EMPLOYMENT OBSERVATORY

Policies

Developments in employment policies in Europe.
Series produced by the MISEP network.

44 **Winter 1993**

Employment in EUROPE

inforMISEP

Commission of the European Communities
Directorate-General
Employment, Industrial Relations and Social Affairs

Developments at a Glance

Belgium	The Walloon region provides allowances for employee training during the creation of new, and the extension or restructuring of existing firms. Flanders has defined the rights and duties of the unemployed and the labour market authority in an Unemployed Persons' Charta. At national level, employers recruiting young people are to be partially or completely exempted from social insurance contributions, the right to a career break has been extended and a collective agreement on partial early retirement has been reached.
Germany	A supplementary budget for the Federal Labour Office, raising its budget to over DM 100 billion, has been passed. The employment situation of the severely disabled within the civil service has been improved and increased support provided to create and extend institutions helping to (re)integrate disabled people into the labour market. There has been a sharp increase in the number of women returning to work after a "family phase". Support for up to 10,000 training opportunities in East Germany is to be provided. German careers advisory service is to take account of the European dimension. Limits have been imposed on the use of contracted foreign workers in German firms. Uniform dismissal notice periods have been introduced for blue and white-collar workers.
France	A five-year law on labour, employment and vocational training aims to support employment growth by introducing long-term measures. The labour market authority (ANPE) is improving its co-operation with large firms.
Ireland	New initiative in support of new businesses: County Enterprise Boards. Regulations introduced on summer work by students. A survey of school-leavers reveals the importance of training for labour market integration.
Netherlands	Registered unemployment increases due to change in statistical definition. Educational projects introduced for refugees. Measures increase the labour market chances for the long-term unemployed. Job pools and placement by the employment offices are proving successful.
Portugal	Five-year plan for the strategic development of the Portuguese economy and labour market. Special measures introduced in support of mining workers.
Spain	Comprehensive reform of the labour market by extending flexible forms of labour contracts, raising occupational and geographical mobility, working-time reform and wage flexibilisation, together with reform of the civil service and in unemployment insurance.
United Kingdom	A trade union reform and workers' rights law restricts the rights of trade unions in favour of the rights of individual workers.

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No. 44, Winter 1993

The "Policies" bulletin is compiled on the basis of information provided by national correspondents. It is published in English, French and German.
The "Focus" part and the "Statistics" are conceived and edited by the MISEP secretariat. The opinions and analyses contained in this section do not necessarily reflect the opinions or views of the Commission of the European Communities or the correspondents. Signed articles are the sole responsibility of the author(s).

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Printing: Druckerei Conrad, Berlin

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Overall Developments

Spain

The labour market reform in Spain

Proposed legislation on fiscal measures and legal reform in the public service and unemployment support

In view of the fact that the recession which has affected the Spanish economy during the past two years has been longer and deeper than had been expected, in April 1992 the Government started to introduce a number of "urgent" labour market policy measures. The measures affected the areas labour promotion, unemployment support and investment stimulation, the aim being to speed economic recovery (Law no. 22/1992 and Royal Decree-Law 3/1993 on urgent measures in budgetary, fiscal and employment matters; cf. iMi 38 and 42).

The Government is convinced that the causes of the current high rate of unemployment are largely structural in nature, and consequently that a far-reaching general reform of the labour market is required. This necessitates changes in the institutional framework regulating labour relations in order to improve its capacity to adapt to changes in the economic situation.

This view is the point of reference for the current policies of the Ministry of Labour and Social Security and is included in the document "The reform of the labour market" presented by the Government in the first half of this year to the Economic and Social Council (CES), requesting them to express their opinion. This document brings together the foundations of the new "labour model" which the Spanish Government is determined to promote by means of reform in the areas described below.

Mediation in the labour market

The main functions of the public employment service, performed free of charge, are set out as follows:

- providing training for job-seekers;
- providing orientation support for those seeking work and vocational training;
- determining in advance firms' needs for labour and skills;
- guaranteeing the transparency of the labour market.

The possibility of regulating temporary employment agencies is also established and consequently changes in the obligation on unemployed persons to register with the employment offices will be introduced.

Employment contracts

The two-fold aim in this regard is, on the one hand, to ensure stable and permanent employment and, on the other, to facilitate labour market entry.

In addition to existing contractual forms, the law provides a basis for apprenticeship contracts, the spread of part-time working contracts and the reform of (practical) training contracts.

Internal mobility and working time regimes

In order to raise competitiveness and efficiency:

- functional and geographical mobility are to be promoted
- working time rendered more flexible both with regard to its duration and the distribution of working hours (reduction in the working day, part-time work and overtime).

Wage determination

In view of Spain's highly inflexible wage structure, it is proposed that

- the contents of collective bargaining be extended to matters not strictly linked to pay;
- pay be linked more closely to productivity, and the individual firm, sector and region, in such a way as to generate a more highly diversified wage structure.

Vocational training

The aim here is to:

- promote vocational training as a means of raising productivity and the job-creating capacity of the economy;
- establish tripartite regulation of vocational training;
- continue the process of geographical decentralisation of training activities.

Social security for the unemployed

Reform of the system of social security for the unemployed – with the aim of guaranteeing its survival – with respect to its legal stipulations and control mechanisms, the level and duration of benefits.

It is proposed that unemployment benefits, currently tax free, be made subject to taxes and social security contributions.

Termination of work contracts

In order to promote efficiency and equality, and to counter segmentation on the labour market and labour turnover, the legislation governing dismissal for economic and technological reasons is to be revised with respect to:

- prior administrative approval
- the minimum rate of compensation.

Following the establishment of these guidelines for the reform of the labour market and with the aim of initiating a social pact which would enable the greatest possible number of jobs to be created through a balanced and stable recovery of the Spanish economy, the Government and the social partners initiated, after the elections held last June, an intensive process of negotiation. Despite the difficulties which arose in the negotiations in certain areas, the dialogue, seen as important by all the parties, is continuing.

In support of the economic targets for 1994 set out in the general budgetary law, the Council of Ministers decided at a cabinet meeting on 8 October to present to Parliament a legislative proposal on fiscal measures, and a reform of the legal framework governing

the civil service and unemployment benefit.

This proposed law, which, if passed by Parliament, will come into force at the start of next year, provides, firstly, for tax allowances for small, medium-sized and family firms in order to promote new business start-ups and job creation.

Secondly, the public administration is to be given the instruments required to adapt the internal markets of the various administrative organisations to their specific requirements, with the aim of raising their efficiency. Within this framework new legal forms, such as staff redeployment, a "waiting status" for civil servants etc. are to be determined. Together these measures should lead to a redistribution of staff to areas of greatest need. Those civil servants affected by redeployment are to receive compensation and alternative employment opportunities. At the same time, supplementary legal frameworks will be created for voluntary leave and early retirement, which will increase the flexibility of the civil service.

Finally, in pursuit of its obligation to approve legal proposals to consolidate and render more coherent the system of unemployment support, the government will enact legal reforms to make the high current costs of support for the unemployed more compatible with the aim of balancing the budget. The new stipulations, which have been approved by the Economic and Social Council, were passed at a plenary session held on 7 October 1993 and contain the following points:

- The principle of involuntary loss of employment is to be strengthened in determining entitlement to unemployment benefits;
- adjustment of the level of unemployment benefit to the rates foreseen by law is to be related to the worker's previous net income. This ratio has until now been severely distorted by the existence of guaranteed minima independent of the personal or family situation of the worker and the fact that no contributions to the social insurance system were deducted from the benefits;
- the unemployment assistance and its entitlement conditions and, in consequence, the concept of family responsibilities and the benefit level of their family as a whole are to be restructured, together with the adjustment of the level of family income with the non-contributory benefits provided by the social insurance scheme;
- changes to Law 8/88 concerning sanctions for infringements against social security laws are to curb benefit abuse.

France

Proposal for a "five-year law" on labour, employment and vocational training

The French Parliament is currently discussing draft legislation which would implement a structural programme of employment-promoting measures with the aim of steadily expanding employment over the five-year period.

For several years now the economic and social situation in France has been characterised by a marked slowing of economic growth, leading to a deterioration on the labour market which has affected all groups of workers, including managerial staff and youth.

This development poses a threat to the social system which is so serious as to endanger the very existence of the social security system. It is also increasingly leading to exclusion from the labour market, which in turn threatens national cohesion.

The causes for the deterioration on the labour market are not merely cyclical in nature. French performance with regard to employment has been declining over an extended period. Although during the 1980s France experienced rates of economic growth comparable to those in other industrialised countries, employment growth was less than the average value for France's partner countries (the difference is estimated to represent about 500,000 jobs).

In order to counter this situation France has embarked on a policy of consolidating public finances and economic support. The 1993 budget and the 6%-bond (1993) enabled the burden of taxation and other charges on firms to be decisively reduced and extraordinary support to be offered to certain sectors (e.g. housing and public construction).

Structural reforms have also been initiated, the aim of which is to bring about a lasting improvement in the state of the French economy.

This reform policy involves far-reaching changes in both behaviour and mentality, and thus will not succeed without the participation of all social actors. The fight against structural impediments to employment, which was the object of report by a commission presided by the President of the Economic and Social Council, Monsieur Matteoli, plays a key role in this context. It is also the aim of the proposed "five-year law" on labour, employment and vocational training.

Already on 27 July 1993, law no. 93-953 aimed to support in-plant training for young people by simplifying existing procedures and providing greater financial and tax-related incentives.

The five-year law now under discussion proposes the implementation of a policy approach consisting of the following elements:

- Support for job creation and access to employment;
- reorganisation of working time to reconcile better economic necessities and the interests of workers;
- attaching greater importance to vocational training and occupational integration;
- co-ordinated action by the various actors by simplifying structures and procedures and continuously evaluating the measures implemented for the course of their duration. It is the combination of these various measures that makes effective action with regard to employment possible. An improvement in the employment situation of managerial staff, for instance, which has recently been deteriorating rapidly, can only be achieved by means of a comprehensive package of measures, incorporating: support for new business

start-ups, development of forms of work sharing, measures in support of longer-term sabbaticals, education and research. In addition, skill balances are to be developed by the Association for the Employment of Managerial Staff.

At the same time it is necessary to facilitate access to working life for young people, by means of: occupational integration contracts *("contrats d'insertion professionnelle")*, concerted and progressive decentralisation of vocational training, the right to work experience at the start of one's career, and "one-stop" careers advice.

More generally, the proposed legislation is inspired by two concerns:

1. It aims to anticipate – or at the very least to "accompany" – economic developments in a way favourable to employment.
2. It aims to guarantee both firms and individuals intervention measures which are long-term in nature, so as to encourage them to take long-term actions.

Section I – Employment promotion

Section I of the proposed legislation relates to employment promoting and developing measures. It consists of four parts. Part 1 refers to support for job creation. Part 2 consists of a number of regulations to promote labour market access. Part 3 involves changes in labour law with regard to employee representation. Part 4 supplements the existing regulations in the fight against moonlighting.

The principle of a five-year moratorium on increases in social and employer contributions, proposed by the Matteoli Commission, could help prevent a further increase in indirect wage costs, thus assisting employment promotion. The scope and the precise details of the moratorium will be discussed in the course of preparation for the new law on social security.

Section II – Work organisation

Section II of the proposed law aims to relax a number of stipulations governing working time in order to promote employment creation and to enable a better adjustment of work organisation to the needs of both workers and firms.

Section III – Vocational training and occupational integration

Section III deals with the decentralisation and restructuring of vocational training for young people, modernisation of apprenticeships and the regulations governing labour market entry by young people, the organisation of the integration of vocational training into working life and, finally, the modernisation of the financing of vocational training.

Section IV – Co-ordination, simplification and evaluation

Section IV of the proposed legislation aims to modernise the public employment service.

