the UK — however, the marginal rate was higher (Graph 123). This was especially so in the latter two, where the interplay of the tax and benefit systems, designed to maintain the income of those at work at acceptable levels, leads to very high marginal rates.

In Luxembourg, this resulted in a marginal deduction rate of over 100% in relation to labour costs for a worker with these characteristics. In other words, a rise in earnings at half the average wage led to more than the whole of the associated increase in labour costs being swallowed up by tax and social contributions and the worker's disposable income being reduced slightly. The reason for this was the guarantee of a minimum level of income in Luxembourg through the complementary social assistance scheme which meant that any change in earnings below the minimum level left income unaffected (except for a need to pay more or less out in social contributions). Workers on low pay, therefore, have their income protected against a possible fall in earnings, but at the same time, gain nothing from any increase in earnings.

In the UK, the marginal deduction rate for someone on half average earnings with two children was around 90% in 1993, so that their disposable income went up by only 10% of any increase in gross pay, 90% going in tax and social contributions. The main reason for this was the operation of the Family Credit system, referred to above, which provides a benefit to workers with

families whose income falls below a certain level. In order to maintain some incentives, however, the marginal rate of benefit is less than 100%, so that as income increases, payment is reduced by less than in proportion to the rise (in practice, the taper is 70%) and the worker is better off by earning more.

A second reason for the high marginal rate in the UK is the operation of housing benefits which cover part of the accommodation expenses of people on low earnings. At an average level of rent (25–30% of gross earnings), the change in housing benefit entitlement adds around 7% to the marginal deduction rate. For low paid workers with families in particular circumstances — and by no means abnormal ones — the rate can reach even higher levels. According to calculations made by the Department of Social Security in the UK, if relief for the Community Charge as well as rent rebates is taken into account, the marginal deduction rate for a worker on around half average earnings below with families of one or two children can be around 95–96% and at critical points where eligibility for rent rebate is lost can be over 130%. At the same time, it has to be recognised that only around 35 thousand people, well under ½% of the work force, have marginal deduction rates of 90% or above.

The operation of housing benefit schemes also affects marginal deduction rates in other countries. In Denmark and Germany, they were of the same order of importance as in the UK, adding some 7% to the marginal rate for families on 50% of the average wage, while in France and the Netherlands, they were slightly less important, adding 3–4%. (At different wage levels, however, they can be much more important, adding, for example, 15% to the marginal deduction rate in Denmark for a family with two children at 90% of the average wage, 18% at 70% of the average wage in the Netherlands and 22% for a couple without children at 50% of the average wage in the UK.)

In addition, in some countries, the amounts of child allowance paid varies with earnings, especially at the bottom end of the scale (which is similar to the UK family credit scheme, though the sums involved tend to be smaller and are not confined to those in work). In Germany, the reduction in allowances as earnings increase added over 10% to the marginal deduction rate for a family with two children at half the average wage. In Spain, the phasing out of child allowances at just over 60% of average earnings pushes up the marginal deduction rate at this point by over 20%, while in Italy, the gradual reduction in allowances adds a maximum of about 8% to the marginal rate at just over 80% of the average wage. In all other Member States, child allowances tend to be a flat-rate, though in some countries they vary with the number of children, which in itself serves to increase the marginal deduction rate (ie allowances decline in relation to earnings as the latter rise).

Although in the US there are no housing benefits as such or child allowances, people on very low incomes are entitled to food stamps which are intended to cover part of their basic needs, including housing costs, and which are related in part to family size. The reduction in these as earnings increased was responsible for increasing the marginal rate of deduction at half average wages by just over 20% in 1993 for a worker with two children. As a result, the marginal rate in this case was pushed up to around 55%, higher than in all European Union Member States, except Denmark, Italy, Luxembourg and the UK.

Marginal tax rates at different wage levels

Since income tax systems in the Union tend to be progressive in the sense that the schedule of tax rates rise with earnings, it might be expected that the overall marginal rate of deduction from labour costs would also rise as wages went up. In practice, there is no general tendency for this to be the case, partly because of the effects of benefits and allowances at the bottom end of the income scale, discussed above, partly because of the capping of social contributions in many countries at higher earnings levels, and partly because the income tax system in many cases is not all that progressive. As a result, marginal deduction rates are similar to average rates over much of the earnings range in most countries and for most people in employment, deduction rates do not differ a great deal.

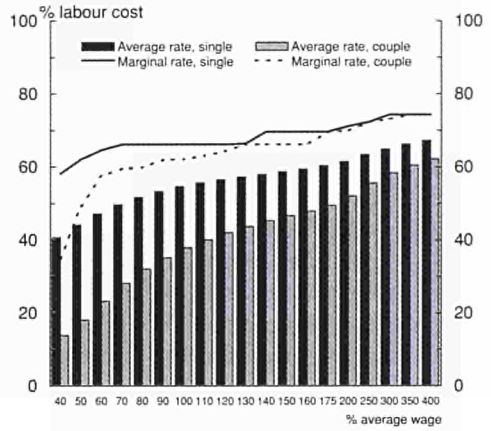
Only in four Member States — Belgium, Denmark, Greece and Portugal — did the overall marginal rate of deduction in relation to labour costs generally increase in 1993 as earnings rose.

In Belgium, it reached a level of just over 74% at earnings of three times the average and above, the highest at high income levels in the Union (Graph 124).

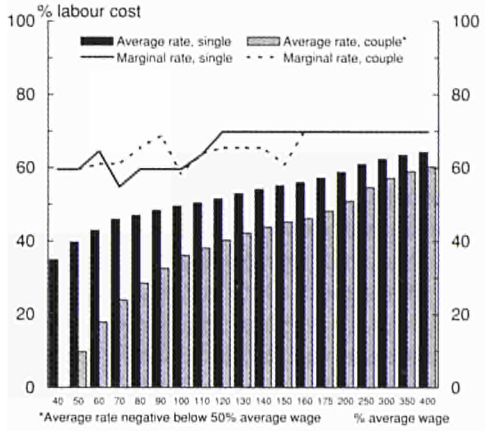
In Denmark, the rate reached just under 70% on earnings of just above the average for a single worker and at just over 1½ times the average for a married worker with children and then remained constant (Graph 125). Here, however, the marginal rate was almost as high, because of the operation of housing benefits,

Average and marginal deduction rates for a single employee and a couple with 2 children in Member States, 1993

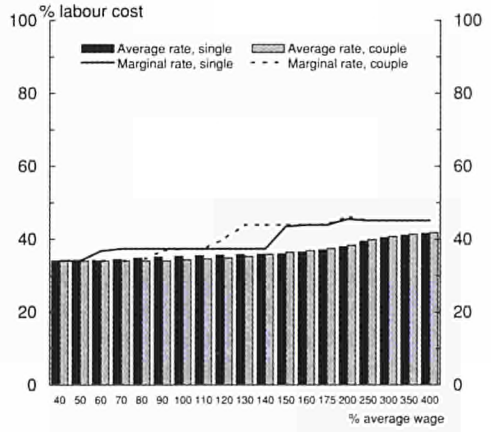
124 Belgium



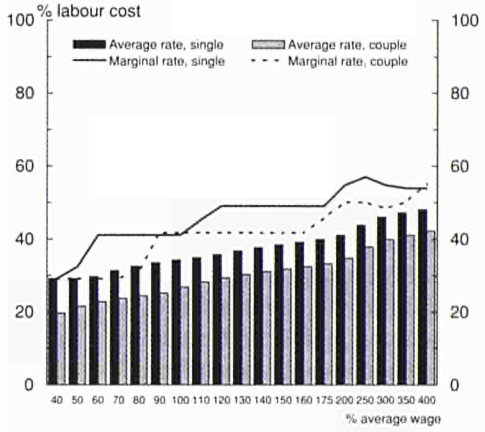
125 Denmark



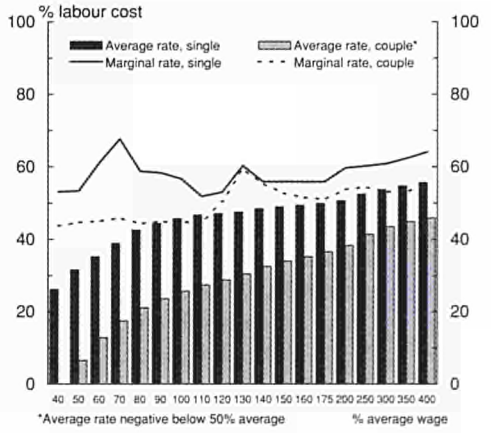
126 Greece



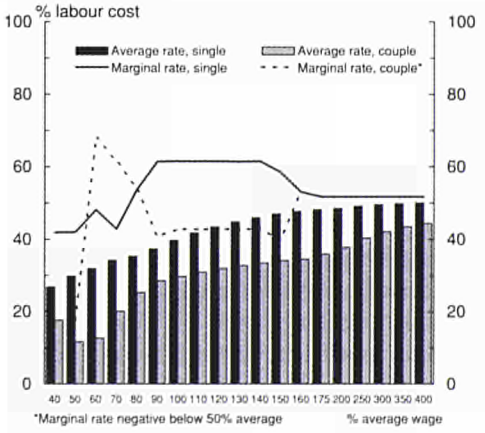
127 Portugal



128 France

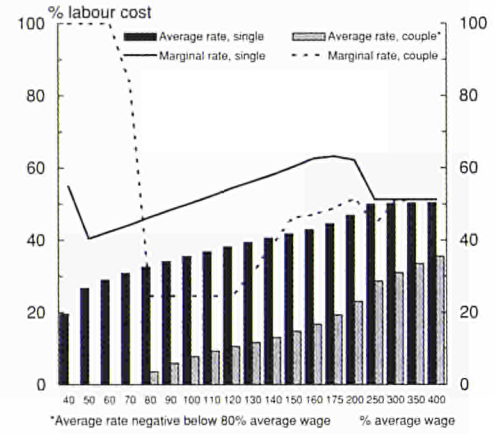


129 Ireland

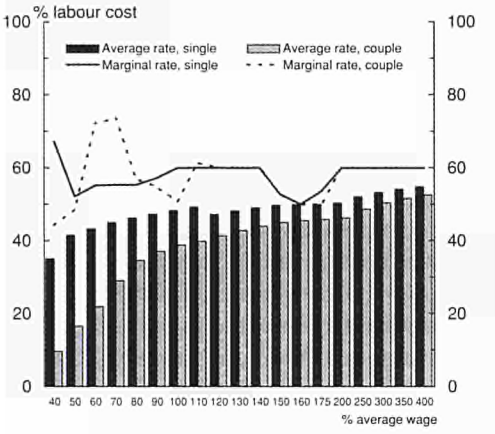


Average and marginal deduction rates for a single employee and a couple with 2 children in Member States, 1993

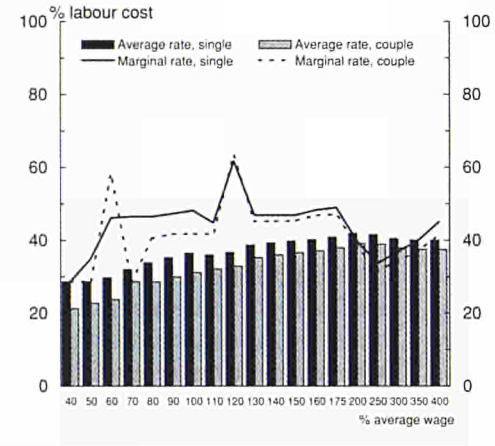
130 Luxembourg



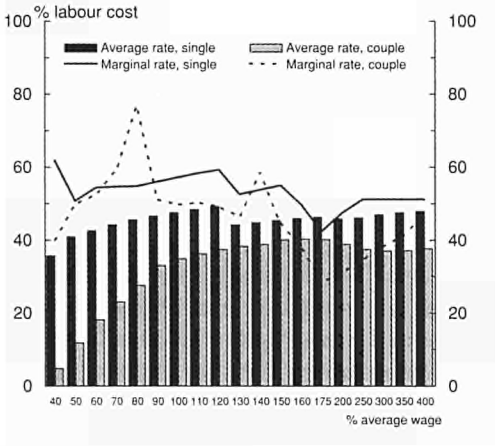
131 Netherlands



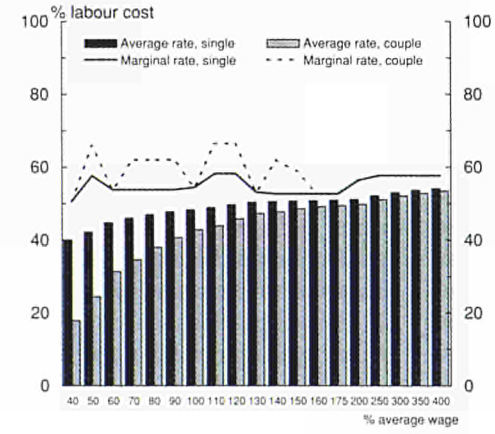
132 Spain



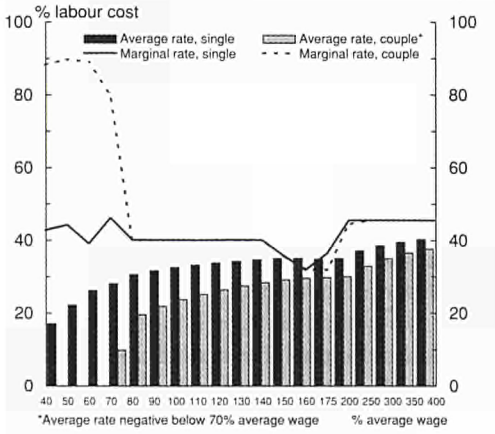
133 Germany



134 Italy



135 United Kingdom



on earnings below the average in certain cases.

In Greece and Portugal, the marginal rate was uniformly higher at higher income levels, reaching a maximum of 45% in the former and 57% in the latter, though in both cases, it was constant over a range of earnings around the average (Graphs 126 and 127).

In the other Member States, marginal deduction rates were either higher at the bottom end of the scale than at the top, or reached their highest levels in the middle of the earnings range and then declined or showed no clear overall pattern. France, Ireland, Luxembourg and the Netherlands fall largely into the latter category.

In France, marginal rates tended for the most part to be higher at the top end of the income scale, but were as high in 1993 for a single person around average earnings and for a couple with children at just above the average as at levels well above (Graph 128).

In Ireland, the marginal rate for a single worker was higher in the middle income range than on high incomes and for a couple with children was highest on low earnings, in both cases because of the nature of the schedule of tax rates (Graph 129).

In Luxembourg, though for a worker with dependants the marginal rate was much higher at low wage levels than at higher ones, as noted above, for a single person it fluctuated a good deal and was generally highest at just above average earnings (Graph 130).

In the Netherlands, the marginal rate for a single person was much the same at the average wage as at high income levels but higher than at around 1½ times the average. For a couple with children, it was highest for those on low pay — because of housing benefits — and then largely constant for earnings above the average, except for dipping at the same earnings levels as for a single person (Graph 131). In both the latter two countries, the behaviour of marginal rates at earnings above the average reflects in part the ceiling imposed on social contributions for employers as well as employees.

In Spain, the marginal deduction rate was for the most part higher for those with earnings around the average than at the top or bottom of the income scale (Graph 132).

For the other three Member States — Germany, Italy and the UK — marginal rates tended to be higher for those on low pay than those on high earnings.

In Germany, the highest rates both for a single person and for a couple with two children were at earnings levels below the average in 1993. Indeed, for the latter, the lowest marginal rates, at under 30% were at a level just below twice the average wage (Graph 133).

In Italy, the marginal rate for a single person was much the same at low rates of pay as at high rates, while for a worker with children, it was highest at earnings below the average (Graph 134).

In the UK, the marginal rate for a single person on low levels of pay — at below 80% of average earnings — was as high as at the very top of the income scale and at its lowest at around 1½ times the average because of the ceiling on employees' social contributions. For a worker with a dependent family, the marginal rate, as seen above, was considerably higher at low pay levels than on high incomes (Graph 135).

Finally, in the US, as in many European countries, there was no clear pattern in the relationship between the marginal deduction rate and earnings. The marginal rate was at its highest for a single person at earnings just above the average and for a worker with two children, at low pay levels (Graphs 136).

Concluding remarks

A number of points emerge from the above analysis which are of potential importance for policy. In the first place, while the social contributions levied on employers vary markedly in scale between Union Member States — more so in fact than between the Union and the US and Japan — the extent of the difference in the overall deductions from labour costs, in terms of the tax and contributions levied on employees as well as in the charge on employers, is much narrower.

Moreover, if the comparisons are not confined to averages but take account of the substantial differences which exist in the scale of deductions at different earnings levels and for workers with different family circumstances, the picture is changed radically. Countries like Greece and Spain which have low deductions for a single person on average earnings have among the highest in the Union for workers on low pay with families, while countries like Belgium, Denmark and Germany, have levels of deduction which are much the same as in the US, and in France as well as Luxembourg and the UK, the level is significantly lower.

A key question for policy in this regard is whether in terms of the influence of the fiscal system on job

creation it is the scale of the charges levied directly on employers which is of most importance or whether it is the total deductions out of the costs of employing someone. The answer is by no means straightforward. Although employers' contributions are the most tangible element so far as employers are concerned in that they are a direct addition to the gross wage paid to employees, the scale of deductions from the gross wage and the disposable income that employees actually receive at the end of the day will affect the gross wage they are prepared to work for and, therefore, what employers need to pay. In other words, the overall level of deductions, both those levied on employers and those paid out of employees' gross earnings, is likely to be an important influence on the level of wages and labour costs and on the job creation process.

By the same token, the main influence of the level of employers' contributions relative to other deductions is arguably on the level of wages relative to labour costs rather than on the scale of labour costs *per se*. In other words, the larger the amount of revenue collected by means of charges on employers, the lower the level of gross wages will tend to be. At the same, as emphasised in previous *Employment in Europe* reports, these relationships are long-term ones in the sense that they form part of the institutional structure of an economy which determines its behaviour. For example, the high level of employers' contributions compared to taxes on earnings in France or Italy have over time resulted in gross wages in these two countries being relatively low compared to elsewhere (ie relative to the value-added generated by labour), just as low contributions in Denmark and the high taxes on earnings explain why gross wages are comparatively high.

Nevertheless, whatever the long-term relationship, in the short and medium-term at least, it is changes in employers' contributions which by altering the cost of labour affect the rate of job creation (ie the demand for labour), while it is changes in payroll taxes and other charges on employees which by altering their take-home pay affect their willingness to work (ie the supply of labour). In other words, reductions in employers' contributions will tend to lower the cost of employment (as confirmed by a number of studies) and give an incentive for more jobs to be created, at least until behaviour in the economy adjusts to the new configuration of fiscal charges, which could take a number of years.

As noted at the outset, in many parts of the Union, a further focus of policy has been to reduce the costs of employment at the bottom end of the labour market to encourage firms to maintain low-productivity jobs — at least temporarily — to make it easier for low-skilled workers to find a job and to stimulate job creation in new economic activities with comparatively low levels of 'marketable' value-added (eg social services and environmental protection). The analysis indicates that in a number of Member States, the overall government charge on low paid workers is already at a relatively low level — indeed, in most countries, not much different than in the US. This, however, applies much more to workers with families than single people who make up the majority of the young seeking jobs for the first time. For these, the deduction from labour costs in the form of contributions and charges, except where selective exemptions or concessions apply, still amounts to 40% of labour costs or more at half average earnings in five Member States, though in five others, it is less than in the US.

There are two dilemmas facing governments seeking to lower charges at the bottom end of the scale. The first is that the revenue foregone has to be recouped in some other way — since it will reduce government income and add to its borrowing needs. The second is the high rates of marginal deduction which tend to result from doing this. As indicated above, marginal rates on low paid jobs in Luxembourg and the UK in 1993 are close to 100% in many cases, or even higher. In consequence, for many workers in low paid jobs, there is little incentive to seek to earn more — or, indeed, for employers to pay more — and to escape from the poverty trap which has been created. Moreover, relatively high rates of deductions on low pay may also help to create an unemployment trap in the sense that for some people disposable income from work may be little different than from income support schemes when not in work (see the forthcoming *Social Protection in Europe 1995* for an analysis of the importance of this). Such considerations suggest the need for a detailed assessment of the effects of the interaction of taxes and benefits, especially for those on low pay, and of the trade-offs available to policy-makers. For example, the only way of avoiding high marginal rates is to introduce a less steeply graduated schedule of allowances, credits and tax rates but to do this without lessening the effect on those at the very bottom is to extend the range of such schemes to cover those further up the income scale, which inevitably increases the cost.

High marginal rates are, therefore, an inherent feature of attempts to target support on the low paid and to reduce the cost of employing such people whilst trying to maintain their disposable income at an acceptable level.

Section 2 The environment and employment

Essen Conclusions: *"The first reports will be used to examine ... the inter-relationship between economic growth and the environment and the consequences this has for economic policy.*

The measures to be taken should include ... the promotion of initiatives, particularly at regional and local level that create jobs which take account of new requirement, eg in the environmental sphere."

The relationship between environmental protection, on the one hand, and economic growth and employment, on the other, is one that has commanded increasing attention as concern about the damage inflicted by economic activities has increased. Though the objective of achieving high levels of employment, which in the past has been seen as depending on securing high rates of output growth, has been widely regarded as being in conflict with the equally pressing aim of limiting and where possible reducing the degradation of the environment, there is growing recognition that the two have to be pursued in tandem.

At the same time, there is also increasing awareness of the potential for job creation of environmental protection and improvement measures and for the development of new activities, both in this area and in others, such as tourism and leisure which stand to benefit from a cleaner environment, which have to be set against the possible loss of jobs in sectors which are major sources of ecological damage. Though there is an inevitable concern about such losses, as well as about the financial costs involved, to both government and private business, in giving greater priority to environmental issues, it is questionable whether employment overall will be reduced, except possibly in the very short-term, or whether the costs of taking action now will be less than those of delay. The issue for policy has become not whether the European Union can afford to increase efforts to protect and improve the environment but about the scale of those efforts in relation to other objectives and about the most efficient means of pursuing them.

The Maastricht Treaty (Article 2) states that a major objective of the Union is to achieve 'sustained and non-inflationary growth respecting the environment'. Transforming this aspiration into concrete action, however, has certain implications. It implies, first, that environmental considerations need to be integrated directly into the formulation of policies generally, but especially economic policies. This is explicitly recognised in the Treaty (Article 130R).

Secondly, it implies an acceptance of the structural changes — the shift of labour and other resources between sectors of activity — which are inevitable consequences of such a shift in the orientation of policy. The need for a new pattern of development in the Union is not only implicit in the Treaty but has been explicitly acknowledged in the programme 'Towards sustainable development' approved by the European Council and Member States in February 1993 and in the Commission 1993 White Paper, *Growth, Competitiveness, Employment*, published in December 1993 and endorsed at the Edinburgh Summit. Such structural changes are not necessarily any greater or costly than those which normally take place as economies grow and adapt to new technology and the changing pattern of global competition. Nor are they any more likely to lead to higher levels of unemployment in the longer term, in the sense that, so long as the — often substantial — obstacles to the shift

of resources between sectors and activities can be overcome, job losses in parts of the economy should be compensated by job gains elsewhere.

These changes, however, have to take place at the same time as the increased pace of technical advance and the intensification of competition on world markets, especially with the industrialisation of less developed economies in South-East Asia and elsewhere, are already forcing firms in Europe to adapt their methods of production more rapidly than ever before. Faced with these pressures, there is an understandable temptation on the part of both governments and business to limit or delay the pursuit of environmental aims. This temptation is increased by the usual budgetary constraints on spending together with the fact that competing producers in other parts of the world, especially in less developed economies, are not necessarily facing the same restrictions on their activities.

In practice, instead of being a reason for relegating environmental considerations in the list of priorities, this kind of consideration reinforces the need for European producers to focus on other aspects of competitiveness rather than simply low cost and to exploit their comparative advantage in having access to a relatively highly educated and trained work force, as emphasised in the White Paper cited above. Indeed, the implementation of higher environmental standards can be seen as a means of encouraging firms to adapt to cleaner technologies and to move into new environmentally-friendly product areas in advance of those in other countries and so attain a competitive edge and stronger market position in the long-term.

Thirdly, it implies a need for government intervention which is coherent and predictable over the long-term, so that private business can take decisions on how to produce and what products to develop in full knowledge of environmental constraints and with sufficient information to be able to determine the options which are available. Though it may be in the long-term interests of companies to incorporate environmental considerations into their policies and planning, the evidence indicates that the short-term constraints of competition, together with inertia and the reluctance to sacrifice immediate profits, limit the extent of action which is taken in the absence of legislation. At the same time, because it takes time to modify processes of production and to equip plants so that they comply with environmental standards, environmental protection measures need to be introduced gradually with sufficient advance warning to enable producers to make the necessary alterations to their production methods.

The onus on government, therefore, is to adopt a clear long-term strategy which sets the guidelines within which the private sector needs to operate so that its behaviour conforms with environmental objectives as well as with the pursuit of other economic and social goals and which ensures that sufficient information is provided to companies about the ways of avoiding or minimising polluting activity. In the past, uncertainty about government intentions and about the degree of enforcement of standards and regulations has limited the measures taken by firms to change their methods of production and the way they control emissions or organise waste disposal.

There is also an onus on governments to choose the most efficient means of regulating behaviour, to minimise both the administration costs and the costs of adjustment imposed on business. This, in practice, tends to mean moving, where possible and practical, away from rigid controls towards market-based instruments such as taxes and charges which impose the true costs of their activities on polluters (ie internalising externalities to enforce the polluter pays principle), while at the same time leaving them free to decide the optimal way of modifying their behaviour.

Fourthly, it implies a need for co-operation on environmental policy which extends beyond the European Union and which recognises that damage to the environment caused by certain activities cannot in many cases be confined within national boundaries. This is particularly the case in respect of emissions from fossil fuels, which, in the form of carbon dioxide (CO_2), are a major source of global warming and, in the form of sulphur dioxide (SO_2), of acid rain and damage to forests and lakes. In other cases, however, the damage may primarily be local or regional, as in respect of heavy metal particles in the air, untreated sewage, contamination of local water reserves or despoliation of the countryside or urban landscapes. In principle, effective action to tackle the former can only be taken at the international and, preferably, global level. With the spread of industrialisation, this requires cooperation between developed and developing countries and a recognition of the need for substantial transfers from the former to the latter to help finance remedial action, and energy saving, in particular.

In principle also, environmental damage which is local or regional in

scope can be left to national or lower level governments to tackle in the light of local priorities as well as the absorptive capacity of the local environment. In these areas, therefore, there is less need for the imposition of common standards and those adopted can justifiably vary from one part of the Union to another according to the preferences of the people concerned, the level of economic development and so on. In practice, however, it is not always easy to identify environmental damage which is purely local in character. Local pollution of water reserves or soil can spread *via* rivers or underground aquifers to other areas and other countries, especially on the European mainland, as well as by sea to affect off-shore islands. Thus according to the new European Environment Agency, the most serious common environmental problem affecting the Union is pollution of groundwater by pesticides, heavy metals and nitrates, followed by derelict industrial sites which will eventually contaminate the water table.

Environmental policies agreed at the Union level often set a common, minimum set of environmental standards for all Member States. This not only serves common environmental ends but is in line with the single market aim of trying to ensure common competitive conditions throughout the Union and of avoiding some producers gaining an 'unfair' advantage from having to comply with significantly lower standards than elsewhere. This provides, in turn, an incentive for the richer, more developed parts of the Union to help the poorer, less developed areas to comply with the standards set, just as there is for the Union at the global level to assist developing countries to meet international standards on emissions.

In practice, environmental programmes are included in the support to poorer regions provided by the Community Structural and Cohesion Funds, and assistance is given in different forms, including training for the unemployed to equip them for the jobs created by protection measures as well as aid to investment in projects linked to environmental improvement.

Outline

The aim of this chapter is to:

- examine the relationship between environmental protection and employment in its many aspects;
- to outline the environmental policies at present being implemented or considered and their potential implications for employment;
- to give an indication of the number of jobs in the Member States of the Union which stand to be affected by the implementation of these policies and the sectors in which they are located;
- to review the changes in employment which have occurred in these sectors in recent years.

In the light of this, it considers the prospects for employment growth in environmental activities in the future. It also emphasises that the effect on jobs of increased efforts to protect the environment are likely to be spread widely throughout the economy, rather than being confined to environmental industries as such, and that these effects take the form of new tasks which need to be performed and additional responsibilities for management, both of which imply a need for training.

Potential conflicts between growth and environmental protection

The conventional wisdom in the past was that economic growth and environmental protection are conflicting objectives. Growth tends to be accompanied by increased demand for energy and natural resources, higher levels of production and greater use of transport, which other things being equal lead to higher levels of emissions and industrial waste.

Other things, however, are not equal. As economies grow, they tend to develop more efficient, lower cost methods of production which save on resource use, including energy. Moreover growth itself provides the finance for the implementation of measures to protect the environment, while at the same time increasing the demand for such measures, as with higher real income people come to attach more importance to a safer water supply, the clean-up of derelict sites, improvements in air quality and so on. This tends to be coupled with a long-term shift from industry to services as economies develop, which of itself causes a decline in polluting activities (though not necessarily on a world-wide scale as developed economies source basic manufactures from developing countries).

As a result, many aspects of environmental degradation, such as poor quality water or local air pollution tend to improve rather than deteriorate with economic growth so that the more developed and prosperous economies have lower

levels of pollution per unit of GDP and devote more resources to environmental protection measures than less developed countries. Nevertheless, other aspects, particularly those associated with the consumption of fossil fuels tend to deteriorate, as other factors, especially the increased demand for luxury goods and services like cars, air travel, central heating and air conditioning with rising real incomes, offset improvements in the efficiency of energy use.

This lack of relationship between economic growth and environmental damage, however, is dependent on legislation. Though growth provides the potential for pollution control and various kinds of clean-up measure, it is only through government action that this potential is translated into reality. The difficulties which governments face in taking such action is that there are inevitable losers in the form of those whose activities are responsible for the environmental damage it is intended to curb. Moreover, while these tend to be readily identifiable, the gains are usually more diffuse and intangible.

Thus controls, charges or other measures designed to limit or prohibit certain emissions or other forms of polluting behaviour will inevitably, in the short-term at least, impose costs on producers and/or force them to adopt a less preferred, and, therefore, more costly method of production. It may also mean that that they divert investment, and managerial effort, away from improving efficiency or expanding production towards compliance with environmental standards. Employment in such activities stands to be reduced both directly as a result of the increased costs and decreased demand for the product in question and indirectly through a deterioration in the competitiveness of domestic producers affected and lower world market shares.

These potentially damaging, and tangible, effects on employment can represent a powerful case against taking action, particularly during times of slow growth when the rate of net job creation is already depressed and when unemployment might be increasing. This is even more the case as the slowdown in growth will of itself tend to curb polluting activity and disguise the true scale of the underlying problem.

What is less tangible are the additional jobs which will be created in the activities benefiting from the action taken to offset those lost in the activities which are the target of such action. These activities may include construction, as new facilities for cleaner water or waste recycling or disposal are developed, the manufacture of pollution control or filtering devices and of new materials to replace those whose cost of production or cost in use has increased and various services associated with environmental protection. Overall as long as demand and real income levels in the economy are maintained, there is no reason to expect the number of people in employment to be any less in the new situation than before, though they will be employed in slightly different activities and slightly different kinds of job, which implies that there may be transitional adjustment costs and, possibly, a temporary rise in unemployment. Whether in practice the number of jobs is more or less than before once the transition period is over depends on two factors. One is the employment-intensity of the new pattern of production — and consumption — relative to the old, that is whether more or less people are required to produce a given level of output than before. The other is whether in fact real income levels can be maintained, which depends in turn on the effect of the action taken on competitiveness — that is whether it raises or lowers the share of markets taken by the producers in the economy in question.

On the first issue, there is little evidence that the employment-intensity of production is any less in sectors of activity likely to benefit from environmental protection measures as compared with those likely to be harmed. Indeed a number of the most polluting activities are highly capital intensive, whereas a number of labour-intensive service sectors stand to gain. Overall, however, the change in the pattern of production is likely to have little effect on job numbers.

On the other hand, the jobs will be different in some degree, involving changes in the skills and qualifications required, and they may not necessarily be in the same location. Indeed, there is no compelling reason why the production of the goods and services for which demand is increased should be located in the same places as that for which demand is reduced. This implies a potential need both for training of those who take up the new jobs created and for retraining and support of those who lose their jobs in sectors adversely affected, combined perhaps with aid to assist those regions where activity declines to restructure.

Ultimately, whether employment declines or expands will depend in the long-term on the effect of the measures taken on competitiveness or, in other words, on the ability of the economy concerned to generate income to maintain jobs and achieve a desirable rate of employment growth.

Competitiveness and the environment

Justifiably, the issue of the relationship between environmental protection and competitiveness has been the focus of much debate in the recent past. Essentially the argument on one side is that measures introduced in one location — one country or region — which are not introduced elsewhere will inevitably raise the relative costs of these and thereby reduce the competitiveness of the producers concerned, with adverse consequences for their ability to maintain employment.

The counter-argument is, first, that the additional costs imposed on production are unlikely to be a major element in determining whether a particular activity is profitable or not, and, if they are, then it raises serious questions about their longer-term viability. Secondly, producers who fail to adapt sufficiently to new environmental standards will ultimately fall behind their competitors eventually losing market share and having to reduce employment whatever happens in the short-term. Conversely, firms that are quick in reacting to new environmental standards through innovation will reap the benefits from the modernisation of their production processes. Only in the short-term, and to the extent that they are forced to adopt less preferred and higher cost methods of production, will domestic producers be put at a competitive disadvantage in relation to those elsewhere who face no such constraints, so reducing their capacity to maintain employment and create new jobs.

In the very long-term, on the other hand, there may be no effective alternative to modifying production methods and what is produced because of the severity of the environmental damage or the depletion of exhaustible resources entailed. Ultimately, therefore, producers will tend to be in the same boat irrespective of where they are located and may have no possibility of adopting relatively low cost, but relatively highly polluting, methods of production. To the extent that this is the case, what seems damaging to cost competitiveness in the short-term may well turn out to be advantageous in the long-term, since those producers introducing the necessary changes at an early stage will tend to accumulate more experience and know-how of the new ways of producing and to have established markets before their competitors.

How important these considerations are likely to be will depend in large measure on the kind of good or service concerned and the importance of the changes in the production methods involved. The more extensive these changes, in terms, for example, of the materials used, the more likely is it that know-how and experience will be key factors in determining long-term competitiveness. It will also depend on the importance attached by purchasers to aspects of the product other than price, such as product quality and the environmentally-friendly — or unfriendly — methods used in manufacture. The increasing attention paid in marketing in Europe to environmental impact suggests that this latter aspect is of growing importance. On the other hand, there is less evidence that consumers are willing to pay a significantly higher price for this.

At the same time, the above discussion has been based on the premise that the implementation of environmental protection measures will inevitably raise production costs and force manufacturers to adopt a less cost-effective method of producing. In practice, this is by no means necessarily the case. The evidence suggests that firms are rarely producing optimally at minimum cost (ie on their 'production frontier'). Indeed, it often takes an external event, such as the imposition of a tax or restrictions on how they produce, to force a reconsideration of operating methods which can lead to a reduction both in the costs of production and in the adverse effects on the environment, such as the level of emissions, the use of water or the generation of waste.

