

EMPLOYMENT OBSERVATORY

Policies

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Employment in
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Commission of the European Communities
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Developments at a Glance

- Belgium:** In addition to enforced wage moderation by means of a change in the cost-of-living index and a wage freeze for 1995/96, which also applies to professionals and certain forms of capital income, insertion contracts for young people have been introduced providing for more flexible dismissal-protection regulations and lower initial wages. A comprehensive range of work-redistribution measures are also foreseen, which are to be implemented by means of collective agreements. Further reductions in employer social insurance contributions have been introduced for recruitment of the first employee and for workers on low wages.
- Denmark:** The take-up rates for the various leave schemes, particularly for parental leave, introduced with the labour market reform have been high. The initial results also show that they contribute to work redistribution.
- Germany:** The amendments to the Labour Promotion Act valid from the start of 1994 have led to a reduction in wage-compensation benefits during periods of unemployment and further training, to the abolition of the bad-weather allowance from 1996 and extended suspension periods for the unemployed. The special programme for especially difficult-to-place long-term unemployed is extended until the end of 1998. Private job placement is to be permitted for the first time. The budget of the Federal Labour Office will amount to DM 107.2 billion in 1994.
- Spain:** Training and part-time employment contracts are subject to new regulations, the state job-placement monopoly has been relaxed and wage-compensation benefits during unemployment have been reduced. The national minimum wage has been raised by 3.5%.
- France:** The Five-year law on labour, employment and vocational training provides, among other things, for a reduction in employer social insurance contributions for low wage-earners, the introduction of service cheques, the reduction and reorganisation of working time, the introduction of a "training account" and an extension of entitlement periods to the short-time working allowance. Further training for young people is to be further decentralised and an "insertion contract" with reduced initial remuneration is introduced. Finally, a number of institutional modifications and the progressive evaluation of the measures introduced by the law are planned. 15,000 state-backed "qualification balances" are to be drawn up for unemployed managerial staff in 1994.
- Ireland:** A new apprenticeship system based on pre-determined standards is to be introduced in stages. Social benefit has been "activated" as a wage subsidy to allow work to be performed in selected sectors; this was adopted in October 1993.
- Netherlands:** The labour market situation for school-leavers has continued to deteriorate. The employment office and the industrial boards are to co-operate in order to speed up job placement.
- Portugal:** The vocational training and reinsertion of the unemployed is to be promoted by allowing a partial rotation between employees and the unemployed and a sort of partial early-retirement scheme coupled with new hirings.
- United Kingdom:** The community job-creation scheme is to be expanded to 95,000 places. A new form of apprenticeship is to be completed by some 150,000 young people in the coming years.

EMPLOYMENT OBSERVATORY Policies



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Overall Developments

Belgium

Safeguarding National Competitiveness and the Framework Employment Plan

Introduction

The law of 6 January 1989 provides a procedure for determining national competitiveness and empowers the King to implement – under certain conditions – temporary measures once both houses of parliament have ascertained that competitiveness is under threat (cf. BIR-B, i.1).

On 12 March 1993 and on the basis of the above-mentioned law of 6 January 1989, the Central Economic Council produced a report on the competitiveness of Belgian firms. In this report the social partners explicitly and unanimously testified to a decline in national competitiveness, pointing to a deterioration in the indicators “market share” and “wage costs per private-sector employee”. On 20 April 1993 the government invited the social partners to enter into tri-partite “concertation” and called on them to propose measures to enable competitiveness to be regained. A further meeting with the social partners was held on 18 May 1993, which, however, failed to propose an agreement containing correction measures.

According to the intermediate report published by the Central Economic Council on 27 September 1993, the competitive disadvantage had not been narrowed in the period since March 1993, despite the reduction in employer social insurance contributions introduced by the government in the sectors most exposed to international competition (*Maribel b*, cf. iMi 43). At the tri-partite meeting held on 21 October 1993, which took place within the

framework of discussions on a pact in support of employment, competitiveness and social security, the government again pressed the social partners on the subject of competitiveness, but was again forced to recognise that the social partners had failed to take any measures conducive to regaining competitiveness.