The complexities of labour market insertion and the fight against unemployment are such that the necessity for modernisation of the public employment service could not be ignored in the "five-year law".

France intends to complement its employment-promoting measures through better co-ordination of intervention policies at national, regional and local level. In particular, the aim is to ensure better adaptation on the part of the labour market authorities, in particular the placement service *(ANPE - Agence Nationale Pour l'Emploi)* and the vocational training authority *(AFPA – Association nationale pour la Formation Professionnelle des Adultes)* to specific regional and local needs. The activities of these institutions are to be better co-ordinated, especially with the regional councils *(conseils régionaux)* but also with the relevant offices of the Départements and local authorities. Structures are to be simplified and all the actors involved are to develop a co-ordinated approach.

Besides the measures aimed at target groups, for which employment-promotion is to be improved, the new law seeks to integrate local actors more closely into employment policies. Government measures to promote job creation and maintain the level of economic activity will be reoriented to take account of regional disparities. More generally, the state will co-operate more closely with local actors involved in development, notably by "contractualising" its relations with socio-economic actors and co-operative, social and welfare institutions.

The proposed legislation is specifically conceived as a medium-term project. In a number of areas it aims to offer new perspectives and to place the efforts required from all those involved in a long-term context.

These then are the principle themes of the proposed legislation, the specifics of which are currently under discussion in the French Parliament. By the time this edition is published, a vote will already have been taken on the law, and further details will be provided in the next inforMISEP "Policies".

Portugal

Strategic development measures (1994-1999)

In September 1993 the Portuguese Parliament passed a law on Strategic Measures for Portuguese Development for the period 1994 to 1999 (Law no. 69/93 of 24.9.93). The aim of these measures is to prepare the country for the new Europe, to make it competitive on global markets and to ensure a higher quality of life.

Given the primary aim of ensuring international competitiveness, the Portuguese economy needs to develop those sectors in which rapid and lasting growth is possible. In addition, those factors considered decisive for competitiveness are to undergo change so as to render them more appropriate to the new economic conditions.

Consequently, support is to be provided primarily for measures which have the following aims:

- Human resource training for a new presence on international markets, dynamising the labour market and promoting the abilities of young people;
- developing of infrastructure and communications in order to internationalise and modernise the economy and guarantee its efficiency;

- improving firms' competitiveness in order to make Portugal an attractive place for investment in the future;
- reducing regional imbalances in economic developments by mobilising the potential of the coastal area, the interior, the Azores and Madeira.

Human resources and their training are at the core of the development programme and complement the measures to be pursued in the fields of education and research. Priority is therefore to be accorded to the following aims in the field of training and employment:

- Improving labour market integration;
- creating further training opportunities in a time of diversification and rapid change in technology and organisation;
- mitigating the social effects of changes in various economic sectors by improving occupational adjustment and flexibility. This is to be achieved by retraining and further training measures with the aim of preventing social exclusion.

Training

Germany

New training opportunities for 10,000 young people

The Federal Government enacts "Training Programme East" at a cost of DM 500 million

The Federal Government has decided to implement a "Training Programme East". The aim is to ensure that this year, as last year, every young person in the new *Länder* receives a training opportunity. If the new federal states and Berlin participate in the costs, support can be provided for up to 10,000 training places outside firms in East Germany.

Half of the required funds for the Programme – around DM 500 million up to 1997 – are to be provided by central government, half by the five new federal states and Berlin. 50% of the costs of the Programme are eligible for subsidisation from the European Social Fund. The central-government share of funding is already guaranteed. The Federal Government trusts that the new *Länder* and Berlin will participate in the Programme. The details of the agreement which would be required between central and state-level government will be settled quickly.

Within the Programme priority is to be accorded to regional training deficits, training in service and commercial occupations, and to training for girls and young women. The Programme is to be implemented by the Federal Labour Office.

Placement

Germany

The services offered by German careers advice centres in a European dimension

In view of the challenges posed by European integration, the Federal Labour Office has published a decree "Careers Advice and Europe" (66/93 on 5 July 1993), which makes the following provisions with respect to its careers advice offices.

1. Setting up and equipping twelve European careers advice centres:
   - ten centres with partnerships in EC member states,
   - two centres partnered with Austria and Switzerland/Liechtenstein.

At the European level, those responsible for the "Resource Centres" met twice with their European colleagues during 1993 (in Strasbourg 29./30.3.1993 and in Munich 18./19.11.1993).

The aim of the contact seminars is to discuss guidelines for the work of European careers advice centres and their organisational form.

At the wish of the EC Commission, observers from the EFTA countries (including Switzerland) were invited.

2. In one of these centres (at the employment office in Rastatt) the

President of the Federal Labour Office, Bernhard Jagoda, opened, on 3 August 1993, the first Franco-German, multi-media EURO-PC, which enables users to access European data banks whatever the system they use. The installation of additional EURO-PCs in the other German careers advice centres, establishing contacts with other EC member states, is planned and should be completed by the end of 1994. In future a request for information sent to a German careers advice centre concerning training in another EC members state can be answered and the information dispatched immediately by fax from the EURO-PC. Electronic mailing between domestic and foreign centres is also possible. A technical means of automatically translating the results of such an enquiry into German is in the planning stage.

3. Important steps have been taken with regard to the training of careers advisors for the European dimension

   A transnational further training project, with the participation of France, Italy and Luxembourg has begun with a seminar in the Rastatt employment office, which will be continued in 1994 with one additional domestic, and four foreign seminars.

   In this, the first phase of a European further training project, the participants consist of advisors working in employment offices in border areas and in the careers advice centres in the three countries mentioned. These seminars are planned to continue after 1994 in the border areas to Germany's other neighbouring countries. Parallel to this, training will be provided in operating the EURO-PC.

   The activities mentioned are largely the realisation of tasks set out in the third action agenda of the PETRA Programme, for which the Federal Labour Office is the national co-ordinator in Germany.

France

ANPE's co-operation with firms

Its relationship to large firms

ANPE's efforts with regard to large firms are based on a spirit of research-development and of large firms holding "accounts" with the labour market authority, the relationship going beyond that normally existing between ANPE and firms.

Three orientation strategies have been defined:

1. Large firms are to be offered an improved and simplified service. The aim is to shorten lines of communication, to establish the necessary contacts and to provide all the information needed to ensure the success of a project.
2. The ANPE offices are to be allowed to extend their portfolio of enterprises, and to improve their know-how under simplified conditions in preliminary negotiations,; the ANPE network is to retain its initiative with regard to costs and the types of measures to be implemented, and thus its room for manoeuvre.
3. To use the experiences gained in dealing with firms whose dynamic image and reputation for managerial rigour is particularly strong in order to improve the value of our service both vis à vis other firms and internally vis à vis the agents.

Internally, these measures, by raising the value of the network, will help to enrich the institution's enterprise culture.

Large firms

ELF-ANTAR-France

Recruitment programme for filling station attendants *("animateurs de piste")* in ELF-ANTAR filling stations throughout France.

First measure:

On 3 February 1993 a tripartite national agreement was signed between ELF ANTAR[1], ANPE, ENSPM[2] and OMA[3].

Recruitment of 300 *animateurs de piste*, primarily under six-month *contrats d'Orientation (CO)* for young job-seekers and in some cases re-integration contracts (*Contrats de Retour à l'Emploi – CRE)* for the long-term unemployed. The signing of these two contracts was preceded by an evaluation of the workplace in each petrol station.

This measure was conducted in March and April 1993. The results as of September 1 1993:

275 *animateurs de piste* are employed at the service stations (272 CO and 3 CRE). The results of this measure in terms of labour market (re)integration will be evaluated on expiry of these contracts between 15 September and the start of November 1993.

On 22 July 1993 the same partners signed, in the presence of the Minister for Labour, Employment and Vocational Training, Giraud, a new framework agreement on the recruitment of 500 additional *animateurs de piste* under CO and CRE contracts. The measure is to begin in January 1994; no systematic preliminary evaluation is planned.

FAF – PMI/DOMAXEL

Planned agreement between ANPE, FAF[4] – PMI and DOMAXEL

A framework agreement is planned between ANPE, the vocational training fund FAF-PMI and the DOMAXEL group (France's No. 2 DIY chain). DOMAXEL is to open 30 to 50 sales outlets per year throughout France, and proposes to fill all its sales staff vacancies through ANPE. FAF-PMI will be involved in organising the vocational training of the staff recruited.

The text of the contract and a brochure describing the jobs at DOMAXEL are currently being drawn up. The agreement is expected to be signed in early 1994, when also recruitment will commence.

[1] Petroleum concern

[2] *Ecole Nationale Supérieure du Pétrole et des Moteurs*

[3] *Organisme Mutualisateur Agrée*

[4] *Fond Assurance Formation* – training insurance fund

Wholesale trade

The MOUSQUETAIRE-group (INTERMARCHE)

In a framework agreement on staff recruitment and training the MOUSQUETAIRE-group has agreed with ANPE on the implementation of measures in the following areas:

- exchange of information in the field of employment;
- technical support (aid with recruitment and in selecting and implementing the various labour market policy programmes);
- implementation of special measures at national, regional and local level (in particular, reporting all vacancies to the local employment offices).

together with the on-going evaluation of the measures.

The national contract and a regional agreement *(Pays-de-Loire)* were signed on 22 October 1993.

PROMODES-group (DIA)

Planned framework agreement between ANPE and DIA on staff recruitment and training in all DIA's branches throughout France. The agreement is to be signed in the course of December 1993.

The text of the contract and a brochure describing the details of the partnership are currently being drawn up, which will be passed on to the regions in which staff are being recruited.

AUCHAN

Preliminary contact has been made. The project aims to improve co-operation: reporting vacancies, aid with recruitment, a new dynamic for alternating vocational training and especially for apprenticeships. The agreement should be signed in early 1994.

McDONALDS

Following the partnership agreement between ANPE and McDONALDS of 24.5.1993, staff recruitment for all McDONALDS restaurants in France is being conducted via ANPE.

McDONALDS has committed itself to reporting all vacancies to the local employment offices. This applies to both fixed-term and permanent, to full-time and part-time posts in new and existing restaurants.

In return ANPE will set up a partnership at local level with restaurant franchise-holders, will provide assistance with recruitment and information on training and retraining, and will supply job-seekers with information on jobs at McDONALDS.

An evaluation conducted on 30 November 1993 has shown that in the 39 restaurants opened since the agreement was signed ANPE has placed some 1,600 staff. The jobs were in all areas of activity, from manager to maintenance staff. Both parties to the agreement emphasised the qualitative dimension of the relationships developed at local level.

On 4 November 1993 a special measure, an "Employment Day", was held, which brought together at local level the employment offices, job-seekers and franchise-holders, and at which 650 contacts with the unemployed were signed.

TOTAL *(petroleum concern)*

A framework agreement with the TOTAL-group on the recruitment of around 200 young people on training contracts is planned.

The jobs – assistant mechanic, heating engineer, sales assistant – are to be created in TOTAL's filling stations or fast-food restaurants throughout France.

Recruitment is to begin at the end of 1993.

Partnerships

AGEFOS/PME

The agreements signed in 1991 reinforced a long-standing and vital partnership. It is now planned to conduct joint forums on youth employment and training in all employment districts *(bassins d'emploi)*.

The aim is to bring together young people looking for training opportunities with firms interested in alternating forms of training.

These measures are to be co-ordinated with similar initiatives planned for the coming weeks, drawing on other partners from the districts. Close contact has been established

Netherlands

Good placement results in 1992

In 1992 the Dutch employment offices managed to fill 148,000 vacancies, 14% more than in the previous year. The Annual Report for 1992 presented by the central labour market authority (CBA) to the Minister for Social Affairs and Employment at the beginning of August, emphasised that 1992 was a successful year.