In many cases, what is important to bring about a 'win-win' outcome is not just the incentive to make changes but also information both about potential options and the damage which is being caused by existing methods of operation, which is sometimes not known with any degree of precision. The implication for policy is that the imposition of standards, controls or taxes should be only one aspect of the measures taken and that these need to be accompanied by other policies to convey more information. Two such measures are eco-auditing and eco-labelling schemes, both of which have been established at the Union level in the recent past, the former to inform businesses of the environmental consequences of their operations, the latter to inform consumers of the environmental implications of their purchases. These kinds of scheme are a means not only of increasing the amount and quality of information available but also of tapping, on the one hand, peer group pressure and, on the other, customer preferences in order to encourage producers to comply with minimum standards (see Box p. 151).

The evidence, as described below, suggests that there is no necessary conflict between economic growth, employment creation and environmental protection. Producers in countries where relatively tough environmental controls and standards have been imposed do not seem to have lost out on world markets and in a number of cases have increased their share of trade.

Empirical evidence on the competitive effects of environmental protection

Evidence on the possible employment cost of environmental regulation is hard to find, conflicting and difficult to interpret. One study on the UK, Germany and France found that the cost of complying with new environmental legislation depends not just on the nature of the production process itself, but also on the length of the investment cycle, firm size and the rigour of enforcement. Costs, it concluded, were likely to be highest in chemicals, metals and food-processing. According to a UK study, the strict enforcement of the Environment Protection Act could cost between 1 in 10 and 1 in 20 jobs (*BOC Foundation 1991*). This, however, is only measuring the direct impact in the sectors affected adversely by legislation and takes no account of the additional jobs likely to be created in other sectors as the pattern of demand and output shifts in response to an effective rise in the relative cost of producing in the former.

Studies of the actual rather than hypothetical effect of environmental protection on competitiveness and employment tend to come to different conclusions. In particular, a major study for the World Bank (carried out by P. Sorsa) which examined developments in a number of OECD countries (including the US, Japan and Germany) in a group of industries with high pollution control costs (such as pulp and paper, coal mining, fertilisers and organic chemicals) over the period 1970 to 1990, found that even for these sectors, there was little sign that tougher environmental standards had affected their competitiveness. While the share of these countries in world exports of manufactures declined markedly, from 91% to 81%, as exports from new industrialising economies increased, their share of the exports of environmentally sensitive industries remained much the same at around 81%.

Indeed, the performance of these industries in the US in terms of export performance was better than the average in manufacturing as a whole. Moreover in Germany, where the imposition of regulations to increase environmental standards has been more extensive than in most other countries and where those standards have been set at a comparatively high level, manufacturers of the products most affected increased their share of export markets, from 12% to nearly 14% between 1970 and 1990. This contrasts with a fall from just over 17% to 15% in the German share of total world manufactured exports. In two of the new Member States of the Union, Austria and Finland, the export market share of environmentally sensitive industries also rose over this period (Graph 136).

These results do not necessarily show that environmental regulation in these countries had a positive effect on trade and competitiveness in the sectors affected. But they do imply that any adverse effects were offset by other factors.

Further evidence seems to indicate that companies in such industries have not tended to relocate production to countries where environmental standards are lower. In fact, although investment in developing countries, which also generally happen to be those with weak environmental legislation, has increased markedly since the mid-1980s, the proportion of such investment going into environmentally sensitive industries in less developed countries — 5% — was in fact much lower than the proportion of direct investment going to sensitive industries in more developed countries — 24%. In practice, direct investment in less developed newly industrialising economies has relatively little to do with lax environmental standards and a great deal to do with their high rate of growth and efficiency in producing particular kinds of good.

A final point to note is that, expenditure on pollution control even in the sectors most affected, such as chemicals and metal production, does not seem in most cases to represent a major element in the costs of production, or at least was not a major element in the 1980s, when it amounted to under 2% of turnover and only around 1% of value added (ECOTEC in 1988). This, of course, may reflect the relatively lax nature of such controls, though it may help to explain why estimates produced by the ILO are that only 1% of plant closures can be attributed to environmental regulation.

The new approach of Union policy to environmental protection

The *Fifth Environmental Action Programme* (COM(92) 23) adopted

in 1992 proposed a series of actions in favour of environmental protection while promoting economic growth, the emphasis being on integrating environmental considerations into economic policies. The idea of a new integrated development plan which breaks with traditional attitudes and approaches to the environment is echoed in the White Paper, *Growth, Competitiveness, Employment.*

Central to the new approach is the use of market forces to encourage sustainable economic decisions by consumers and businesses alike though the use of taxes and charges to internalise the external costs of environmental damage and make polluters pay for these. (This approach has been more recently endorsed by a Communication from the Commission to the European Parliament and Council — *Economic Growth and the Environment* [COM(94) 465].)

Although there is an understandable concern among those likely to be directly affected by the imposition of taxes, the key issues to be addressed, given the acceptance of the imperative of taking action to reduce environmental damage in its various forms, are, first, whether there are alternative approaches which would achieve the same or better results, and, secondly, what the scale and timing of the implementation of measures should be.

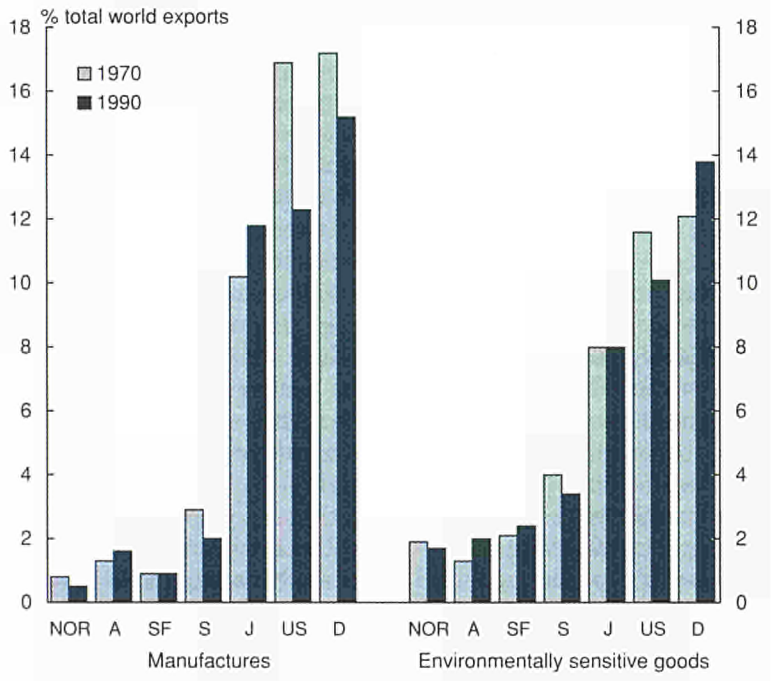
On the first issue, a tax-based approach to achieve environmental objectives has the merit over other approaches, such as the imposition of restrictions or regulations, of avoiding much of the need for surveillance and policing and, therefore, much of the administrative costs and bureaucracy associated with this. By adjusting the pattern of prices faced by producers and consumers alike so that it better reflects the true costs of using a particular resource or of adopting a particular method of production, it effectively takes advantage of the operation of market forces to achieve its ends, while leaving the maximum freedom to exercise choice. Producers remain free to go on using the same inputs and the same methods as before, if this is the optimal strategy for them, but they are obliged to pay for the damage they cause by so doing. The proceeds then become available for other uses, such as clean-up operations or for investment in the development of alternative processes or materials.

A further aspect of the new approach is the integration of environmental considerations into the development of sectoral policies, especially those relating to energy, transport, industry, agriculture and tourism and the promotion of the use of clean technologies through supporting and encouraging research and development.

Effects on the environment, economic activity and employment

A recent study (*Potential benefits of the integration of environmental and economic policies,* DRI), financially supported but not necessarily endorsed by the Commission, has attempted to quantify the consequences of the actions proposed by the *Fifth Action Environmental Plan* if they were combined in an optimal mix of policies. This is based on a macro-economic model incorporating environmental effects which is used to explore alternative scenarios up to the year 2010. Though such a model can at

136 Exports of manufactures and environmentally sensitive goods in selected countries, 1970 and 1990



best give only an approximate representation of the changes which are likely to occur, especially given the lack of historical evidence about the measures proposed and the reaction of businesses, consumers and employees to them, it is, nevertheless, a useful tool for clarifying both the potential effects of the measures and their possible scale.

The results are, first, that if new policies in favour of the environment were to be adopted, there is likely to be continued environmental degradation with a 30% increase in solid waste and CO_2 emissions and a 10% rise in NO_X emissions.

Secondly, if all the policy measures at present under consideration — such as legislation to raise fuel quality standards, standards of vehicle and other emissions, measures to increase the use of renewable energy and other Directives on nitrates, water and sewage, as well as the carbon/energy tax (discussed further below) — were to be implemented, the environment would benefit significantly, but only at the cost of lower GDP, partly because the measures in question are not yet designed to secure an optimal trade-off between improving environmental quality and achieving acceptable rates of economic growth.

Thirdly, assuming the design and implementation of a combined package of fiscal measures (energy taxes and water charges), other market-oriented instruments (especially at the local level, such as charges on traffic, landfill sites and access to natural parks), aimed at internalising externalities associated with energy production and transport use, and appropriate changes in both producer and consumer behaviour (encouraged by changes in the structure of prices, better information and increased provision of training), significant environmental benefits could be achieved without hindering economic growth. According to the model simulation, on these assumptions, CO_2 emissions would be reduced by 20% relative to what otherwise is likely to happen and emissions of SO_2 and NO_X would be cut by 70% and 55%, respectively, compared to their 1990 level, while urban air and water quality would be improved.

The simulation also indicates that, on these assumptions, higher economic growth and more employment could be achieved as a result of the measures introduced. In particular, GDP is projected to be almost 1% higher in the year 2010 under this scenario than with no changes in policy, while employment in the same year is increased by around 1 million. Underlying these results is the assumption that the various taxes introduced would generate additional revenue equivalent to around 1½% of Union GDP, which could be spent in various ways, either through additional public expenditure or reductions in other forms of tax to maintain economic activity and employment or even raise it through stimulating increased investment. Moreover, if the proceeds from the taxes were to be used for reducing employers' social contributions to lower non-wage labour costs, this would both reduce the inflationary impact of the package and directly stimulate job creation, so increasing the gain in employment to over 2 million by 2010.

At the same time, significant structural shifts would be induced. The external costs associated with global warming, congestion and air pollution by the transport sector have been estimated to amount to around 4% of GDP. Under the policies proposed, a significant proportion of these costs would be internalised through road pricing, fuel taxation, vehicle emission permits and so on. This would reduce the growth of road usage and air travel and increase the use of trains, as well as encouraging a shift from private cars to public transport. The total number of journeys taken would fall significantly with adverse consequences for employment in the transport sector as well as in the production of vehicles.

Employment in manufacturing industries which are important sources of pollution, such as iron and steel, pulp and paper and textiles and clothing (which pollute water through cleaning and dying) would also tend to fall, but job losses here could be more than offset by job creation in industries benefiting from the measures taken, such as advanced ceramics, light metal alloys and thermo-plastics as well as the manufacture of monitoring instruments, control devices and filters.

In the agricultural sector, the increased cost of pesticides and chemical fertilisers under such a policy combined with the removal of price distortion under the CAP, the reduction of prices to world market levels and a shift from price to less distortive income support, which could be topped up by farmers selling environmental services to the public, could both improve the rural environment and increase employment.

In the case of the tourist sector, which should benefit directly from environmental improvements, the aim would be to base policy on the concept of the 'carrying capacity' of tourist sites to limit the number of

people they can be expected to sustain, which would encourage greater efficiency of water and land use and, over time, may result in the spreading of holidays and an extension in the season, so helping to alleviate any adverse effects on competitiveness of the increased costs which the industry would bear.

Although an interesting conclusion of the study is that neither output nor employment need decline in the Union as a result of an extensive package of environmental protection measures, this does not necessarily hold for all parts. Member States gain or, possibly, lose according both to their prevailing structure of economic activity and their competitiveness in the production of the goods and services which benefit from the measures taken. Thus, for example, Germany is well placed to gain because it has already gone some way towards implementing the kinds of measure proposed, is highly competitive in the industries likely to gain — such as instrument engineering — and has a relatively low dependence on road freight transport. On the other hand, the UK has much further to go in meeting the standards set for air quality, acid rain and the disposal of solid and/or hazardous waste, is relatively dependent on air travel and is an important manufacturer of aerospace equipment. Although these problems are offset in some degree by its importance in environmental services, such as eco-auditing and waste management, GDP, nevertheless, is projected to fall under the impact of the measures taken (though employment is projected to be marginally increased). This is also possible for Spain, which like other less developed parts of the Union could suffer because of dependence on agriculture, the possibility of a steep rise in fuel prices and its relative unimportance as a producer of engineering equipment or 'green' products, coupled with the growing importance of its car manufacture.

The model projections, therefore, illustrate the possible uneven effects on economic activity and employment of environmental action, especially measures which are uniformly imposed without taking explicit account of the implications, and the compliance costs, for the less developed parts of the Union, where, in practice, many of the environmental problems are as yet less serious than in the more developed areas.

The 'double dividend'

One element which is incorporated in the proposals considered above is the so-called 'double dividend', or, in other words, the implementation of measures which achieve both employment and environmental objectives. One example which has been proposed by the Commission, and which Member States are now allowed to introduce so long as they respect certain common guidelines, is a combination of a CO_2/energy tax and a reduction in employers' contributions. This is aimed at both protecting the environment through encouraging energy saving and lower emissions (which since there is no economically viable way of filtering CO_2 is a necessary condition for reducing the environmental damage) and stimulating job creation through lowering the costs to businesses of employment by means of a single self-financing package. It is, moreover, based on the economic principle of taxing a resource which is limited, the capacity of the environment to absorb emissions from fossil fuel, and effectively subsidising one for which there is excess supply, labour.

Such a package will hit some sectors and benefit others, and lead to structural shifts in activity and employment, but this is an inevitable consequence, as emphasised above, of any serious efforts to incorporate environmental objectives into policy and to move the Union economies onto a new and sustainable development path. It is, therefore, not a compelling reason in itself for rejecting the proposal.

Indeed, simulations carried out on a number of macro-economic models have demonstrated that a package of this kind not only need not harm competitiveness, but is capable of stimulating higher growth of GDP and more employment. This especially the case if it is targeted on the relatively low skilled at the bottom end of the pay scale who make up the bulk of the unemployed.

On the assumption of the imposition of a $10 per barrel of oil-equivalent CO_2/energy tax, which is used to finance a cut of around 10% in employers' social contributions across the Union, GDP is boosted (by some ½% after a few years compared with what it otherwise would be) and the numbers in employment increased (by some ½% or more relative to its assumed level without the package) both in the medium and long-term. This is the result partly of increased investment stimulated by a shift of taxes from companies to individuals (ie all consumers of energy pay the additional tax while the benefit from lower contributions is confined to companies only), partly of lower labour costs directly encouraging increased use of labour in the production process. Moreover, although there may be some

Expenditure on environmental technology in the Union

In the Netherlands, the promotion of technological innovation is a central part of industrial policy and environmental protection is an important aim. There are measures to promote research into reuse and recycling and energy technology and incentives to companies to increase the number of R&D personnel. Cooperation between government, technology institutes, industry and the universities is encouraged and the Government is currently spending around 50 million ECU over a 4-year period on R&D under the National Environmental Policy Plan.

In Denmark, around 50 million ECU have been earmarked under an action plan for less polluting technology for the period 1993–97, while expenditure under the strategic programme for environmental research 1992–96 amounts to some 40 million ECU.

In Italy, legislation has been introduced to support research on less polluting technology and its implementation.

Sweden has policies to assist less polluting technology and products, especially in the energy sector.

The UK encourages cooperation in research on energy emissions and supports certain R&D activities related to the diffusion of better environmental practices.

At the Union level, 170 million ECU was spent on research programmes in 1992, including STEP and EPOCH — dealing with research on protection of the aquatic environment and of the soil against environmental hazards such as organic and inorganic pollutants and erosion — and 110 million ECU on environmental demonstration programmes, MEDSPA, NORSPA and LIFE. The first provided expenditure for demonstration projects for the protection and enhancement of Mediterranean coastal areas — and particularly their biotope systems. A number of the projects under the LIFE programme were aimed at encouraging sustainable development in tourist sites.

In total, the Third Framework Programme for Community Research and Technological Development provided 580 million ECU for environmental and energy research between 1990 and 1994.

increase in inflation from the tax on energy, this is likely to be very small, unless the reduction in social contributions or the rise in employment leads to any increase in real wages. Indeed, it is important that a climate of both wage and profit restraint is encouraged not only to keep down inflation but to prevent the relief to employers being swallowed up either by pay increases for existing workers or higher profits rather than leading to employment of additional people.

Furthermore, if the reduction in employers' contributions were to be concentrated on low wage earners, which allows a cut of 40%, employment, especially of the relatively low skilled, is likely to increase by significantly more (by perhaps as much as 2–3%) because of a stronger incentive to take on such workers and their comparatively low level of productivity (ie the higher number of workers per unit of output than in the previous scenario.

Expenditure in the Union to protect the environment

At the European Union level, policy on the environment manifests itself in a number of ways: through expenditure from the Structural Funds, environmental programmes, regulations and a series of directives defining the action to be taken by Member States.

In 1992, total expenditure on environmental action under Structural Fund programmes amounted to 1.6 billion ECU, half of which was financed by the Union, half by Member States. Between 1994 and 1999, this is planned to double to 3.2 billion ECU, which will represent an

estimated 5% of all environmental expenditure in the Union, divided between environmental protection and infrastructure, waste management, water treatment and research and technology including clean technology and the training associated with it (see Boxes pp. 150 and 151). In addition, activities supported by the Funds include: building public awareness about environmental issues through education and sensitising campaigns, retraining of those who face losing their jobs in sectors adversely affected by protection measures and training people who are unemployed to take up new jobs generated by such measures, whether in the environmental sector or in areas, such as tourism which benefit from a cleaner environment.

In 1995, around two-thirds of this expenditure will be in the less developed, low income per head regions (Objective 1), supplemented by additional expenditure from the Cohesion Fund. This environmental spending could, according to Commission estimates, generate over 150 thousand additional jobs in the Union, and 100 thousand in Objective 1 regions by the year 2000.

If expenditure by both the public sector in Member States and the private sector (which spends in response mainly to regulations, though partly to public opinion) is aggregated, a 63.3 billion ECU or 1.2% of Union GDP was spent on the environment in 1992 (ERECO estimate). Around half of this was on waste water management, around a third on waste disposal, 13% on control of air pollution, 3% on noise abatement and just 2% on the natural environment. Almost a third — 32% — of this expenditure took place in Germany, 21% in France, 20% in the UK, 11% in Italy, 6% in Spain and the

Recycling and other positive environmental measures in the Union

In recent years, there have been widespread attempts to encourage recycling. These have culminated in the adoption by Member States of a Council Directive (94/62/EC) in December 1994 on packaging and packaging waste, under which all countries have to draw up legislation within 18 months aimed at recovering and recycling packaging waste. Member States have five years to reach targets of recovering between 50% and 65% by weight and recycling between 25% and 45% of packaging waste each year. Further targets for the five years after that will be established no later than 6 months before the end of the first five-year period.

Partly to meet these targets, action has been taken in a number of Member States. In Austria, legislation has been passed aimed at increasing the level of recycling to 80%. In Belgium, a regulation has recently been introduced to encourage the recycling of packaging materials and Denmark has launched an action plan with the same objective. Finland is taking measures to introduce paper-recycling in order to conform with Union standards. In France, legislation has been introduced to compel companies to adopt waste treatment processes by 2002 and the UK has set a target of a 25% reduction in household waste by the year 2000.

In several countries, agreements have been reached between government and industry on recycling. In Austria, for example, such an agreement extends to paper, cement and motor vehicles while a similar agreement in the Netherlands covers base metals, chemicals and printing.

Financial incentives have also been introduced in some Member States to increase recycling and reduce polluting activities. In Italy, for example, tax incentives are available to new firms setting up operation in activities relating to energy efficiency, recycling and other environmental sectors, while in Spain, financial support is provided to companies changing production processes or machinery to reduce pollution. In other countries, such as the Netherlands, dividends and interest on environmental investment are exempt from tax.

A common eco-labelling scheme was established in the Union in 1992 (Council Regulation No 882/92), aimed at promoting products with a reduced environmental impact during their entire life-cycles (from design and production to marketing and use) and at providing consumers with better information on the environmental impact of products. Though the scheme is voluntary, producers are encouraged to participate through market pressure. The scheme is similar to those which already existed in a several Member States (the Blue Angel system in Germany or the NF environment system in France, for example).

A common eco-auditing scheme was introduced more recently in April 1995 (the eco-management and audit scheme). This is also voluntary, giving producers the opportunity to accept their environmental responsibilities, while bringing peer pressure to bear on companies to participate, which involves them formulating an environmental policy, conducting an environmental review, introducing an environmental management programme, engaging in environmental audits, preparing an environmental statement and having an external verifier to validate this.

The definition and quantification of the environmental sector

The task of counting the number of people in employment in the environmental sector is not easy.

Generally the sector is broken down into:

- pollution control and the waste industry which takes in sewage and refuse disposal and recycling;
- water supply industry which includes the collection, purification and distribution of water;
- environmental management activity in industry and the public sector;
- the suppliers of environmental management equipment such as filters and instruments for monitoring emissions;
- consultancy on environmental issues and research and monitoring activities;
- people employed in nature conservation, parks, and various environmental amenities.

Although some of these categories, such as water supply and waste management, for instance, can be separately identified in the statistical data, others are included with other activities and the numbers employed on environmental tasks cannot be easily distinguished. For instance, the manufacturing of instruments for measuring emissions or of devices for filtering them accounts for only part of the output of the instrument engineering sector, while environmental consultancy which has been a rapidly growing activity as legislation has increased is included in a wide range of business services.

Moreover, a significant number of people spend part of their time on environmental management in a large number of companies and organisations in many different sectors and these can only be identified from detailed survey information, which is rarely available.

Partly as a basis for establishing the number of employed, Eurostat is at present working with various private sector organisations on a project entitled 'Eco-industries — Eco-products' to quantify the environmental industry using various existing sources of data, including company accounts as well as eco-product labelling systems (such as the blue label system in Germany or the NF environment system in France) to give an indication of the number of products in the economy which have been 'adapted' to make their whole life-cycle cleaner than before. The inclusion of such products, however, raises certain problems of definition, of where to draw the dividing line between environmental products and others. Given that environmental considerations are gradually being incorporated into production processes in most if not all sectors, the whole economy in some sense is likely to become 'environmental' eventually.

Netherlands and 4% in total in the other six countries. Only in five countries — Germany, Denmark, France, the Netherlands and the UK — did expenditure amount to more than 1% of GDP.

Moreover, during the recession in the early 1990s, the growth in environmental expenditure slowed down, particularly in the private sector, where it increased by under 1% a year between 1990 and 1992. By contrast, public spending grew by almost 2½% a year. While expenditure on waste water management also increased by 2½% a year, spending on waste disposal management went up by 1½ % a year and expenditure on air pollution control went down by 2½ % a year.

On the other hand, OECD forecasts for the present decade are for a 50% growth in demand in Europe for waste management products and air pollution control equipment and an increase of a third in water and effluent treatment. Such forecasts, however, depend critically on legislation being implemented in these areas and, just as importantly, on this being enforced.

The number of jobs affected by environmental measures

There are no reliable figures for employment in the environmental industry in the Union, partly because employment does not break down into neat sectors which lend themselves to being separately distinguished in industrial systems of classification. In practice, jobs with a significant environmental content are to be found right across the economy (See Box).

Nevertheless some, reasonably up-to-date, estimate of the number of people working in the main parts of the environmental sector can be obtained from Community Labour Force Survey data, which divides employment into around 60 (NACE 2-digit) sectors of activity. These are likely to be overestimates to the extent that the 'environmental' sectors distinguished also cover other activities and underestimates to the extent that they exclude employment in environmental jobs in other sectors.

These data also provide some indication of the number of jobs in other sectors of the Union economy in different Member States which could potentially be affected by environmental protection measures, in the sense that they are in sectors where pollution is a problem, such as agriculture, chemical production or transport. This does not necessarily mean that there will be job losses in these sectors as measures are implemented or increased in scale. Indeed in some sectors, the increased protection of the environment could lead to job gains as methods of production change, such as in agriculture, for example. Rather, it means that the nature of what is produced and the methods used are liable to change and with them the nature of the jobs performed. In this event, some jobs will be lost to be replaced by others, though not necessarily in the same firm or the same type of activity or even in the same location. At the very least, some adaptation to the new circumstances on the part of management and labour alike is likely to be required, and, therefore, retraining.

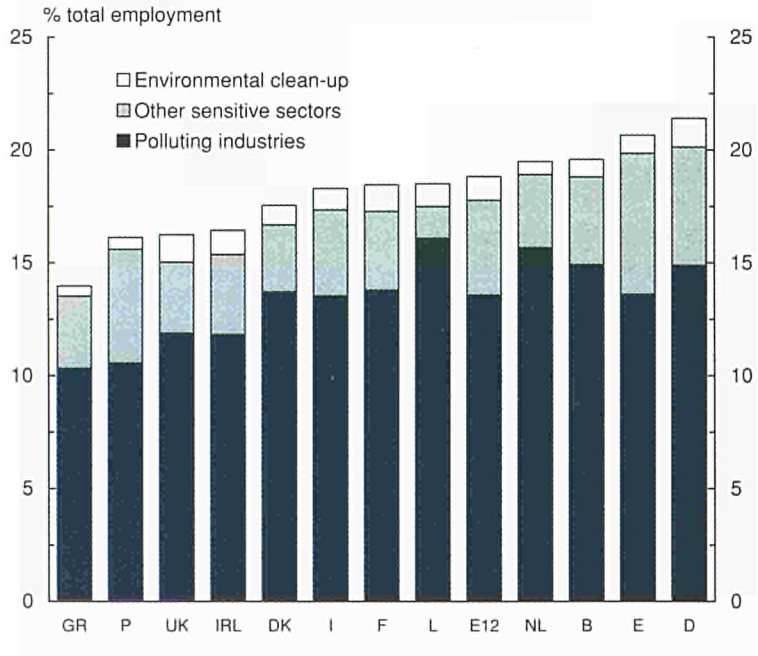
Employment in sectors vulnerable to environmental protection measures

Sectors vulnerable to increased action to protect the environment, in the sense that they are responsible for a relatively high level of environmental damage (in an aggregate sense, it should be emphasised) include agriculture, chemicals, paper and pulp production, basic metals, the electricity and gas industry, land and air transport and wholesale distribution. Excluding agriculture, which is in a special position in that it has experienced continuous large-scale job losses in most Member States over a long period of time, these together accounted for just under 14% of total employment in the Union as a whole in 1994 (Graph 137).

Their importance, however, varies significantly between Member States, tending to be greatest in the higher income, more developed countries in the North of the Union and least in the South. Thus while in Luxembourg, some 16% of jobs were in these sectors in 1994, in Greece, the figure was only just over 10%. Moreover, their share in employment was above the Union average in Belgium, Germany, France and the Netherlands and below the average in Portugal, Spain and Italy as well as in Ireland and the UK.

Over time, the relative number of jobs in these sectors has tended to decline in the North and increase in the South. Whereas in the Union as a whole, the growth in their employment averaged just under 1% a year between 1985 and 1992 (the last year for which consistent data are available) as compared with a

137 Employment in polluting, environmental and sensitive sectors in Member States, 1994



growth of just over 1% in total employment, in five Member States — Belgium, Denmark, Ireland, Luxembourg and the UK — employment in these sectors actually fell (Graph 138). Moreover, in Germany, while employment increased significantly, the rate of growth was less than in the rest of the economy. In France, on the other hand, employment in these sectors increased at a similar rate as in the economy as a whole, while in the Netherlands, it rose at a higher rate. In the South of the Union, in Greece and Spain, the number employed in these sectors went up by more over this period than in other activities, though in Portugal, it rose by less.

In overall terms, therefore, employment in most Member States has grown by less in 'polluting' sectors in recent years than elsewhere in the economy. This may be due, in some degree, to environmental regulations, but in large measure it reflects trend changes in the structure of employment, from manufacturing to services in particular. It also reflects, however, a shift away from public transport — which employs people directly, to private car use, which does not — which is more worrying from an environmental perspective.

Employment in agriculture, of course, has also declined, indeed much more so than the other activities considered here (by an average of almost 4% a year between 1985 and 1992), though it is difficult to argue that the regulations and other policies, such as pesticide charges imposed in the Netherlands, are a major factor behind this. Other factors, such as increased mechanisation and specialisation in the sector, together with the growth of job opportunities in other sectors, have been of major importance.

Other sensitive sectors

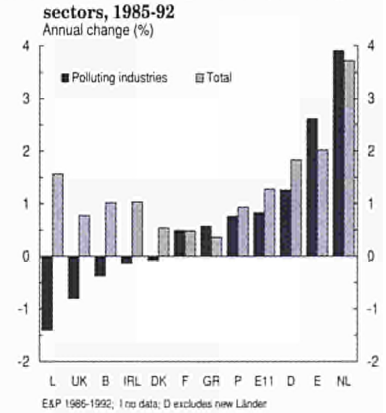
Other sectors of activity, though not directly a major cause of pollution, are a potential source of environmental damage in that they either involve the depletion of scarce resources or are an indirect cause of pollution. As such, they are also liable to be affected by increased efforts to protect the environment. These activities include the mining and processing of (non-renewable) minerals and fossil fuels and forestry and fishing (where the resources are renewable but require careful management and control to ensure stocks are maintained). They also include the car industry which, as well as being an important indirect cause of the toxic exhaust gases its product emits, is a major consumer of primary energy, largely in the form of the steel which it uses (it is estimated that over half of the primary energy consumed by a car over its lifetime is used in its production).

In 1994, these activities accounted for just over 4% of total employment in the Union. In this case, there is no particular pattern as regards their relative importance in different parts of the Union. Their share of employment is comparatively high in Germany, largely because of the scale of car production, as well as in Spain and Portugal, reflecting in part the relatively large numbers employed in fishing. In each case, these activities accounted for 5–6% of employment. In more than half of the Member States, by contrast, their share was between 3% and 4%.

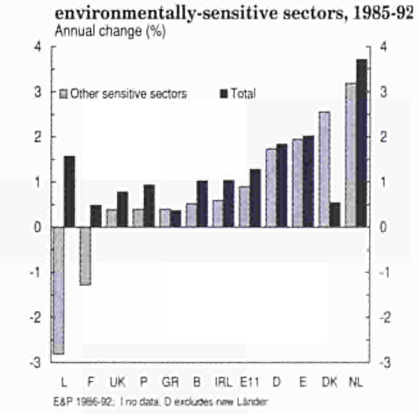
Employment in these activities has tended to grow by less than in other sectors. Between 1985 and 1992, the rate of increase over the Union as a whole was just under 1% a year, much the same as in polluting sectors (Graph 139). In three countries, France, Italy and Luxembourg, the number employed declined — by almost 1½% a year in the former two and by just under 3% in the latter. Only in Denmark and Greece was the growth in these activities more than in others, while apart from in Germany and Spain, where the difference in the rate was small, growth was substantially lower in these sectors in all other Member States.

The relative fall in the numbers employed in these other sensitive

138 Change in employment in polluting sectors, 1985-92



139 Change in employment in other environmentally-sensitive sectors, 1985-92



sectors cannot, of course, necessarily be attributed to the effect of environmental restrictions. In the car industry, large increases in productivity coupled with growing foreign competition and a consequent loss of domestic and export market shares have been major factors underlying job losses. In fishing, forestry and mining, the natural depletion of stocks rather than controls imposed by government to limit exploitation, along with shifts in demand and competition from lower priced imports, have been largely responsible.

These factors are likely to continue to be the main determinants of employment in these activities rather than restrictions and higher costs resulting from environmental protection measures.

Employment gains from environmental protection

Increased concern for the environment, the implementation of protective measures and action to clean up polluted areas also, of course, has positive effects on employment, in terms of creating jobs in new areas of activity as well as new jobs in existing areas. Measuring the scale of these effects, however, is complicated since they tend to be spread throughout the economy and in many cases environmental jobs overlap with other production activities. The areas in which net job creation can be expected are:

- the treatment of waste water and toxic waste and the disposal of noxious substances;
- the recycling of materials of various kinds;
- the manufacture of environmental equipment, such as pollution control devices, waste disposal facilities and monitoring apparatus;
- administrative activities relating to the enforcement of environmental legislation and the monitoring of compliance with standards and regulations, as well as to the collection of taxes and charges;
- environmental management jobs in the private and public sector as firms and organisations are obliged to ensure that their activities comply with environmental standards and regulations;
- consultancy on environmental issues, including eco-auditing, as well as research activities associated with monitoring environmental conditions;
- activities which would not have been possible in the absence of environmental improvements, such as particular tourist or leisure pursuits.

Most of these jobs are in activities which cannot easily be identified in the statistics on employment in the sense that they are not classified separately from others but form part of a wider sector. All that is possible is to examine employment in the sectors which are clearly environmental in nature or in which there is a significant environmental element in the output produced. These sectors comprise recycling, sewage and refuse disposal, the collection, purification and distribution of water and instrument engineering (in which, of course, only a minor proportion of output consists of control and monitoring equipment).

In the Union as a whole, these sectors were the source of almost 1½ million jobs in 1994 (according to the Labour Force Survey), or around 1% of total employment (Graph 140). Of these jobs, almost 500 thousand were in sewage and waste disposal, just under 250 thousand in the water industry, just over 90 thousand in recycling and around 650 thousand in instrument engineering.

At the Member State level, environmental sectors were of most importance in terms of jobs in the UK, France and Germany, where they accounted for well over 1% of total employment in 1994 (around 300 thousand in the UK, 250 thousand in France and 450 thousand in Germany — in the latter, the figure involves some estimation since data are not yet available on a new NACE basis as for other countries). The relative number of jobs was smallest in the least developed Member States, in Greece, where they amounted to only just over ½% of total employment, and in Portugal, where they were significantly below. In these two countries, employment was particularly low compared with that in other Member States in instrument engineering, which is only to be expected given the advanced nature of this industry; it was also low in Portugal in sewage and refuse disposal, reflecting the relative underdevelopment of these activities.

Apart from in Greece and Portugal, on the one hand, and Germany and France, on the other, however, there is no clear tendency for the relative scale of employment in environmental industries to vary across the Union with the level of economic development. Though the relative numbers employed were also lower than average in 1994 in Spain, this

was also true of Belgium, Denmark and the Netherlands. Given the relatively high level of concern with environmental issues in these latter two countries, in particular, and the correspondingly high level of standards imposed, this is somewhat surprising and may reflect problems with the comparability of the data as much as genuine differences relative to other Member States (based on the old NACE classification, which is only slightly different in term of coverage, employment in these sectors was similar to the Union average in Denmark and above in the Netherlands).

Over the past decade or so, employment seems to have increased at a much higher rate across the Union in the environmental sectors than in the rest of the economy. Indeed, between 1985 and 1992, the rate of net job creation in these sectors averaged over 3% a year, well over twice as much as in other sectors (Graph 141).