The government again turned to parliament in order to confirm the official finding that competitiveness was under threat. A declaration to this effect was passed by the Chamber of Deputies on 20 November 1993 and by the Senate on 23 November 1993. On the basis of this mandate the King was empowered, within two months of the parliamentary vote and by means of a decree discussed by the Council of Ministers, to implement the measures foreseen by the law of 6 January 1989 such as he considers necessary to safeguard competitiveness.

A Royal Decree was enacted on 24 December 1993 (*Moniteur belge*, 31.12.1993) and governs the measures to be implemented in this context, which form a part of the Framework Plan for employment, competitiveness and social security approved by the Government on 17 November 1993.

Moderation of wages, salaries and other income

In order to limit the growth of wage costs in 1994, from the start of the year wages and salaries are to be tied to a price index which excludes a number of products (tobacco, alcohol, petrol and diesel) and the effects of the contribution to be paid in order to finance the reduction in employer social insurance contributions in the sectors most exposed to international competition (*Maribel b*).

In addition, a framework was created with the aim of preventing the growth of real wages and salaries in 1995 and 1996. Until 23 January 1995

no individual, collective or other agreement may be reached involving pay increases or additional benefits in 1995 and 1996. A partial compensation of the loss of earnings resulting from work-redistribution measures within the framework of enterprise plans (see below) or in plants recognised as being in difficulty or undergoing restructuring are not counted as additional benefits. Reclassification in higher pay scales due to seniority, age or promotion, bonuses resulting from longer overtime, and the increase in employer contributions to supplementary insurance schemes do not count as increases in remuneration.

For 1994, only those increases in remuneration and other benefits included in collective agreements registered by 15 November 1993 can be granted.

Corresponding sacrifices are demanded from those in receipt of other types of income. The application of the above-mentioned index will restrain the rise in rents, executive incomes and the income earned by those in the liberal professions: such income is to be frozen in real terms for the period 1994-96. The self-employed must, if their net professional income after tax rises, establish a fund limited to 1.5% of their net professional income after tax in 1993; resources in this fund may only be used for purposes conducive to improving competitiveness.

Social benefits are also linked to the price index. As far as minimum benefits are concerned, however, the measure will be offset by a rise in the corresponding levels.

Insertion contracts (*Emplois-tremplin*)

Section III of the Royal Decree of 24 December 1993 has determined the regulations applying to insertion contracts (*emplois-tremplin*). Any job-seeker aged less than thirty on recruitment and whose period of

employment does not exceed six months may be employed under an insertion contract.

For permanent employment contracts of this type the provisions applying are those of the law of 3 July 1978 on private and public sector labour contracts. Special provisions may, however, be agreed regarding dismissal-notice periods and the minimum wage.

Once the probationary period has been completed, the employer may terminate the contract by giving one month's notice; the employee must give one week's notice. This reduced notice period does not apply if the employee has more than three years' service. If a worker has been employed successively by various employers under such employment contracts, his/her length of service corresponds to the cumulative time spent in employment under the successive contracts.

During the first twelve months the employee is entitled to remuneration amounting to at least 90% of that earned by a worker performing comparable tasks within the same company. It is therefore possible that the wage earned is below the sectoral minimum wage.

The employment contract must be written and must explicitly refer to any special arrangements made regarding notice periods and remuneration.

Young workers employed under insertion contracts are equal in status to trainees (*stagiaires*: BIR-B, iv.2) during their first year of employment.

Company work redistribution schemes

In recent years a number of systems have been introduced with the aim of improving the distribution of available work. Yet further initiatives are required in order to distribute work among a greater number of workers. To this end, a legal frame of reference has been created within which work can be redistributed in a flexible and efficient way. It in-

volves the following eight redistribution methods from which the social partners may choose in accordance with the specificities of their branch:

- voluntary part-time work with a redistribution of the resulting vacancies;
- working time reduction offset by new recruitment;
- limitations on overtime offset by new recruitment;
- introduction of the right to career breaks and/or working time reduction with the mandatory recruitment of replacement workers;
- introduction of partial early retirement with the mandatory recruitment of replacement workers;
- introduction of shift work offset by new recruitment;
- introduction of flexible working hours offset by new recruitment;
- introduction of the four-day week offset by new recruitment.