The employment offices managed to place 16,000 persons from ethnic minorities during the year, 23% above target. 85% of the target figure for the long-term unemployed was met (33,500 placements). 11,000 workers were entered into job pools. More than 57,000 women found a job with the help of the employment office, exceeding the target figure by 28%. The employment offices also placed 65,000 young people in regular employment. Even so, more than 12,000 young people had to be provided with "guaranteed" youth work.

Job Creation

Belgium

Support for the creation, extension and restructuring of firms in the Walloon region

The decree passed by the Walloon Government on 3 June 1993 (replacing the decree of 24.9.1987 on similar benefits, cf. BIR-B, iv.4)) provides for support for the training of existing workers and new recruits during the creation, extension and restructuring of firms (Belgian Legal Gazette, 14 August 1993).

Principle of intervention

The new decree enables the labour market and vocational training office for the Walloon region (FOREM) to assume some of the costs incurred by workforce training in firms which are being created, extended or restructured. To this end, FOREM signs a contract with the firm in question in which the conditions and the duration of FOREM's support, both as regards trainers and the employees participating in the measures, are laid down. A contract for such a participation in training costs can be concluded for a maximum of two years, starting, at the earliest, on the date on which the firm makes its initial application and, at the latest, when the first training scheme commences.

Employees entitled to support

Employees participating in the training schemes must be nationals of an EC member state or reside in the Walloon region. They may not be younger than 18 years of age and must be employed with the firm on a permanent contract.

Both existing employees and new recruits to a firm are entitled to support. In the latter case, the workers must have been unemployed with full benefit-entitlement rights at the time of recruitment. Young job-seekers waiting for admittance to benefit entitlement and job-seeking recipients of minimum income support (minimex) are placed on an equal footing with full-entitlement unemployed persons for the purposes of the scheme.

Higher subsidy levels are available for training for the long-term unemployed, i.e. unemployed persons with full benefit entitlement who, on recruitment, have been receiving unemployment benefit for 12 months without interruption. Within the scheme, those who have been on income support for at least three months, the disabled unemployed, low-skill young unemployed (18 to 25 years) and certain unemployed persons not entitled to benefits who wish to be (re)integrated into the labour market are entitled to the same support as the long-term unemployed.

Firms entitled to support

Industrial firms, or those of a primarily industrial character, based in the Walloon region are entitled to support. Trade and service firms and those whose activity lies in the production or distribution of energy are excluded from the scheme.

In order to receive support a new firm must create at least three new jobs; within the framework of an extension, all the existing jobs must be retained; and in the case of restructuring at least 80% of the existing jobs must remain within the region.

Training measures entitled to support

In order to be eligible for support, training measures must be:

- either of a technical nature, i.e. new working methods or production procedures must be introduced requiring at least four weeks training (irrespective of whether this is linked with the development of new products);
- or must consist of linguistic training required by the technical training involved;
- or must be linked to the introduction of a "total quality management" system.

Firms receiving support for one of the types of training listed above are also entitled to support for the long-term unemployed if such persons are recruited to replace workers redeployed to the new productive plant or to perform low-skill supplementary tasks linked directly or indirectly to the application of the new technology.

The maximum duration of a training measure for a single employee is 26 weeks, irrespective of whether this training is performed inside or externally to the firm. Training abroad will not be considered for support unless it lasts at least five days.

Level of support

The subsidy for the costs of technical. linguistic or total-quality-management-linked vocational training amounts to:

- 50% of the training costs for employees already employed by the firm;
- 60% of the training costs for newly recruited formerly unemployed persons;
- 80% of the training costs for newly recruited formerly long-term unemployed persons.

The support offered for vocational training for those recruited to replace workers redeployed to the new productive plant or to perform low-skill supplementary tasks linked to the application of the new technology also amounts to 80%.

The maximum overall level of support available to a single firm is FB 5.5 million. This maximum figure can be exceeded:

- if the setting-up of a firm involves at least five new jobs, provided these are not workers from another company involved in setting up the firm: nor may the firm recruit workers performing the same activity on the same industrial site;
- if the extension or the restructuring of the firm leads to a net increase in employment of at least 25% of the number of workers receiving training in the firm.

Firms no longer fulfilling the agreed contractual conditions lose their entitlement to higher levels of support.

Support for training personnel is granted in accordance with the duration (in weeks) of the training schemes, also taking account of the profession for which training is being given and the number of participants. The maximum level of support is paid when at least five employees participate in a course; lower participation figures reduce the level of support available.

Administrative procedure

The firm makes an initial application with all the relevant documents to the FOREM central office. The administrative council then ascertains whether the application for support meets the stipulations and conditions described. Subsequently, the maximum level of support and the date by which the firm has to produce documentary evidence are determined. Where an existing firm is being extended or restructured, the administrative council also consults with employee representatives. Once the application has been approved by the Walloon Minister of Labour, the firm and the administrative council can sign the support contract. Support is only paid out after documentary evidence has been provided by the firm. Support cannot be combined with any allowances provided by the Walloon regional budget for the same project.

Ireland

County Enterprise Boards

The Government has announced further details concerning the establishment of County Enterprise Boards in Ireland. These boards which are being set up to promote job creation and community development will be nationwide. The boards will include representatives from local authorities, community, social partners and public agencies.

The objective of the boards will be strategic and the funding available to them should provide a new source of support for local enterprise initiatives. The boards will assume responsibility in business areas not already covered by the state industrial development agencies. The Enterprise Boards will prepare Action Plans for their own areas. While those plans can be expected to encompass a variety of measures, their essential focus will be on proactive strategies to tap the employment opportunities in their localities through:

- identifying and commercially developing local resources;
- promoting the creation and development of enterprises from within the local economy, particularly through support for local enterprise groups;
- creating and strengthening networks between the local community and state agencies in the interest of mobilising and coordinating their energies and knowledge in pursuit of wealth creation and employment opportunities.

The new boards will not displace or duplicate local enterprise initiatives. Instead their role will be to facilitate such initiatives and to act as a catalyst where no enterprise group is currently active at community level. Wherever applications for funding and advice are more appropriate to the remit of existing agencies, they will be redirected to such bodies.

The primary focus will be on proposals for start-up jobs in enterprise. There will be a clear focus on commercial viability and the avoidance of job displacement. Funding for these projects is expected to come from a wide range of sources including state agencies, financial institutions and EC funds.

Special Categories of Workers

Belgium

Youth employment plan

The Federal Round Table on Employment has laid the foundations for new measures in the fight against unemployment (cf. iMi 42). One of the measures proposed by the Round Table is the Youth Employment Plan, the legal basis of which is the law of 23 July 1993 (Belgian Legal Gazette, 6 August 1993), the last law signed by King Baudouin. It provides for a reduction in employer contributions to the social insurance system and also, under certain conditions, an exemption from the employer's obligation to pay social security contributions for employees for a given period.

Employers affected

The law applies to all employers in the private sector (with the exception of mining and the merchant navy) and to public-sector employers, although the Royal Decree of 26 August 1993 (Belgian Legal Gazette, 8 September 1993) excluded a relatively large section of the public sector, in particular, central, regional and local government administration, from the measure.

Also excluded from the system are those employers which

- at the end of the trimester for which they apply for exemption from (or reduction of) social insurance contributions, have outstanding debts with the social insurance institutions;

- do not meet their obligations with respect to youth training (cf. BIR-B, iv.2.).

Employees affected

The employers mentioned above can apply for (total or partial) exemption from social insurance contributions if they recruit – in either full or part-time employment – the following categories of young people:

- young people who, on recruitment, are
  - less than 26 years of age,
  - have been registered unemployed for at least six months, and
  - were entitled to full unemployment benefit during this period (cf. BIR-B, iii.5);
- young people aged between 18 and 25 recruited under a work-training contract (in accordance with Royal Decree No. 495 of 31.12.1986, cf. BIR-B, iv.3).

The Royal Decree of 26 August 1993 excluded certain groups of young people from the provisions of the law (for example young people engaged as teaching staff in an educational establishment), while the Royal Decree of 27 August 1993 has accorded certain groups of young people an equal status to those categories mentioned by the law (e.g. young people who, during the preceding six months have been in socially insured employment for no more than one month).

The Law of 23 July 1993 stipulates that exemption from social insurance contributions may also be granted for the recruitment of difficult-to-place unemployed within the framework of a "socio-economic project" in a recognised "social workshop" (*"atélier social"*). In order for this supplementary provision to come into effect, a Royal Decree must be signed before 31 December.

Exemption from social insurance contributions

Employer contribution

In the year following recruitment the employer is exempted from all employer contributions to the social insurance institutions. In the second and third years this exemption is reduced to 75% and 50% respectively.

Employee contribution

For a number of the groups of workers mentioned above the employer is also exempted from paying employee contributions. This applies to the following categories:

- young people who, on recruitment, are less than 26 years of age, have been registered unemployed for at least nine months and are entitled to full unemployment benefit;
- young people on work-training contracts.

For these groups full exemption begins on the day of recruitment and continues until the end of the fourth subsequent trimester.

Validity

The law applies to employees recruited between 1 August 1993 and 31 December 1994.

Belgium

Collective agreement No. 55 – Partial early retirement

Collective agreement no. 55 is a framework agreement concerning the introduction of partial early retirement, and providing wage-compensation benefits for certain categories of elderly workers. The aim of the agreement is to ensure that:

- elderly workers nearing the end of their working life are offered part-time work which allows them, while remaining in employment, to organise in a flexible way their transition towards total cessation of occupational activity;
- younger workers are recruited in their place.

Implementation

The implementation of collective agreement no. 55, which applies to full-time workers and their employers, occurs in two phases:

- Firstly, the bipartite (branch-level) committees and/or the firm must conclude collective labour agreements which ensure that the framework agreement is applicable in the branch or firm in question. The branch or firm-level agreement also stipulates the age at which partial retirement is to begin.
- Secondly, the elderly workers interested in partial retirement must reach agreement with their employer on the reduction of their working time.

Age limits

As far as the age of the workers involved is concerned, two restrictions apply:

- firstly, the provisions of the branch or firm-level agreement apply;
- secondly, the general stipulation applies, that the age limit may not be lower than 55.

If a branch-level agreement on full early retirement already exists, the age limit for partial early retirement can be set at two years below this level (although, here too, the "absolute" age limit of 55 may not be exceeded). If no branch-level agreement on full early retirement exists, the minimum age for partial early retirement is 58.

If a firm-level agreement on full early retirement exists,, the age limit for partial early retirement can be set at one year below this level, although, here too, no lower than 55. If no branch-level agreement on full early retirement exists, the minimum age for partial early retirement is 59.

Individual agreements

Employees meeting the above conditions (with regard to full-time employment and age) can reach agreement with their employer on part-time employment. This agreement must be in writing and in accordance with the provisions governing part-time work. The type of part-time work and the agreed working hours must be indicated.

Guaranteed income

Even though those taking partial early retirement are no longer in full-time employment, they must be guaranteed a level of income which lies mid-way

between that to which they would be entitled in full early retirement and that which they would earn if they remained in full-time employment.

Consequently, workers meeting the conditions for partial early retirement are remunerated as follows:

- pro rata wage income for their part-time employment, plus
- unemployment benefit and an additional compensation, paid by the employer, for the working hours lost.

The level of the compensatory payment is calculated by subtracting from the guaranteed income level half of the net reference wage and the unemployment benefit paid.

The net reference wage is defined as the worker's gross monthly earnings for full-time employment up to a maximum of FB 95,575. The guaranteed level of income is the income which the employee would have earned if he/she had entered early retirement as a full-time employee, plus half the difference between this income level and the net reference wage.

Germany

Measures to improve the employment situation of the severely disabled in central-government employment

Following a proposal by the Federal Ministry of Labour, the Federal Government has enacted additional measures to improve the employment situation of the severely disabled in central-government employment.