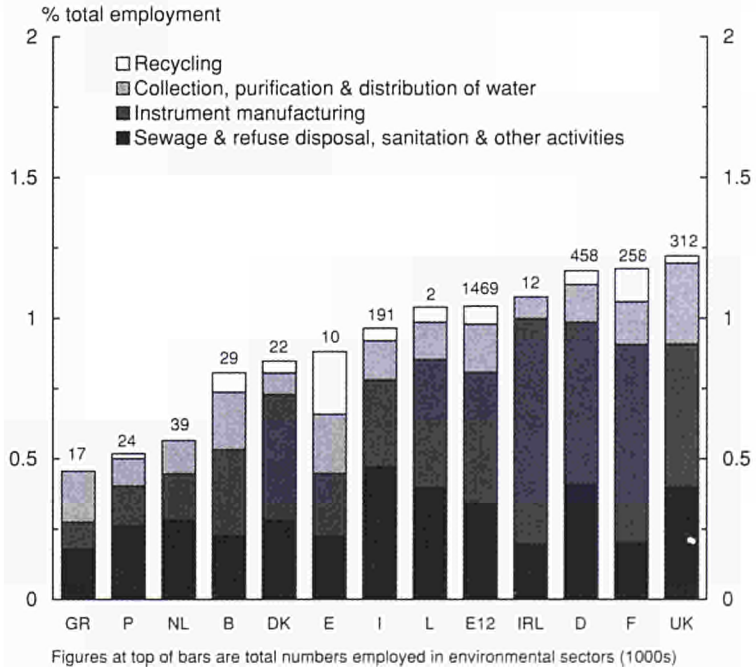
At the Member State level, employment growth in environmental sectors exceeded that in the rest of the economy in all Member States, except Greece and Portugal, where the scale of employment in the environmental industry was already much lower than elsewhere in the Union. In both countries the numbers working in these sectors declined between 1985 and 1992.

In the other Member States, growth of employment in the environmental sector was three times higher or more than in the rest of the economy in all countries except the UK, Luxembourg and the Netherlands, and in the former two it was twice as high.

At a more disaggregated level, there were marked differences in the rate of employment growth between the sectors included in the environmental industry over this period. While the numbers employed in the water industry and in sewage and refuse disposal increased in most Member States where data are available, especially in the latter, where the growth averaged 3½% a year over the Union as a whole, in the recycling industry, employment declined in three of the five countries where the data are reasonably reliable, the exceptions being Germany and France (Graph 142). In instrument engineering, employment rose in half the Member States for which there are data. The exceptions were Denmark, Germany, France and the UK. This was sufficient, however, to cause a reduction of employment in the Union as a whole. At the same time, employment increased significantly in this industry in Spain and Ireland.

The rate of net job creation in environmental sectors in the Union has, therefore, been higher than in other parts of the economy in the recent past. Though the additional number of jobs generated in these sectors has not been very large, accounting for only around 2½ % of the total net addition to employment between 1985 and 1992, they nevertheless provided work for an extra 250 thousand in the Member States as a whole over this period. Moreover, it has been estimated that employment in 'soft' environmental industries, such as nature conservation, national heritage preservation and the provision of amenities such as parks and open spaces, which is not included in these figures, amounted to an additional 250 to 500 thousand (ECOTEC), making a contribution of 5–7½ % to the increase in total employment.

140 Distribution of employment in environmental sectors in Member States, 1994



Figures at top of bars are total numbers employed in environmental sectors (1000s)

The kinds of environmental jobs being created

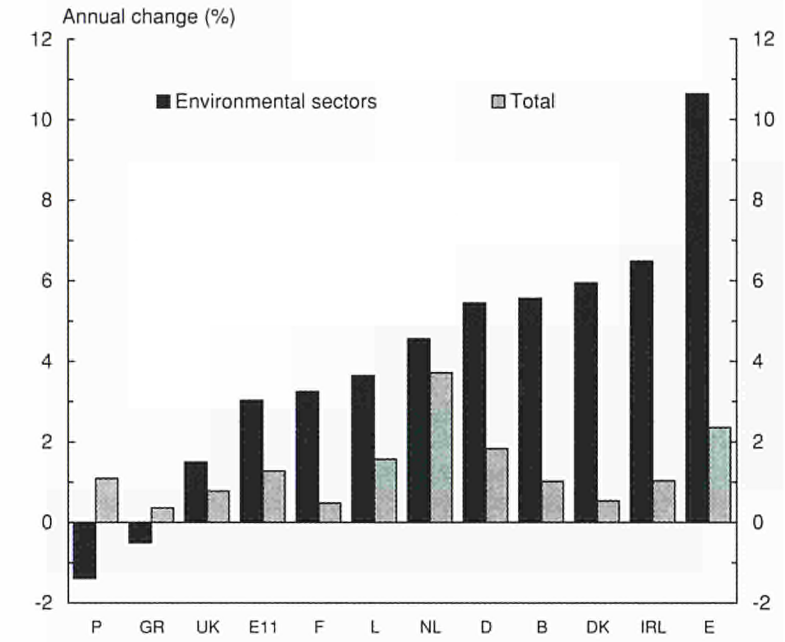
The increasing importance accorded to environmental issues is likely to affect the nature of jobs as well as the number. This will tend to have implications for the skills required of workers employed in particular activities across a wide area of the economy, not just in environmental sectors or in those most affected by protective measures, which in turn will have consequences for education and training needs.

In environmental management, in particular, there are a range of tasks which are likely to become more important, including:

- acquiring awareness of the relevant environmental legislation and keeping up to date on new regulations and standards introduced;
- introducing changes in production processes to ensure compliance with environmental standards;
- sampling and analysis of waste;
- liaison with regulatory industries;
- ensuring possession of the licences or permits required to operate or discharge certain substances in particular sectors.

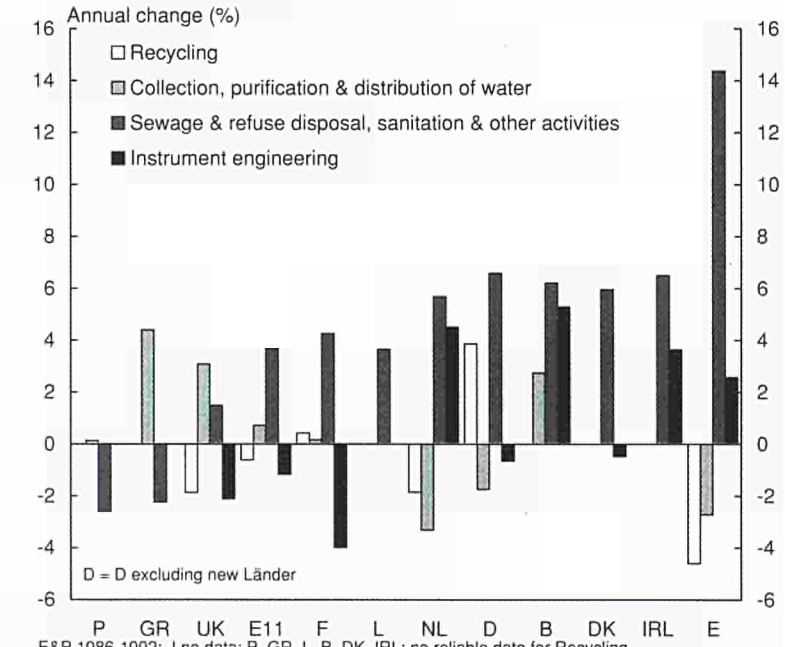
In only large concerns are such activities likely to involve the employment of full-time staff, but in smaller concerns they will tend to take up an increasing amount of time, particularly of senior and

141 Change in employment in environmental sectors in Member States, 1985-92



See Note to Graph 142; where no reliable data, change assumed to be zero; D excludes new Länder

142 Change in employment by environmental sector in Member States, 1985-92



E&P 1986-1992; I no data; P, GR, L, B, DK, IRL: no reliable data for Recycling
L, DK, IRL: no reliable data for water; P, GR, L: no reliable data for Instrument engineering

middle management who will need to keep abreast of new regulations and legislative requirements and to adapt production processes and working methods accordingly. This will inevitably mean certain changes in the jobs performed by operatives and, in some cases, additional tasks, such as the monitoring and testing of emissions or of waste material. It will also tend to mean the need for special and additional qualifications and training for those responsible for environmental issues.

According to recent case studies, however, there is still a lack of training facilities in this area in most Member States. The Structural Funds are aimed, in part, at alleviating this shortage by supporting training in this area. Moreover, there seems to be insufficient awareness in industry of the need for environmental management and of the increasing importance of taking account of environmental issues when planning and organising the production process, particularly among smaller firms where often no-one has responsibility for monitoring requirements and new developments in this area. Since the ability to respond to the introduction of new or tougher regulations and standards is likely to become an increasingly important determinant of competitiveness in certain areas, the deficiencies in this regard should be an urgent matter of policy concern.

Future employment prospects

Present forecasts are that by the year 2000, a further 250 thousand additional jobs could be created in the environmental sector across the Union as a whole, while employment in nature conservation, heritage preservation and the provision of amenities such as parks and open spaces — the so-called 'soft' environmental industries — could contribute about the same number (ECOTEC estimate).

The rate of employment creation in the environmental sector, however, like the growth of demand for its products, depends critically on the future course of legislation in the Union and the nature and scale of measures taken to protect the environment. If the introduction of new legislation, including new taxes and charges aimed at imposing the true cost of their actions on polluters, slows down or its enforcement becomes more lax, past experience demonstrates forcibly that the growth of environment-related activities will also slow and job creation in this area will be retarded. With the implementation at the end of 1994 of the Directive on recovering and recycling of packaging waste, investment and jobs in waste management are likely to be stimulated, but in areas, such as the control of emissions, there is a good deal of uncertainty about the timing and scale of future legislative action.

If the problems and costs to businesses of adapting to new environmental standards, and the potentially adverse effects on jobs, are to be minimised, it is critically important, as emphasised above, that governments make their future legislative intentions clear as far in advance as possible. Until they are, most businesses will, on past evidence, delay taking any substantive action.

Annex

This Annex contains more detailed analysis of a number of issues and supporting evidence for some of the conclusions reached in Part I of the Report. The issues covered are:

- demographic trends and changes in participation;
- the employment-intensity of growth in the Union as compared with the US and Japan;
- changes in working time;
- the rate of entry into self-employment and the rate of exit;
- entry into part-time employment and temporary jobs;
- the degree of overlap between temporary and part-time employment and the average duration of fixed-term contracts;
- disparities in rates of unemployment across the regions of the Union;
- the growth of real labour costs and real wages in manufacturing and non-manufacturing in relation to the growth of labour productivity over recent years;
- the changes in the distribution of hours worked.

Demographic trends, participation and labour force growth

The evidence of the 1980s and early 1990s strongly suggests that labour force growth is not independent of the growth of employment. Accordingly, any assessment of the Union's work force in future years, and of unemployment, is dependent on what is projected about the prospects for job creation. Ignoring this interrelationship is liable to result in an overestimate of the fall in unemployment as employment expands.

Changes in the labour force by age

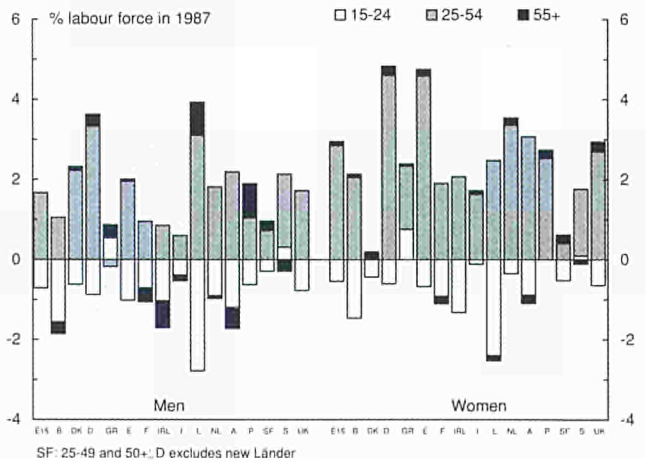
In the growth period between 1987 and 1990, the main source of the expansion in the labour force was the increase in women in the 25–54 age group. This alone was responsible for increasing the Union labour force by almost 3% over this period (Graph 143). The number of men in this age group also expanded, though by much less, adding around $1^1/_2$% to the Union's work force.

These increases were partly offset by a substantial reduction in the number of young men and women of under 25, which in total was equivalent to an overall reduction of over 1% in active population, while there was little change in the number of those aged 55 and over.

This pattern of change was in large degree repeated in all Member States. In all countries, except Denmark and Finland, an increase in the number of women aged between 25 and 54 was the major source of labour force growth over this period. In all countries, apart from Greece, the number of men in this age group also expanded. Moreover, in all countries apart from Greece again and Sweden, the number of young men and women under 25 in the labour force contracted.

The change in the number of older people in the work force, however, differed somewhat between Member States, for men especially. Whereas for women, the number aged 55 and over increased everywhere apart from France, Ireland, Luxembourg, Austria and Sweden, though in many cases only slightly, for men, the numbers declined in seven Member States (Belgium, France, Ireland, Italy, the Netherlands, Austria and Sweden) and remained unchanged in another (the UK). Only in four countries (Germany, Greece, Luxembourg and Portugal) was the increase significant.

143 Change in the labour force by age and sex in Member States, 1987-90



SF: 25-49 and 50+; D excludes new Länder

In the period of slow employment growth between 1990 and 1994, the pattern of change was different in a number of respects. Women aged 25–54 still represented the main source of labour growth (Graph 144). The number of men of this age rose by only just over half the rate of increase in the earlier period. At the same time, the number of young men and women under 25 in the labour force declined by a much higher rate than between 1987 and 1990 — 60% higher in the case of men, over twice as high in the case of women. A contraction in the number of men in the work force aged 55 and over reinforced the effect of the decline in young people. The number of women in this age group continued to expand, though only at two-thirds of the rate of increase in the earlier period.

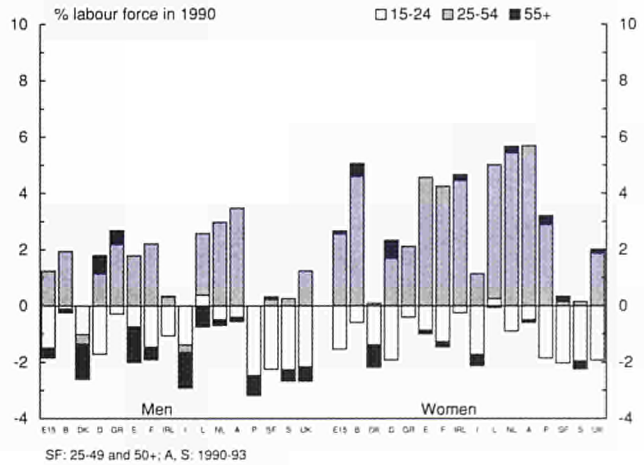
As in the earlier period, this general pattern was repeated in the majority of Member States. Except for Luxembourg, there was a continuing contraction in the number of young men and women under 25 in the labour force in all Member States, in most cases, a substantial one.

The number of men in the labour force aged 55 and over declined in all Member States, apart from Germany, Greece, Ireland and Finland (for Austria, data discontinuities prevent a conclusion being reached). The fall was particularly marked in Denmark, Spain and Italy. For women aged 55 and over, only five countries showed a reduction of any size — Denmark, Spain, France, Italy and Sweden.

Changes in participation and working-age population

A key question arising from the above is how far the changes which have occurred are the result of demographic trends — ie of a changing rate of growth of working-age population — as opposed to changes in the rate of participation in the labour force of those of working age (see Box).

144 Change in the labour force by age and sex in Member States, 1990-94



SF: 25-49 and 50+; A, S: 1990-93

Separating the effects on the labour force of changes in population and participation

The data in this section, as well as in the Report itself, come from the Community Labour Force Surveys for the years in question. Because these relate to private households and tend to exclude people living elsewhere, such as the armed forces, they differ sightly from the usual statistics on demography. They also differ slightly from the figures for the labour force derived from the employment and unemployment data used to examine changes over time elsewhere in this Report. These differences, however, are likely to have only a small effect on the results of the analysis, particularly as regards the relative importance of changes in the different age groups

One problem in distinguishing between the effect on the labour force of changes in working-age population and changes in participation of people of working age is that the concept of working age is an imprecise one. Though it is customary to define this in terms either of those aged between 15 and 64 or of those aged 15 and over, there are difficulties with both definitions. These arise not only because rates of participation are much lower for younger and older people than they are for those in the middle, but because the extent of the difference varies significantly both between countries and over time. Any definition of working-age population is, therefore, liable to give a misleading impression of differences in participation rates between countries and of the changes in population from which the labour force is drawn.

To overcome this problem, population is divided into age groups as well as between men and women and is then effectively weighted by the rate of participation for each group. On this basis, the change in population weighted by participation rates at the beginning of the period indicates what would have happened to the labour force had these rates remained unchanged. The difference between this and the actual change indicates the aggregate effect of changes in rates of participation.

More formally, the change in the labour force over any period is sub-divided between the population effect, measured by $a_{-1}(P-P_{-1})$, and the participation effect, $(a-a_{-1})P$ for all age groups, where a is the rate of participation in a given age group, P is the population of that age and the subscripts refer to the base period.

Sub-dividing the change in the labour force between these two sources shows that changes in rates of participation are the primary factor.

As indicated in Part I, Section 2, there was an overall rise in participation over the period 1987 to 1990 which added 1.9 million to the Union labour force. In the period 1990 to 1994, participation fell, reducing the labour force by 3 million.

Examining changes in participation by age group, the sharp decline in participation which occurred in the 1990 to 1994 period arose principally among young people, both men and women, and among men in the 25 to 54 age bracket. The former was responsible by itself for a fall in the total labour force in the Union of some 3.3 million over this period, a considerably higher figure than over the previous three years (600 thousand). Though some of this rise might be due to a genuine increase in the desire of young people to raise their qualification and basic skill levels, it also almost certainly reflects a reduction in the availability of suitable employment opportunities. In this regard, it is especially notable that much of the fall in participation occurred in those Member States which experienced the largest decline in employment — Spain, Germany, Italy, Finland, Sweden and the UK, in particular.

The reduction in the numbers of young people was reinforced by a decline in participation of men, both in the 25 to 54 age group, which served to reduce the labour force by over 1.2 million, and in the 55 and over age group, which served to reduce it by over 900 thousand, some 700 thousand more than in the three years before.

These changes were common to most Member States. In most countries, rates of participation among young people under 25 declined markedly in the period 1990 to 1994, in some cases — Greece, Spain and Portugal — offsetting a rise in the labour force which would have resulted from demographic trends. Only in Luxembourg, the Netherlands and Austria did the participation of young people rise over this period and only in Belgium and Ireland was the fall in participation less than over the previous three years. In most cases, it was substantially more (Graphs 145 and 146).

Similarly, for men aged 25 to 54, the rate of participation fell in all Member States, except for Greece and Austria, between 1990 and 1994. The fall was particularly pronounced in Denmark, Ireland, Italy, Luxembourg and Sweden, in each case amounting to an effective reduction in the labour force of over 1% in these four years. By contrast in the 1987 to 1990 period, there was an increase in participation among men in this age group in seven Member States (Graphs 147 and 148).

In all Member States, except Belgium and Greece, the participation rate of men of 55 and over declined over the 1990 to 1994 period (for Austria, there are no consistent data), in Denmark, the Netherlands, Sweden and the UK more than offsetting a positive demographic effect. Although there was also a fall in participation among older men in the majority of Member States in the three preceding years, in seven it increased, including in Denmark, Germany, Luxembourg, Finland and the UK, in all of which the decline in subsequent years was significant (Graphs 149 and 150).

Examining the changes within the 55 and over age group in more details reveals that in most cases a substantial part of the reduction in participation in the years after 1990 (80%) was attributable to those under 65 and, in particular, to those under the official age of retirement in Member States. In other words, much of the fall was due to significantly more people retiring early during the period than over the preceding one, despite the change in policy in a number of Member States away from active encouragement of early retirement to free up jobs for younger people — a change motivated by cost considerations in a context of growing numbers of older people. It would seem that declining job availability during this period outweighed the effect of declining financial inducements.

The implications for future labour force growth

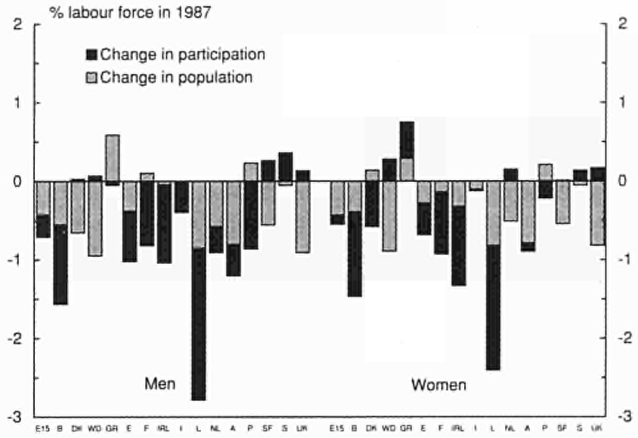
The above analysis indicates that the slowdown in the rate of employment growth after 1990 significantly reduced the growth of the labour force across the Union and in a number of Member States resulted in an absolute reduction in the numbers involved. The evidence of the last period of economic recovery in the latter part of the 1980s strongly suggests that increased labour force growth is likely as the rate of net job creation rises. An important question is how rapid this increase is likely to be. The answer depends on a number of issues, in particular, on:

- how far the marked contraction in participation among young people will slow down or even be reversed as the availability of jobs improves, which depends in turn on how far the increased participation in education and training signals a rise in long-term trend as opposed to a short-term reaction to job shortages;
- whether the rise in participation of women in the 25 to 54 age group will continue at the same rate as over the past 10 to 15 years;
- how far men of prime working age who have left the (official) labour force will be attracted back as employment prospects improve;
- whether the increase in early retirement among men in many Member States will continue at the same rate.

On the first issue, the likely trend in the participation of young people, there remain significant differences in prevailing levels of participation across the Union, with rates for the 15 to 24 age group varying from only around a third in Belgium and under 40% in Greece, France and Italy to around

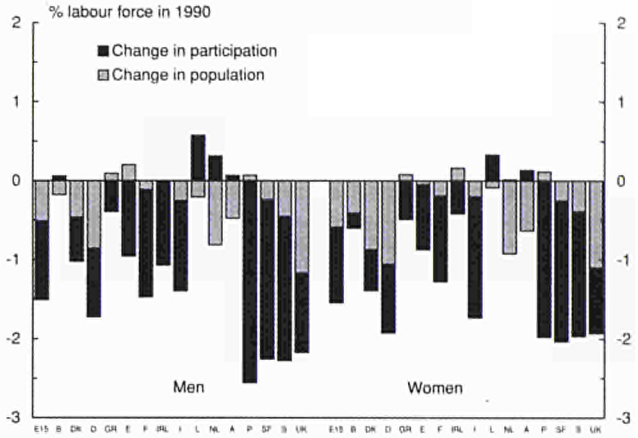
Effect of changes in population and participation on the labour force

145 Men and women aged 15-24, 1987-90



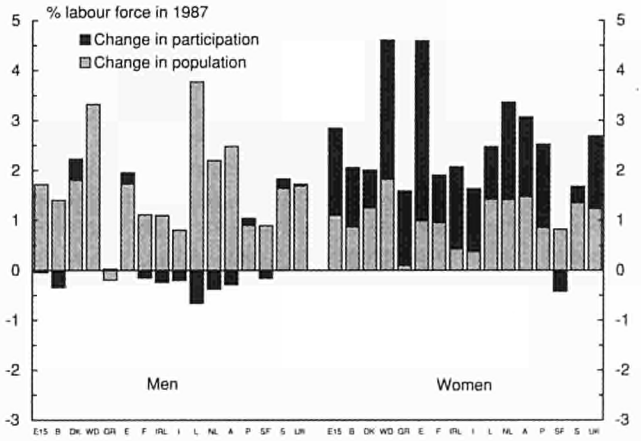
D excludes new Länder

146 Men and women aged 15-24, 1990-94



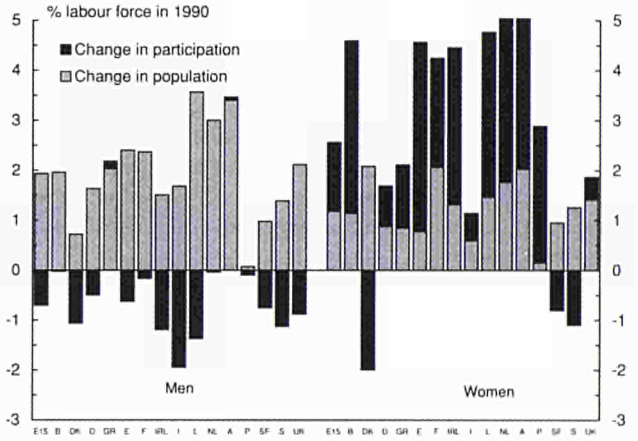
A, S: 1990-93

147 Men and women aged 25-54, 1987-90



SF: 25-49; D excludes new Länder

148 Men and women aged 25-54, 1990-94



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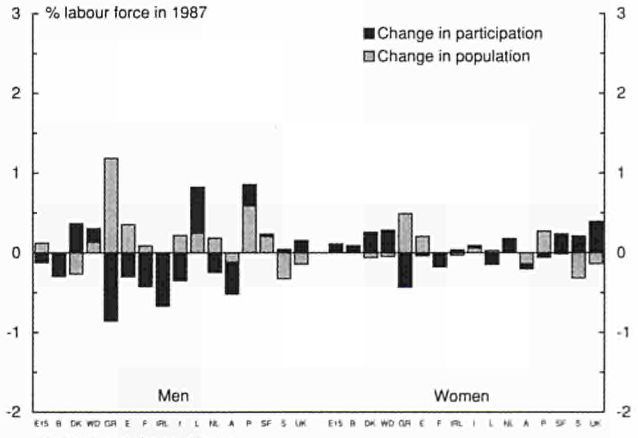
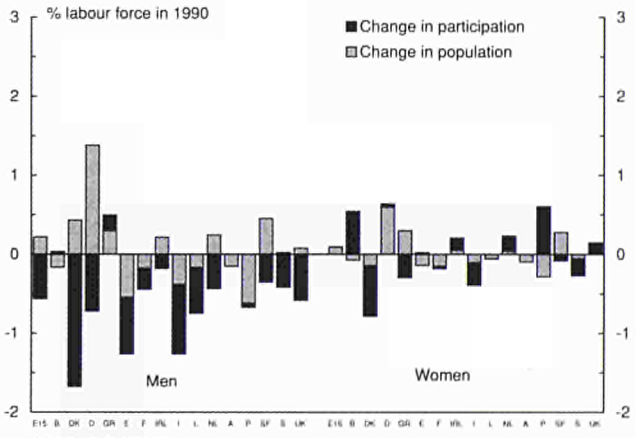
149 Men and women aged 55+, 1987-90



SF: 50+; D excludes new Länder

150 Men and women aged 55+, 1990-94



SF: 50+; A, S: 1990-93

65% in Austria and the UK and over 70% in Denmark (which partly reflect variations in the labour force participation of those in education and training) (Graph 151). In general, however, rates of participation tend to be relatively low in the less developed parts of the Union where unemployment is high.

On the second issue, similarly large differences across the Union remain in the rate of participation among women in the 25 to 54 age group. Despite the substantial growth which has occurred over the past decade in particular, these are still much lower than in most other parts of the Union in the less developed regions, Portugal apart (Graph 152). The likelihood of continuing increases in participation among women in these countries will add to the pressure for job creation.

On the third issue, there is much less variation in rates of participation of men in the 25 to 54 age group between Member States, though in Ireland and Italy, where unemployment is relatively high, rates are slightly lower than elsewhere in the Union (90–91% as opposed to a Union average of 93%).

On the fourth issue, the rate of participation of men in the older age groups tends to be relatively high in the less developed parts — in Greece, Spain, Ireland and Portugal, for men in their late-50s it is around 75% as against 60% or less in Belgium, France and Luxembourg — which might suggest that this is one area where pressure for jobs may be less acute than elsewhere (Graph 153).

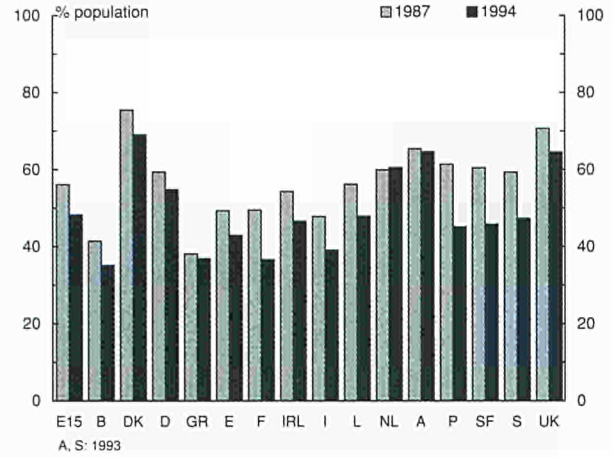
Output and employment growth in manufacturing and non-manufacturing

The relationship between the growth of employment and output seems to have been closer in non-manufacturing sectors than in manufacturing industries, both during the period of economic recovery in the latter part of the 1980s and in the period of recession in the early 1990s.

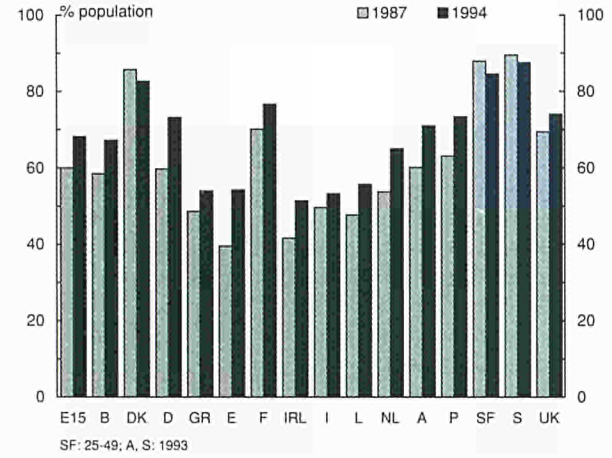
In the growth period 1985 to 1990, the increase in the numbers employed in manufacturing in the Union as a whole was concentrated in just four Member States — Spain, the Netherlands, Germany and Italy (Graph 154). In only two of these, however — Spain and Italy — was the growth of value-added (or net output) in manufacturing, at around 4% a year, significantly greater than the Union average (3%). Moreover, in five Member States where employment in manufacturing fell during this period, growth of value-added was also greater than the Union average — indeed, in Luxembourg and Portugal, it was close to 5% a year. These five countries include the two countries showing the largest fall in employment — Finland and the UK, where employment declined by 2% a year and 1% a year, respectively.

Much the same is true of manufacturing in the subsequent period of recession, in the sense that there was not a substantial

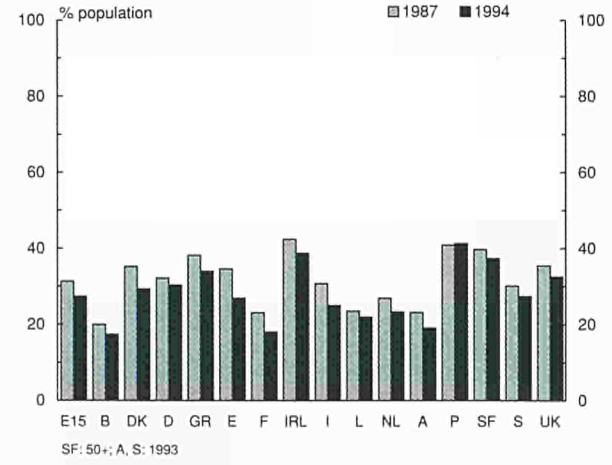
151 Rates of participation of young people aged 15-24 in Member States, 1987 and 1994



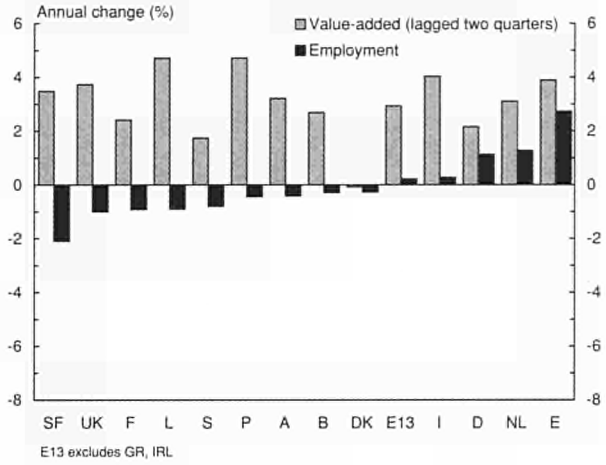
152 Rates of participation of women aged 25-54 in Member States, 1987 and 1994



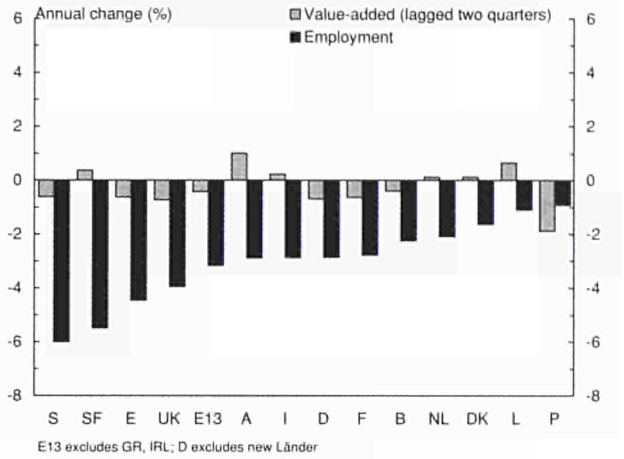
153 Rates of participation of men aged 55+ in Member States, 1987 and 1994



154 Growth of value-added and employment in manufacturing in Member States, 1985-90



155 Growth of value-added and employment in manufacturing in Member States, 1990-94



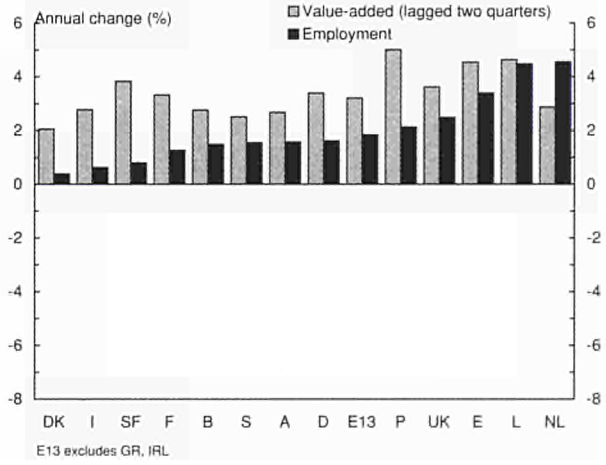
difference in terms of the change in output achieved as between those Member States experiencing a relatively large fall in employment and those experiencing a relatively small decline.

No country managed to prevent employment in manufacturing falling over this period, though the fall varied from under 1% a year in Portugal to over 5% a year in Finland and Sweden (Graph 155). Output, however, declined by more in Portugal, by 2% a year, than anywhere else in the Union. By contrast, output increased in Finland, one of only six countries in the Union where this was true, and fell only slightly more than the Union average in Sweden. Of the six countries in which output fell over this period, three experienced a fall in the numbers employed of less than the Union average — though in two cases only just — and three experienced a larger decline. Moreover Austria which achieved the highest rate of output growth — just under 1% a year — experienced much the same reduction in employment as Germany which showed the second biggest fall in output — almost 1% a year.

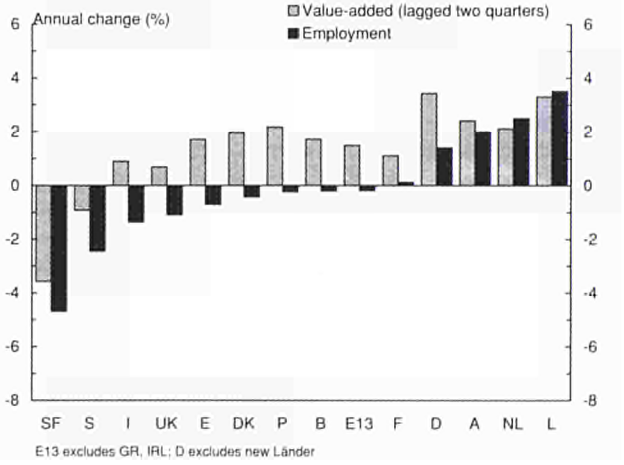
In non-manufacturing sectors, there was a somewhat closer relationship between the rate of change of output and employment. In the period 1985 to 1990, five countries experienced a higher growth of employment in non-manufacturing sectors than the average across the Union as a whole of just over $1^1/_2$% a year. Four of these countries — Luxembourg, Spain, the UK and Portugal — also achieved a higher than average increase in value-added in these sectors, over 3% a year (Graph 156). The one exception, the Netherlands, where growth of value-added was only just below 3% a year, experienced an usually large increase in the importance of part-time working.

In the subsequent period of recession, 1990 to 1994, all four countries experiencing any significant increase in

156 Growth of value-added and employment in non-manufacturing in Member States, 1985-90



157 Growth of value-added and employment in non-manufacturing in Member States, 1990-94



employment at all in non-manufacturing — Luxembourg, the Netherlands, Austria and West Germany — achieved much greater than average rates of growth of value-added, over 2% a year (Graph 157). Similarly, the two Member States showing the largest reductions in employment — Finland and Sweden — were the only countries in the Union experiencing falls in value-added, while the two with the next largest falls — Italy and the UK — were also the two countries where value-added in non-manufacturing rose by least. Moreover, the four Member States where the numbers employed declined by only slightly more than the Union average — Spain, Denmark, Portugal and Belgium — all showed similar rates of growth in value-added of between $1^1/_2$% and 2% a year.

Changes in working-time

Between 1985 and 1990, average hours worked per week declined in most Member States, contributing to the growth in the numbers in employment (see Part I and Box for a description of the data used). Examining the most intense period of employment growth, 1987 to 1990, in more detail, average weekly hours usually worked in the economy as a whole declined in 10 countries, remained broadly unchanged in three — Greece, Luxembourg and Italy — and increased in another two — Sweden and the UK (Graph 158).

There were, however, some differences in experience between sectors over this period. In agriculture, average hours declined in most countries of the Union except Italy, Greece, Austria, Finland and Sweden, where they increased and Germany, where they remained unchanged (Graph 159). In services, they were reduced in the majority of Member States — Denmark, the UK, Italy, Portugal, Sweden and Greece being the exceptions (Graph 160). In industry (which broadly corresponds to manufacturing in the analysis in Part I), however, average hours either increased or remained unchanged throughout the Union, apart from in Denmark, Germany, Finland and Austria (Graph 161).

In the years of recession, 1990 to 1994, average hours usually worked declined in all countries except Denmark and Greece, where they increased, and, significantly, in the Netherlands, which has the shortest average working week in the Union, where they remained unchanged. This pattern of change reflects developments both in services, where usual hours declined throughout the Union except in these three countries, and in industry, where they remained broadly unchanged, apart from in these three countries and in Sweden, the UK and Portugal where they fell (by 1% or more). In agriculture, average usual hours fell everywhere, apart from in Spain, Finland and Luxembourg as well as in Denmark, where they increased, and in Italy, where they were unchanged.

Working time

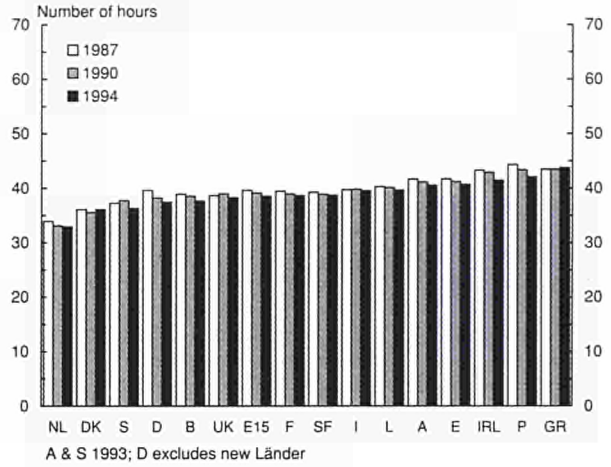
The data available on working time in the European Union are largely confined to average hours worked per week. These leave out of account changes in the number of weeks worked per year, which could well have been important in recent years as more attention in a number of Member States has been focused on the issue of time off. Although data on average time worked per year are collected as part of the Community Labour Cost Survey, this takes place only periodically — every four years at present — and the results are published only with a lengthy lag (the full 1992 results are unlikely to be available until the end of 1995). Moreover, the results do not cover the whole economy but are limited to industry and a few selected services, excluding, in particular, the public sector.

The data on average hours worked per week are collected as part of the annual Community Labour Force Survey. These relate both to actual hours worked during a particular week (the reference week) and the usual hours worked by respondents. In principle, it is the data on actual hours which should indicate how average working time changes in the short-term, in response to variations in the level of economic activity and should, therefore, be the most appropriate series to use for adjusting the figures for the number of people in employment to obtain a measure of total hours worked, and of labour productivity. The data on usual hours should indicate longer-term changes in working time.

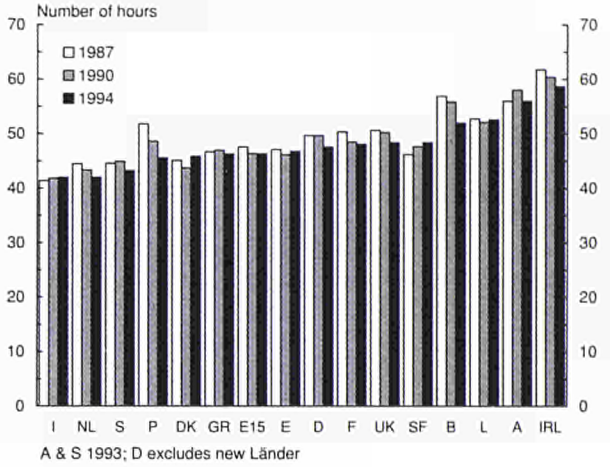
In practice, however, there are a number of problems with the data collected on actual hours which make it difficult to use them for measuring changes over time or, indeed, to estimate the numbers of hours worked during a given year. In particular, they include the effect of time off for holidays, time off for sickness, bad weather and other reasons unconnected with the state of economic activity. Moreover, because they relate to a particular week in the year — usually between March and May depending on the country — the answers are not necessarily representative of the year as a whole and because the week in some cases changes from one year to the next, they are not necessarily reliable indicators of changes over time. As a consequence, the usual hours worked data have been used in the analysis here.

Analysis of the difference over the Union as a whole between the usual and actual hours worked data for 1993, chosen as a year when employment declined significantly, shows either that this is a very poor indicator of the effect of a low level of economic activity on working time or that depressed demand has a minimal impact on average hours worked. In this year, when it would be expected that such an effect should be at its greatest, the difference between usual and actual hours which is attributable to slack working amounted to an average of just three minutes a week over the Union as a whole.

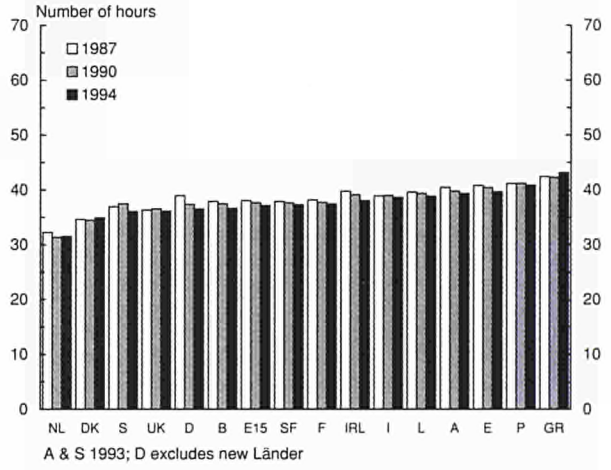
158 Average hours usually worked per week in Member States, 1987, 1990 and 1994



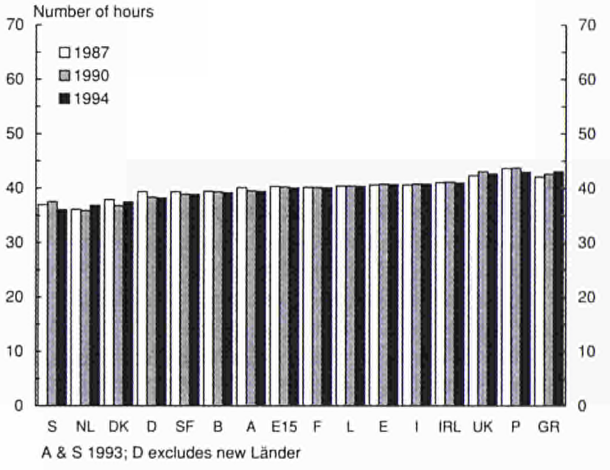
159 Average hours usually worked per week in agriculture, 1987, 1990 and 1994



160 Average hours usually worked per week in services, 1987, 1990 and 1994



161 Average hours usually worked per week in industry, 1987, 1990 and 1994



Flows into and out of self-employment

The numbers of self-employed in the Union as a whole increased by around 2% a year between 1986 and 1990 when total employment rose by around 1½% a year. In the subsequent four years they fell by 1% a year, slightly more than the overall decline in the numbers in work.

These changes, however, are liable to conceal very different patterns of change so far as inflows and outflows are concerned. Thus, periods of recession tend to hit very small businesses relatively hard, in part because of the shortages of financial reserves and, in many countries, a lack of sources of borrowing. It might be expected, therefore, that the rate of exit from self-employment would be comparatively high during such periods, though this remains to be confirmed from the evidence.

What is less easy to judge is whether the rate of entry into self-employment is likely to increase or contract during these periods, since there are plausible arguments either way. On the one hand, the increased shortage of jobs and the alternative of being unemployed may induce more people to seek to start up their own businesses, especially since there is usually government financial and other support available to assist. On the other hand, business prospects tend to be unfavourable at such times and the risk of failure, and possibly losing savings, higher.

Data from the Community Labour Force Survey, specifically on what the self-employed were doing one year before, enable

estimates to be made of inflows into self-employment (ie of the numbers who are self-employed at the time of the Survey who were not self-employed the previous year). From these, estimates of outflows can be made by comparing estimates of inflows with the change in self-employment between one year and the next (ie outflows are given by inflows minus the (net) change). These data are not ideal since they depend heavily on personal recollection, which is sometimes fallible (especially in the case of a household survey where one person may respond on behalf of all the members). Nevertheless, examination of the results in each year since 1987 shows relatively little year-to-year fluctuation which would seem to indicate that the problems are not too serious.

In the period of employment growth between 1986 and 1990, inflows into self-employment averaged around 10% a year in the Union (ie some one in 10 of those self-employed when the survey was conducted had become self-employed during the course of the year — the figures exclude Italy for which no data were collected until 1992) (Graph 162). During the same period, outflows from self-employment, whether because of retirement or business failure or simply a change in occupation, averaged $7^1/_2$% a year.

In the four subsequent years of recession and declining employment, inflows averaged 13%, significantly higher than in the preceding four years. Since the numbers of self-employed declined over this period, outflows were even higher, averaging 14% a year, almost twice as high as over the growth period.

The clear conclusion, therefore, is that the fall in self-employment during the recession period was the result of a substantial rise in the rate of exit, reflecting perhaps a marked increase in business failures. This more than offset the increase in the rate of entry into self-employment.

A further conclusion is that government efforts to induce more people to become self-employed seem to have met with some success, though not sufficiently to match the increased rate of exit. Moreover, these efforts have been largely directed at the unemployed, who have been given various incentives to set up business. Yet further analysis reveals that a declining proportion of those becoming self-employed during the recession years had come from the ranks of the unemployed. During the growth years, 1987 to 1990, around $15^1/_2$% of those becoming self-employed in the Union had been unemployed the previous year. During the recession years, 1991 to 1994, this proportion fell to under 11% (Graph 163). At the same time, the proportion of the self-employed who had previously been inactive was much the same in the two periods.

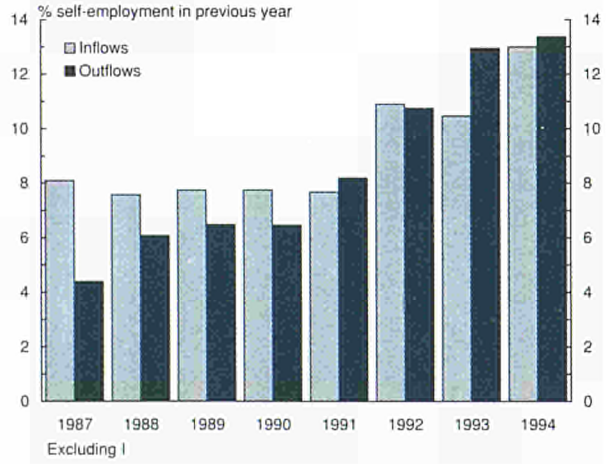
The increase in inflows into self-employment, therefore, is largely attributable to an increasing proportion of people moving from waged employment into self-employment. A significant number of these may have lost their job and become self-employed as an alternative to unemployment — indeed, many may have been unemployed for a period of time (the fact that they were not unemployed one year previously does not imply that they were not out of work at some time during the course of the year).

Some proportion, however, may also have merely altered their employment status, doing the same job as before but as a self-employed person rather than as an employee, so perhaps relieving a firm of some of the costs of employment and increasing their flexibility. From the data there is no way of knowing how widespread such a change in status was.

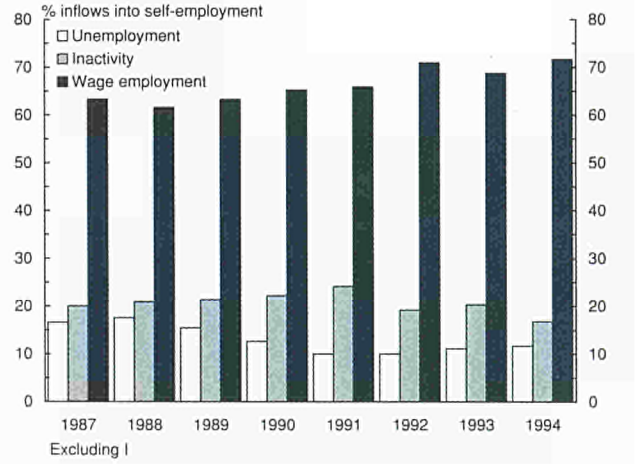
Flows into and out of self-employment in the Member States

The scale of flows both into and out of self-employment varies markedly between Member States, though in most cases, they

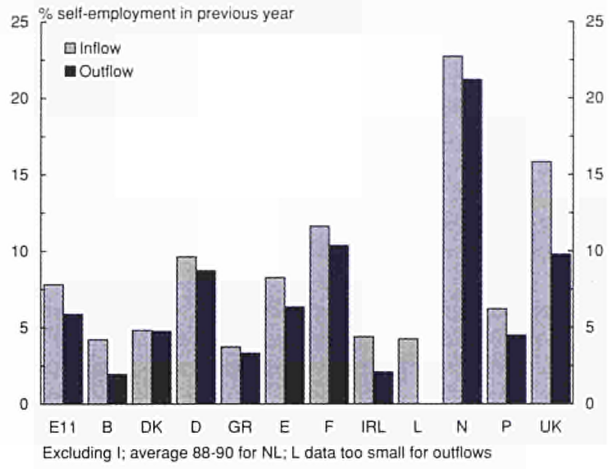
162 Inflows and outflows from self-employment in the Union, 1987-94



163 Inflows into self-employment by previous status in the Union, 1987-94

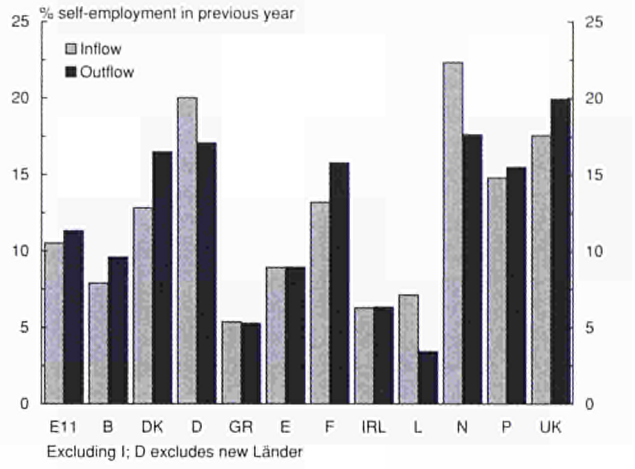


164 Average inflow into and outflow from self-employment in Member States, 1987-90



Excluding I; average 88-90 for NL; L data too small for outflows

165 Average inflow into and outflow from self-employment in the Member States, 1990-94



Excluding I; D excludes new Länder

show the same kind of pattern of variation over time as for the Union as a whole.

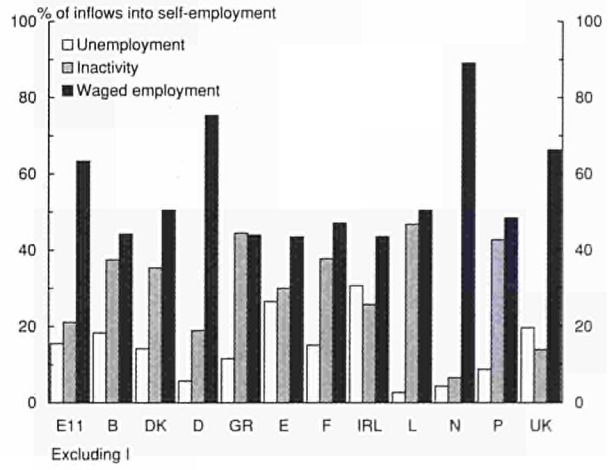
The rate of entry into self-employment over the growth years, 1987 to 1990, ranged from over 20% a year in the Netherlands and 16% in the UK to only around 4% a year (not much higher than would be expected from the self-employed reaching retirement age) in Belgium, Greece and Ireland, with Germany and France being around the Union average (Graph 164).

In the recession years, 1991 to 1994, the rate of entry into self-employment increased in all Member States, except the Netherlands where it remained as high as in the earlier years (Graph 165). The rise was particularly marked in Belgium, Denmark, Germany and Portugal, in all of which the rate of inflow more than doubled over this period as compared with the earlier one. In Germany, where the increase in inflows dates from 1991 (in the other countries, the significant rise occurred in 1992), part of the growth may be related to unification. Even though the analysis is confined to the former West Germany, excluding the new Länder, in order to reduce the distortive effect of unification, it is still the case that significant numbers of people moving from East to West may have taken up self-employment.

In most cases, the rate of exit from self-employment also increased in the years 1991 to 1994, to 20% a year in the UK and over 15% a year in Germany and France. In all Member States, therefore, the fall in the numbers of self-employed which most of them experienced during these years was due to increased outflows rather than a fall in inflows.

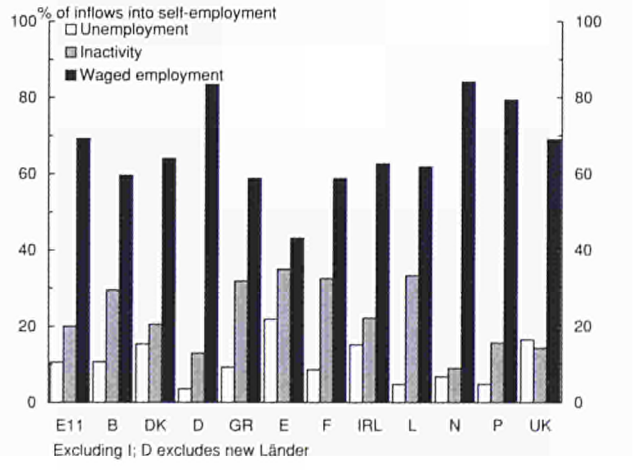
The fall in the proportion of those becoming self-employed who were formerly unemployed between the years before 1990 and

166 Average inflows into self-employment by previous status, 1987-90



Excluding I

167 Average inflows from unemployment, inactivity, waged employment 1991-94



Excluding I; D excludes new Länder

the years after is also common to most Member States, the only exceptions being Denmark and the Netherlands (Graphs 166 and 167). As for the Union as a whole, the main cause of the growth in inflows into self-employment in most Member States was an increased movement of people from waged jobs.

Flows into part-time work

As indicated in Part I, part-time working has grown markedly in most parts of the Union over the period since 1990 in particular. The aim here is to examine the growth of part-time employment in more detail by focusing on those people who found a part-time job after being unemployed or economically inactive, either because they were still at school or in further education or because they had interrupted their working careers for various reasons (in the case of women especially, to take care of young children). The specific point at issue concerns the proportion of those taking up employment who moved into a part-time rather than full-time job and how far this tended to increase as the Union economy went into recession. The Community Labour Force Survey provides some answer to this question since, as indicated above, it includes details of what respondents were doing one year earlier. As also indicated above, however, this kind of information can sometimes be unreliable since it depends on respondents' power of recall. Nevertheless, as in the case of self-employment, the results for individual years indicate a fair amount of stability in the answers given, so that the likely margin of error ought not to be large.

Women entering part-time jobs

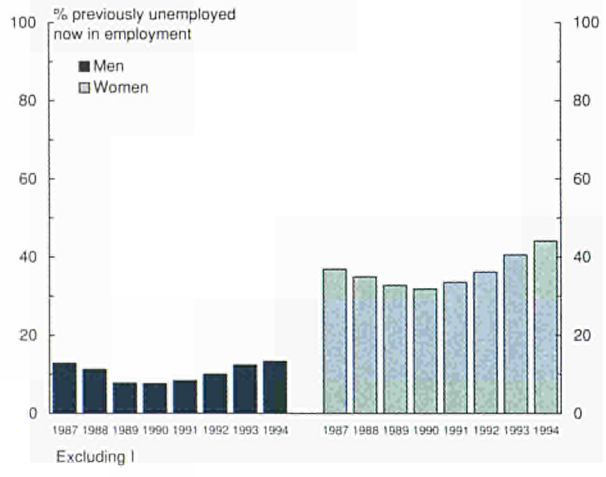
In the growth period from 1987 to 1990, around a third of all women in the Union who took up work after being unemployed moved into a part-time rather than a full-time job (Graph 168). This is slightly more than the average share of jobs which were part-time, which is consistent with the relative numbers of part-time jobs increasing over this period.

This aggregate figure, however, is misleading since it is essentially determined by the kinds of job being created in the countries in which employment is expanding most rapidly and where, therefore, large numbers are moving into work. In this period, one of the countries in which employment was growing by most was Spain which has among the lowest proportions of women working part-time (only around 12% in 1987).

It is, therefore, important to examine the position in each country. This ranged from over 50% of women moving into work from being unemployed taking up a part-time job in the Netherlands and the UK and over 40% in Belgium and Germany to 15% in Spain and only just over 10% in Greece and Portugal (Graph 169). Though the figures are broadly in line with the relative importance of part-time working across the Union, the relationship between the two is by no means uniform. In particular, whereas in Denmark and the Netherlands, the proportion moving into part-time jobs was slightly less than the share of part-time in total employment, in Belgium, Germany, France and Ireland, it was much higher, partly reflecting the growth of part-time work over this period, though partly indicating that for those who had been unemployed, there was a disproportionately higher chance of finding a part-time job than a full-time one.

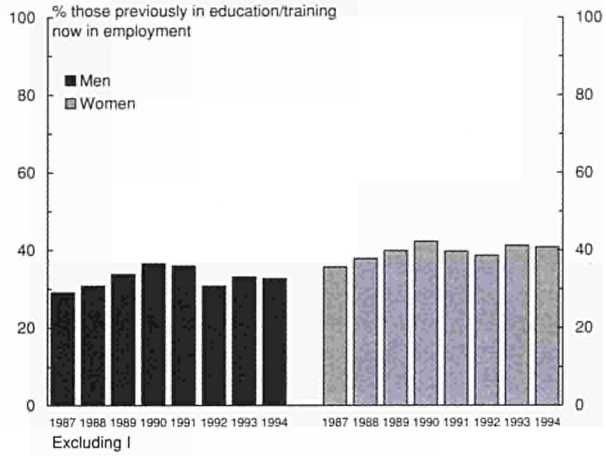
For those who had been in education or training, over the Union as a whole, there was also a slightly greater probability during this period of taking up a part-time job than in the case of those who had been unemployed. Around 39% of women in the Union moving from education or training into work found part-time rather than full-time employment in the years 1987 to 1990 (Graph 170). However, while the proportion of those moving from education or training into part-time work over this period was much higher than in respect of those moving

168 Share of the unemployed who found part-time jobs in the Union, 1987-94

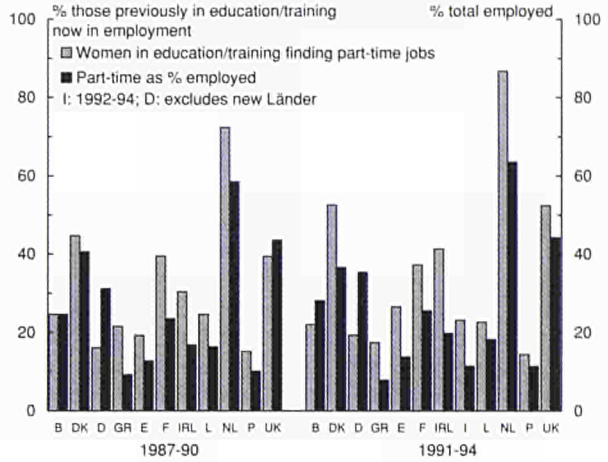


169 Flows of unemployed women into part-time jobs, 1987-90 and 1991-94

170 Share of those in education and training who found part-time jobs in the Union, 1987-94



171 Flows of women in education/training into part-time jobs, 1987-90 and 1991-94



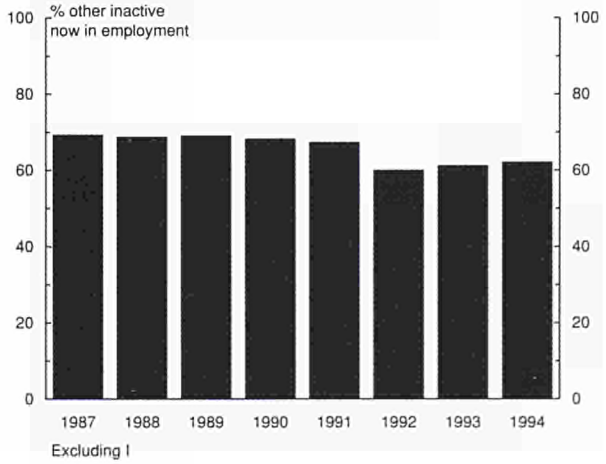
from unemployment in Denmark, the Netherlands, Greece and Ireland, it was much lower in Belgium, Germany and the UK (Graph 171).

For women who had been economically inactive for reasons other than being in education and training — to a large extent, because of family responsibilities — the proportion moving into part-time rather than full-time work was much higher in most Member States than in respect of those finding a job after a spell of unemployment. Over the Union as a whole between 1987 and 1990, an average of 69% of women finding jobs after such a period of inactivity went into part-time work (Graph 172). In the Netherlands, the figure was as high as 93%, in Ireland and the UK, around 77% and in Germany over 60%. By contrast, in Portugal, the figure was only just over 20% and in Greece, under 20% (Graph 173).

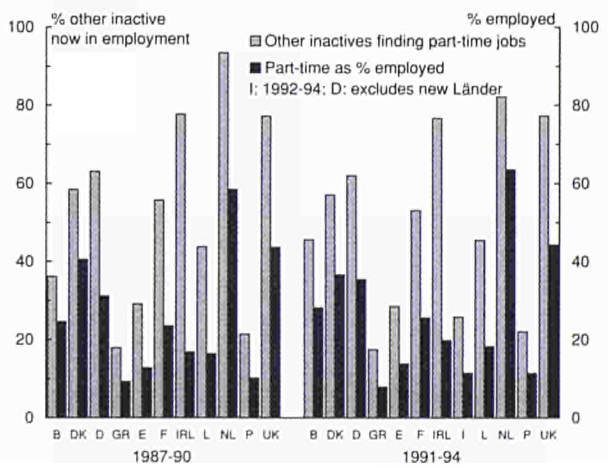
In the period of recession, 1991 to 1994, the average proportion of women moving from unemployment into work who took up part-time jobs increased from 34% to 39%. Such an increase, however, did not occur in all Member States. Indeed, in five countries — Belgium, Denmark, Germany, Luxembourg and the UK — the proportion was much the same in the later period as in the earlier one. On the other hand, in France, Ireland and the Netherlands, the rise was especially pronounced at around 10 percentage points or more between the two periods.

In the case of women moving from education or training into employment, only a slightly greater proportion in the Union as a whole went into part-time jobs over this period than over the preceding four years (40% as against 39%). Again, however, there were some differences in experience between Member States, though in most cases the proportion either

172 Share of other inactive women who found part-time jobs in the Union, 1987-94



173 Flows of other inactive women into part-time jobs, 1987-90 and 1991-94



rose between the two periods or remained much the same. In six countries, the proportion increased significantly — Denmark, Spain, Ireland, the Netherlands and the UK as well as in Germany, if an allowance is made for the effect of unification. Only in Greece and Portugal was there a marked fall.

In the case of women moving into work after being inactive for other reasons, there was a reduction in the proportion taking part-time rather than full-time employment. Over the Union as a whole, the average declined from 69% to under 63%. In most Member States, however, there was little significant change in the proportion between the two periods, the only exceptions being Belgium, where the figure went up substantially (from 36% to over 45%) and the Netherlands where it went down equally as much (from 93% to 82%).

Men entering part-time jobs

During the growth years 1987 to 1990, over the Union as a whole, an average of some 10% of men finding a job after being unemployed went into part-time work. This is around $2^1/_2$ times higher than the proportion of men in employment who worked part-time, which emphasises the importance of growth in part-time work for men over this period and, in some degree, the slightly more restricted choice of job for those unemployed.

The share of men moving from unemployment into part-time jobs over this period varied substantially across the Union, from almost 25% in the Netherlands and around 20% in Ireland to under 5% in Spain and Portugal. Apart from the latter two countries, however, in each case the share was much larger than the proportion of men already working part-time (Graph 174).

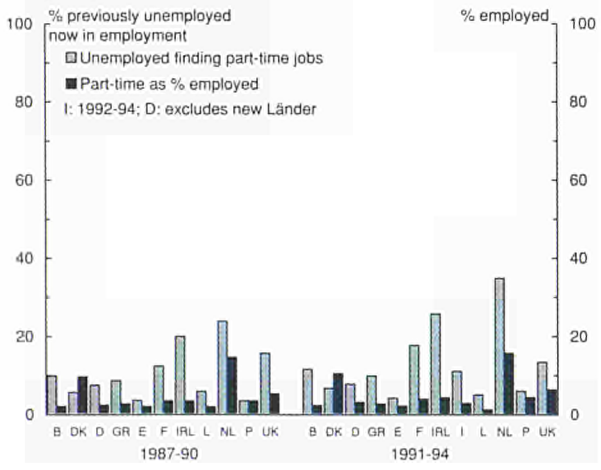
The share of men moving from full-time education or training into part-time employment rather than into full-time jobs was even higher. Indeed over the Union as a whole, it was only slightly below the share of women, just under a third of men who had found a job after being in education or training went into part-time rather than full-time work. In this case, the proportion varied from almost 70% in the Netherlands and over 35% in Denmark to around 10% or less in Greece, Spain and Portugal (Graph 175). In many parts of the Union, therefore, the first job of a significant proportion of men seems to have been a part-time one, though in a number of cases, this might have involved combining part-time work with education or training.

In the years of recession, 1991 to 1994, over the Union as a whole, the proportion of men moving from unemployment into a job who took up part-time work increased from an average of 10% to an average of $11^1/_2$%. This, however, varied from 35% in the Netherlands and 25% in Ireland — both significantly higher than in the preceding three years — to under 5% in Spain and Luxembourg. With the exception of the latter and the UK, the proportion was higher during this period in all countries than over the years before 1990.

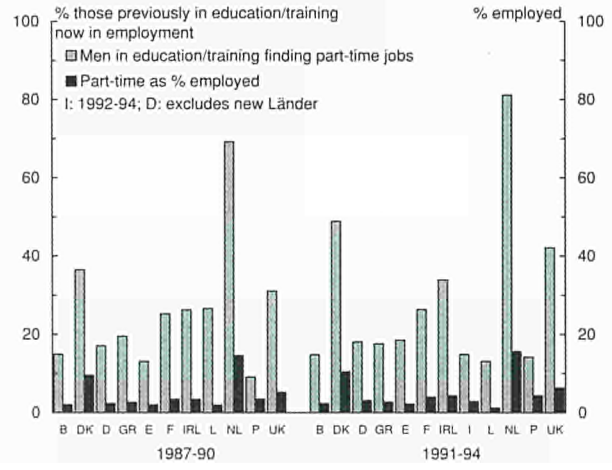
In the case of those moving from education or training into employment, the proportion taking up part-time jobs in the Union remained much the same in this period as over the preceding one. In a number of Member States, however, there were significant increases. In Denmark, the Netherlands and the UK, the proportion moving into part-time jobs rose by over 10 percentage points — to 80% of the total in the Netherlands and almost 50% in Denmark.

In general, therefore, an increasing proportion of those taking up work during the recession years went into part-time jobs. This suggests that part-time work may have provided more opportunity for employers to vary their work force in line with changes in the demand for their products when the market was slack. The results from the period before 1990, however, also indicate that significant numbers of people in many

174 Flows of unemployed men into part-time jobs, 1987-90 and 1991-94



175 Flows of men in education/training into part-time jobs, 1987-90 and 1991-94



Fixed-term and temporary employment contracts

Temporary working can mean different things in different Member States. Generally it is divided into those who have a temporary job, where the exact duration is not specified, and those who are working on a contract of limited duration (fixed-term contract). Because each of these can be subject to different institutional arrangements in the Member States, it is important to note the differences which apply to each.

According to the Community Labour Force Survey:

a job may be regarded as temporary if it is understood by both employer and employee that the termination of the job is determined by objective conditions such as reaching a certain date, completion of an assignment or return of another employee who has been temporarily replaced. In the case of a work contract of limited duration the condition for its termination is generally mentioned in the contract.