These measures include, among others, the following:

- In future severely disabled persons can be recruited in advance up to 12 months before a job becomes vacant.
- A provision is being sought whereby jobs which are to be cut are to be retained, for a limited period at least, if they are being performed by newly recruited severely disabled persons.
- Ministries will intensify their contacts with training centres for the disabled in order to promote the recruitment of the severely disabled.
- The Federal Labour Office is called upon to develop, in co-operation with the ministries, training measures for unemployed severely disabled persons to improve their suitability for work within the civil service.
- In future the Federal Government will discuss the situation of the severely disabled within the central-government civil service twice a year.

These decisions by the Federal Government are to serve as a signal for other public-sector employers, i.e. for state-level and local government. Only if the civil service meets its obligations in this regard will it be able to fulfil its task as a role model for the private sector. The aim is to open up new employment opportunities for the severely disabled in both the private and public sectors.

Public-sector employers in the central-government sphere are obliged, as are all employers, to ensure that the severely disabled make up at least 6% of the workforce. According to the last survey, conducted in October 1992, an average figure of 6.5% for the severely disabled was recorded within the ministries. If all public-sector employers classified as part of central government are considered, the figure falls to 5.5%, with the public rail network far below target (*Deutsche Bundesbahn:* 4.6%; *Deutsche Reichsbahn:* 2.6%). In the years prior to German Unification, central government met its obligation in this regard in an exemplary way, with a figure of 6.4% (1989) and more. In 1990 the figure fell below the legal norm for the first time (5.9%), with a further decline in 1991 to 5.4%. The main reason for this was the inclusion of central-government public-sector employers in East Germany.

Germany

Sharp increase in the number of women re-entering the labour market

More and more women are returning to work after an interruption to their employment biography for family reasons. The figure for such "re-entrants" increased in West Germany from 350,000 to 1.4 million between 1984 and 1992; as a share of overall female employment they increased from 3.5% to 12% over the same period. By far the largest share of such re-entrants had interrupted employment for household and child-care reasons. This interruption was accompanied by a long period of unemployment for one in seven women and with further training for one in twenty.

This sharp increase can be traced back to three factors: the increasing number of women in age groups likely to be affected by family-linked career interruptions; the improvement in the legal framework; and the favourable labour market developments in the second half of the 1980s.

The number of women aged between 25 and 40 increased steadily from 6.25 million in 1985 to 7.24 million in 1990. Given that over the same period the annual number of births also increased, the period clearly saw an increase in the potential number of women with child-care duties. The difficulties of reconciling family and career were eased with the introduction of paid parental leave (*Erziehungsurlaub*) in 1986, its extension in 1989 and further prolongation in 1992. During the observation period, 96% of the women entitled benefited from this measure; subsequently about half returned to paid employment. Additional, collectively agreed provisions – at firm or sectoral level – (e.g. reinstatement guarantees) provided additional support. Recently the Labour Promotion Act has provided for special support measures for women who would otherwise have difficulty in re-enter-

ing employment under normal labour market conditions (work familiarisation allowance, support through job-creation and further training measures).

In addition, the improved situation on the labour market at the end of the 1980s facilitated women's re-entry into paid employment. Against the background of a fall in the unemployment rate from over 10% in 1986 and 1988 to 7% in 1991, female employment in the last three years rose by an average of 300,000 per year, compared with annual employment growth of 110,000 women in the mid-1980s. Besides the greater number of women re-entering the labour market following a "family phase", there has also been an increase in the proportion of women re-entering after a period of unemployment; from 9% to a current figure of 15%.

The rise in the overall number of women re-entering the labour market can be expected to be maintained in future, not least because the number of women in the 35-40 year age group will continue to expand until the end of the century. In the present context, though, it is difficult to predict what effects the current wave of redundancies might have.

Germany

Occupational and social integration of the disabled

Comprehensive aid to vocational training and occupational support centres

In order to promote the integration of the disabled at work and in society as a whole the Federal Government supports supra-regional and pioneering institutions working towards vocational and medical rehabilitation and in the field of preventive medicine. A total of DM 215 million are earmarked for this purpose in the 1994 budget. This sum takes account of the considerable need for financial support in the construction of geriatric rehabilitation centres ("rehabilitation before care") throughout Germany and the creation of vocational training and occupational support centres and workshops for the disabled in the new *Länder*.

In West Germany an extensive network of vocational rehabilitation centres has been developed since the early 1970s. It now encompasses 21 occupational support centres with around 12,000 retraining places for the adult disabled and 38 vocational training centres with around 10,000 initial training places for young disabled persons.

These institutions have proved so successful that round 81% of those leaving the vocational training centres and around 85% of those from the occupational support centres (in 1991) had been integrated into working life within a year of completing their training. Less than 10% are unemployed. The remaining persons are not available for placement due to illness or because they are participating in further training.

Building on this success in terms of labour market integration, and with the aim of achieving East-West equality with regard to the labour market integration of disabled people, similar vocational rehabilitation facilities are to be created and existing ones extended in the new *Länder* over the next five to ten years. These are to match those in West Germany in terms of both quality and the coverage of the network. Specifically,

- seven occupational support centres with around 2,500 places, some of them on a live-in basis, and
- eight vocational training centres with around 1,800 places, some of them on a live-in basis, are to be set up (or extended).

Thus in each of the new federal states one occupational support and one vocational training centre for the disabled will be set up. These will be complemented by three special centres for those with disabilities of sight, hearing and speech.

In addition to providing training for the disabled in modern, labour market-oriented occupations, each centre will create between 100 and 150 skilled and permanent jobs for teaching and care staff. All these centres have already begun operations, in some cases in temporary premises.

The capital spending involved in setting up the occupational support and vocational training centre is estimated at around DM 1.5 billion. The funds will be provided jointly by central and state-level government together with the occupational rehabilitation support institutions, i.e.

- the Federal Labour Office,
- the pension insurance institutions, and
- the institutions insuring against accidents at work.

In addition, around 30,000 places are to be created in disabled persons' workshops in the new *Länder*.

Ireland

Students' Summer Job Scheme

In response to a phenomenon whereby an unprecedented number of students signed on the unemployment register for the duration of their summer vacations in 1991 and 1992, the Government this year introduced a Students' Summer Job Scheme. Under the scheme voluntary organisations, community groups and public bodies were requested to make places available for students for the summer months at a fixed rate of payment, with these payments being subsequently refunded by the Department of Social Welfare. In tandem with this, students were disqualified from signing on the unemployment register for three months following the completion of the academic year.

Some 2,100 sponsors joined the scheme, offering over 9,000 job oppor-

tunities. The majority of these jobs were in the voluntary and community development sectors. Almost 6,000 students participated in the scheme.

Ireland

School-Leavers Survey 1992

The Department of Enterprise and Employment recently published the findings of the 1992 School-Leavers Survey, which was carried out in May/June 1992. The survey traced the career paths of second level school-leavers from the 1990/1991 academic year approximately one year after they had left school. The time lapse allows a more settled picture to emerge in relation to school-leavers entering the labour market or continuing further education. The results are based on a national sample of 2,243 school-leavers from an estimated total of 66,900 students who left second-level education in 1990/1991.

The report shows 23,000 (34.9%) of school-leavers were in employment one year later, while 22,500 (33.7%) were engaged in further education. A further 14,400 (21.5%) were unemployed, of which 10,500 (15.7%) were seeking their first job and 3,900 (5.8%) were unemployed after having had a job and losing it. When account is taken of those who were participating on employment and training schemes, of which approximately 90% are state-sponsored, the number of unemployed school-leavers who were unoccupied falls to 10,800 (16.2%). Emigration accounted for a further 5,600 (8.4%) and 1,100 (1.7%) were not available for work for a variety of reasons.

Compared with the 1991 survey, the proportion in employment continued to fall, decreasing by 1.8 percentage points to 34.9% and the level of unemployment among school-leaves continued to rise (+4.2 percentage points) to 21.5%. At 21.5%, the unemployment rate is now at its highest level since 1987 when it stood at 22.9%

The survey recorded a decline in the proportion of school-leavers going on to further education from 36.0% to 33.7% between 1991 and 1992. Underlying this decline was an increase in the number of school leavers proceeding to full-time third level courses, and a fall in the number proceeding to various types of post-school training and education courses outside the third level system. This may have been due to a change made in the rules for admission to third level courses in 1992, when examination points for such entry were restricted to a single sitting of the Leaving Certificate examination. Prior to this, school-leavers who did not gain enough points in their Leaving Certificate examination for admission to their favoured third level course could repeat the examination at a college of further education. Points from both sittings could then be combined for the purpose of qualifying for third level courses. From 1992 however, only the points gained from one or other of the sittings could be used for this purpose.

As in previous survey, the importance of educational qualifications in determining employment prospects is highlighted. 53.5% of those leaving school without qualifications during the 1990/1991 academic year were unemployed one year later, compared to 41.6% of those who had left after completing the junior cycle of secondary education (Intermediate or Group Certificate examinations) and 13.5% of those who left after completing the senior cycle of secondary eduction (Leaving Certificate examinations).

Netherlands

The labour market authority and the Ministry of Education initiate 13 educational projects for refugees

The labour market authority and the Ministry of Education, in close co-operation with the Centres for Asylum-seekers, have opened 13 educational projects for refugees. At the centre of all the projects are short and intensive courses in the Dutch language which are followed by individual "traject" placement by the employment offices.

The aim of the projects is to teach the Dutch language to around 3,500 asylum-seekers – all of which have been granted a residence permit – and subsequently to place them in employment. In implementing the projects the regional employment offices are working closely with local adult-education institutions (elementary and advanced adult education) and with the Centres for Asylum-seekers.

Netherlands

The "Framework Regulation Integration into Working Life" has improved the chances of the long-term unemployed

The implementation of the "Framework Regulation Integration into Working Life" (KRA) by the employment offices has led to both short-term and lasting improvements in the labour market position of the long-term unemployed. Two years after placement, three-quarters of those placed

are still in work, compared with just 28% of the long-term unemployed who were placed outside this measure. The success of the measure is due largely to the relatively long duration of the subsidies offered employers under the scheme.

The "Framework Regulation Integration into Working Life" was introduced in mid-1989 in order to improve the placement chances of the long-term unemployed (those unemployed for longer than two years; longer than one year in the case of ethnic minorities). Employers receive a lump-sum subsidy and an exemption from social-insurance contributions for a limited period.

The measure contains two variants: placement in a permanent job or in work experience. Between mid-1989 and the end of 1992 the employment offices managed to place around 48,000 long-term unemployed in work by means of this measure: 16% of them had higher skill levels, and 11% were unskilled.

Participants in the scheme take a positive view of the quality of the jobs offered. The "Framework Regulation Integration into Working Life" has led to a significant improvement in the chances of placing the long-term unemployed.

Netherlands

The job pool proves its worth

Research has shown that three quarters of the workers in job pools are satisfied or very satisfied with their work, while 90% of those employing workers from job pools are satisfied or very satisfied with the work performed by them. The work has proved satisfying to job-poolers and has given them new self-respect. At the same time, more than half of them are unhappy with their remuneration. A quarter are also unhappy with the supervision. The measure is appropriate to the needs of the long-term unemployed; very few undesirable side-effects have occurred.

Coverage

The job pool is a scheme for long-term unemployed persons who were unable to enter regular employment in any other way. Of those employed in job pools, 67% are older than 40; 48% have only minimal educational qualifications; one third come from ethnic minorities and 76% have been unemployed for longer than 5 years. The job pool is also used by a small number of long-term unemployed who, by virtue of their age and training, could be placed in regular employment.

Participants

Workers' satisfaction with the job pool declines as their length of participation in the pool increases. 57% of participants are unhappy about their pay (minimum wage), the only slight improvement over social benefit, the significant pay differential compared with those in regular employment and the lack of a prospect for a wage rise. 37% would prefer to be in regular employment; 55% would like the same work, but not in the job pool. The drop-out rate is 10%.

Organisations using the job pools

A number of institutions depend on the work performed by participants in the job pools. 13% of user organisations report that they would not be able to function without job-pool employees. Half of them would like to take on additional participants.

Although the job pool was conceived as a "last stop" for the long-term unemployed, an average of 2% of those working there subsequently find regular employment. In addition, 10% of the user organisations report that job-pool employees could take on regular work within the organisation, and a further 6% have taken on such workers under permanent contracts.

Portugal

Special measures in support of mining workers

A joint decree issued by the Secretaries of State in the Ministries of Labour and Vocational Training and of Industry, published in the *Diário da República, II Série* of 2 September 1993, has introduced special employment and vocational training measures for workers who have been made unemployed, or are threatened by unemployment, due to the restructuring in the mining industry.

Principally the measures involve support for:
- job creation,
- regional initiatives to create jobs,
- the development of employment programmes,
- the introduction of permanent employment contracts,
- geographical mobility
- occupational orientation and training measures.

Support in these areas is to be increased on existing levels, and, in cases where this is justified, claimants will be allowed to draw more than one form of support at the same time. In addition, mining workers are to receive priority with regard to frequency of access to vocational training measures.

In order to accompany future developments among the workers affected by the new provisions, the measures are to be subjected to general evaluation involving the social partners.

Miscellaneous

Belgium

The Flanders Region and Community: The Unemployed Persons' Charta

A decree passed by the Flemish Council on 31 March 1993 (Belgian Legal Gazette, 9.6. 1993) has drawn up an "Unemployed Persons' Charta" for the Flanders region. The regional labour market and vocational training administration (VDAB) is obliged to adhere to the Charta's stipulations. Unemployed persons who believe that the VDAB has failed to abide by the Charta's stipulations can address their complaint to the Regional Committee for Employment (cf. BIR-B, ch. 1). This committee may interview the job-seeker and assume the role of mediator between him/her and the VDAB, and informs the unemployed person of the consequences of his/her application or complaint. This article provides an overview of the provisions of the Charta.

Each individual registered as unemployed with the VDAB has the right to work. In order to realise this right in practice the VDAB is to use all the means at its disposal in the best way possible within the constraints imposed by the current labour market situation. In particular, the employment office must see to it that job offers made are appropriate to the skills of the job-seeker, and verify whether the pay and working conditions of any job offer meet legal and collectively agreed requirements.

Each person registered unemployed with the VDAB has the right to personal and intensive support regarding his/her re-entry into the labour market and to appropriate vocational training. To this end the VDAB must ensure that individual and appropriate support is indeed provided and is to attempt to solve the difficulties faced by the unemployed person during re-entry.

Each unemployed person has the right to optimal service delivery by the VDAB; this is to be realised by means of a personal approach based on ease of access and autonomy. In addition, the VDAB is obliged to treat all unemployed persons equally, irrespective of differences of gender, age, race, nationality, religion, opinions or social origin. It must also inform each unemployed person about his/her rights, options and duties in time, free of charge, and in a comprehensible manner.

If a measure is implemented with the aim of reinserting an unemployed person in an appropriate job, the VDAB must inform him/her of the fact, explaining its decision and pointing out means of appealing against the measure.

The VDAB guarantees each job-seeker the right to examine his/her own file and that private information will not be passed on to third parties.

In addition the Charta stipulates that the VDAB is obliged to inform each job-seeker of the contents of the Charta. For their part, the unemployed are obliged to accept job and training offers which are appropriate to their abilities.

The Unemployed Persons' Charta came into effect on 9 June 1993.

Belgium

Career interruption

In accordance with the national collective agreement (cf. iMi No. 41) and following the initiative of the Ministry of Labour and Employment during the first phase of the national round table (cf. iMi No. 42), the social partners have signed, within the framework of the National Council of Labour, collective labour agreement no. 56 concerning the introduction of a limited right to a career break (sabbatical) throughout the private sector. Currently this right only exists in certain sectors; in other sectors workers may only opt for a career break with the agreement of their employer. Collective agreement no. 56 comes into force on 1 January 1994 and will enable a larger number of workers to withdraw temporarily from the labour market than at present. Such interruptions in professional career are an important instrument in the redistribution of work, as employers are obliged to recruit unemployed persons to replace workers absent due to a career break.

Collective agreement No. 56 recognises the right to a career break subject to the following restrictions:

- not all private-sector employees can assert a right to career interruption, as executive staff are excluded;
- the sabbatical(s) may not be shorter than three months and not longer than twelve months (they can be extended);
- only a limited number of employees can opt for a sabbatical in a given year; the figure is limited to 1% of the average size of the workforce during the previous year.

Employees wishing to take a sabbatical must inform their employer of their intention two months in advance. In the case where the interruption takes the form of a temporary conversion into part-time employment, a written declaration is required, in which the type of employment relation and the working hours chosen must be listed.

Even after the introduction of a right to a career break, employees may ask their employer to agree to a sabbatical under the voluntary provisions in force before collective agreement 56 was concluded, i.e. a sabbatical of between six months and one year up to an overall maximum of five years for each employee in the course of his/her working life.

Following a request by the National Council of Labour the provisions currently governing sabbaticals will be examined with the aim of rendering them compatible with collective agreement no. 56. Among other things, the obligation to replace absent workers where the sabbatical lasts less than six months is to be relaxed, and it is pro-

posed that in such cases the categories of the unemployed that are to be considered for such replacement should be widened.

Germany

The supplementary budget of the Federal Labour Office

Budget rises to DM 103.6 billion

The Federal Government has approved unconditionally the supplementary budget for 1993 for the Federal Labour Office (BA) as passed by the BA's administrative council. The supplementary budget foresees a central-government transfer to the BA of almost DM 18 billion, raising the BA's annual budget to more than DM 103.6 billion. Of total spending, some DM 55 billion are spent in West Germany, around DM 48 billion in the new *Länder*.

The central-government allocation will cover a deficit resulting from increased spending amounting to DM 16 billion and a revenue shortfall of DM 2 billion. This deficit arose due to changes in some of the key economic data on the basis of which the BA had originally calculated its budget. The deepening recession in West Germany, for instance, has had a lasting effect on the financial situation of the BA.

While revenue from contributions was DM 2 billion lower than had been planned, unemployment benefit and short-time working allowance exceeded planned targets by DM 7.7 and 2.3 billion respectively. In total, the payment of unemployment benefit cost the BA DM 38.9 billion (West: 27.9 billion; East 11 billion). For the short-time working allowance the figures are DM 4.2 billion (West: 2.8 billion; East 1.4 billion). A total of DM 16.3 billion are now available for vocational training and retraining, DM 10 billion of which are being spent in the new *Länder*.

Around DM 12 billion are earmarked for recipients of early retirement allowance for the elderly unemployed *(Altersübergangsgeld)* in the new federal states. The average number of persons drawing this benefit in 1993 has risen by 80,000 on the previous year to 600,000.

A further DM 2.4 billion are destined for vocational training (DM 1 billion in West, 1.4 billion in East Germany) and DM 4.7 billion for rehabilitation measures (West: DM 3.9 billion; East: DM 0.8 billion).

Due to the large number of ethnic German immigrants (Aussiedler) entering Germany from eastern Europe in 1992, and thus the increased entitlement to the transitional benefits available, an additional DM 1.4 billion had to be incorporated into the supplementary budget to meet the costs of integration measures for such persons.

Germany

Maximum limits on foreign workers employed under a "Werkvertrag"

New work-permit regulations in force

As of 1 October 1993 a maximum limit is imposed on the number of foreign workers employed by German construction companies under a "Werkvertrag" (a form of fixed-term contract in which foreign workers are "hired out" to German firms from partner firms abroad). This is the effect of a change in work-permit regulations which came into force on that date. The new regulation sets the following maximum limits, in each case with respect to the workforce size of the German firm employing workers under such contracts:

German firms with up to 30 blue-collar workers may employ no more than 6 foreign workers under a "Werkvertrag"; if the German firm employs up to 200 blue-collar workers, the number of foreign contracted workers can represent up to 20% of the German workforce, although subject to an absolute maximum of 30; if the German firm employs more than 200 blue-collar workers, the number of foreign contracted workers can represent up to 15% of the German workforce, up to an absolute limit of 200.

The new regulations aim to reduce the competitive distortions which have arisen in the construction industry due to the fact that large construction companies had been gaining the lion's share of the total number of workers allowed to work under a "Werkvertrag". The change ensures that small and medium-sized construction firms can also participate in such forms of co-operation with foreign firms to an appropriate extent. It also prevents German firms from cutting back their domestic workforce or introducing short-time working, while performing their work by means of contracts with foreign partners.

The consolidation measures introduced in the past have led to a marked reduction in the employment of foreign workers under such contracts: between October 1992 and July 1993 the number of such workers fell by 44.5%. These employment quotas will continue to be reduced on the basis of labour market adjustment clauses included in the agreements reached between Germany and the countries of eastern and central Europe.

Germany

Harmonisation of dismissal notice periods for blue and white-collar workers

Lower House *(Bundestag)* passed new regulations on notice periods

The law on dismissal notice periods finally passed by the Bundestag on

September 30 1993 has brought about a harmonisation of notice periods for blue and white-collar workers, in accordance with a ruling by the Federal Constitutional Court which had declared the previous differences in notice periods to be unconstitutional. At the same time, the law abolishes the differences which until then had existed with regard to notice periods between East and West Germany.

The key changes are as follows.

1. The notice period during an agreed probationary period lasting no more than six months is two weeks.
2. The basic notice period which both employers and employees must respect is four weeks to the 15th or the end of a calendar month. In firms with less than 20 workers a four-week basic notice period can be agreed without a fixed termination date on an individual basis.
3. The extended periods of notice for the employer are as follows:

   after
   - 2 years' tenure – one month to the end of a month
   - 5 years' tenure – two months to the end of a month
   - 8 years' tenure – three months to the end of a month
   - 10 years' tenure – four months to the end of a month
   - 12 years' tenure – five months to the end of a month
   - 15 years' tenure – six months to the end of a month
   - 20 years' tenure – seven months to the end of a month.

Tenure is considered as starting from the employee's 24th birthday.

4. The partners to collective bargaining are still free to negotiate on notice periods. Employees and employers not governed by a collective agreement between a union and an employers' federation may introduce the relevant collectively agreed notice periods on an individual basis.
5. As was previously the case, the basic notice periods can be extended by individual agreement, and can be reduced for workers employed on a temporary basis for less than three months.
6. Similar new provisions have been introduced regulating notice periods for seamen and for those working at home.
7. Statutory protection from dismissal is unaffected by the new provisions. Irrespective of the notice periods applicable in each case, the principle remains that each dismissal must be justified on objective grounds.

The new provisions significantly improve the situation of 14.5 million blue-collar workers in East and West

1. The statutory basic notice period is doubled from two to four weeks.
2. The extended statutory notice periods are attained considerably earlier than previously. After five years' tenure the dismissal notice period is now twice as long as previously (two months to the end of a month instead of one month to the end of a month).
3. The extended notice periods previously reserved for white-collar workers in West Germany of four to six (now seven) months have now been introduced for all blue-collar workers in East and West.

The new provisions also improve the situation of white-collar workers in East and West

1. For 3.5 million white-collar workers in the new *Länder*, who until now enjoyed only the shorter, blue-collar notice periods, the statutory notice periods have been significantly extended.
2. For white-collar workers in the old federal states employed in firms with not more than two white-collar staff the new extended notice periods linked to length of tenure with the employer now take effect. Previously such workers had been excluded from the extended periods of three to six months.