As a result, the Labour Force Survey includes as temporary workers those with a seasonal job, those engaged by an employment agency or business and hired out to a third party for the carrying out of a work mission and those with specific training contracts.

Fixed-term contracts are permitted in all Member States and in 9 out of the 12 they are regulated.

Temporary working on the other hand is subject to much more regulation. In fact in Greece temporary employment agencies are prohibited, while in Spain and Italy measures have only recently been introduced to lift the prohibition on temporary employment agencies.

The differences between the two types of working are that basically where restrictions exist on the maximum duration of each type of working — and this is the case in half the Member States — the maximum duration of temporary contracts is often far less than it is for fixed-term contracts.

Member States, men as well as women, moved into part-time employment even during a period of high employment growth.

Flows into temporary employment

The same kind of Labour Force Survey information provides an insight into the scale of movement into temporary, or fixed-term, employment, as opposed to jobs with standard, open-ended contracts (see Box for the definition of temporary jobs). As noted in Part I, only around 10% of those in employment in the Union work in jobs which are fixed-term. A much higher proportion, however, take up such jobs after a spell of unemployment or after being economically inactive.

Men entering temporary jobs

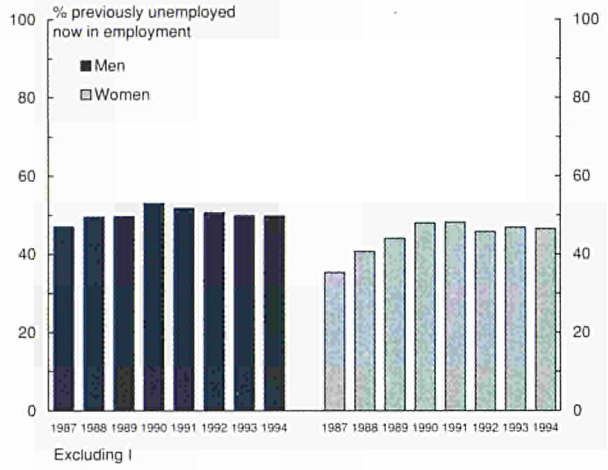
Over the Union as a whole, half of men who found work after being unemployed went into temporary rather than permanent jobs in the four years 1987 to 1990, the figure varying comparatively little from year to year (Graph 176). As might be expected from the relative importance of this kind of work in the different Member States, the proportion was highest in Spain, at over 73%, though in Portugal, it was also around 70% (Graph 177). Elsewhere, the figure was just over 50% in Greece and around 45% in Ireland and the Netherlands, though it was only around a quarter in Belgium and the UK and under 20% in Luxembourg.

The proportion of men finding a job after being in education or training who went into a temporary work in the Union was much the same as in respect of those moving from unemployment, at just under a half (Graph 178). However, in Germany, over 70% of men going into employment after being in education or training moved into a temporary job, and in France, 65% (Graph 179). In these two countries, therefore, as well as in Greece, Spain and Portugal, where the proportion was also over 60%, the normal tendency seemed to be for a young man's first job to be one with a fixed-term contract or period of probation. Indeed, in all Member States, around 30% or more of men went into temporary rather than permanent jobs after leaving education and initial training.

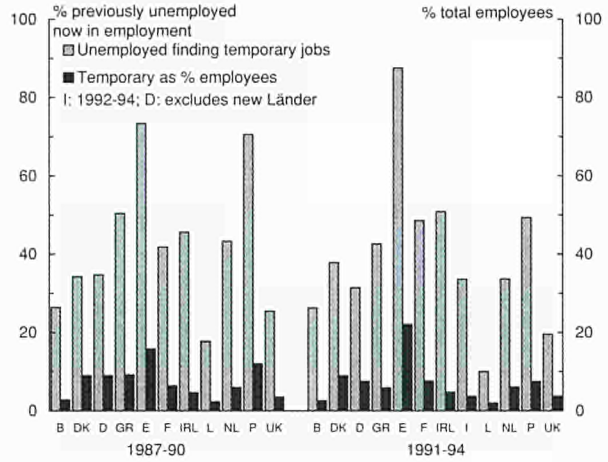
In the four years of recession, 1991 to 1994, in the Union as a whole, the proportion moving from unemployment into work who went into a temporary job was the same as in the earlier four years. The experience in Member States, however, was mixed. In four cases — Denmark, Spain, France and Ireland — it went up, in Spain, substantially to 85% and in France to almost a half from 41%, in Belgium, it remained much the same and in the other countries, it fell, markedly so in Greece and Portugal, matching the fall in the share of jobs which were temporary in the economy.

In the case of those moving from education or training into work, the proportion going into temporary jobs over the Union as a whole rose to 53% in the recession years. The proportion increased in Spain, France, Ireland and the Netherlands, especially in Spain, where the figure reached 83% almost as

176 Share of the unemployed who found temporary jobs in the Union, 1987-94



177 Flows of unemployed men into temporary jobs, 1987-90 and 1991-94



high as in respect of those moving from unemployment, and fell markedly in Greece and Portugal, in both cases, to under half. Nevertheless, only in Belgium, Luxembourg and the UK, did less than 40% of men leaving education or training go into temporary jobs over this period.

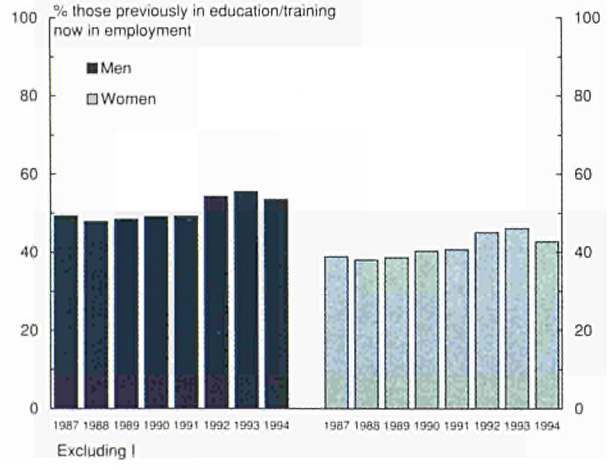
Women entering temporary jobs

Despite the slightly higher share of women than men in fixed-term jobs, the proportion of women moving from unemployment into work who took up temporary employment was somewhat less than in the case of men in the period 1987 to 1990. Over the Union as a whole, the figure averaged 42% during these years (Graph 180), following a similar pattern of variation between Member States as for men, with the proportion in Spain and Portugal being around 70% and in Luxembourg and the UK 20%.

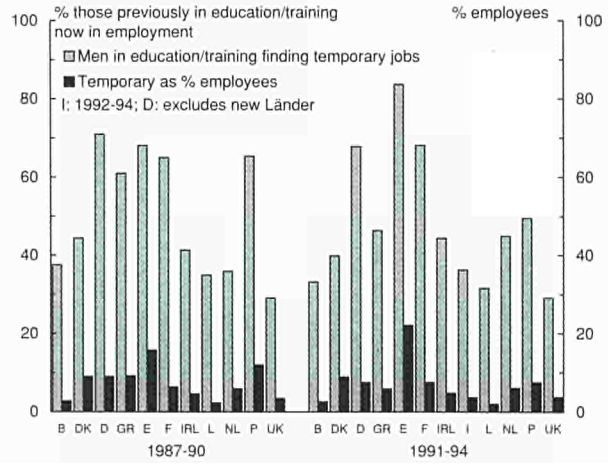
In the case of those moving from education and training, the proportion of women going into temporary rather than permanent work was also less than for men, at just under 40% (Graph 181). Again the variation between Member States was similar to that for men, with both Germany and France having relatively high figures (74% for the former, 59% for the latter) and the UK and Luxembourg having relatively low figures, though still around 30%.

For women moving into work after being inactive for other reasons, mainly to do with family responsibilities, the proportion going into temporary employment was very much lower at only around 17% in the Union as a whole (Graph 182). In

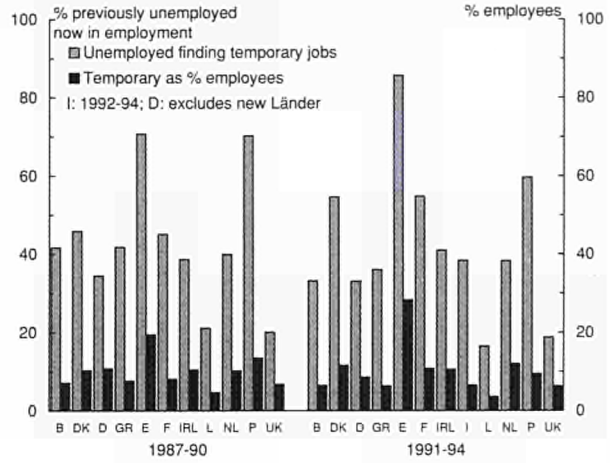
178 Share of those in education and training who found temporary jobs in the Union, 1987-1994



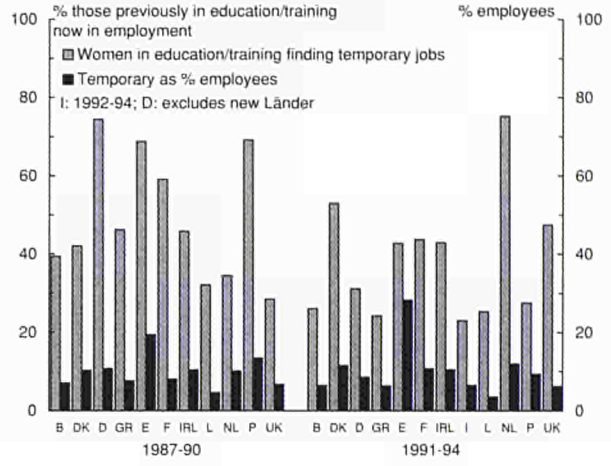
179 Flows of men in education/training into temporary jobs, 1987-90 and 1991-94



180 Flows of unemployed women into temporary jobs, 1987-1990 and 1991-94



181 Flows of women in education/training into temporary jobs, 1987-90 and 1991-94



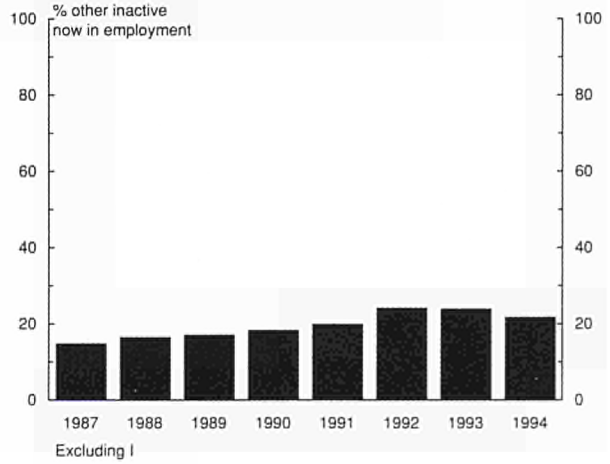
this case, only in Spain and Portugal was the figure above half, and elsewhere in the Union, only in Greece and Ireland above a quarter (Graph 183). Since a significant proportion of part-time jobs are also temporary (see below), these low figures suggest perhaps that part-time, temporary jobs are more important for younger people going into work for the first time rather for women re-entering the labour market.

Over the period of recession, 1991 to 1994, the proportion of women moving from unemployment into work who went into temporary jobs increased across the Union to 47%, much closer to the rate for men. As for men, however, there was a significant rise in the proportion only in four Member States — Denmark, Spain, France and Ireland. In Greece and Portugal, as well as in Belgium, the figure fell significantly.

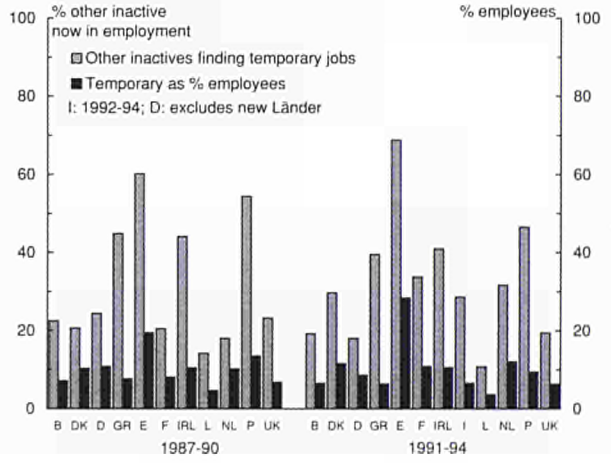
For women moving from education or training into employment, the proportion going into temporary work also increased in much the same way as for men. Like men, a significant proportion of women in most Member States seem to go into temporary employment as their first jobs, the proportion being less than a third only in the UK and, elsewhere, being under 40% only in Belgium and Luxembourg.

For women moving into work from being inactive for other reasons, the proportion going into temporary jobs also rose in the Union as a whole from 16½% to 22% between the two periods. Only in Spain, France, Luxembourg and the Netherlands, however, did the figure increase significantly. In Belgium, Germany and the UK as well as in Greece and Portugal, it fell.

182 Share of other inactive women who found temporary jobs in the Union, 1987-94



183 Flows of other inactive women into temporary jobs, 1987-90 and 1991-94



The overlap between temporary and part-time working

Although the two have been examined separately above, in practice, a high proportion of temporary jobs also tend to be part-time ones. Given the lower degree of employment protection with which each may be associated, this may mean that employment is doubly precarious.

In 1992, 13% of temporary jobs for men in the Union as a whole were part-time (Graph 184), a much higher proportion than for permanent positions (under 4%). This proportion, however, varied markedly between Member States. In two countries, Ireland and the UK, around one third of all such jobs were part-time, while in the Netherlands over half of men — around 55% — in temporary posts worked part-time. In other countries, part-time employment among those in temporary jobs was much closer to the proportion of those in permanent jobs, though in all cases, it was higher. In Spain, in particular, where the expansion of temporary work was so rapid in the late 1980s, only around 7% of the jobs created of this kind created were part-time rather than full-time.

As might be expected, the proportion of women working on part-time temporary contracts is much higher than for men. In 1992, around 35% of women employed in temporary jobs worked part-time, slightly higher than the share of part-time working in permanent employment (Graph 185). The proportion, however, was over 80% in the Netherlands, around 60% in Luxembourg and the UK and 55% in Ireland. In all these countries, part-time working was far more prevalent among those on fixed-term contracts than among those in permanent jobs. This was also true of Belgium (45%), France (40%), Italy (37%) and Greece (25%), where part-time working even among women is comparatively unusual. On the other hand, in Denmark and Germany, proportionately fewer women in temporary jobs worked part-time than those in permanent employment.

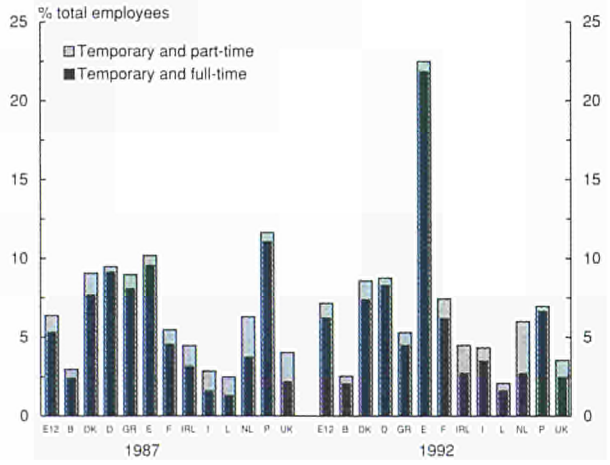
Over recent years, the proportion of temporary jobs which are part-time has tended to decline in the Union. Between 1987 and 1992, the average proportion in the case of men fell from 17% to 13% across the Union as a whole and increased more than marginally in only four Member States (Germany, Greece, and most especially, Ireland and the Netherlands). The decline was especially pronounced in Italy, Luxembourg and the UK, where the proportion fell in each case from over 45% to 30% or less (to under 20% in Italy). The same is true for women. Over this period, the average proportion of women employed under temporary contracts working part-time fell from 39% to 35% in the Union, though in this case, there were five Member States experiencing a rise — the four listed above in respect of men plus France. As for men, the decline in the proportion was particularly large in Italy, Luxembourg and the UK — in each case over 10% of the total number of temporary jobs, with Spain showing only a slightly smaller fall.

The duration of temporary contracts

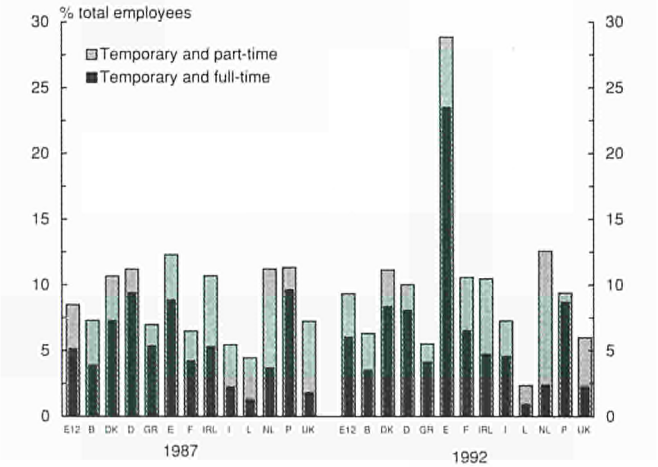
The typical duration of fixed-term contracts varies markedly across the Union, in large measure inversely with their prevalence. In the Southern Member States, in particular — Spain, Greece and Portugal — where a larger share of employment consists of jobs of fixed duration, a higher proportion of these tend to be for relatively short periods of time than is the case in most Northern countries, France, where temporary working is also comparatively important, being the main exception.

In 1993, 57% of fixed-term jobs were for 6 months or less, in Portugal, 53% and in Greece, 46% (Graph 186). Similarly, in France, 44% of such jobs were for the same period of time, a figure matched only by Ireland of Northern Member States.

184 Full-time and part-time temporary working among men, 1987 and 1992



185 Full-time and part-time temporary working among women, 1987 and 1992



By contrast, in Belgium, the Netherlands and the UK, only around a third of temporary jobs were for 6 months or less, in Denmark, a quarter and in Germany, only 15%.

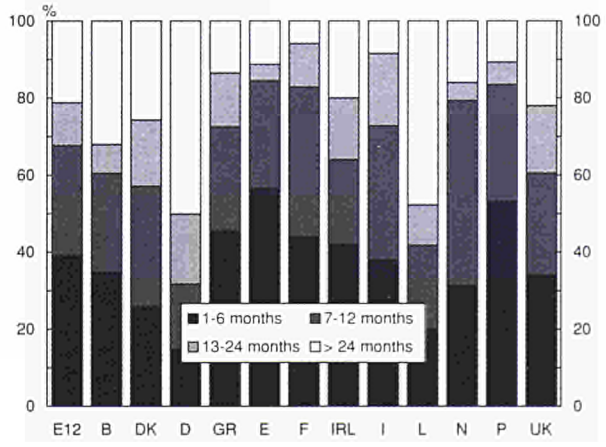
In Germany, on the other hand, half of the people employed in fixed-term jobs had contracts of over 2 years and in Luxembourg, only slightly less than this. In Spain and Portugal, however, only 11% of people in temporary jobs were employed on contracts of this duration and in Greece the proportion was only slightly higher, while in Italy, it was even less at only 8% and France, it was as low as 6%.

Areas of new job growth

There are some difficulties in identifying in any detail the sectors of activity which have been responsible for net job creation during recent years. This is partly due to lack of consistent and comparable data at the Union level which are sufficiently disaggregated to enable more than relatively broad sectors to be distinguished. The results of the Community Labour Force Survey, however, provide some indication of this in the form of the numbers employed by NACE 2 digit sector, which divides the economy into 60 areas of activity. Although the figures are based on a sample survey of households and are, therefore, subject to some margin of error, especially for sectors employing relatively few people in the smaller Member States, they are, nevertheless, by some way the most up-to-date and comprehensive data available. Moreover, for the Union as a whole, sampling problems are reduced in importance.

On the other hand, there are further problems in examining changes over time because of the revision to the NACE system of classification in 1993. While this gives more detail for service sectors where most of the job growth has occurred in recent years, the change from the former system to the new one means that there is some difficulty in comparing employment for all the sectors (ie there is not an exact match between old and new).

186 Distribution of temporary contracts by duration in Member States, 1993



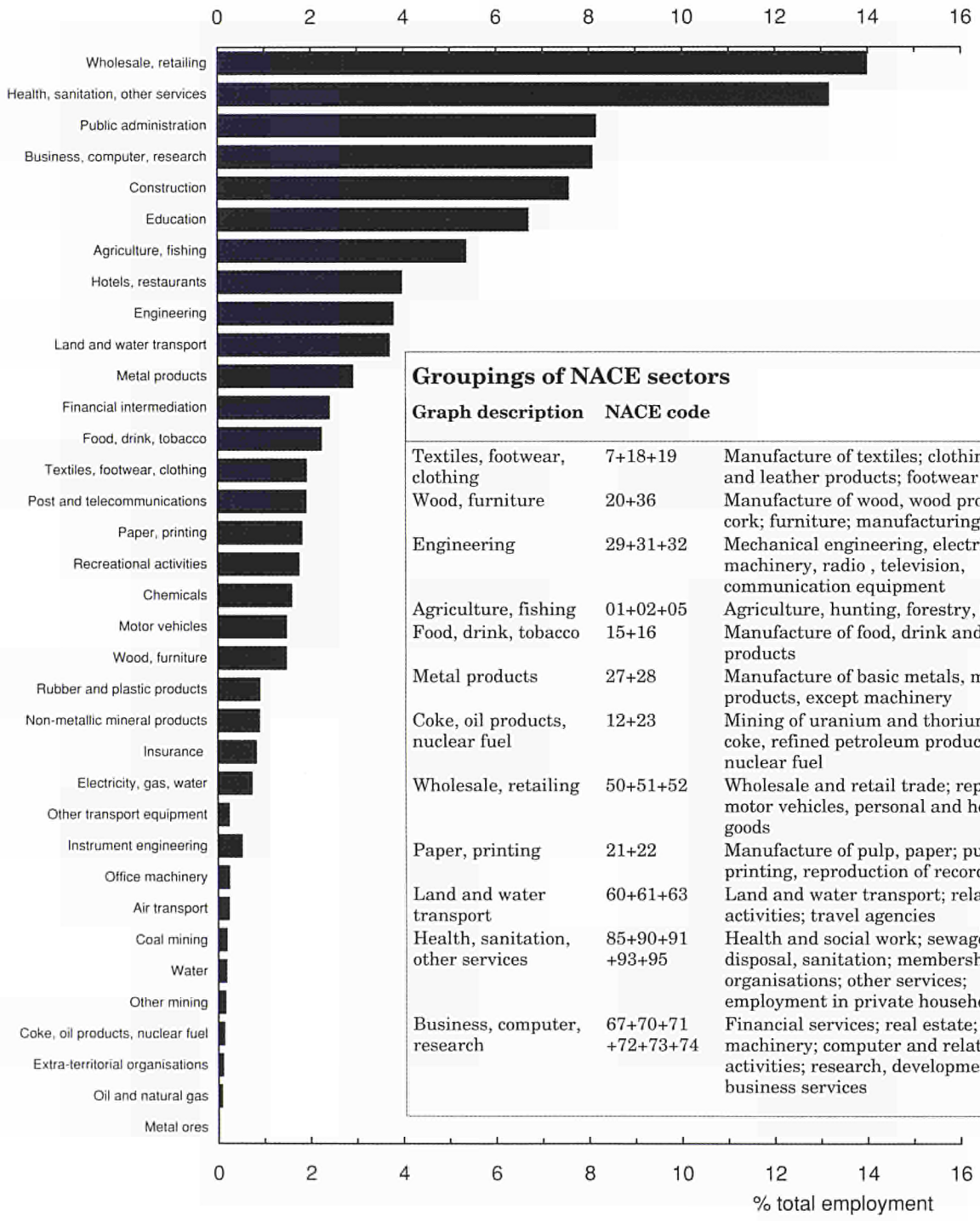
In practice, of the 60 sectors distinguished at the 2-digit level of classification, it is possible to compare changes in employment before and after the revision for only 23. The rest have to be aggregated into 12 more broadly defined groups in order to achieve a sufficiently precise matching. (These 12 groups include some individual sectors where the definition of activities seems to be the same in the new as in the old system, but for which there is a much larger change in employment between 1992 (the old system) and 1993 (the new) than can plausibly have occurred without some change in coverage. One such sector is health care which has to be included with sewage, sanitation and other personal services in order to achieve reasonable compatibility between the old and new systems. Though, in general, it is only to be expected that there should be a less good matching of service sectors given the increased disaggregation which has been introduced, it is, nevertheless, unfortunate that it will be difficult to identify medium and longer term changes in the sectoral distribution of employment in any detail for some time.)

We are, therefore, left with 35 sectors of activity, of varying sizes, for which it is possible to examine changes over the recent period of recession and the earlier years of growth (Graph 187). These, it should be emphasised, vary significantly in terms of the numbers employed, which needs to be taken into account when assessing differences in the rate of employment change which has occurred. In terms of job losses — though not necessarily in terms of the social problems resulting — it is much more significant, for example, that employment in wholesale and retail distribution, which amounts to 14% of the total in the Union, should have declined by nearly 3% a year between 1990 and 1994 than that the relatively few people employed in the mining of metal ores should have fallen by over 15% a year.

Between 1985 and 1990, employment over the Union as a whole increased in most of the sectors. Nevertheless, it fell in 12, mostly relatively basic, sectors of activity including three mining sectors (where jobs declined by around 6% a year) as well as agriculture (see Graph 52 in Part I, Section 3). In total, these sectors accounted for around 20% of total jobs in the Union. Apart from land and water transport, the numbers employed increased in all service sectors, the largest rises occurring in business services and computer-related activities (over 7% a year) and recreational services (just under 5% a year). Employment also expanded, however, in a number of industrial sectors, including the manufacture of office machinery (over 4% a year), electrical engineering, motor vehicles (both 2½% a year) and construction (just under 2½% a year).

Over the four years of recession, 1990 to 1994, employment fell in 25 of the 35 sectors distinguished here. While the reduction was largely concentrated in industry and agriculture, four service sectors — land and water transport, as in the preceding period, air transport, insurance and wholesale

187 Share of employment by NACE 2-digit sector in the Union, 1994



Groupings of NACE sectors

Graph description	NACE code	
Textiles, footwear, clothing	7+18+19	Manufacture of textiles; clothing; leather and leather products; footwear
Wood, furniture	20+36	Manufacture of wood, wood products, cork; furniture; manufacturing n.e.c.
Engineering	29+31+32	Mechanical engineering, electrical machinery, radio , television, communication equipment
Agriculture, fishing	01+02+05	Agriculture, hunting, forestry, fishing
Food, drink, tobacco	15+16	Manufacture of food, drink and tobacco products
Metal products	27+28	Manufacture of basic metals, metal products, except machinery
Coke, oil products, nuclear fuel	12+23	Mining of uranium and thorium ores; coke, refined petroleum products and nuclear fuel
Wholesale, retailing	50+51+52	Wholesale and retail trade; repair of motor vehicles, personal and household goods
Paper, printing	21+22	Manufacture of pulp, paper; publishing, printing, reproduction of recorded media
Land and water transport	60+61+63	Land and water transport; related activities; travel agencies
Health, sanitation, other services	85+90+91 +93+95	Health and social work; sewage , refuse disposal, sanitation; membership organisations; other services; employment in private households
Business, computer, research	67+70+71 +72+73+74	Financial services; real estate; renting of machinery; computer and related activities; research, development; other business services

and retail distribution also experienced a decline. The biggest job losses were recorded in coal and metal ore mining, where the numbers employed declined by around 15% a year, so halving the work force over the four year period, though substantial reductions also occurred in office machinery, which had experienced significant growth in the preceding period, and chemicals. In both of these employment fell by over 12% a year. It also fell substantially in electrical engineering (almost 7% a year) and motor vehicles (just under 4% a year), two other sectors in which jobs had expanded in the preceding five years.

Of the industrial sectors, only instrument engineering (where jobs had risen only modestly in the earlier period) and the purification and distribution of water (where job losses had occurred before 1990) showed any increase in employment over this period. Although these generated a significant rate of job gain — $4^1/_2$% a year and $3^1/_2$% a year, respectively — they are small in terms of the numbers employed, being responsible for only just over $^1/_2$% of employment in the Union.

As between 1985 and 1990, the largest expansion in employment occurred in business services and computer-related activities, where the number of jobs rose at only a marginally slower rate after 1990 than before (at 7–8% a year). Employment in recreational activities also continued to expand significantly, though only at half the rate recorded in the earlier period, which was also true of health care, sanitation and other personal services and hotel and restaurants.

These 10 sectors in which job growth occurred together accounted for some 47% of the total employment in the Union in 1994. Although some tendency is evident for the sectors in which job growth was most pronounced during the period of growth between 1985 and 1990 to have continued to expand during the subsequent years of recession, and for the sectors with largest losses to have shown a continuing fall, this tendency is by far from being universal or uniform. The opposing examples of the water industry, on the one hand, and office machinery, on the other, emphasise this.

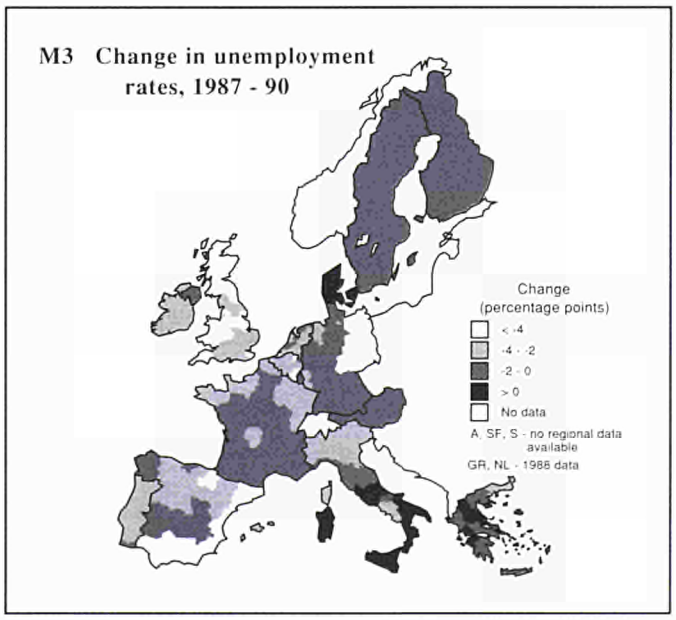
Regional disparities in unemployment

In the growth period between 1987 and 1990, unemployment fell in most regions of the Union. The largest falls in many cases occurred in areas where unemployment was relatively high, so narrowing regional disparities in rates. Reductions of over 4 percentage points were, therefore, recorded in many parts of Spain, particularly in the South and East where the unemployment problem was acute, as well in many old industrial areas in the UK where rates were also high (Map 3). In addition, rates also fell by more than average in Ireland, where unemployment in the mid-1980s was over 16%.

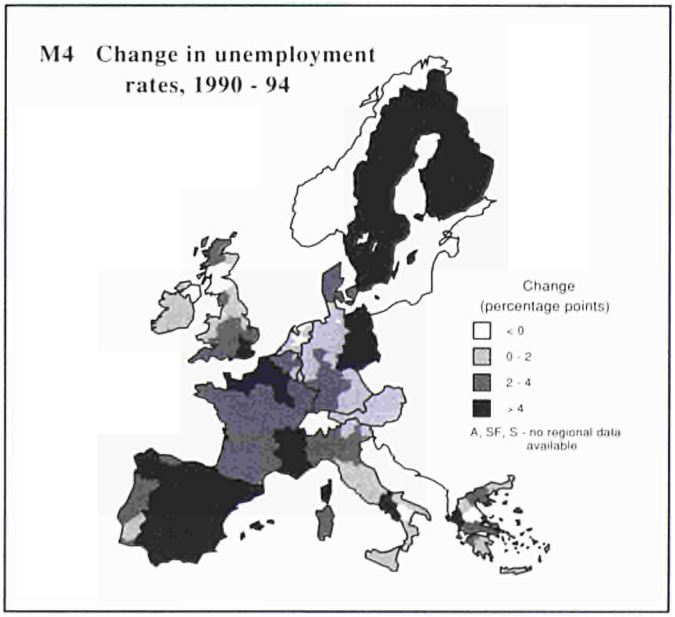
The growth of employment over this period, however, did not benefit all problem regions. Many in Southern Italy, especially, experienced below average reductions in rates or even increases. Conversely, a number of regions with low unemployment, such as in the South-East of England and Northern parts of Italy, experienced reductions in rates which were above average.

Over the subsequent four years of general rises in unemployment, many of the regions which gained from the previous period of growth suffered the largest increases. This was especially true of Spain, where all regions without exception experienced bigger rises in unemployment between 1990 and 1994 than the Union average (Map 4). Similarly, unemployment also increased relatively rapidly in a few parts of

M3 Change in unemployment rates, 1987 - 90



M4 Change in unemployment rates, 1990 - 94



Southern Italy and Northern France where rates were relatively high. On the other hand, most parts of Southern Italy experienced below average increases over this period, which was also the case in Ireland, Northern Ireland and much of Scotland, in all of which rates were relatively high.

Regional disparities in Member States

In France, the disparity in regional unemployment rates (measured as the standard deviation weighted by the labour force in each region) fell steadily from 1983 to 1991 while unemployment rose, then fell, then rose again (Graph 188). Between 1991 and 1994, the disparity increased from 1.8 to 3.0 as unemployment went up markedly from 9½% to 12½% in 1994.

In Germany, the unemployment rate and disparity have tended to move in opposite directions (Graph 189). The national rate of unemployment increased from just over 4% in 1991 to 6½% in 1994, while the disparity in regional rates declined from 4.5 to 3.9.

In Italy, there has been a similar pattern to that in Germany. Up to 1991, the unemployment rate and disparity in regional rates moved in the same direction. However between 1990 and 1994 they moved in opposite directions, though in 1994 both disparity and unemployment rose (Graph 190).

In Spain, however, the disparity in regional unemployment seems to mirror the change in national unemployment fairly closely. Between 1993 and 1994, the unemployment rate rose from 17½% to 24%, while the disparity rose from 8.6 to 15.2 (Graph 191).

In the UK, the disparity in regional rates remained fairly constant between 1983 and 1989 while the unemployment rate fell markedly (Graph 192). Unemployment then rose but the disparity fell from 3.8 in 1989 to 2.4 in 1994.

Changes in unemployment in the Union by Structural Funds status

The regions which have been identified as those where unemployment is highest and participation rates lowest tend to be in areas of the Union which are receiving assistance under the Structural Funds — in particular in Objective 1 areas where GDP per head is less than 75% of the Union average. Regions with higher than average unemployment are also prominent among those classified as Objective 2 regions suffering from industrial decline. Although it should be emphasised that the success or failure of support programmes cannot be assessed in terms only, or even mainly, of changes in unemployment rates, it is of interest to examine how unemployment rates have tended to change in these areas relative to the rest of the Union since they have been identified as those affected by the most serious structural problems. This, at least, provides an indication of whether in terms of a major manifestation of structural problems, these are getting better or worse. Available NUTS 2 data have been weighted by the proportion of the population within each region covered by each of the Structural Fund classifications to make it possible to calculate aggregates at the Union level for Objective 2, Objective 5b and unassisted areas as well as Objective 1 regions which mostly coincide with NUTS 2 regions (Graph 193).