Acceptable provisions for the remaining white-collar workers

1. The law takes up the principles underlying the framework collective agreement reached for the chemical industry between the chemical workers' union (IG Chemie) and the German White-collar Workers' Union (DAG), which came into force at the start of 1993. This agreement introduced uniform dismissal notice periods for blue and white-collar workers.
2. The possibility of agreeing, on an individual basis, a minimum notice period of one month to the end of a month, previously open only to white-collar workers, will under the new regulations be available to all workers after two years' tenure. The slightly shorter notice period (four weeks to the 15th or end of a month) during the first two years is acceptable.
3. Originally, dismissal notice periods were the only form of protection from dismissal. Since the introduction of the dismissal protection law, workers enjoy protection from dismissal primarily due to the fact that all dismissals have to be justified on objective grounds. This form of statutory dismissal protection remains unaffected by the new regulations.
4. The unrestricted extension – a demand raised in some quarters – of white-collar notice periods to blue-collar workers in the old federal states and to all workers, blue and white-collar, in the new *Länder* would impose a heavy economic burden. Dismissal notice periods must not be allowed to become a barrier to recruitment. This would be the case if, for example, a master craftsman was only able to hire workers on the basis of a six-week notice period to the end of a quarter. This would inevitably induce firms to resort to fixed-term contracts.
5. Opening all the notice periods to collective bargaining means that the specific characteristics of different industries and sectors can be taken into account. Equally, this "opening clause" for collective bargaining means that already existing, independent collective agreements can remain in force, provided that equal notice periods are established for blue and white-collar workers (chemical industry, civil service) or that varying notice periods for different employee groups are justified on objective grounds.
6. The widespread shift from the end of a quarter to the end of a month as the basis for notice periods, a central element of the new regulations, is necessary to ease the pressure on the

labour market. It enjoys the support of the German trade union federation (DGB). The concentration of all working contract terminations, whether by the employer or the employee, on just four days of the year represents a barrier to the required flexibility of employment and to the swiftest possible transition to new employment relations.

Netherlands

New definition of the concept of registered unemployment

On 1 January 1994 the Central Statistical Office (CBS) is to introduce a new definition of the concept "registered unemployment". The current definition covers all workers between 16 and 64 years of age who are registered with the employment office, are out of work, and are available for an activity lasting at least 20 hours per week.

Under the new definition this working-hour limit is reduced to 12 hours per week. In addition, workers currently working less than 12 hours per week who are registered with the employment office for employment of more than 12 hours per week will be included in the unemployment statistics. On the new definition Dutch unemployment in 1992 would have been 350,000 rather than 303,000 (16% higher).

United Kingdom

Trade Union Reform and Employment Rights Act 1993

The Trade Union Reform and Employment Rights Act received Royal Assent on 1 July 1993. It contains measures to continue the Government's successful programme of reforming industrial relations and employment law. it gives important new rights to millions of individual employees and will bring additional protection for trade union members.

The Act will give individual employees:

- improved rights to a written statement giving details of their main conditions of employment, including pay, hours and holidays
- a right to a minimum of 14 weeks maternity leave, and full protection against dismissal on maternity-related grounds
- specific protection against dismissal or other adverse treatment on grounds related to workplace health and safety
- a new protection against being unfairly dismissed for exercising any statutory employment protection right, regardless of length of service.

The Act also gives trade union members:

- freedom to decide for themselves which union they join
- the right to a fully postal ballot before a strike
- greater protection against fraud and abuse in trade union elections, and against mismanagement of their union's finances
- the right not to have their union subscriptions automatically deducted from their pay without their consent.

In terms of improving competitiveness, the Act:

- requires unions to give employers at least seven days notice of industrial action, enabling them to take steps to protect their business and customers against the damage that strikes can cause
- gives every citizen deprived of good or services because of unlawful industrial action a new right to take proceedings to stop this happening
- abolishes the remaining Wages Councils, bringing to an end their inflexible and out-dated statutory minimum wage fixing which hinders the creation of new jobs
- introduces new arrangements for the Careers Services, allowing a range of different organisations to provide careers services which are more flexible and more responsive to the needs of local people and local employers.

The majority of the Act's provisions took effect on 31 August 1993, although some are due to commence on other dates within the next year. Full details of the industrial relations provisions of the Act (including commencement arrangements) are contained in a Guide to the Act produced by the Employment Department. The Employment Department also publishes a series of guidance booklets covering UK employment legislation.

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (on 9 October 1993):

Belgium	BFR	40.32
Denmark	DKR	7.56
Germany	DM	1.93
Greece	DRA	276
Spain	PTA	157
France	FF	6.61
Ireland	IRL	0.80
Italy	LIT	1,890
Luxembourg	LFR	40.32
Netherlands	HFL	2.16
Portugal	ESC	196
United Kingdom	UKL	0.75

Employment Protection in Europe

*Hugh Mosley**

Introduction

Employment protection regulations impose procedural restraints and costs on employers in terminating employment for individual or economic reasons. The principal goals of employment protection policies are (1) to protect employees against unfair dismissal in the sense of arbitrary or capricious behavior by employers in terminating individual employment; (2) to foster employment stability even in the face of economic fluctuations by promoting personnel practices that give preference to internal adjustment as opposed to external adjustment, "soft" as opposed to "hard" separations, i.e. open dismissals; (3) to give special protection to some groups, e.g. older workers; the handicapped, pregnant women; and last but not least (4) to facilitate downward workforce adjustments by providing established procedures and criteria for mediating conflict and compensating job loss.

Most employment protection policies were introduced or greatly strengthened during the economic boom of the 1960s and early 1970s. After the onset of the new phase of slower growth and greater economic uncertainty, they were singled-out for particular criticism by advocates of deregulation in the 1980s. In the current recession these regulations have again become controversial.

Critics have focused in particular on their alleged unintended negative effects in the labor market and on economic performance. It is argued, for example, that such policies may improve the security of employed persons with permanent contracts but lead to reduced prospects for those out of work and seeking employment; that protective regulations might lead to discrimination in hiring against protected groups such as handicapped persons and older workers; that the regulations may lead, in the long run, to less and not more employment due to the higher costs they impose on the factor labor. Alternatively it is said they may lead to the increased use of contingent workers (fixed-term and temporary employment) by firms seeking to circumvent such restrictions and hence to greater segmentation in internal labor markets between a better paid and protected "core" workforce and a flexible periphery on fixed-term or temporary contracts. In the longer run, it is argued, the higher costs and inflexibility imposed by these and similar regulations lead to a loss of international competitiveness.

This article describes and compares employment protection policies in EC-states and attempts to assess their impact on the labor market. The next section surveys unfair dismissal regulations and notice and severance pay requirements applicable to individual terminations in EC states as well as special regulations applicable to plant closures and other collective redundancies. The following section discusses the effects of these regulations on the labor market and employment.

Individual terminations

Unfair dismissal

All EC states except Denmark[1] regulate the termination of employment contracts and provide procedures and sanctions in case of unfair dismissal (see Table 1). The definitions of "unfair dismissal" are formally very similar in all countries. For example, French law requires that dismissals be based on a "well-founded and serious reason" *(cause réelle et sérieuse)* related either to the conduct and performance of the individual employee or to economic reasons. In Germany a dismissal may not be "socially unwarranted" *(sozial ungerechtfertigt)*; in general this means that it must be justified in terms of either the conduct of the individual employee or the operational requirements of the enterprise. In Italy individual dismissals must be based on a "justified motive" (*giustificato motivo*), which may be misconduct or other breach of contract by the individual employee or on "objective" reasons related to the enterprise, including redundancy. Under British law, a "fair" dismissal must be based on an employee's competence, conduct, redundancy, or some other substantial reason. This formal resemblance is however misleading since industrial relations practice diverges considerably due to differences in court interpretation, applicable sanctions, and coverage (see below).

Most countries also require that certain statutory procedures be followed even for individual dismissals (Table 1). These are most frequently written notice of dismissal (Belgium and Greece), a written statement of the reasons for the dismissal (Netherlands and the United Kingdom), or both (France, Italy, Luxembourg, Portugal and Spain). Some countries require prior consultation with employee representatives even for individual dismissals (Germany, Luxembourg, Portugal, Spain). Only the Netherlands, still requires prior administrative authorization for every dismissal. These statutory provisions represent merely minimum requirements; in all countries some workers may have similar or better procedural guarantees under applicable collective agreements.

The relevant procedural regulations are, of course, much more specific and exhibit individual national styles. For

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[1] National and sectoral collective agreements provide a partial equivalent in Denmark, especially for blue collar workers.

Table 1:
Statutory unfair dismissal regulations in EC Member States applicable to individual terminations

Country	Belgium	Denmark[1]	France	Germany	Greece	Ireland	Italy	Luxembourg	Netherlands	Portugal	Spain	United Kingdom
written notice	+	–	+	–	+	–	+	+	–	+	+	–
written statement of reasons	–	(+)	+	–	–	–	+	+	+	+	+	+
consultation with employee representation	–	(+)	–	+[2]	–	–	–	+	–	+	+	(+)[3]
administrative authorization	–	–	–[4] (notification only)	–	– (notification only)	–	–	–	+	–	–	–
statutory maximum compensation for unfair dismissal in weeks/months of pay	6 months maximum	(39 weeks maximum)	6 months minimum	12 months (older: 18 months) maximum	back pay + severance pay[5]	104 weeks maximum	14 months maximum	12 months	not applicable	backpay + severance pay[6]	42 months maximum	statutory ceiling equivalent to ca. 12,5 months of av. earnings
claim to reinstatement	–	–	–	+	+	+	+	–	–	+	–	+

Sources: Commission of the European Communities, "Comparative Study on Rules Governing Working Conditions in the Member States " (Brussels: 1989, mimeo); Commision of the European Communities, MISEP Basic Information Reports (various years); European Industrial Relations Review (various issues) and European Industrial Relations Review, Termination of Contract in Europe (1989); national sources. The table represents a summary of complex regulations and is presented for illustrative purposes only and includes changes up to around 1992.

[1] Based only on collective agreements; there is no statutory regulation of individual dismissals in Denmark.
[2] A significant feature of German employment protection is that, if the works council objects to a dismissal, the employment relationship is continued pending judicial determination of the dispute.
[3] Applicable only to employees made redundant.
[4] Required for dismissals for economic reasons until 1986.
[5] Unfairly dismissed employees may be entitled to double the normal severance pay, i.e. a maximum of 24 additional months' pay.
[6] If the employee chooses not to resume his former employment, severance pay equals one months' pay per year (or part year) of service.

example, French procedures are extremely detailed, requiring an employer to conduct a personal interview, to which the employee is summoned by registered letter. The subsequent dismissal must be in writing, include a statement of the reasons, and again be conveyed by registered letter. By contrast the corresponding German regulations stress not formal procedures but the role of the works council, which must be informed within one week and has one week in which to respond to an ordinary dismissal. Prior consultation with the works council is a prerequisite for the validity of every dismissal in Germany.

Sanctions

Although we have no EC-wide information on the frequency and amount of compensation paid in cases of unfair dismissal, available information on maximum statutory sanctions provides some indication of the relative severity and hence potential costs to employers of unfair dismissal regulations across EC states. The applicable ceilings on sanctions vary greatly ranging from a low of six months in Belgium and Denmark (collective agreement only) to a high of over 3 years in Spain (Table 1). Most maxima are around 12 months of pay but average payments in all countries are considerably less. Moreover, only a small fraction of those dismissed actually successfully contest the employer's action.

More senior employees enjoy the greatest protection. For example, in Germany an unfairly dismissed employee is entitled to back wages plus 1 month's pay per year of service, in the UK ("basic award") to 1.5 weeks' pay for each year of service over 40 years of age; 1 weeks' pay for each year between 22 and 40; 1/2 week's pay for each year of service below 22 in addition to compensation. In Spain an unfairly dismissed employee is entitled to 45 days' pay for each year of service, while in Italy compensation depends on the size of the establishment as well as on length of service. Only a few countries (e.g. France and Italy) provide for minimum damage awards that would impose significant sanctions for the unfair dismissal of employees with shorter tenure.