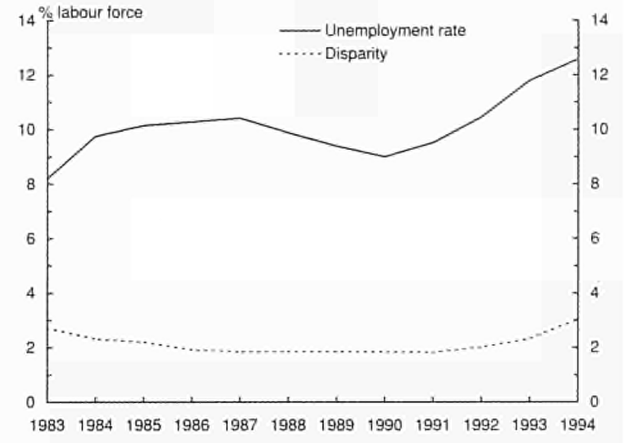
Between 1987 and 1994, the average unemployment rate in the unassisted areas of the Union rose marginally to just under 9%. In the Objective 5b areas, the rate fell sharply to under 6%, while in Objective 2 areas, the average declined from 12½% to just over 11½%. In Objective 1 regions, by contrast, average unemployment rose from 15½% to 18%. In these terms, therefore, disparities in access to employment opportunities have widened in recent years.

Growth in labour costs and productivity in manufacturing and non-manufacturing

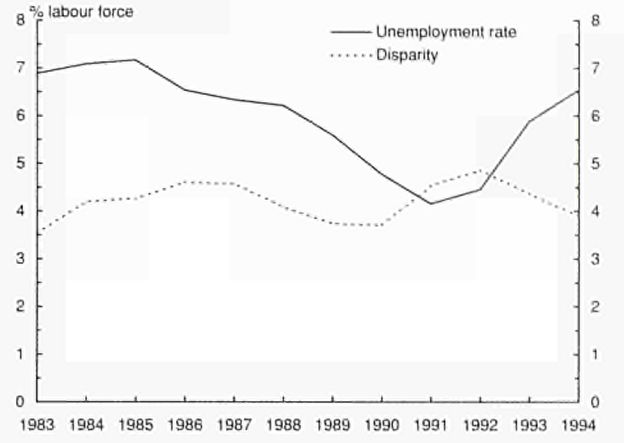
As emphasised in Part I, Section 5, the rise in average labour costs relative to the growth of output per person — or labour productivity — is a key determinant of the scope which employers have for job creation. In manufacturing, where the rise in real labour costs (average labour costs deflated by the average price of manufacturing output) tended to be higher than in non-manufacturing sectors, average labour costs went up by around ½% less than the growth of labour productivity in the Union as a whole between 1985 and 1990 (Graph 194). This was repeated in all Member States for which data are available (the 15 except Greece, Ireland and Austria), apart from Denmark, Germany, Spain and Sweden, though in the former two, the difference between the two rates of increase was small.

In the subsequent four years, 1990 to 1994, when the average growth of real labour costs in manufacturing in the Union was slightly higher than in the preceding five years (3% a year rather than 2½%), labour costs went up by much the same rate as labour productivity (Graph 195; real labour costs involve more estimation for this period as the data for manufacturing value-added in current prices, which are required to calculate the price of output are not available for 1994 for most countries and for 1993 for several; in these cases, the consumer price deflator has been used instead). This outcome, however, was greatly influenced by Germany, which is of major importance in manufacturing in the Union and where labour costs rose by over 50% more than the growth in productivity. In all the other Member States, except for Belgium, Portugal and the UK, labour costs rose by less than productivity. This was also the case in the US and Japan, as it had been in the earlier period, with the US, in particular, showing much lower increases in labour costs than productivity.

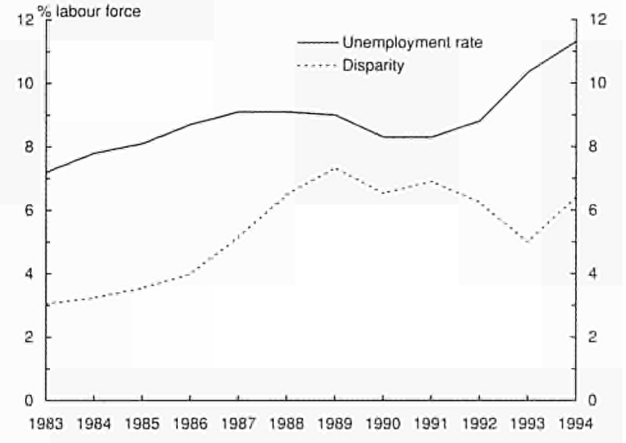
188 Unemployment rate and regional disparity in France, 1983-94



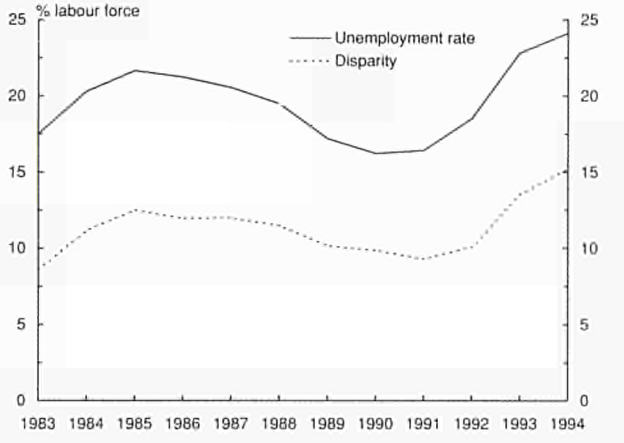
189 Unemployment rate and regional disparity in Germany, 1983-94



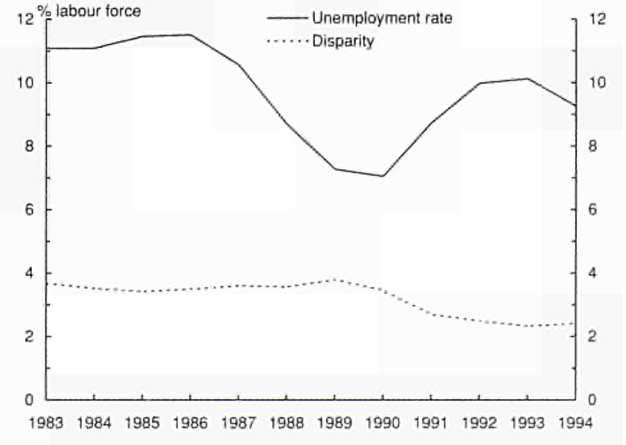
190 Unemployment rate and regional disparity in Italy, 1983-94



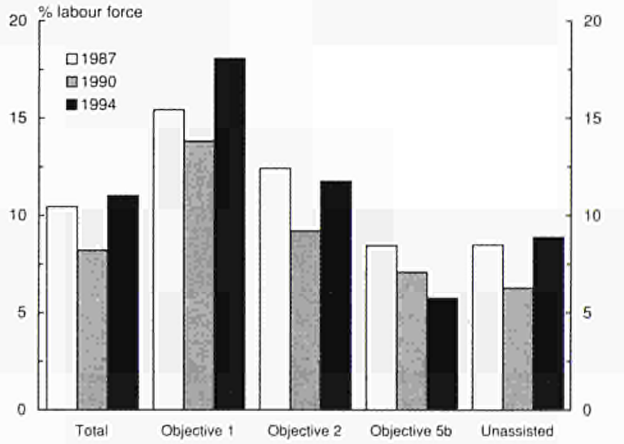
191 Unemployment rate and regional disparity in Spain, 1983-94



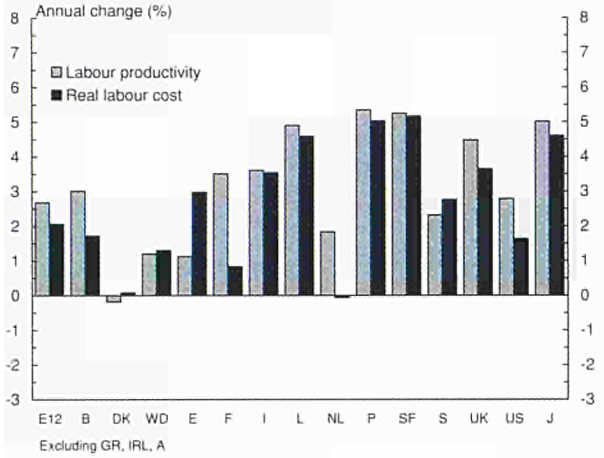
192 Unemployment rate and regional disparity in the UK, 1983-94



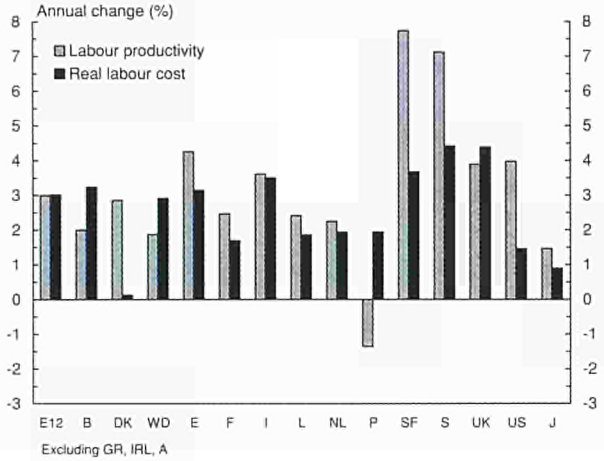
193 Unemployment in the Union's regions by Structural Funds status, 1987, 1990 and 1994



194 Growth in labour productivity and real labour costs in manufacturing in Member States, 1985-90



195 Growth in labour productivity and real labour costs in manufacturing in Member States, 1990-94



In non-manufacturing, real labour costs across the Union rose by over $^1/_2$% less than labour productivity in the period 1985 to 1990 — and by only 1% a year. In only three countries, the Netherlands (marginally), Sweden and the UK, did labour costs increase by more than productivity (Graph 196).

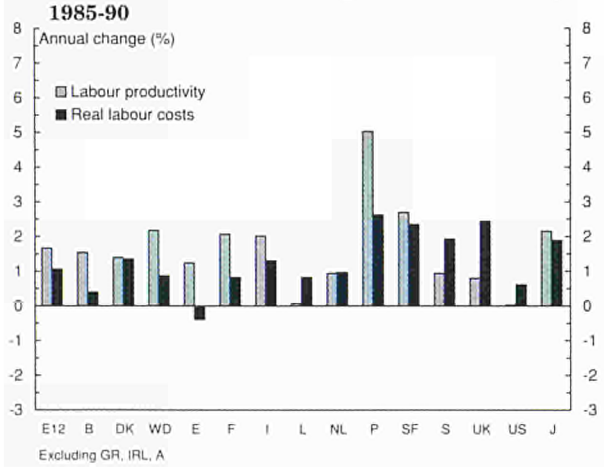
In the following four years, average real labour costs in the Union went up by even less — by only around $^1/_2$% a year — and by some 1% below the rate of labour productivity growth (Graph 197). Labour costs also rose by less than productivity in 8 of the Member States, the exceptions being Belgium (marginally), the Netherlands, as in the earlier period, Luxembourg and Portugal, as for manufacturing. Over this period, in both the US and Japan labour costs in non-manufacturing increased by more than productivity.

The distribution of hours worked in the Member States

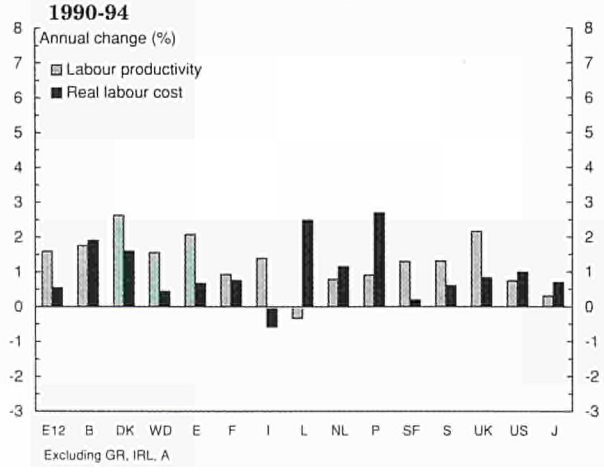
The proportion of people working different numbers of hours a week has in many Member States changed very little over the past 10 years or so. Moreover, what change there has been tended to occur before 1990 rather than after.

Excluding agriculture, where hours of week are relatively difficult to measure, the pattern of usual hours worked by employees in industry and services combined changed significantly between 1987 and 1994 in only five of the 12 Member States (ie excluding Austria, Finland and Sweden for which data are not available) (Graphs 198 to 209 for men and Graphs 210 to 211 for women). These were:

196 Growth in labour productivity and real labour costs in non-manufacturing in Member States, 1985-90



197 Growth in labour productivity and real labour costs in non-manufacturing in Member States, 1990-94



- Denmark, where usual hours worked by the majority of men and most full-time women employees were reduced from 39 hours a week in 1987 to 38 hours by 1990 and to 37 hours by 1994, coupled with some fall in the proportion of women working part-time between 20 and 24 hours a week;

- Germany, where for most men and women employed full-time, usual hours worked were reduced from 40 hours to 38 hours between 1987 and 1990 and by comparatively little since;

- Ireland, where a substantial proportion of men and women employees, usual weekly hours fell from 40 to 39 largely between 1990 and 1994 — one of the few countries where changes were concentrated in this period;

- the Netherlands, where for a significant proportion of men employees working full-time and some women, usual hours seem to have increased between 1990 and 1994 from 38 a week to 40, though this has been coupled with some increase in the proportion working part-time hours;

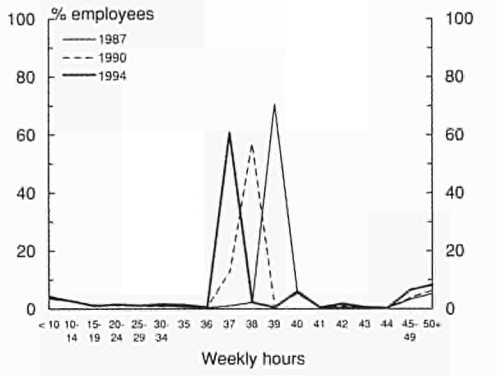
- Portugal, where there was a large reduction in the proportion of men and women working 45 or more hours a week, predominantly between 1990 and 1994.

In the other Member States, though in general there has been some shift to shorter working hours, it has been very small. The main exceptions are Greece and the UK, where the small shift which has occurred has, especially for men, been in the opposite direction towards longer working weeks, though as noted in Part I, there was an increase in most Member States in the proportion of men working long hours, of 50 or more a week, despite the tendency towards slightly shorter working weeks lower down the distribution curve.

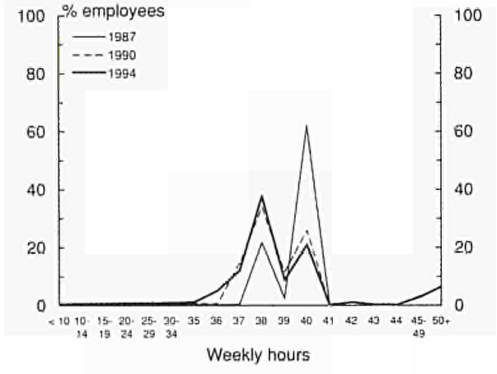
The distribution of usual hours worked per week by employees in industry and services in Member States, 1987, 1990 and 1994

198 Men - Belgium

199 Men - Denmark

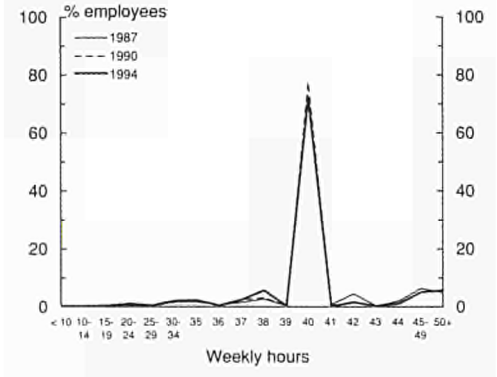


200 Men - Germany

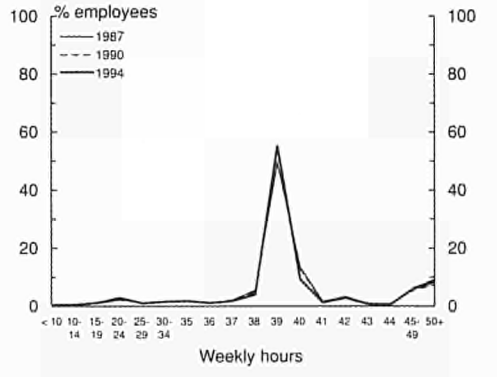


201 Men - Greece

202 Men - Spain

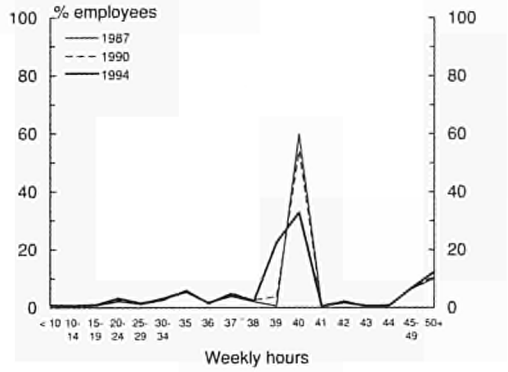


203 Men - France

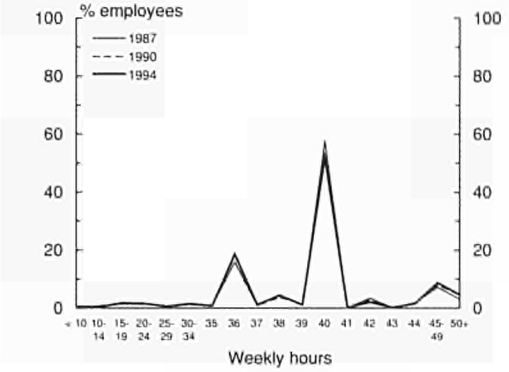


The distribution of usual hours worked per week by employees in industry and services in Member States, 1987, 1990 and 1994

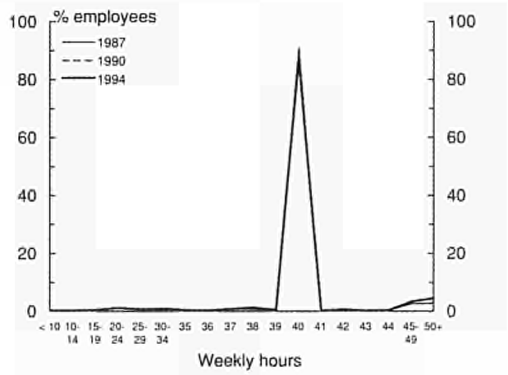
204 Men - Ireland



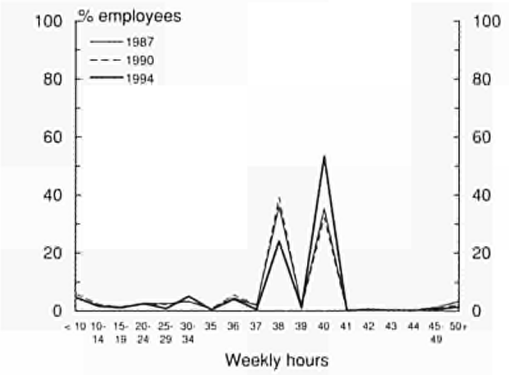
205 Men - Italy



206 Men - Luxembourg

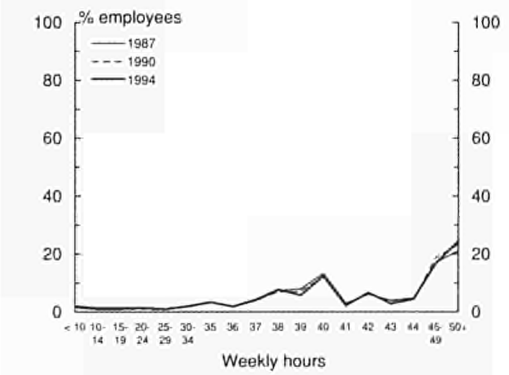


207 Men - Netherlands



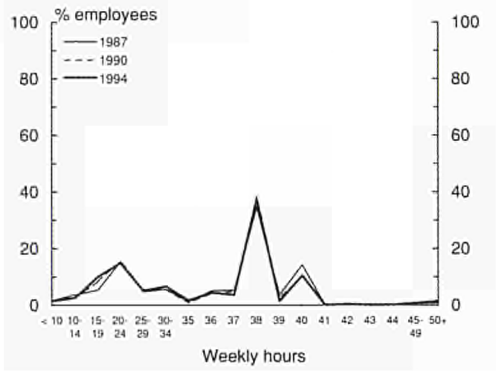
208 Men - Portugal

209 Men - UK

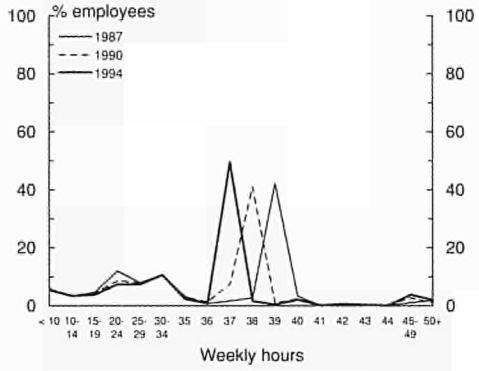


The distribution of usual hours worked per week by employees in industry and services in Member States, 1987, 1990 and 1994

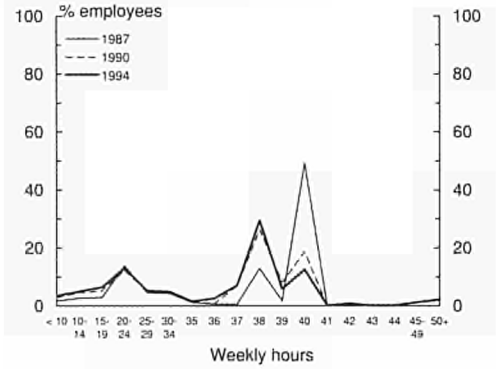
210 Women - Belgium



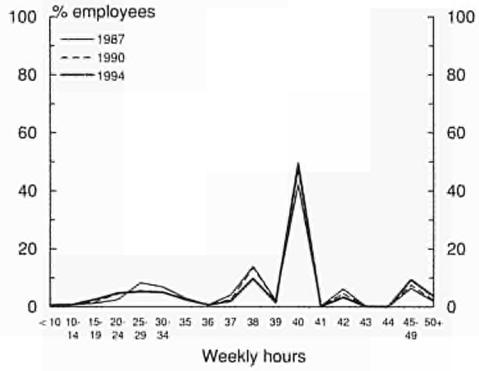
211 Women - Denmark



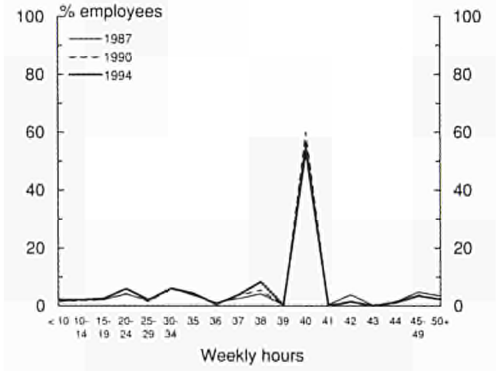
212 Women - Germany



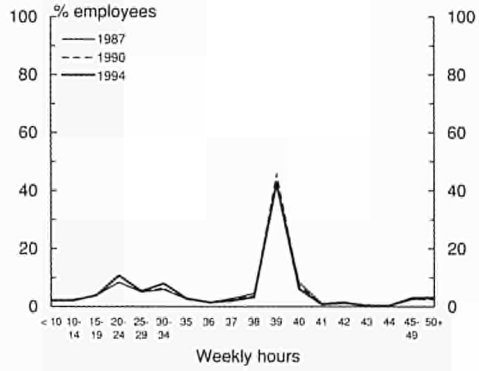
213 Women - Greece



214 Women - Spain

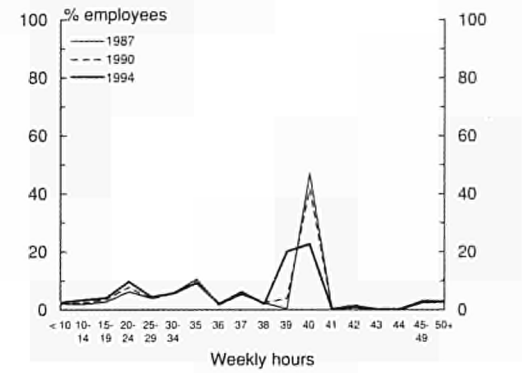


215 Women - France

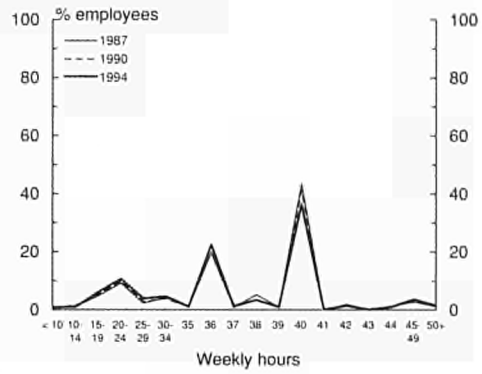


The distribution of usual hours worked per week by employees in industry and services in Member States, 1987, 1990 and 1994

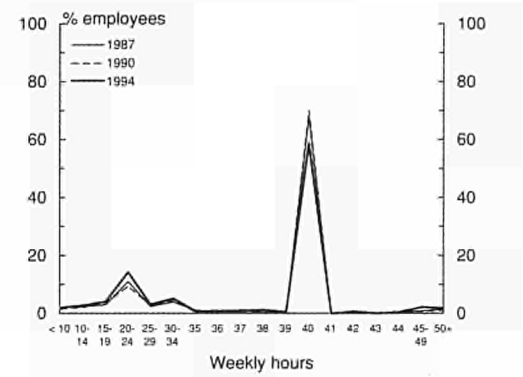
216 Women - Ireland



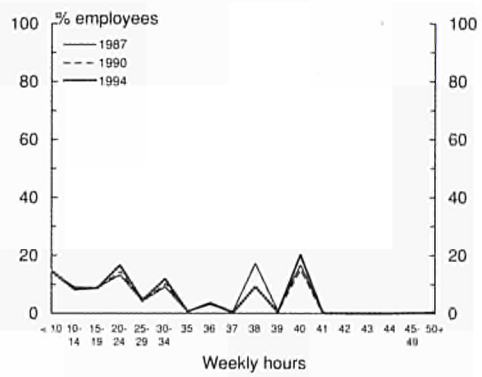
217 Women - Italy



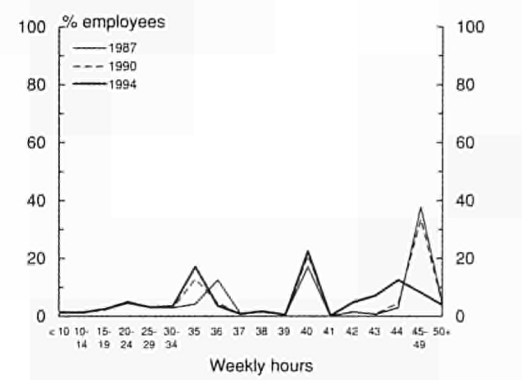
218 Women - Luxembourg



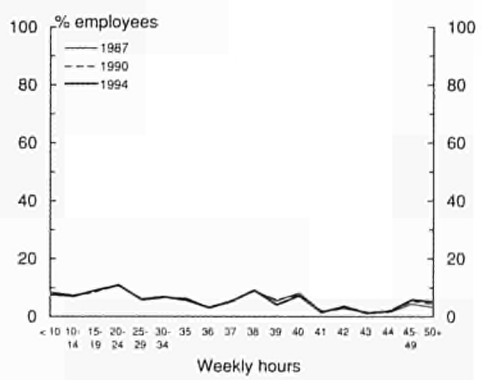
219 Women - Netherlands



220 Women - Portugal



221 Women - UK



Key employment indicators in the European Union (E15)

	Excl. the new German Länder				Incl. the new German Länder			
Total	**1975**	**1985**	**1990**	**1991**	**1991**	**1992**	**1993**	**1994**
Total population (000)	332683	342143	348351	350347	366256	368020	369685	371104
Working-age population (15–64) (000)	211551	228639	234062	235418	245967	247055	248156	249244
Total employment (000)	131704	134682	144601	144943	152264	150236	146969	146241
Annual change in employment (%)*		0.2	1.4	0.2	na	-1.3	-2.2	-0.5
Employment rate (% working-age population)	62.3	58.9	61.8	61.6	61.9	60.8	59.2	58.7
Self-employed (% total employment)	17.7	15.4	15.4	15.3	14.8	15.1	15.1	15.1
Employed part-time (% total employment)	na	12.5	13.5	13.8	13.5	14.2	14.8	15.3
Employed on fixed term contracts (%)	na	9.1	10.3	10.3	na	10.8	10.6	11.0
Employment in agriculture (%)	11.2	8.4	6.7	6.3	6.3	5.9	5.6	5.5
Employment in industry (%)	39.5	34.2	33.1	32.8	32.8	32.3	31.7	30.6
Employment in services (%)	49.3	57.4	60.2	60.9	60.9	61.8	62.7	63.9
Activity rate (% working-age population)	64.6	65.3	66.8	66.9	67.4	67.0	66.4	66.1
Total unemployed (000)	5056.8	14714.4	11833.0	12575.5	13497.7	15251.2	17706.2	18461.3
Unemployment rate (%)	3.6	9.8	7.6	8.0	8.2	9.2	10.7	11.1
Youth unemployment rate (%)	na	21.8	15.4	16.4	15.9	17.7	20.8	21.2
Long-term unemployed (% total)	na	50.1	47.4	44.4	na	40.4	42.9	47.0
Men								
Total population (000)	161820	166331	169691	170790	178393	179403	180340	181112
Working-age population (15–64) (000)	104609	114000	117350	118181	123434	124113	124784	125430
Total employment (000)	84645	83265	87088	86850	90698	88994	86505	85799
Annual change in employment (%)*		-0.2	0.9	-0.3	na	-1.9	-2.8	-0.8
Employment rate (% working-age population)	80.9	73.0	74.2	73.5	73.5	71.7	69.3	68.4
Self-employed (% total employment)	na	19.0	19.2	19.0	18.4	18.8	18.8	18.9
Employed part-time (% total employment)	na	3.3	3.8	4.1	3.9	4.2	4.5	4.8
Employed on fixed term contracts (%)	na	7.6	9.3	9.1	na	9.9	9.6	10.1
Employment in agriculture (%)	na	8.7	7.1	6.8	6.8	6.4	6.2	6.1
Employment in industry (%)	na	42.6	42.0	41.8	41.8	41.5	41.1	40.1
Employment in services (%)	na	48.7	50.9	51.4	51.4	52.1	52.7	53.8
Activity rate (% working-age population)	83.8	80.0	79.1	78.8	78.9	78.0	76.8	76.0
Total unemployed (000)	3038.0	7969.4	5685.7	6316.7	6683.8	7791.5	9294.8	9576.5
Unemployment rate (%)	3.5	8.7	6.1	6.8	6.9	8.1	9.7	10.0
Youth unemployment rate (%)	na	20.5	13.7	15.2	14.8	16.9	20.3	20.5
Long-term unemployed (% total)	na	50.1	46.1	42.0	na	39.3	40.7	45.5
Women								
Total population (000)	170863	175812	178660	179557	187862	188617	189346	189992
Working-age population (15–64) (000)	106941	114639	116712	117237	122533	122943	123372	123814
Total employment (000)	47059	51416	57514	58093	61565	61242	60464	60444
Annual change in employment (%)*		0.9	2.3	1.0	na	-0.5	-1.3	0.0
Employment rate (% working-age population)	44.0	44.9	49.3	49.6	50.2	49.8	49.0	48.8
Self-employed (% total employment)	na	9.5	9.8	9.9	9.5	9.7	9.7	9.5
Employed part-time (% total employment)	na	27.2	28.0	28.3	27.6	28.7	29.7	30.3
Employed on fixed term contracts (%)	na	9.7	11.8	11.8	na	12.1	11.8	12.1
Employment in agriculture (%)	na	7.8	5.9	5.6	5.6	5.1	4.8	4.6
Employment in industry (%)	na	20.7	19.7	19.2	19.2	18.8	18.0	17.1
Employment in services (%)	na	71.5	74.4	75.2	75.2	76.1	77.3	78.2
Activity rate (% working-age population)	45.9	50.7	54.5	54.9	55.8	55.9	55.8	56.0
Total unemployed (000)	2018.8	6744.8	6147.3	6258.9	6813.8	7459.7	8411.3	8884.8
Unemployment rate (%)	4.1	11.6	9.7	9.7	10.0	10.8	12.2	12.8
Youth unemployment rate (%)	na	23.3	17.3	17.7	17.2	18.6	21.3	21.9
Long-term unemployed (% total)	na	50.1	48.6	46.8	na	41.4	45.3	48.6

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts for all countries except Italy, Netherlands and Portugal, for the years from 1985 where Community Labour Force Survey (LFS) data are used. Other employment details are from the LFS. Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS. Figures for employment structure and unemployment in 1975 are based on OECD data.

** Annual average change since previous year specified.*

Figures for 1994 include 1993 data for Austria and Sweden. Figures for long-term unemployment exclude Austria and Finland.

Key employment indicators in Belgium

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	9795.0	9858.3	9967.4	10004.5	10045.2	10084.5	10116.8
Working-age population (15–64) (000)	6270.0	6646.7	6673.8	6675.0	6681.9	6693.5	6703.7
Total employment (000)	3663.0	3561.0	3764.0	3770.0	3753.0	3701.0	3674.0
Annual change in employment (%)*		-0.3	1.1	0.2	-0.5	-1.4	-0.7
Employment rate (% working-age population)	58.4	53.6	56.4	56.5	56.2	55.3	54.8
Self-employed (% total employment)	13.2	15.9	16.1	14.9	15.1	15.4	15.3
Employed part-time (% total employment)	na	8.6	10.9	11.8	12.4	12.8	12.8
Employed on fixed term contracts (%)	na	6.9	5.3	5.1	4.9	5.1	5.1
Employment in agriculture (%)	3.8	3.6	3.3	2.7	2.9	2.6	2.9
Employment in industry (%)	39.6	31.9	30.7	30.5	30.9	29.4	28.9
Employment in services (%)	56.5	64.5	66.0	66.8	66.2	67.9	68.2
Activity rate (% working-age population)	60.6	59.7	60.3	60.4	60.6	60.8	61.0
Total unemployed (000)	136.6	405.4	260.7	263.0	295.4	365.5	418.6
Unemployment rate (%)	3.8	10.3	6.7	6.6	7.3	8.9	10.1
Youth unemployment rate (%)	na	23.0	15.3	14.9	16.2	21.8	24.1
Long-term unemployed (% total)	na	68.2	66.0	60.5	59.1	52.9	58.3
Men							
Total population (000)	4794	4812	4870	4890	4911	4932	4949
Working-age population (15–64) (000)	3140	3334	3358	3360	3365	3372	3379
Total employment (000)	2410	2312	2354	2322	2276	2222	2209
Annual change in employment (%)*		-0.4	0.4	-1.4	-2.0	-2.4	-0.6
Employment rate (% working-age population)	76.8	69.3	70.1	69.1	67.6	65.9	65.4
Self-employed (% total employment)	15.3	18.6	19.2	17.8	18.1	18.7	18.7
Employed part-time (% total employment)	na	1.8	2.0	2.0	2.1	2.3	2.5
Employed on fixed term contracts (%)	na	4.7	3.3	3.0	3.1	3.3	3.5
Employment in agriculture (%)	4.5	3.9	3.9	3.0	3.2	3.1	3.4
Employment in industry (%)	47.9	40.1	39.6	40.3	40.8	39.7	38.6
Employment in services (%)	47.6	5610	56.6	56.7	56.1	57.3	58.0
Activity rate (% working-age population)	78.8	74.1	73.0	72.2	71.4	70.8	71.1
Total unemployed (000)	65.6	157.4	97.8	104.0	126.6	166.4	195.3
Unemployment rate (%)	2.6	6.5	4.1	4.3	5.3	6.9	8.0
Youth unemployment rate (%)	na	16.9	11.0	11.9	14.3	20.7	22.6
Long-term unemployed (% total)	na	62.9	62.9	56.8	56.5	45.3	53.2
Women							
Total population (000)	5001.0	5046.4	5097.0	5114.5	5133.8	5152.6	5168.2
Working-age population (15–64) (000)	3130.0	3312.2	3315.7	3314.5	3316.5	3321.1	3325.2
Total employment (000)	1253.0	1248.7	1409.9	1448.0	1477.3	1478.8	1466.5
Annual change in employment (%)*		0.0	2.5	2.7	2.0	0.1	-0.8
Employment rate (% working-age population)	40.0	37.7	42.5	43.7	44.5	44.5	44.1
Self-employed (% total employment)	9.7	10.9	10.8	10.2	10.5	10.5	10.2
Employed part-time (% total employment)	na	21.1	25.8	27.4	28.1	28.5	28.3
Employed on fixed term contracts (%)	na	10.9	8.6	8.3	7.6	7.6	7.5
Employment in agriculture (%)	2.6	3.1	2.3	2.2	2.5	2.0	2.1
Employment in industry (%)	23.7	16.7	15.9	14.8	15.6	14.1	14.2
Employment in services (%)	73.8	80.2	81.8	82.9	81.9	83.9	83.7
Activity rate (% working-age population)	42.3	45.2	47.4	48.5	49.6	50.5	50.8
Total unemployed (000)	71.0	247.9	162.9	159.1	168.8	199.1	223.3
Unemployment rate (%)	5.4	16.7	10.6	10.0	10.2	11.8	13.0
Youth unemployment rate (%)	na	29.4	19.9	18.0	18.2	23.0	25.8
Long-term unemployed (% total)	na	71.8	67.9	62.9	61.0	59.1	62.7

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts.
Other employment details are from the Community Labour Force Survey (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data
** Annual average change since previous year specified.*

Key employment indicators in Denmark

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	5060.0	5113.7	5140.9	5154.3	5171.4	5188.6	5204.7
Working-age population (15–64) (000)	3239.0	3399.3	3462.6	3477.0	3489.0	3500.5	3512.9
Total employment (000)	2332.0	2532.0	2564.0	2526.0	2516.0	2499.0	2496.0
Annual change in employment (%)*		0.8	0.3	-1.5	-0.4	-0.7	-0.1
Employment rate (% working-age population)	72.0	74.5	74.0	72.6	72.1	71.4	71.1
Self-employed (% total employment)	13.9	9.9	9.5	9.0	8.8	9.0	8.4
Employed part-time (% total employment)	na	24.3	23.3	23.1	22.5	23.3	21.2
Employed on fixed term contracts (%)	na	12.3	10.8	11.9	11.0	10.7	11.9
Employment in agriculture (%)	9.8	6.7	5.6	5.7	5.2	5.1	5.0
Employment in industry (%)	31.5	27.9	27.4	27.6	27.2	26.1	26.5
Employment in services (%)	58.7	65.4	67.0	66.7	67.7	68.8	68.5
Activity rate (% working-age population)	74.9	80.2	80.4	79.6	79.7	80.0	79.5
Total unemployed (000)	92.5	194.6	220.6	242.5	264.7	302.3	296.0
Unemployment rate (%)	3.9	7.1	7.7	8.4	9.2	10.5	10.3
Youth unemployment rate (%)	na	11.1	11.3	11.6	12.7	14.3	13.4
Long-term unemployed (% total)	na	30.7	27.7	31.5	26.8	25.0	32.0
Men							
Total population (000)	2506	2519	2533	2540	2550	2559	2568
Working-age population (15–64) (000)	1629	1716	1754	1762	1768	1775	1781
Total employment (000)	1362	1396	1387	1361	1350	1333	1354
Annual change in employment (%)*		0.2	-0.1	-1.9	-0.8	-1.2	1.6
Employment rate (% working-age population)	83.6	81.3	79.1	77.3	76.3	75.1	76.0
Self-employed (% total employment)	na	15.2	14.9	14.0	13.4	13.9	12.1
Employed part-time (% total employment)	na	8.4	10.4	10.5	10.1	11.0	10.0
Employed on fixed term contracts (%)	na	11.6	10.6	11.0	10.0	9.3	11.1
Employment in agriculture (%)	na	9.4	7.9	7.9	7.3	7.3	7.1
Employment in industry (%)	na	37.7	37.2	37.2	37.1	36.2	36.1
Employment in services (%)	na	52.9	54.9	54.9	55.5	56.5	56.8
Activity rate (% working-age population)	86.8	86.3	85.3	83.8	83.5	83.7	84.3
Total unemployed (000)	52.7	85.8	108.3	115.4	127.3	151.9	146.9
Unemployment rate (%)	3.7	5.8	7.0	7.5	8.3	10.0	9.7
Youth unemployment rate (%)	na	10.0	11.2	11.0	12.2	13.8	12.7
Long-term unemployed (% total)	na	28.3	26.2	27.2	25.0	23.3	31.8
Women							
Total population (000)	2554	2595	2607	2614	2622	2630	2637
Working-age population (15–64) (000)	1610	1683	1709	1715	1721	1726	1732
Total employment (000)	970	1136	1177	1165	1166	1166	1142
Annual change in employment (%)*		1.6	0.7	-1.0	0.1	0.0	-2.1
Employment rate (% working-age population)	60.2	67.5	68.9	67.9	67.8	67.6	66.0
Self-employed (% total employment)	na	3.3	3.2	3.3	3.5	3.4	4.0
Employed part-time (% total employment)	na	43.9	38.4	37.8	36.7	37.3	34.4
Employed on fixed term contracts (%)	na	13.1	11.0	12.9	12.1	12.1	12.9
Employment in agriculture (%)	na	3.4	2.8	3.1	2.7	2.6	2.6
Employment in industry (%)	na	15.8	16.0	16.4	15.6	14.6	15.1
Employment in services (%)	na	80.8	81.2	80.5	81.7	82.8	82.3
Activity rate (% working-age population)	62.7	74.0	75.5	75.3	75.8	76.3	74.6
Total unemployed (000)	39.8	108.7	112.3	127.2	137.4	150.4	149.1
Unemployment rate (%)	3.9	8.6	8.4	9.5	10.1	11.1	11.1
Youth unemployment rate (%)	na	12.5	11.5	12.2	13.2	14.7	14.0
Long-term unemployed (% total)	na	32.6	29.3	35.5	28.4	26.9	32.2

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts.
Other employment details are from the Community Labour Force Survey (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified.*

Key employment indicators in Germany

	Excl. the new Länder				Incl. the new Länder			
Total	**1975**	**1985**	**1990**	**1991**	**1991**	**1992**	**1993**	**1994**
Total population (000)	61829	61035	63203	64106	80014	80625	81156	81521
Working-age population (15–64) (%)	39606	42747	43910	44474	55023	55349	55613	55764
Total employment (000)	25585	26489	28479	29190	36511	35838	35190	34886
Annual change in employment (%)*		0.3	1.5	2.5	na	-1.8	-1.8	-0.9
Employment rate (% working-age pop.)	64.6	62.0	64.9	65.6	66.4	64.7	63.3	62.6
Self-employed (% total employment)	na	9.2	8.9	8.2	8.2	8.6	8.9	9.3
Employed part-time (% total employment)	na	12.8	15.2	15.5	14.1	14.1	15.1	15.8
Employed on fixed term contract (%)	na	9.8	10.3	9.3	na	10.4	10.2	10.2
Employment in agriculture (%)	6.8	5.2	3.7	3.5	4.2	3.5	3.6	3.3
Employment in industry (%)	45.4	41.0	40.1	40.1	40.3	39.4	38.6	37.0
Employment in services (%)	47.8	53.8	56.2	56.4	55.5	57.0	57.8	59.7
Activity rate (% working-age population)	66.9	66.7	68.2	68.5	70.3	69.4	68.8	68.5
Total unemployed (000)	915.1	2024.5	1453.4	1273.0	2195.2	2580.1	3089.8	3296.3
Unemployment rate (%)	3.5	7.2	4.8	4.2	5.6	6.6	7.9	8.4
Youth unemployment rate (%)	na	10.3	4.5	4.0	5.9	6.4	7.8	7.9
Long-term unemployed (% total)	na	45.7	42.2	42.3	na	33.1	40.0	43.9
Men								
Total population (000)	29499	29185	30544	31067	38670	39070	39409	39628
Working-age population (15–64) (%)	19344	21357	22308	22684	27936	28176	28348	28420
Total employment (000)	15736	16154	16977	17344	21192	20881	20506	20243
Annual change in employment (%)*		0.3	1.0	2.2	na	-1.5	-1.8	-1.3
Employment rate (% working-age pop.)	81.3	75.6	76.1	76.5	75.9	74.1	72.3	71.2
Self-employed (% total employment)	na	11.7	11.3	11.5	10.5	11.0	11.4	11.8
Employed part-time (% total employment)	na	2.0	2.6	2.7	2.4	2.7	2.9	3.2
Employed on fixed term contract	na	9.1	9.6	8.7	na	9.9	9.8	9.8
Employment in agriculture (%)	5.3	4.5	3.5	3.4	4.2	3.5	3.7	3.4
Employment in industry (%)	54.7	50.8	50.1	50.3	50.7	50.0	50.2	48.5
Employment in services (%)	40.1	44.7	46.4	46.3	45.1	46.5	46.1	48.1
Activity rate (% working-age population)	84.1	80.6	79.3	79.4	79.6	78.2	77.6	76.9
Total unemployed (000)	530.3	1050.6	717.9	664.0	1031.2	1163.0	1477.9	1604.2
Unemployment rate (%)	3.3	6.2	4.0	3.7	4.6	5.2	6.6	7.1
Youth unemployment rate (%)	na	9.5	4.3	3.9	5.4	5.8	7.5	7.7
Long-term unemployed (% total)	na	47.4	44.8	45.4	na	36.6	36.6	40.8
Women								
Total population (000)	32330	31850	32659	33039	41344	41555	41747	41892
Working-age population (15–64) (%)	20262	21390	21602	21791	27087	27174	27265	27344
Total employment (000)	9849	10335	11502	11846	15319	14957	14684	14643
Annual change in employment (%)*		0.5	2.2	3.0	na	-2.4	-1.8	-0.3
Employment rate (% working-age pop.)	48.6	48.3	53.2	54.4	56.6	55.0	53.9	53.6
Self-employed (% total employment)	na	5.4	5.4	5.7	5.0	5.2	5.6	5.8
Employed part-time (% total employment)	na	29.6	33.8	34.3	30.1	30.7	32.0	33.1
Employed on fixed term contract (%)	na	10.9	11.2	10.1	na	10.9	10.7	10.7
Employment in agriculture (%)	9.3	6.3	4.1	3.7	4.2	3.6	3.5	3.1
Employment in industry (%)	30.5	25.6	25.2	25.1	25.9	24.2	22.5	21.1
Employment in services (%)	60.2	68.1	70.7	71.2	69.9	72.2	74.0	75.8
Activity rate (% working-age population)	50.5	52.9	56.7	57.2	60.9	60.3	59.8	59.7
Total unemployed (000)	384.8	974.0	735.4	609.0	1164.1	1417.0	1611.9	1692.1
Unemployment rate (%)	3.8	8.7	5.9	4.9	7.0	8.5	9.7	10.1
Youth unemployment rate (%)	na	11.2	4.7	4.0	6.3	7.0	8.1	8.2
Long-term unemployed (% total)	na	43.9	39.7	39.0	na	30.4	43.3	46.9

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts .
Other employment details are from the Community Labour Force Survey (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified.*

Key employment indicators in Greece

Total	**1977+**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	9309	9934	10160	10247	10322	10379	10440
Working-age population (15–64) (000)	5933	6506	6799	6876	6940	6993	7048
Total employment (000)	3262	3588	3719	3632	3685	3720	3766
Annual change in employment (%)*		1.0	0.7	-2.3	1.5	0.9	1.2
Employment rate (% working-age population)	55.0	55.2	54.7	52.8	53.1	53.2	53.4
Self-employed (% total employment)	14.2	36.0	34.8	35.2	35.4	34.7	34.4
Employed part-time (% total employment)	na	5.3	4.1	3.8	4.8	4.3	4.8
Employed on fixed term contracts (%)	na	21.2	16.6	14.7	10.3	10.4	10.3
Employment in agriculture (%)	33.2	28.9	23.9	22.2	21.9	21.3	20.8
Employment in industry (%)	29.2	25.7	25.9	25.7	25.4	24.2	23.6
Employment in services (%)	37.5	45.4	50.2	52.1	52.8	54.5	55.6
Activity rate (% working-age population)	56.1	59.3	58.4	56.8	57.7	58.2	58.6
Total unemployed (000)	67.2	268.5	254.7	276.3	317.5	351.5	367.3
Unemployment rate (%)	2.1	7.0	6.4	7.0	7.9	8.6	8.9
Youth unemployment rate (%)	na	21.9	21.5	22.9	25.2	26.8	27.7
Long-term unemployed (% total)	na	44.4	50.1	46.3	49.5	50.5	50.5
Men							
Total population (000)	4558	4889	5003	5050	5091	5124	5158
Working-age population (15–64) (000)	2900	3220	3377	3422	3459	3491	3525
Total employment (000)	2279	2371	2409	2406	2403	2420	2436
Annual change in employment (%)*		0.4	0.3	-0.1	-0.1	0.7	0.7
Employment rate (% working-age population)	78.6	73.6	71.3	70.3	69.5	69.3	69.1
Self-employed (% total employment)	13.1	44.1	42.6	42.9	43.6	42.7	42.6
Employed part-time (% total employment)	na	2.8	2.2	2.2	2.8	2.6	3.1
Employed on fixed term contracts (%)	na	21.9	17.0	14.8	10.3	10.1	10.2
Employment in agriculture (%)	26.8	24.3	20.5	19.9	19.5	19.1	18.6
Employment in industry (%)	33.9	30.4	30.5	29.9	29.7	29.2	28.8
Employment in services (%)	39.3	45.3	49.0	50.2	50.8	51.7	52.6
Activity rate (% working-age population)	79.5	77.5	74.3	73.6	73.1	73.5	73.5
Total unemployed (000)	25.1	124.9	98.7	110.7	126.9	146.2	156.1
Unemployment rate (%)	1.1	5.0	3.9	4.4	5.0	5.7	6.0
Youth unemployment rate (%)	na	15.9	14.4	16.0	17.4	18.9	19.7
Long-term unemployed (% total)	na	34.5	40.9	36.2	37.9	41.4	41.4
Women							
Total population (000)	4751	5045	5157	5197	5231	5256	5282
Working-age population (15–64) (000)	3033	3286	3422	3454	3481	3501	3523
Total employment (000)	983	1217	1310	1226	1282	1301	1330
Annual change in employment (%)*		2.2	1.5	-6.4	4.6	1.5	2.2
Employment rate (% working-age population)	32.4	37.0	38.3	35.5	36.8	37.1	37.8
Self-employed (% total employment)	15.9	20.0	20.3	20.1	19.9	19.7	19.5
Employed part-time (% total employment)	na	10.0	7.6	7.2	8.4	7.6	8.0
Employed on fixed term contracts (%)	na	19.7	15.9	14.6	10.2	11.2	10.5
Employment in agriculture (%)	48.1	37.9	30.3	26.7	26.3	25.3	24.8
Employment in industry (%)	18.4	16.5	17.3	17.5	17.2	14.9	14.1
Employment in services (%)	33.5	45.6	52.4	55.8	56.4	59.8	61.0
Activity rate (% working-age population)	33.8	41.4	42.8	40.3	42.3	43.0	43.7
Total unemployed (000)	42.1	143.6	156.0	165.6	190.6	205.3	211.2
Unemployment rate (%)	4.1	10.6	10.8	11.8	13.0	13.6	13.7
Youth unemployment rate (%)	na	29.4	29.9	31.3	34.3	36.1	36.9
Long-term unemployed (% total)	na	53.1	55.8	53.0	57.1	56.8	57.1

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts.
Other employment details are from the Community Labour Force Survey (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment stucture and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified. + No data for 1975*

Key employment indicators in Spain

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	35515	38408	38836	38916	39006	39083	39152
Working-age population (15–64) (000)	22198	24933	25970	26170	26367	26539	26702
Total employment (000)	12692	11142	13071	13134	12981	12426	12314
Annual change in employment (%)*		-1.3	3.2	0.5	-1.2	-4.3	-0.9
Employment rate (% working-age population)	57.2	44.7	50.3	50.2	49.2	46.8	46.1
Self-employed (% total employment)	na	22.4^{+}	20.8	20.3	21.1	21.6	22.1
Employed part-time (% total employment)	na	5.8^{++}	4.9	4.7	5.8	6.6	6.9
Employed on fixed term contracts (%)	na	15.6^{++}	29.8	32.2	33.5	32.1	33.6
Employment in agriculture (%)	22.1	16.2^{+}	11.9	10.9	10.1	10.2	9.9
Employment in industry (%)	38.3	31.8^{+}	33.5	33.0	32.7	30.8	30.1
Employment in services (%)	39.7	52.0^{+}	54.6	56.1	57.2	59.0	60.0
Activity rate (% working-age population)	59.8	56.5	59.7	59.7	59.9	60.0	60.1
Total unemployed (000)	579.5	2940.1	2435.5	2476.7	2810.0	3502.6	3727.9
Unemployment rate (%)	4.4	21.7	16.2	16.4	18.5	22.8	24.1
Youth unemployment rate (%)	na	47.8	32.3	31.1	34.6	43.4	45.0
Long-term unemployed (% total)	na	58.1*	53.9	51.3	43.9	46.1	52.6
Men							
Total population (000)	17381	18841	19023	19057	19099	19135	19166
Working-age population (15–64) (000)	10933	12409	12949	13054	13159	13252	13340
Total employment (000)	9196	7876	8907	8896	8711	8246	8130
Annual change in employment (%)*		-1.5	2.5	-0.1	-2.1	-5.3	-1.4
Employment rate (% working-age population)	84.1	63.5	68.8	68.1	66.2	62.2	60.9
Self-employed (% total employment)	na	24.5^{+}	23.1	22.6	23.6	24.3	24.9
Employed part-time (% total employment)	na	2.4^{++}	1.6	1.6	2.0	2.4	2.6
Employed on fixed term contracts (%)	na	14.4^{++}	27.7	29.3	30.7	29.5	31.4
Employment in agriculture (%)	22.7	17.2^{+}	12.8	11.7	10.9	11.1	11.0
Employment in industry (%)	42.6	38.1^{+}	40.9	40.9	40.7	38.8	38.2
Employment in services (%)	34.7	44.7^{+}	46.4	47.4	48.4	50.1	50.8
Activity rate (% working-age population)	88.4	78.8	77.8	77.3	76.9	76.2	75.2
Total unemployed (000)	469.8	1906.6	1162.0	1197.3	1402.7	1849.1	1902.5
Unemployment rate (%)	4.9	20.2	11.9	12.3	14.5	19.1	19.7
Youth unemployment rate (%)	na	45.6	26.2	25.7	29.9	40.0	40.9
Long-term unemployed (% total)	na	54.8^{+}	46.2	42.6	34.7	37.8	46.2
Women							
Total population (000)	18134	19567	19814	19859	19906	19948	19986
Working-age population (15-64) (000)	11265	12525	13021	13116	13208	13287	13362
Total employment (000)	3496	3266	4164	4238	4270	4180	4184
Annual change in employment (%)*		-0.7	5.0	1.8	0.8	-2.1	0.1
Employment rate (% working-age population)	31.0	26.1	32.0	32.3	32.3	31.5	31.3
Self-employed (% total employment)	na	17.4^{+}	16.0	15.6	16.1	16.3	16.7
Employed part-time (% total employment)	na	13.9^{++}	12.1	11.2	13.7	14.8	15.2
Employed on fixed term contracts (%)	na	18.4^{++}	34.2	38.2	39.1	37.2	37.9
Employment in agriculture (%)	20.5	13.8^{+}	10.1	9.2	8.5	8.5	7.9
Employment in industry (%)	26.8	16.8^{+}	17.7	16.6	16.4	15.0	14.4
Employment in services (%)	52.7	69.4^{+}	72.2	74.2	75.1	76.5	77.7
Activity rate (% working-age population)	32.0	34.3	41.8	42.1	43.0	43.9	45.0
Total unemployed (000)	109.7	1033.5	1273.5	1279.3	1407.4	1653.4	1825.4
Unemployment rate (%)	3.0	25.1	24.1	23.9	25.6	29.3	31.4
Youth unemployment rate (%)	na	51.0	39.7	37.9	40.6	47.6	50.1
Long-term unemployed (% total)	na	64.0^{+}	61.0	59.6	52.6	55.5	59.4

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts.
Other employment details are from the Community Labour Force Survey (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified. $^{+}$ 1986, $^{++}$ 1987*

Key employment indicators in France

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	52699	55284	56735	57055	57374	57655	57905
Working-age population (15–64) (000)	32987	36405	37381	37503	37635	37769	37898
Total employment (000)	20863	21608	22478	22499	22311	22056	22078
Annual change in employment (%)*		0.4	0.8	0.1	-0.8	-1.1	0.1
Employment rate (% working-age population)	63.2	59.4	60.1	60.0	59.3	58.4	58.3
Self-employed (% total employment)	52.4	12.6	12.9	12.6	12.5	11.8	11.8
Employed part-time (% total employment)	na	10.9	11.9	12.1	12.7	13.9	14.9
Employed on fixed term contracts (%)	na	4.7	10.4	10.1	10.4	10.8	10.9
Employment in agriculture (%)	10.3	8.2	6.4	6.0	5.9	5.5	5.2
Employment in industry (%)	38.6	32.4	30.4	30.0	29.6	27.5	26.9
Employment in services (%)	51.1	59.4	63.2	63.9	64.5	67.0	67.9
Activity rate (% working-age population)	65.9	66.0	65.9	66.2	66.1	66.1	66.5
Total unemployed (000)	869.4	2411.1	2167.9	2322.3	2567.5	2924.3	3127.7
Unemployment rate (%)	3.9	10.2	9.0	9.5	10.5	11.8	12.6
Youth unemployment rate (%)	na	25.5	19.5	21.4	23.5	27.5	29.5
Long-term unemployed (% total)	na	42.6	39.7	38.3	34.3	33.1	37.3
Men							
Total population (000)	25808	26946	27623	27783	27942	28079	28198
Working-age population (15–64) (000)	16597	18181	18662	18726	18796	18865	18928
Total employment (000)	13015	12621	12932	12803	12653	12362	12311
Annual change in employment (%)*		-0.3	0.5	-1.0	-1.2	-2.3	-0.4
Employment rate (% working-age population)	78.4	69.4	69.3	68.4	67.3	65.5	65.0
Self-employed (% total empl)	49.6	17.1	17.0	16.4	16.5	15.7	15.8
Employed part-time (% total employment)	na	3.2	3.3	3.4	3.6	4.1	4.6
Employed on fixed term contracts (%)	na	4.8	9.3	8.6	9.0	9.1	9.7
Employment in agriculture (%)	na	8.9	7.3	6.8	6.7	6.2	6.2
Employment in industry (%)	na	41.7	39.8	39.7	39.2	37.1	36.1
Employment in services (%)	na	49.4	52.9	53.5	54.1	56.6	57.7
Activity rate (% working-age population)	80.7	75.6	74.2	73.7	73.4	72.8	72.8
Total unemployed (000)	378.3	1130.9	914.0	1001.3	1138.3	1374.5	1468.3
Unemployment rate (%)	2.8	8.3	6.8	7.4	8.4	10.1	10.8
Youth unemployment rate (%)	na	22.3	16.0	18.1	20.2	25.3	27.2
Long-term unemployed (% total)	na	38.5	37.9	35.5	31.7	31.0	36.6
Women							
Total population (000)	26891	28338	29112	29272	29432	29575	29706
Working-age population (15–64) (000)	16390	18224	18720	18776	18839	18904	18970
Total employment (000)	7848	8987	9546	9696	9658	9694	9767
Annual change in employment (%)*		1.4	1.2	1.6	-0.4	0.4	0.8
Employment rate (% working-age population)	47.9	49.3	51.0	51.6	51.3	51.3	51.5
Self-employed (% total employment)	58.8	6.4	7.2	7.5	7.3	6.8	6.8
Employed part-time (% total employment)	na	21.8	23.6	23.5	24.5	26.3	27.8
Employed on fixed term contracts (%)	na	4.6	11.9	11.9	12.1	12.7	12.3
Employment in agriculture (%)	na	7.1	5.2	5.0	4.9	4.5	4.0
Employment in industry (%)	na	19.3	17.8	17.3	17.0	15.3	15.2
Employment in services (%)	na	73.6	77.0	77.7	78.2	80.2	80.8
Activity rate (% working-age population)	50.9	56.3	57.7	58.7	58.9	59.5	60.2
Total unemployed (000)	491.2	1280.2	1253.9	1321.0	1429.2	1549.8	1659.4
Unemployment rate (%)	5.9	12.6	11.9	12.2	13.0	13.9	14.7
Youth unemployment rate (%)	na	28.9	23.2	24.9	26.9	29.8	31.9
Long-term unemployed (% total)	na	46.2	41.0	40.4	36.3	34.9	37.9

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts.
Other employment details are from the Community Labour Force Survey (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified.*

Key employment indicators in Ireland

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	3177	3542	3514	3532	3552	3565	3574
Working-age population (15–64) (000)	1849	2124	2161	2190	2218	2243	2268
Total employment (000)	1061	1079	1134	1134	1139	1147	1177
Annual change in employment (%)*		0.2	1.0	0.0	0.4	0.7	2.6
Employment rate (% working-age population)	57.4	50.8	52.5	51.8	51.3	51.1	51.9
Self-employed (% total employment)	21.0	21.5	22.6	21.5	22.4	21.8	21.6
Employed part-time (% total employment)	na	6.4	8.1	8.4	9.1	10.8	10.8
Employed on fixed term contracts (%)	na	7.3	8.5	8.3	8.7	9.3	9.4
Employment in agriculture (%)	22.4	16.5	15.3	14.0	13.7	13.0	13.2
Employment in industry (%)	31.8	29.9	28.8	29.0	28.1	28.1	27.2
Employment in services (%)	45.8	53.6	55.9	57.0	58.2	58.8	59.6
Activity rate (% working-age population)	61.9	61.0	60.6	60.8	60.8	60.8	61.1
Total unemployed (000)	83.1	217.2	175.7	197.5	210.0	217.1	208.2
Unemployment rate (%)	7.3	16.9	13.4	14.8	15.4	15.7	15.2
Youth unemployment rate (%)	na	24.2	19.4	22.4	24.4	25.4	24.0
Long-term unemployed (% total)	na	61.5	63.3	59.7	58.1	58.1	57.8
Men							
Total population (000)	1597	1774	1747	1757	1766	1772	1775
Working-age population (15–64) (000)	937	1072	1085	1101	1116	1128	1139
Total employment (000)	764	746	758	751	737	729	748
Annual change in employment (%)*		-0.2	0.3	-0.9	-1.9	-1.0	2.6
Employment rate (% working-age population)	81.5	69.6	69.8	68.2	66.0	64.6	65.7
Self-employed (% total employment)	23.0	27.8	29.8	28.5	29.9	29.3	29.2
Employed part-time (% total employment)	na	2.4	3.4	3.6	3.9	4.9	4.8
Employed on fixed term contracts (%)	na	5.5	6.7	6.1	6.5	7.4	7.5
Employment in agriculture (%)	na	20.6	20.6	19.2	19.3	18.3	18.4
Employment in industry (%)	na	34.7	33.6	34.5	33.3	34.4	33.2
Employment in services (%)	na	44.6	45.8	46.3	47.4	47.3	48.4
Activity rate (% working-age population)	88.5	82.8	80.1	79.5	77.9	76.6	77.0
Total unemployed (000)	65.3	141.8	111.3	124.4	132.1	135.4	128.6
Unemployment rate (%)	7.9	16.1	12.8	14.2	15.1	15.4	14.8
Youth unemployment rate (%)	na	25.5	20.4	23.7	25.8	27.0	25.4
Long-term unemployed (% total)	na	66.3	68.4	64.6	62.4	62.2	61.9
Women							
Total population (000)	1580	1769	1767	1776	1786	1793	1799
Working-age population (15–64) (000)	912	1052	1076	1089	1103	1116	1129
Total employment (000)	297	333	376	383	402	418	429
Annual change in employment (%)*		1.1	2.5	1.9	5.0	3.9	2.6
Employment rate (% working-age population)	32.6	31.6	35.0	35.2	36.5	37.5	38.0
Self-employed (% total employment)	15.8	7.4	8.0	7.8	8.6	8.5	8.6
Employed part-time (% total employment)	na	15.5	17.7	17.8	18.6	21.2	21.4
Employed on fixed term contracts (%)	na	10.6	11.4	11.5	11.9	11.9	12.0
Employment in agriculture (%)	na	7.1	4.7	3.8	3.5	3.8	4.0
Employment in industry (%)	na	19.1	19.0	18.4	18.5	17.2	16.7
Employment in services (%)	na	73.8	76.4	77.8	78.0	78.9	79.3
Activity rate (% working-age population)	34.5	38.8	40.9	41.9	43.6	44.8	45.0
Total unemployed (000)	17.8	75.4	64.4	73.1	78.0	81.7	79.6
Unemployment rate (%)	5.7	18.5	14.6	15.9	16.0	16.2	15.8
Youth unemployment rate (%)	na	22.7	18.2	20.9	22.8	23.4	22.3
Long-term unemployed (% total)	na	52.0	54.1	51.0	50.4	51.3	50.6

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts.
Other employment details are from the Community Labour Force Survey (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified.*

Key employment indicators in Italy

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	55266	56605	56722	56753	56859	57049	57228
Working-age population (15–64) (000	36445	38207	38919	39022	39120	39236	39361
Total employment (000)	19791	20742	21304	21592	21270	20337	19875
Annual change in employment (%)*		0.5	0.5	1.4	-1.5	-4.4	-2.3
Employment rate (% working-age population)	54.3	54.3	54.7	55.3	54.4	51.8	50.5
Self-employed (% total employment)	18.2	24.1	24.3	24.3	25.6	25.6	24.1
Employed part-time (% total employment)	na	5.3	4.9	5.5	5.9	5.6	6.2
Employed on fixed term contracts (%)	na	4.8	5.2	5.4	7.6	6.1	7.3
Employment in agriculture (%)	15.8	11.0	9.0	8.5	7.9	7.3	7.7
Employment in industry (%)	38.5	33.5	32.4	32.2	33.1	32.4	32.1
Employment in services (%)	45.7	55.5	58.6	59.3	59.0	60.2	60.2
Activity rate (% working-age population)	56.8	59.1	59.7	60.4	59.6	57.8	57.0
Total unemployed (000)	922.4	1824.2	1928.2	1962.0	2052.9	2342.3	2548.6
Unemployment rate (%)	4.5	8.1	8.3	8.3	8.8	10.3	11.3
Youth unemployment rate (%)	na	28.6	25.7	25.2	27.3	30.6	32.1
Long-term unemployed (% total)	na	63.5	64.5	62.6	57.7	57.3	60.9
Men							
Total population (000)	26918	27503	27537	27548	27602	27697	27781
Working-age population (15–64) (000	17800	18878	19320	19382	19443	19514	19588
Total employment (000)	13646	13986	13952	14102	13829	13205	12839
Annual change in employment (%)*		0.2	0.0	1.1	-1.9	-4.5	-2.8
Employment rate (% working-age population)	76.7	74.1	72.2	72.8	71.1	67.7	65.5
Self-employed (% total employment)	na	28.1	28.4	28.2	29.1	29.3	28.4
Employed part-time (% total employment)	na	3.0	2.4	2.9	2.9	2.6	2.8
Employed on fixed term contracts (%)	na	3.7	3.9	4.0	6.3	4.9	6.1
Employment in agriculture (%)	14.4	10.7	8.8	8.3	7.7	7.3	7.7
Employment in industry (%)	42.8	37.8	37.2	37.5	38.7	37.9	37.7
Employment in services (%)	42.8	51.5	54.0	54.2	53.6	54.8	54.6
Activity rate (% working-age population)	79.0	78.4	76.6	77.3	76.0	73.4	71.9
Total unemployed (000)	418.3	817.3	845.8	882.6	941.1	1114.1	1239.7
Unemployment rate (%)	3.0	5.5	5.7	5.9	6.4	7.8	8.7
Youth unemployment rate (%)	na	23.7	21.5	21.8	23.7	26.8	28.8
Long-term unemployed (% total)	na	60.9	61.0	59.2	57.7	54.9	59.0
Women							
Total population (000)	28348	29102	29185	29204	29257	29353	29447
Working-age population (15–64) (000	18645	19329	19600	19640	19677	19722	19773
Total employment (000)	6145	6756	7353	7490	7441	7132	7036
Annual change in employment (%)*		1.0	1.7	1.9	-0.6	-4.2	-1.3
Employment rate (% working-age population)	33.0	34.9	37.5	38.1	37.8	36.2	35.6
Self-employed (% total employment)	na	15.6	16.4	16.9	19.2	18.9	16.3
Employed part-time (% total employment)	na	10.0	9.5	10.5	11.5	11.1	12.4
Employed on fixed term contracts (%)	na	7.0	7.6	7.7	9.8	8.0	9.3
Employment in agriculture (%)	18.1	11.5	9.4	8.8	8.2	7.4	7.9
Employment in industry (%)	28.5	24.5	23.2	22.2	22.8	22.4	21.8
Employment in services (%)	53.3	64.0	67.4	69.0	69.0	70.2	70.4
Activity rate (% working-age population)	35.7	40.2	43.0	43.6	43.5	42.4	42.2
Total unemployed (000)	504.1	1006.9	1082.4	1079.4	1111.9	1228.2	1308.9
Unemployment rate (%)	7.6	13.0	12.8	12.6	13.1	14.8	15.7
Youth unemployment rate (%)	na	34.6	30.8	29.4	31.8	35.3	36.3
Long-term unemployed (% total)	na	65.5	67.0	65.1	57.7	59.4	62.7

Source: Population data are from Eurostat, Demographic Statistics; total employment is from Community Labour Force Survey — average of quarterly figures — and for 1975, based on national accounts.
Other employment details are from the LFS. Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data
** Annual average change since previous year specified.*