While reinstatement as a remedy for unfair dismissal is in some cases obligatory in Italy[2] and Portugal and possible in Germany, Ireland, and the United Kingdom, the employer's consent is required in other countries. Nevertheless, the usual remedy in all countries is financial compensation. In the Netherlands sanctions play a less important role since employment protection is enforced preventively through the requirement of prior administrative authorization for dismissals.

There is, on the whole, a great deal of variation in regulations pertaining to individual dismissal within the EC, which range from a complete absence of statutory regulation in Denmark to a very strict requirement of prior administrative approval in the Netherlands. Between these two extremes there is a considerable variety in the applicable regulations and sanctions. These cross-national differences should, however, be interpreted with caution since we do not have sufficient information on actual practice. For example, we do not

[2] In establishments with more than 15 employees.

know the percentage of workers actually covered by these regulations since all countries exclude employees from protection against unfair dismissal during a probationary period, which can last up to two years (UK), and employees in smaller firms are sometimes exempted from coverage (e.g. Germany) or subject to less rigorous requirements than in larger enterprises (e.g. Italy). We also lack information on the frequency and magnitude of sanctions imposed on employers in unfair dismissal cases.

Notice and severance regulations

Statutory regulations that require advance notice of dismissals or severance payments upon termination are an important ancillary protection for employees and a major component of dismissal costs for employers. All EC countries provide for minimum notice periods for dismissals, although in several countries (Denmark; Greece, and Italy) statutory notice requirements are only applicable to white collar workers (Table 2). Moreover, eight countries (France, Greece Ireland, Italy, Luxembourg, Portugal, Spain, and the UK) also provide for statutory minimum severance payments to be made to permanent employees who are dismissed, although in three cases (Ireland, Portugal, and the UK) they are limited to individuals who have been made redundant, i.e. dismissed for economic reasons.

In order better to compare these complex regulations we calculated the combined notice and severance pay entitlement of the same six hypothetical types of employee in different national regulatory frameworks: youth (<25) with less than 2 years of service, mid-age employees (25 to 49) with more than 10 years' service, and older workers (>55 with more than 20 years' service). Within each of these subgroups a further distinction was made between blue and white collar workers.[3]

The resulting estimates show that notice and severance requirements generally impose significant costs on termination of unemployment contracts in EC states: The (unweighted) average was about . 22 weeks of pay in 1990. Since much of a typical firm's workforce will be covered by such regulations, they clearly constitute a significant constraint on employers' adjustment strategies, reinforcing the constraints imposed by unfair dismissal legislation.

Although all EC states have some type of notice and severance pay requirements, there is considerable variation in the level of protection provided (and the costs imposed). The average entitlement to compensation ranged from a high of 45 weeks' pay in Italy and 43 weeks in Spain to a low 8 weeks of pay in Ireland.

As in the case of sanctions for unfair dismissal discussed above, it is older, long-service workers who enjoy the highest degree of protection, whereas younger workers with short tenure with an employer receive markedly less protection. Thus the EC12 average severance claim for older workers (>50) was 38 weeks of pay, while the corresponding payments due mid-age and younger employees were 23 and 5 weeks of pay respectively.

There is, moreover, a strong difference in the regulations between the treatment accorded blue and white collar employees. The (unweighted) EC average of 27 weeks' pay protection for white collar employees contrasts sharply with the 17 weeks available to blue collar employees. This differential is entirely attributable to the employment protection regimes in 7 EC countries surveyed in which white collar employees enjoy higher levels of protection (Belgium, Denmark, Germany [until 1993], Greece, Italy, Luxembourg, the Netherlands); formally equal protection for blue and white collar employees is provided in five others (Ireland, Portugal, Spain, the UK and now also Germany), while only France provides somewhat better protection for blue collar employees.

Since these comparisons are based only on statutory regulations and national collective agreements, they represent national floors rather than actual levels of protection, since collective agreements in some sectors or firms may exceed these minimum requirements. Nevertheless, it is plausible to assume that differences in regulations do reflect broad national differences in the strength of notice and severance requirements.

Collective redundancies

There is a great deal more convergence within the EC regarding procedures applicable to collective redundancies. All countries have special procedures applicable to these situations (Table 3). Moreover, all require prior consultation with employee representatives and advance notice of mass dismissals to labor market authorities. This is primarily a reflection of the impact of the EC Council Directive 75/129 of 17 February 1975 on the approximation of the laws of member states relating to collective redundancies.

The 1975 directive requires a statutory consultation procedure for the purpose of avoiding the announced redundancies or alleviating their impact. The employer is not only required to notify and consult with employee representatives but also to provide them with all necessary information (in written form) on the number of dismissals, the reasons for them, and the timetable The same information has to be communicated to the appropriate national labor market authorities. The directive also requires that implementation of the dismissals be suspended for at least 30 days, in addition to national notice provisions for individual dismissal.[4] Although not required by the relevant EC directive, all countries with the exception of Germany provide for statutory redundancy payments for all employees who lose their job in mass dismissals.[5]

EC states differ primarily in their respective definitions of mass dismissals to which the special regulations are applicable: France, Portugal and Spain having stricter definitions than the EC minimum as set forth in the directive.[6] Moreover, four countries (the Netherlands, Greece, Portugal and Spain) go significantly beyond the relevant EC directive in requiring not only prior notification but also prior authorization of mass dismissals by public labor mar-

[3] Besides the statutory regulations summarized in Table 2, regulations based on national collective agreements are also included.

[4] In June 1992 the 1975 directive was amended to make it applicable to situations in which the redundancies are decided by another undertaking that controls the employer. Moreover, the information rights of workers' representatives were strengthened and the previous exclusion of workers affected by the closure of an establishment as a consequence of a court decision (e.g. bankruptcy) was rescinded.

[5] Statutory social plans in which redundancy payments play a principal role are a partial functional equivalent in Germany.

[6] Mass dismissals are defined as at least 10 in establishments with from 20 to 99 employees, or 10% in firms with 100 to 299, or at least 30 in larger firms; moreover, these requirements are always applicable to the dismissal of at least 20 employees within 90 days, independent of firm size. Stricter national definitions typically have a lower threshold regarding the number of employees that have to be affected.

Table 2: Statutory Notice Periods and Severance Pay in EC States

Country	Notice		Severance Pay	
	Blue collar	White collar	Blue collar	White collar
Belgium	7 days up to 6 months service 28 days up to 20 years' service 56 days for over 20 years	3 months for every 5 years service, subject to a minimum of 3 months	no statutory provision	
Denmark	no statutory provision[1]	one month plus additional month for each three years of service up to maximum of 6 months	no statutory provision	
France	1 month between 6 months and 2 years 2 months after 2 years of service		Employees with more than 2 years of service: 20 hours' pay per year of service	Employees with more than 2 years of service 10 % of month's salary per year of service
Germany	Up to 2 years of service: 4 weeks to the 15th or end of month 2-5 years of service: 1 months to end of month 5-8 years of service: 2 months to end of month 8-10 years of service: 3 months to end of month 10-12 years of service: 4 months to end of month 12-15 years of service: 5 months to end of month 15-20 years of service: 6 months to end of month +20 years of service. 7 months to end of month		no statutory provision[2]	
Greece	no statutory provision	after 2 months' service: 30 days 1-4 years of service: 60 days 4-6 years of service: 3 months 6-8 years of service: 4 months 8-10 years of service: 5 months a maximum of 24 months	after 2 months to 1 years' service: 5 days 1-2 years: 7 days' pay 2-5 years: 13 days' pay 5-10 years: 26 days' pay up to maximum of 78 days' pay for over 20 years' service. If notice given, then 50% of these amounts	Severance pay is set at an amount in months' pay equal to 50% of earnings during statutory notice period, if notice has been given
Ireland	From 13 weeks - 2 years' service: 1 week 2-5 years of service: 2 weeks 5-10 years of service: 4 weeks 10-15 years of service: 6 weeks 15 years and more: 8 weeks		Employees with more than two years of service: one half of weekly pay for each year of service between ages of 16 and 41; and 1 weeks' pay for each year of employment after reaching age of 41. Subject to statutory ceiling	
Luxembourg	Up to 5 years' of service: 2 months 5-10 years' service: 4 months More than 10 years' service: 6 months		5-10 years' service: 1 month's pay 10-15 years: 2 months' pay More than 15 years' service: 3 months[4]	5-10 years' service: 1 month's salary 10-15 years: 2 months' salary 15-20 years : 3 months' salary 20-25 years: 6 months' salary 25-30 years: 9 months' salary more than 30 years. 12 months
Netherlands	Employees paid weekly: 1 week minimum.[5] Plus 1 additional week per year of service between 21 & 44 years of age up to maximum 13 weeks + 1 week per year of service over 45 up to maximum 13 additional weeks. Maximum = 26 weeks	Employees paid monthly: 1 month minimum. Plus 1 additional week per year of service between 21 & 44 years of age up to maximum 13 weeks + 1 week per year of service over 45 up to maximum 13 additional weeks. Maximum = 26 weeks	no statutory provision	
Spain	Under 1 years' service: 1 month Between 1 and 2 years' service: 2 months Over 2 years' service: 3 months		20 days' pay for year of service up to maximum of 12 months' pay	
Italy	no statutory provision	under 5 years of service: 15 days 5-10 years: 30 days More than 10 years: 45 days	All employees with at least one year of service: 1/13.5 of earnings for each year of service[6]	
Portugal	60 days		one months' pay for each year of service	
United Kingdom	From 1 month to 2 years' service: 1 week From 2 to 12 years' service: 1 week for each completed year (maximum = 12 weeks)		Employees with at least two years' service 1.5 weeks' pay for each year of service over 40; 1 weeks' pay for each year of service between 22 and 40; 1/2 weeks' pay for each year of service between 18 and 21. Subject to statutory ceiling[3]	

[1] Usually regulated by collective agreements
[2] Severance payments are a usual element in mandatory social plans in cases of collective redundancy.
[3] Only employees who have been made redundant are eligible.
[4] In firms with less than 20 employees employers may opt to provide extended notice periods in lieu of these severance payments.
[5] This minimum rises to 3 weeks for employees over 50 with at least 1 year's service.
[6] Payable on severance for any reason.

Sources: Social Europe, Supplement 2/1992; Commision of the European Communities, MISEP Basic Information Reports (various years); European Industrial Relations Review (various issues) and European Industrial Relations Review, Termination of Contract in Europe (1989) ; national sources. The table represents a summary of complex regulations and is presented for illustrative purposes only and includes changes up to around 1992.

Table 3:
Statutory special regulations applicable to collective redundancies

Country	Belgium	Denmark	France	Germany	Grece	Ireland	Italy	Netherland	Portugal	Spain	United Kingdom
strict definition of mass dismissals[1]	–	–	+	–	–	–	–	–	+	–	–
consultation with employee representatives	+	+	+	+	+	+	–	+	+	+	+
advance notice to labour office	+	+	+	+	+	+	+	+	+	+	+
prior authorization by labour office	–	–	–[2]	–	+	–	–	+	+[3]	+	–
minimum redundancy payment	+[4]	(+)[5]	+	–	+	+	+	+	+	+	+
social plan	–[6]	–	+	+	–	–	–	–	–	–	–

Sources: Commission of the European Communities, "Comparative Study on Rules Governing Working Conditions in the Member States " (Brussels: 1989, mimeo); Commision of the European Communities, MISEP Basic Information Reports (various years); European Industrial Relations Review (various issues) and European Industrial Relations Review, Termination of Contract in Europe (1989) ; national sources. The table represents a summary of complex regulations and is presented for illustrative purposes only and includes changes up to around 1992.

1 Substantially more restrictive than definition in relevant EC directive, usually with respect to number of affected employees required to trigger special provisions governing collective redundancies.
2 Requirement abolished in 1986.
3 Administrative authorities may propose measures to alleviate dismissals, and even prohibit them.
4 Statutory payments for plant closures only; redundancy payments in case of mass dismissals regulated by national collective agreement.
5 Salaried employees only; blue collar workers frequently have claim to severance payments based on collective agreements.
6 No statutory basis but customary in larger enterprises.

ket authorities. Since in practice such regulations primarily affect larger and internationally mobile enterprises, their potential impact may become an increasingly sensitive issue.

Employment Effects

Although critics of such regulations have tended to regard unfair dismissal and related employment protection regulations as a significant cause of "Euro-sclerosis" in European labor markets, the evidence for this proposition is in fact far from clear cut.

The potentially gravest criticism of employment protection policies is that they lower employment. The stylized argument for this result can be summarized as follows: while the imposition of dismissal regulations may slow the reduction in employment during an economic downturn, thereby maintaining employment, firms will anticipate these costs and hire fewer workers during the following recovery and this effect will persist throughout subsequent business cycles, resulting in a net negative employment impact. This line of argument rests on two assumptions: (1) that employment protection regulations raise labor costs due to the indirect (e.g. notice and consultation requirements) and direct costs (severance pay, sanctions for unfair dismissal) they impose and (2) that higher labor costs reduce employment (Hamermesh 1993; Soltwedel et al. 1990). We argue instead that the overall impact of statutory employment protection on firms – and hence employment – tends to be overstated for a number of reasons.[7]

First, it should be noted that dismissal for economic reasons, e.g. a decline in demand for a firm's products, is not prohibited by unfair dismissal regulations but merely subjected to certain regulations (see the definitions of "unfair" dismissal cited above) and most terminations that are contested by employees are for non-economic reasons (e.g. disciplinary problems). As noted above, unfair dismissal suits are in practice relatively infrequent: according to national sources, there were only 56,000 unfair dismissal cases initiated in France in 1989, 136,000 in Germany and 35,000 in the UK (3.1, 5.9 and 1.5 cases respectively per thousand employees in dependent employment); only a fraction of these was successful. Although not a major factor in overall labor costs, unfair dismissal suits can be burdensome. This is particularly true for small and medium size firms in which both dismissal rates and the likelihood of litigation are markedly higher.

Evaluations of employment protection at the enterprise level suggest that these regulations have had little impact on employment. For example, research on employers' responses to the introduction of unfair dismissal legislation in the UK showed little evidence of reduced hiring, although around 11% of firms surveyed mentioned changes in recruitment procedures in the direction of greater qualitative selectivity. This finding suggests that one potential impact of employment protection may be to reduce trial-and-error methods in recruitment (Daniel and Stilgoe 1978; Evans et al. 1985). Moreover, there was apparently little or no impact on the ability of employers to shed labor for economic reasons (Daniel 1985).[8]

It is general notice and severance pay requirements as well as the special regulations applicable to collective redundancies that have the greatest potential economic impact on enterprises. As noted above, the EC12 average severance claim amounted to 22 weeks' pay in 1990, and was 38 weeks for older

7 Not discussed here is the obvious fact that wage rates and the macroeconomic context will have a much greater impact on employment levels than any regulatory costs.

8 See also Büchtemann 1993 for a survey of the evidence on the impact of employment protection regulations.

employees, not including the additional notice and severance requirements applicable to collective redundancies.[9] Moreover, these payments are a normal cost of termination of employment contracts – unlike the sanctions for unfair dismissal, which are in practice relatively infrequent.

Nevertheless, these gross estimates need to be qualified in a number of ways: first, these regulatory costs represent merely contingent or shadow costs payable only if employees are terminated. Their impact on labor costs and hiring must be discounted by the actual incidence of such payments. Available data suggest that the overall rate of redundancies is low, although they may impose considerable costs on firms and industries undergoing restructuring. Thus, according to the British Workplace Industrial Relations Survey, even in the relatively unregulated UK labor market only 32% (41%=1984) of firms reported experiencing reductions in any section of their workforce during the previous year (1990). Most firms relied on natural fluctuation or redeployment and redundancies were used only in a minority of the affected firms.

Although the average cost of individual severance claims is 22 weeks' pay in the EC, this figure represents a composite of different types of employees. It does not reflect the typical costs of a redundancy for employers since it is younger and less senior employees as well as blue collar workers who are most likely to be made redundant in all EC countries. As noted above, the estimated mandatory termination costs for younger employees (>25 with less than two years of service) are relatively low (5 weeks of combined notice and severance pay).

Regarding their impact on hiring, the cost of dismissing more junior employees is probably the best indicator of the potential impact of these regulations. Since the average cost of dismissing employees with less than two years' seniority is relatively modest (5 weeks' pay),[10] the impact on employers' hiring decisions during an economic upswing is probably not very great.

Moreover, in practice the costs of the unfair dismissal and related regulations are not a potential cost of employment in general but only of unlimited employment contracts. Employers are increasingly free in most EC states to hire initially under fixed-term contracts and thus avoid the risk of taking on permanent employees (cf. Mosley).

Public labor market polices also play an important role in most countries in facilitating employment security practices (above all avoidance of open dismissals) by providing public burden-sharing that assists in reconciling employment protection with the economic exigencies of the firm. For example, publicly subsidized early retirement programs provide a soft form of external adjustment for otherwise highly protected older workers. Other complementary policies facilitate voluntary quits or negotiated settlements, e.g. generous unemployment insurance replacement ratios, redundancy payments, retraining and placement schemes for workers at risk. Alternatively, flexible forms of internal adjustment may be promoted, for example, in the form of short-time work (Mosley and Kruppe 1993). Such policies are particularly important for firms and industries undergoing major restructuring (e.g. autos, steel, coal) and are frequently targeted specifically on such situations (Auer 1992).

Conclusion

While employment protection regulations impose additional costs and delays in terminating employment (and are an obstacle to "hire and fire" practices in adjusting firms' workforces to short-term economic fluctuations), the admittedly circumstantial evidence available suggests that as a rule the regulatory costs involved are not likely to have a significant negative impact on employment levels. In firms and industries undergoing restructuring, public labor market programs provide alternative paths of external (e.g. early retirement) and internal adjustment (e.g. short-time work) with public cost-sharing, which partially relieves the burden on firms. Moreover, the liberalization of fixed-term and other atypical employment relationships in the past decade has provided a large flexibility buffer for initial hiring.

Finally, not only the costs but also the offsetting benefits of employment security policies need to be considered. Most firms give special employment security and dismissal benefits to some of their employees (especially managerial and office workers) and even in the US some firms have given broad employment security commitments to all of their employees. Many larger firms in Europe also provide employment security and severance benefits far in excess of statutory requirements. While this might prove costly in the short-term, employment security is not offered without expecting something in return. Much recent industrial relations literature has stressed the benefits of employment security and long-term employment relationships: co-operative labor relations, greater internal flexibility, acceptance of technological change, cumulative skills, and greater incentives for investments in firm-specific human capital (Osterman 1988; Buttler/Walwei 1991).

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[9] As noted above, in some industries and firms collective agreements may provide even greater protection to employees.

[10] In 7 EC states the only costs involved are minimum notice requirements.

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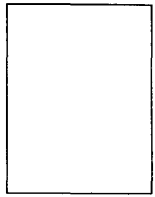

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STATISTICS

At irregular intervals the MISEP secretariat publishes comparative statistics on labour market policies in the Member States of the European Community. The series continues in this edition with a statistical overview of changes in public expenditure on labour market policies. The figures show, among other things, that the importance of spending on unemployment compensation and early retirement declined in the Community as unemployment fell in the second half of the 1980s. Spending on active labour market policies, on the other hand, increased significantly, with a considerable increase in its share of total spending on labour market policies. Within active labour market policy there has been a shift in emphasis towards the various instruments of labour market training.

Public Expenditure on Labour Market Policy, 1985 and 1991

Countries[1]	B		DK		D		GR		E		F		IRL		I		L		NL		P		UK		EUR 12	
Years[2]	'85	'91	'85	'91	'85	'91	'85	'91	'85	'91	'85	'91	'85	'91	'85	'91	'85	'91	'85	'91	'85	'91	'85	'91	'85	'91
A. Spending as a % of GDP																										
A1. Active measures	1.23	1.04	1.09	1.39	0.81	1.21	0.21	0.49	0.34	0.76	0.67	0.88	1.58	1.51	0.45	0.75	0.58	0.28	1.09	1.10	0.41	0.50	0.74	0.56	0.71	0.89
A2. Unemployment compensation	2.56	2.07	2.65	3.48	1.41	1.52	0.43	0.73	2.87	2.77	1.20	1.46	3.69	2.89	0.75	0.40	0.31	0.25	3.24	2.09	0.41	0.29	2.05	1.35	1.61	1.45
A3. Early retirement	0.87	0.75	1.26	1.24	0.01	0.01	–	–	0.02	–	1.21	0.47	–	–	0.28	0.28	0.74	0.52	–	–	–	–	0.05	–	0.37	0.19
Total	**4.66**	**3.87**	**5.00**	**6.12**	**2.23**	**2.73**	**0.64**	**1.22**	**3.23**	**3.53**	**3.07**	**2.82**	**5.27**	**4.40**	**1.49**	**1.42**	**1.64**	**1.04**	**4.33**	**3.19**	**0.81**	**0.80**	**2.85**	**1.91**	**2.69**	**2.54**
B. Spending as a % of total labour market policy expenditures																										
B1. Active measures	26	27	22	23	37	44	33	40	11	22	22	31	30	34	30	53	35	27	25	34	50	63	26	29	26	35
B2. Unemployment compensation	55	53	53	57	63	56	67	60	88	78	39	52	70	66	51	28	19	24	75	66	50	37	72	71	60	57
B3. Early retirement	19	19	25	20	0	0	–	–	1	–	39	17	–	–	19	19	45	50	–	–	–	–	2	–	14	8
C. Spending on different types of programmes as a % of total active labour market policy expenditure																										
C1. Public employment services and administration	14	18	8	7	26	18	40	16	26	17	20	15	11	9	17	11	8	14	7	14	18	18	19	27	19	17
C2. Labour market training	9	13	46	41	24	39	15	46	6	13	38	40	42	33	13	0	0	7	18	17	51	32	12	30	23	28
C3. Youth measures	–	–	22	19	6	4	15	8	–	9	25	26	35	29	70	89	18	38	4	5	10	30	35	32	23	25
C4. Subsidised employment	65	53	1	6	21	20	30	28	65	60	9	13	12	19	–	–	23	7	5	7	9	12	30	5	20	17
C5. Measures for the disabled	12	15	23	26	24	18	–	2	3	–	8	7	–	9	–	–	50	34	66	56	10	8	4	5	16	13

1) 1985 figures for Germany cover West Germany alone; 1991 figures refer to West and East Germany. The figures for the United Kingdom do not include spending in Northern Ireland.
2) For Denmark and Portugal the figures are for 1986 rather than 1985.

The categories of measures are identical to those presented in iMi 41, p. 27. For a more precise definition of the programme categories, see OECD, *Employment Outlook 1993*, Paris 1993, p. 71-72; OECD, *Employment Outlook 1992*, Paris 1992, p. 89-90; and OECD, *Labour Market Policies for the 1990s*, Paris 1990, pp. 50-51, 93-128.
Figures may not sum to totals or 100% due to rounding.

Sources:
- OECD, *Employment Outlook*, Paris 1992, p. 89-102; OECD, *Employment Outlook*, Paris 1993, p. 71-75; OECD, *Labour Market Policies for the 1990s*, Paris 1990, pp. 97-128;
- Figures provided by the Italian Ministry of Labour;
- Calculations by the MISEP secretariat.

EMPLOYMENT OBSERVATORY

Policies

inforMISEP

The Employment Observatory of the European Commission currently produces four series of regular reports covering different aspects of the Community's labour market. The Employment Observatory complements the Commission's "Employment in Europe" report published annually in all Community languages.

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CE-DM-93-004-EN-C