Key employment indicators in Luxembourg

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	361	367	382	387	393	398	404
Working-age population (15–64) (000)	242	255	264	267	269	272	274
Total employment (000)	157	161	189	197	200	205	210
Annual change in employment (%)*		0.3	3.3	4.1	1.8	2.1	2.6
Employment rate (% working-age population)	64.7	63.1	71.5	73.7	74.4	75.3	76.6
Self-employed (% total employment)	24.4	9.4	9.3	9.2	9.1	9.7	9.7
Employed part-time (% total employment)	na	7.2	6.9	7.3	6.9	7.3	7.9
Employed on fixed term contracts (%)	na	4.7	3.4	3.2	2.9	2.7	2.7
Employment in agriculture (%)	6.8	4.6	3.7	3.5	3.3	3.7	3.0
Employment in industry (%)	43.6	32.0	29.4	28.9	29.5	26.2	26.8
Employment in services (%)	49.6	63.4	66.9	67.6	67.2	70.1	70.1
Activity rate (% working-age population)	65.0	64.9	72.6	74.8	75.7	77.0	78.7
Total unemployed (000)	0.5	4.5	2.7	2.8	3.6	4.5	5.9
Unemployment rate (%)	1.1	2.9	1.7	1.7	2.1	2.6	3.5
Youth unemployment rate (%)	na	6.7	3.9	3.2	4.0	5.1	6.5
Long-term unemployed (% total)	na	44.4	38.5	na	na	50.0	33.3
Men							
Total population (000)	179	178	187	190	193	195	198
Working-age population (15-64) (000)	123	127	134	136	137	138	139
Total employment (000)	111	106	124	127	126	130	132
Annual change in employment (%)*		-0.5	3.2	2.6	-0.7	3.1	1.6
Employment rate (% working-age population)	90.3	83.4	92.4	93.7	92.1	94.2	95.0
Self-employed (% total employment)	na	11.0	10.8	10.5	10.1	11.4	10.6
Employed part-time (% total employment)	na	2.6	1.9	1.5	1.3	1.0	1.0
Employed on fixed term contracts (%)	na	3.5	2.6	2.3	2.3	2.2	2.2
Employment in agriculture (%)	na	4.9	3.9	3.8	3.7	3.8	2.9
Employment in industry (%)	na	43.4	40.3	39.4	40.7	37.1	37.9
Employment in services (%)	na	51.7	55.7	56.9	55.5	59.0	59.2
Activity rate (% working-age population)	90.6	85.1	93.4	94.7	93.5	96.0	97.4
Total unemployed (000)	0.3	2.2	1.3	1.4	1.8	2.5	3.4
Unemployment rate (%)	0.3	2.2	1.2	1.3	1.7	2.3	3.2
Youth unemployment rate (%)	na	6.4	3.2	3.3	4.2	4.7	5.6
Long-term unemployed (% total)	na	45.5	83.3	na	na	50.0	33.3
Women							
Total population (000)	182	188	195	197	200	203	205
Working-age population (15–64) (000)	119	128	130	131	132	134	135
Total employment (000)	46	55	65	70	74	73	78
Annual change in employment (%)*		1.9	3.5	6.8	6.4	-1.2	6.1
Employment rate (% working-age population)	38.2	42.9	50.1	53.1	56.0	54.8	57.6
Self-employed (% total employment)	na	6.3	6.5	6.9	7.5	6.8	8.2
Employed part-time (% total employment)	na	16.3	16.5	18.0	16.5	18.6	19.7
Employed on fixed term contracts (%)	na	7.0	4.9	4.9	3.9	3.8	3.7
Employment in agriculture (%)	na	3.8	3.3	2.9	2.6	3.4	3.3
Employment in industry (%)	na	10.1	8.6	9.9	10.4	6.8	8.2
Employment in services (%)	na	86.1	88.1	87.2	87.0	89.8	88.5
Activity rate (% working-age population)	38.4	44.7	51.1	54.2	57.3	56.3	59.4
Total unemployed (000)	0.2	2.3	1.4	1.4	1.8	2.0	2.5
Unemployment rate (%)	0.4	4.4	2.5	2.3	2.8	3.3	4.0
Youth unemployment rate (%)	na	7.1	4.6	3.1	3.7	5.7	7.4
Long-term unemployed (% total)	na	43.5	na	na	na	na	33.3

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts.
Other employment details are from the Community Labour Force Survey (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified.*

Key employment indicators in the Netherlands

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	13666	14492	14952	15070	15184	15290	15393
Working-age population (15–64) (000)	8728	9923	10305	10372	10434	10490	10548
Total employment (000)	4640	5124	6236	6420	6614	6640	6706
Annual change in employment (%)*		1.0	4.0	2.9	3.0	0.4	1.0
Employment rate (% working-age population)	53.2	51.6	60.5	61.9	63.4	63.3	63.6
Self-employed (% total employment)	29.5	9.1	9.9	9.8	10.2	10.4	11.1
Employed part-time (% total employment)	na	22.4	31.7	32.6	34.5	35.0	36.4
Employed on fixed term contracts (%)	na	7.5	7.6	7.7	9.7	10.0	10.9
Employment in agriculture (%)	5.7	5.3	4.7	4.4	3.9	4.1	4.0
Employment in industry (%)	34.9	28.2	26.3	25.6	24.7	24.0	23.4
Employment in services (%)	59.4	66.5	69.0	70.1	71.4	71.9	72.7
Activity rate (% working-age population)	55.5	56.4	64.5	65.7	67.2	67.7	68.4
Total unemployed (000)	207.2	472.3	413.3	395.2	394.3	467.0	507.6
Unemployment rate (%)	4.3	8.4	6.2	5.8	5.6	6.6	7.0
Youth unemployment rate (%)	na	13.2	8.6	8.3	8.5	11.1	10.7
Long-term unemployed (% total)	na	54.8	42.2	38.8	42.4	45.4	43.5
Men							
Total population (000)	6804	7167	7389	7450	7508	7561	7611
Working-age population (15–64) (000)	4406	5023	5230	5267	5301	5330	5359
Total employment (000)	3364	3375	3875	3957	4006	3984	3977
Annual change in employment (%)*		0.0	2.8	2.1	1.2	-0.6	-0.2
Employment rate (% working-age population)	76.4	67.2	74.1	75.1	75.6	74.7	74.2
Self-employed (% total employment)	29.3	11.6	11.3	11.0	12.0	12.4	12.9
Employed part-time (% total employment)	na	7.6	15.0	15.7	15.4	15.3	16.1
Employed on fixed term contracts (%)	na	5.8	6.1	5.9	6.9	6.9	8.0
Employment in agriculture (%)	na	6.4	5.4	5.2	4.9	5.0	5.0
Employment in industry (%)	na	36.7	35.6	34.8	33.7	33.0	32.7
Employment in services (%)	na	56.9	59.0	60.0	61.4	62.0	62.3
Activity rate (% w-a popn)	79.9	72.3	77.5	78.3	79.0	79.2	79.2
Total unemployed (000)	157.0	257.7	176.2	168.3	179.3	237.2	265.7
Unemployment rate (%)	4.5	7.0	4.3	4.1	4.3	5.6	6.3
Youth unemployment rate (%)	na	13.0	7.5	7.4	8.5	11.9	11.9
Long-term unemployed (% total)	na	56.9	47.2	45.9	45.7	44.2	42.8
Women							
Total population (000)	6862	7325	7563	7620	7676	7730	7782
Working-age population (15–64) (000)	4322	4900	5075	5104	5133	5160	5189
Total employment (000)	1276	1749	2361	2463	2608	2656	2730
Annual change in employment (%)*		3.2	6.2	4.3	5.9	1.9	2.8
Employment rate (% working-age population)	29.5	35.7	46.5	48.3	50.8	51.5	52.6
Self-employed (% total employment)	30.2	4.3	7.7	7.8	7.3	7.3	8.5
Employed part-time (% total employment)	na	51.0	59.2	59.8	63.8	64.5	65.9
Employed on fixed term contracts (%)	na	10.6	10.2	10.7	14.0	14.4	15.0
Employment in agriculture (%)	na	3.1	3.4	3.0	2.4	2.7	2.5
Employment in industry (%)	na	11.9	11.1	10.8	10.7	10.6	9.5
Employment in services (%)	na	85.0	85.5	86.1	86.9	86.7	87.9
Activity rate (% working-age population)	30.7	40.1	51.2	52.7	55.0	55.9	57.3
Total unemployed (000)	50.2	214.5	237.1	226.8	215.0	229.8	241.9
Unemployment rate (%)	3.8	10.8	9.1	8.4	7.6	7.9	8.2
Youth unemployment rate (%)	na	13.5	9.6	9.1	8.6	10.2	9.5
Long-term unemployed (% total)	na	51.7	38.1	32.7	39.9	46.6	44.4

Source: Population data are from Eurostat, Demographic Statistics; total employment from 1985 is from Community Labour Force Survey (LFS) and for 1975 is based on national accounts.
Other employment details are from the LFS. Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified.*

Key employment indicators in Austria

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	7579	7558	7726	7829	7915	7989	8042
Working-age population (15–64) (000)	4691	5098	5211	5286	5347	5391	5419
Total employment (000)	2942	3234	3412	3482	3546	3530	3537
Annual change in employment (%)*		1.0	1.1	2.1	1.8	-0.5	0.2
Employment rate (% working-age population)	62.7	63.4	65.5	65.9	66.3	65.5	65.3
Self-employed (% total employment)	19.3	15.3	14.3	15.0	14.8	14.5	na
Employed part-time (% total employment)	na	7.0	8.4	8.2	8.2	8.7	na
Employed on fixed term contracts (%)	na	na	na	na	na	na	na
Employment in agriculture (%)	12.5	9.3	7.9	7.8	7.2	7.1	na
Employment in industry (%)	40.9	38.2	36.7	37.1	36.3	35.1	na
Employment in services (%)	46.5	52.5	55.4	55.1	56.6	57.9	na
Activity rate (% working-age population)	63.8	66.3	67.9	68.5	68.7	68.3	68.0
Total unemployed (000)	52.0	147.6	125.1	136.3	126.9	153.1	157.0
Unemployment rate (%)	1.5	4.4	3.6	3.8	3.3	3.9	4.0
Youth unemployment rate (%)	na	5.3	4.4	3.2	3.7	3.5	na
Long-term unemployed (% total)	na	na	na	na	na	na	na
Men							
Total population (000)	3581	3584	3698	3767	3825	3870	3904
Working-age population (15–64) (000)	2264	2501	2601	2655	2700	2727	2746
Total employment (000)	1814	1958	1959	2002	2041	2028	2032
Annual change in employment (%)*		0.8	0.0	2.2	2.0	-0.6	0.2
Employment rate (% working-age population)	80.1	78.3	75.3	75.4	75.6	74.4	74.0
Self-employed (% total employment)	na	14.2	14.0	14.4	14.2	13.9	na
Employed part-time (% total employment)	na	1.4	1.8	1.7	1.6	1.7	na
Employed on fixed term contracts (%)	na	na	na	na	na	na	na
Employment in agriculture (%)	na	8.4	6.8	6.8	6.5	6.5	na
Employment in industry (%)	na	48.5	48.3	48.3	47.5	46.7	na
Employment in services (%)	na	43.2	44.8	44.8	46.1	46.8	na
Activity rate (% working-age population)	81.3	82.2	78.1	78.5	78.3	77.7	na
Total unemployed (000)	26.0	97.5	73.3	82.2	71.7	91.1	na
Unemployment rate (%)	1.4	4.8	3.6	3.9	3.2	4.1	na
Youth unemployment rate (%)	na	5.8	4.5	3.3	4.3	3.9	na
Long-term unemployed (% total)	na	na	na	na	na	na	na
Women							
Total population (000)	3998	3975	4028	4062	4090	4118	4138
Working-age population (15–64) (000)	2427	2597	2610	2631	2648	2663	2673
Total employment (000)	1128	1276	1453	1480	1505	1502	1505
Annual change in employment (%)*		1.2	2.6	1.9	1.6	-0.2	0.2
Employment rate (% working-age population)	46.5	49.1	55.7	56.3	56.8	56.4	56.3
Self-employed (% total employment)	na	17.0	14.6	15.7	15.8	15.2	na
Employed part-time (% total employment)	na	15.7	17.2	16.9	17.3	18.2	na
Employed on fixed term contracts (%)	na	na	na	na	na	na	na
Employment in agriculture (%)	na	10.6	9.5	9.2	8.1	8.0	na
Employment in industry (%)	na	22.5	19.8	20.7	20.3	18.6	na
Employment in services (%)	na	66.9	70.7	70.2	71.5	73.4	na
Activity rate (% working-age population)	47.5	51.0	57.7	58.3	58.9	58.7	na
Total unemployed (000)	26.0	50.0	51.7	54.1	55.2	62.0	na
Unemployment rate (%)	2.3	3.8	3.6	3.7	3.3	3.7	na
Youth unemployment rate (%)	na	4.8	4.2	3.0	3.0	2.9	na
Long-term unemployed (% total)	na	na	na	na	na	na	na

Source: Total employment is from national accounts, other employment details are from national sources or OECD.
** Annual average change since previous year specified.*

Key employment indicators in Portugal

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	9308	10011	9896	9867	9862	9876	9899
Working-age population (15–64) (000	5738	6457	6549	6570	6603	6640	6679
Total employment (000)	3724	4196	4541	4665	4587	4493	4475
Annual change in employment (%)*		1.2	1.6	2.7	-1.7	-2.0	-0.4
Employment rate (% working-age population)	64.9	65.0	69.3	71.0	69.5	67.7	67.0
Self-employed (% total employment)	15.8	26.2+	25.8	26.4	23.9	24.1	25.2
Employed part-time (% total employment)	na	6.0+	6.0	7.0	7.3	7.4	8.0
Employed on fixed term contracts (%)	na	14.7+	18.6	16.5	10.8	9.6	9.3
Employment in agriculture (%)	33.9	21.5+	18.1	17.4	11.5	11.6	11.8
Employment in industry (%)	33.8	33.9+	34.1	34.0	32.6	32.9	32.5
Employment in services (%)	32.3	44.5+	47.8	48.6	56.0	55.6	55.8
Activity rate (% working-age population)	68.0	71.1	72.6	73.9	72.5	71.7	72.0
Total unemployed (000)	179.1	394.0	213.2	190.9	199.2	270.3	333.1
Unemployment rate (%)	4.4	8.7	4.6	4.0	4.2	5.7	7.0
Youth unemployment rate (%)	na	20.0	10.0	8.8	10.1	12.9	15.2
Long-term unemployed (% total)	na	54.5+	45.0	37.2	29.9	36.4	41.7
Men							
Total population (000)	4486	4828	4771	4756	4753	4758	4766
Working-age population (15–64) (000)	2759	3136	3188	3201	3219	3240	3260
Total employment (000)	2279	2538	2639	2672	2592	2522	2498
Annual change in employment (%)*		1.1	0.8	1.3	-3.0	-2.7	-0.9
Employment rate (% working-age population)	82.6	80.9	82.8	83.5	80.5	77.8	76.6
Self-employed (% total employment)	na	25.7+	25.6	26.4	25.3	25.1	27.0
Employed part-time (% total employment)	na	3.4+	3.5	4.0	4.1	4.4	4.7
Employed on fixed term contracts (%)	na	13.8+	17.0	14.9	9.5	8.7	8.4
Employment in agriculture (%)	na	18.6+	15.8	14.8	10.4	10.4	10.8
Employment in industry (%)	na	40.2+	40.2	40.9	39.0	40.2	39.4
Employment in services (%)	na	41.2+	44.1	44.3	50.6	49.4	49.9
Activity rate (% w-a popn)	86.2	86.5	85.5	85.8	83.5	81.7	81.5
Total unemployed (000)	98.6	174.1	85.7	75.4	95.0	125.8	160.7
Unemployment rate (%)	4.1	6.6	3.3	2.8	3.6	4.8	6.1
Youth unemployment rate (%)	na	16.3	8.4	6.8	9.1	10.8	13.7
Long-term unemployed (% total)	na	48.9+	38.0	31.1	23.9	33.9	41.2
Women							
Total population (000)	4822	5183	5125	5110	5109	5118	5133
Working-age population (15–64) (000)	2979	3321	3361	3369	3383	3400	3418
Total employment (000)	1445	1658	1902	1993	1994	1972	1976
Annual change in employment (%)*		1.4	2.8	4.8	0.1	-1.1	0.2
Employment rate (% working-age population)	48.5	49.9	56.6	59.1	59.0	58.0	57.8
Self-employed (% total employment)	na	26.8+	26.0	26.3	22.1	22.7	23.1
Employed part-time (% total employment)	na	10.0+	9.4	11.1	11.5	11.1	12.1
Employed on fixed term contracts (%)	na	16.1+	20.9	18.7	12.4	10.8	10.3
Employment in agriculture (%)	na	25.9+	21.4	20.9	12.9	13.0	13.0
Employment in industry (%)	na	24.5+	25.8	24.9	24.4	23.6	23.9
Employment in services (%)	na	49.6+	52.9	54.2	62.8	63.4	63.1
Activity rate (% working-age population)	51.2	56.5	60.4	62.6	62.0	62.2	62.9
Total unemployed (000)	80.5	219.8	127.5	115.5	104.2	144.5	172.4
Unemployment rate (%)	5.3	11.7	6.3	5.4	5.0	6.8	8.1
Youth unemployment rate (%)	na	24.6	11.9	11.1	11.3	15.3	17.1
Long-term unemployed (% total)	na	59.1+	49.7	40.9	35.3	38.6	42.2

Source: Population data are from Eurostat, Demographic Statistics; total employment from 1985 is from Community Labour Force Survey (LFS) — average of quarterly figures — and for 1975 is based on national accounts.
Other employment details are from the (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified. + 1986*

Key employment indicators in Finland

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	4712	4902	4986	5014	5042	5066	5089
Working-age population (15–64) (000)	3174	3339	3356	3370	3385	3396	3408
Total employment (000)	2211	2331	2351	2229	2073	1942	1927
Annual change in employment (%)*		0.5	0.2	-5.2	-7.0	-6.3	-0.8
Employment rate (% working-age population)	69.7	69.8	70.1	66.1	61.2	57.2	56.5
Self-employed (% total employment)	na	14.8	14.2	14.3	14.9	15.3	15.5
Employed part-time (% total employment)	na	8.2	6.7	7.3	7.4	8.4	8.4
Employed on fixed term contracts (%)	na	10.5	11.5	12.0	13.1	12.7	12.9
Employment in agriculture (%)	14.9	12.1	8.6	8.5	8.8	8.8	8.6
Employment in industry (%)	36.1	31.5	30.8	29.4	27.6	27.1	26.3
Employment in services (%)	49.0	56.4	60.6	62.1	63.6	64.1	65.1
Activity rate (% working-age population)	71.6	74.7	72.7	71.9	70.9	70.2	69.9
Total unemployed (000)	60.8	163.2	88.0	193.0	328.2	443.8	455.8
Unemployment rate (%)	2.6	6.3	3.4	7.6	13.1	17.9	18.4
Youth unemployment rate (%)	na	9.7	6.7	14.5	25.2	33.3	33.6
Long-term unemployed (% total)	na	na	na	na	na	na	na
Men							
Total population (000)	2278	2374	2419	2435	2450	2464	2477
Working-age population (15–64) (000)	1563	1672	1691	1699	1708	1714	1721
Total employment (000)	1177	1206	1227	1150	1060	1000	989
Annual change in employment (%)*		0.2	0.4	-6.3	-7.9	-5.7	-1.1
Employment rate (% working-age population)	75.3	72.1	72.6	67.7	62.1	58.3	57.5
Self-employed (% total employment)	na	17.1	17.8	18.1	19.5	20.0	20.1
Employed part-time (% total employment)	na	4.5	4.1	5.0	5.1	5.7	5.8
Employed on fixed term contracts (%)	na	9.6	8.3	9.8	10.9	11.5	11.7
Employment in agriculture (%)	15.4	14.4	10.6	10.5	11.4	11.4	11.0
Employment in industry (%)	48.0	42.7	43.1	41.8	39.1	38.5	37.5
Employment in services (%)	36.6	42.9	46.2	47.7	49.6	50.2	51.5
Activity rate (% working-age population)	77.5	77.4	75.8	75.0	74.0	73.5	72.6
Total unemployed (000)	34.6	87.5	54.0	124.1	203.4	259.4	259.4
Unemployment rate (%)	2.9	6.5	4.0	9.3	15.5	19.9	19.9
Youth unemployment rate (%)	na	10.5	8.2	17.7	29.2	36.9	36.9
Long-term unemployed (% total)	na	na	na	na	na	na	na
Women							
Total population (000)	2434	2529	2567	2579	2592	2603	2613
Working-age population (15–64) (000)	1610	1667	1665	1671	1677	1682	1687
Total employment (000)	1034	1125	1124	1079	1013	942	938
Annual change in employment (%)*		0.8	0.0	-4.0	-6.1	-7.0	-0.5
Employment rate (% working-age population)	64.2	67.5	67.5	64.6	60.4	56.0	55.6
Self-employed (% total employment)	na	12.4	10.4	10.2	10.1	10.2	10.6
Employed part-time (% total employment)	na	12.2	9.6	9.8	9.8	11.2	11.2
Employed on fixed term contracts (%)	na	11.4	14.6	14.2	15.2	13.9	14.1
Employment in agriculture (%)	14.3	9.6	6.4	6.4	6.1	6.0	6.1
Employment in industry (%)	22.5	19.5	17.2	16.2	15.6	15.0	14.4
Employment in services (%)	63.2	70.8	76.4	77.4	78.3	79.0	79.4
Activity rate (% working-age population)	65.9	72.0	69.5	68.7	67.8	67.0	67.2
Total unemployed (000)	26.2	75.8	34.0	68.9	124.8	184.4	196.3
Unemployment rate (%)	2.5	6.1	2.8	5.7	10.5	15.7	16.7
Youth unemployment rate (%)	na	8.9	5.2	11.1	20.9	29.2	29.9
Long-term unemployed (% total)	na	na	na	na	na	na	na

Source: Total employment is from national accounts, other employment details are from the Labour Force Survey for Finland and national sources.
Total unemployed and youth unemployed are harmonised Eurostat figures.
** Annual average change since previous year specified.*

Key employment indicators in Sweden

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	8192	8350	8559	8617	8668	8719	8772
Working-age population (15–64) (000)	5259	5394	5502	5526	5543	5562	5586
Total employment (000)	4062	4322	4550	4482	4282	4042	4004
Annual change in employment (%)*		0.6	1.0	-1.5	-4.5	-5.6	-0.9
Employment rate (% working-age population)	77.2	80.1	82.7	81.1	77.2	72.7	71.7
Self-employed (% total employment)	na	9.0	8.9	8.8	9.5	10.3	na
Employed part-time (% total employment)	na	25.3	23.5	23.7	24.3	24.9	na
Employed on fixed term contracts (%)	na	11.9	10.0	9.8	10.5	11.5	na
Employment in agriculture (%)	6.4	4.1	3.4	3.4	3.4	3.4	na
Employment in industry (%)	36.5	29.6	29.0	28.1	26.5	25.4	na
Employment in services (%)	57.1	66.3	67.5	68.5	70.1	71.1	na
Activity rate (% working-age population)	78.6	82.6	84.2	83.8	81.9	80.1	79.3
Total unemployed (000)	74.1	132.5	82.8	148.1	260.4	414.9	426.2
Unemployment rate (%)	1.8	3.0	1.8	3.3	5.8	9.5	9.8
Youth unemployment rate (%)	na	7.1	4.5	7.8	13.6	22.6	22.6
Long-term unemployed (% total)	na	13.3	7.7	4.1	8.7	12.3	na
Men							
Total population (000)	4074	4124	4228	4257	4283	4308	4334
Working-age population (15–64) (000)	2660	2729	2792	2805	2815	2825	2837
Total employment (000)	2342	2277	2366	2324	2205	2066	2046
Annual change in employment (%)*		-0.3	0.8	-1.8	-5.1	-6.3	-0.9
Employment rate (% working-age population)	88.0	83.4	84.7	82.9	78.3	73.1	72.1
Self-employed (% total employment)	na	12.9	12.7	12.8	14.0	15.2	na
Employed part-time (% total employment)	na	6.8	7.4	7.6	8.3	9.1	na
Employed on fixed term contracts (%)	na	9.6	7.3	7.4	8.3	9.9	na
Employment in agriculture (%)	8.2	5.7	4.9	4.7	4.7	5.0	na
Employment in industry (%)	49.3	43.9	43.0	42.2	40.1	38.6	na
Employment in services (%)	42.4	50.4	52.0	53.1	55.2	56.5	na
Activity rate (% working-age population)	89.4	86.1	86.3	85.9	84.0	82.1	81.1
Total unemployed (000)	35.4	72.0	43.2	84.8	160.7	253.9	254.7
Unemployment rate (%)	1.5	3.1	1.8	3.6	6.9	11.1	11.2
Youth unemployment rate (%)	na	7.4	4.6	8.5	16.0	26.0	25.3
Long-term unemployed (% total)	na	13.1	5.7	4.5	9.0	13.8	na
Women							
Total population (000)	4118	4227	4331	4360	4385	4411	4438
Working-age population (15–64) (000)	2599	2665	2710	2721	2729	2738	2749
Total employment (000)	1720	2045	2184	2158	2077	1976	1958
Annual change in employment (%)*		1.7	1.3	-1.2	-3.7	-4.9	-0.9
Employment rate (% working-age population)	66.2	76.7	80.6	79.3	76.1	72.2	71.2
Self-employed (% total employment)	na	4.8	4.8	4.6	4.7	5.3	na
Employed part-time (% total employment)	na	45.5	40.9	41.0	41.2	41.4	na
Employed on fixed term contracts (%)	na	14.2	12.7	12.2	12.6	13.0	na
Employment in agriculture (%)	4.0	2.4	1.8	1.9	1.9	1.9	na
Employment in industry (%)	19.0	14.2	13.8	13.0	12.1	11.7	na
Employment in services (%)	77.1	83.4	84.3	85.1	86.0	86.5	na
Activity rate (% working-age population)	67.7	79.0	82.0	81.6	79.8	78.1	77.5
Total unemployed (000)	38.7	60.6	39.6	63.3	99.8	161.0	171.5
Unemployment rate (%)	2.2	2.9	1.8	2.9	4.7	7.7	8.2
Youth unemployment rate (%)	na	6.8	4.5	7.1	11.1	19.0	19.8
Long-term unemployed (% total)	na	13.5	9.9	3.6	8.2	10.0	na

Source: Total employment is from national accounts, other employment details are from the Labour Force Survey for Sweden and national sources.
Total unemployed and youth unemployed are harmonised Eurostat figures.
** Annual average change since previous year specified.*

Key employment indicators in United Kingdom

Total	**1975**	**1985**	**1990**	**1991**	**1992**	**1993**	**1994**
Total population (000)	56215	56682	57572	57796	58003	58187	58365
Working-age population (15–64) (000	35192	37206	37598	37641	37674	37818	38073
Total employment (000)	24719	24573	26809	25991	25441	25041	25117
Annual change in employment (%)*		-0.1	1.8	-3.1	-2.1	-1.6	0.3
Employment rate (% working-age population)	70.2	66.0	71.3	69.0	67.5	66.2	66.0
Self-employed (% total employment)	13.1	11.4	13.3	13.0	12.5	12.5	12.9
Employed part-time (% total employment)	na	20.9	21.3	21.9	23.2	23.9	23.8
Employed on fixed term contracts (%)	na	7.0	5.2	5.3	5.4	5.7	6.3
Employment in agriculture (%)	2.8	2.4	2.2	2.3	2.2	2.1	2.1
Employment in industry (%)	40.4	34.7	32.3	31.2	30.2	29.4	27.8
Employment in services (%)	56.8	63.0	65.5	66.5	67.5	68.5	70.1
Activity rate (% working-age population)	72.6	74.5	76.7	75.7	75.1	73.8	72.8
Total unemployed (000)	817.3	3141.3	2022.4	2507.3	2835.3	2857.7	2605.9
Unemployment rate (%)	3.2	11.5	7.1	8.7	10.0	10.1	9.3
Youth unemployment rate (%)	na	18.5	10.8	14.0	15.3	15.9	14.7
Long-term unemployed (% total)	na	40.3	33.6	28.4	35.4	42.5	45.4
Men							
Total population (000)	27357	27608	28118	28243	28361	28478	28598
Working-age population (15–64) (000)	17554	18645	18901	18927	18950	19065	19268
Total employment (000)	15150	14342	15221	14632	14125	13751	13855
Annual change in employment (%)*		-0.5	1.2	-3.9	-3.5	-2.6	0.8
Employment rate (% working-age population)	86.3	76.9	80.5	77.3	74.5	72.1	71.9
Self-employed (% total employment)	na	14.7	17.8	17.5	17.0	17.0	17.5
Employed part-time (% total employment)	na	4.3	5.2	5.4	6.2	6.6	7.1
Employed on fixed term contracts (%)	na	5.6	3.7	3.8	4.4	4.8	5.3
Employment in agriculture (%)	3.6	3.1	3.0	3.2	3.1	2.9	2.9
Employment in industry (%)	49.8	45.5	43.7	42.5	41.5	40.6	38.8
Employment in services (%)	46.5	51.4	53.3	54.3	55.4	56.5	58.3
Activity rate (% working-age population)	90.2	87.0	86.9	85.7	84.7	82.2	80.9
Total unemployed (000)	680.8	1886.6	1206.4	1592.1	1919.2	1918.5	1726.3
Unemployment rate (%)	4.3	11.8	7.4	9.8	12.0	12.1	10.9
Youth unemployment rate (%)	na	19.7	11.9	16.3	18.7	19.2	17.4
Long-term unemployed (% total)	na	48.2	42.0	33.1	39.6	47.2	51.2
Women							
Total population (000)	28858	29074	29454	29553	29642	29710	29767
Working-age population (15–64) (000)	17638	18561	18696	18714	18724	18753	18805
Total employment (000)	9569	10231	11588	11359	11316	11290	11262
Annual change in employment (%)*		0.7	2.5	-2.0	-0.4	-0.2	-0.2
Employment rate (% working-age population)	54.3	55.1	62.0	60.7	60.4	60.2	59.9
Self-employed (% total employment)	na	6.9	7.4	7.2	6.9	7.1	7.1
Employed part-time (% total employment)	na	44.3	42.6	43.1	44.5	45.0	44.3
Employed on fixed term contracts (%)	na	8.7	7.0	6.9	6.6	6.7	7.4
Employment in agriculture (%)	1.5	1.3	1.1	1.1	1.1	1.1	1.2
Employment in industry (%)	25.5	19.5	17.3	16.7	16.2	15.7	14.2
Employment in services (%)	73.1	79.2	81.5	82.2	82.6	83.2	84.6
Activity rate (% working-age population)	55.0	61.9	66.3	65.6	65.3	65.2	64.6
Total unemployed (000)	136.5	1254.7	816.0	915.2	916.2	939.3	879.6
Unemployment rate (%)	1.4	11.0	6.6	7.4	7.4	7.6	7.1
Youth unemployment rate (%)	na	17.0	9.6	11.4	11.2	12.0	11.4
Long-term unemployed (% total)	na	28.3	21.6	20.7	26.6	32.5	33.9

Source: Population data are from Eurostat, Demographic Statistics; total employment is from national accounts
Other employment details are from the Community Labour Force Survey (LFS). Total unemployed and youth unemployed are harmonised Eurostat figures; long-term unemployment is from the LFS.
Figures for employment structure and unemployment in 1975 are based on OECD data.
** Annual average change since previous year specified.*

Sources

The main source of data used is the Statistical Office of the European Communities (Eurostat) and, in particular, the Community Labour Force Survey (LFS). This is the only source of data on employment, unemployment and related variables which is comparable and complete for all Member States. Since it is based on a survey of households and uses a common coding and methodology, it abstracts from national differences in definitions, methods of classification and administrative procedures and regulations.

Data from national sources may, therefore, differ from the figures presented in this report. This is particularly so for unemployment statistics, which in individual countries are based largely on registrations at labour offices.

The LFS was carried out once every two years between 1973 and 1981 and since 1983 has been conducted annually. The results of the surveys before 1983, however, are not strictly comparable with those conducted since.

This year's Report includes an analysis of data from the 1994 LFS, which are available for all 12 of the former Member States whereas in previous reports the LFS of two years before represented the latest data available. Thanks to the efforts of the Statistical Office and Member States, this, therefore, enables a more up-to-date review of employment developments to be made than has been possible in the past.

In a great many cases, the data presented have been specifically extracted from the LFS and, in some cases, from other databases, by statisticians at Eurostat who have given considerable help and advice in the preparation of the report.

Employment data for analysis of year-to-year changes

The LFS for most countries is not the most reliable source of data for examining changes in employment over time, especially over short periods, partly because of it is based on a sample survey of households. The analysis in Part 1, Sections 1 and 2 which is concerned with the growth of employment in recent years is, therefore, based largely on National Accounts data, which tend to be more comparable over time. However, for a few Member States there are problems with the National Accounts data which mean that they are less satisfactory than the LFS figures. These are:

- Italy, where the National Accounts data include an estimate for the numbers employed outside the formal economy which increases the number by about 10% relative to the LFS figure and which are likely to be better estimates of job numbers than the number of people employed;
- the Netherlands, for which the National Accounts data are for full-time equivalent, rather than actual, numbers employed (ie part-time workers are counted as less than full-time workers), which makes the data not comparable with those for other countries;
- Portugal, where the National Accounts data are substantially different from the LFS figures (15–20% lower), for a reason which is unclear, and change in different ways.

For these three countries, LFS figures have been used for analysis of changes in employment over time instead of National Accounts figures (quarterly LFS figures in the case of Italy and Portugal, where there is some seasonality in employment, and annual LFS figures for the Netherlands). This means that the figures for total employment in the Union are slightly different, both in terms of numbers and in terms of year-to-year changes, than those normally used.

Other data

The short-term forecasts summarised in Part 1, Section 6 relate to Spring 1995 and were prepared by the Directorate General for Economic and Financial Affairs, which also provided the National Accounts data for the analysis in Part 1, Sections 1 and 2 and Section 5 (on changes in labour costs). The sources used for each of the graphs and the maps are listed below.

Germany

The data for Germany used in the Report relate so far as possible, and where appropriate, to the country after unification and, therefore, include the new Länder. Since data are not available for unified Germany before 1991 — and in many cases would be difficult to interpret if they were — the analysis for the years before 1991 relates to the former West Germany. In the analysis of changes over the period between 1990 and 1994, to enable the new Länder to be included, the device has been adopted of taking the 1991 data for these and combining these with the data for the former West Germany in 1990.

New Member States

The data for detailed analysis of the structure of the labour force and employment in Finland and Sweden come from national labour force surveys. Because there is no labour force survey for Austria, the data come from national sources (supplied by the Central Statistical Office) and for this reason are not directly comparable with those for other countries.

Availability of data

Most of the data used in the preparation of Employment in Europe can be made available in machine-readable form in a number of standard file formats. Requests for data should indicate the graph or map for which the data are required and should be addressed to:

European Commission — DG V/B/1
200 rue de la Loi
B-1049 Brussels

A small fee will usually be charged to cover the preparation costs.

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