Irrespective of the measures included in the general framework for the redistribution of work, the bipartite sectoral commissions (BIR-B, 2.1.2.) may recommend additional measures of work redistribution or provisions implementing the measures in the framework. Where necessary they may conclude a framework collective agreement.

Firms may reach plant-level collective agreements, with a duration of at least one year, on the redistribution of work. Such enterprise plans may be based either on the general framework for the redistribution of work, on the framework collective agreement for the corresponding branch, on the recommendations of the relevant bipartite commission, or may involve purely enterprise-specific measures. Thus at plant level there is adequate scope to adjust work redistribution to the specific needs of the enterprise. The enterprise plan must include an explicit commitment regarding the net increase in employment and the period within

which this expansion is to be realised.

Firms lacking trade union representation may nevertheless devise a firm-level plan for work redistribution; in such cases the plan is underpinned by formal participation in the framework plan. The Royal Decree of 24 December 1993 has provided a specific procedure to this end.

The collective agreements and declarations of participation must be presented to the office of the collective labour relations service and receive approval from the Minister of Labour and Employment (whereby declarations of participation are subject to the views of the committee on "Enterprise plans"). This approval can be accorded from 1 March 1994 at the earliest. The details of the administrative procedure to be followed are to be determined by Royal Decree.

Employers generating additional net employment on the basis of an approved enterprise plan of work redistribution (and who report at least the same number of days to the national social security office as in the corresponding quarter of 1993) are entitled to a flat-rate reduction in employer contributions to the social insurance of FB 25,000 per quarter. Certain forms of employment are not, however counted as "additional", notably that of young people take on under a youth recruitment scheme (cf. iMi 44) and fixed-term employment relations of less than three months. The reduction in contributions only applies for the duration of the collective agreement or the approved declaration of participation, and expires at the latest on 31 December 1997.

The employer must produce an annual report on the employment effects of the enterprise plan. This report must be made available to the works council, the trade union or workforce representatives, the Ministry of Labour and Employment and the relevant sub-regional employment committee. If the em-

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ployer fails to adhere to the collective agreement or declaration of participation, the exemptions already paid must be returned in part or in full.

The "Plus one" plan

The law of 30 December 1988 entitles employers to a reduction in social insurance contributions for the recruitment of their first employee (cf. BIR-B, v.6). The Royal Decree of 24 December 1993 aims to extend this "Plus one" plan: employers taking on their first employee are entitled to even greater exemptions from 1 January 1994. The previous maximum limit on the reduction of employer contributions during the quarter in which recruitment occurs and the eight subsequent quarters is replaced by: a 100% reduction during the quarter in which recruitment occurs and the four subsequent quarters; a 75% reduction from the fifth to the end of the eighth quarter; and a 50% reduction from the ninth to the end of the twelfth quarter after that in which employment commenced.

Reduction in employer contributions for low-wage earners

The way in which the social insurance system is currently financed is a significant factor for the overall cost of labour, which is seen as being excessive. For this reason alternative sources of finance must increasingly be tapped. A harmonisation of taxation systems at European level (energy tax, tax on capital yields, etc.) would offer possible sources of finance. In the short term and for Belgium alone, however, the scope for new sources of finance for the social insurance system is limited. A reduction in employer contributions must, after all, be offset by resorting to alternative methods, e.g. indirect taxes, for which the scope for increases is relatively narrow. It is therefore vital to proceed in a selective manner.

One measure, a reduction in overall wage costs for the lowest wage-

earners, can exert an influence on wage-cost structures, whereby strict control of its effectiveness regarding the maintenance and creation of employment is necessary. Substituting labour for capital primarily affects low-skill labour, where the relationship between wage costs and productivity is least favourable. In addition, many socially valuable activities with a high employment coefficient have, in view of the high cost of labour, become too expensive for the market. Thus, in order to achieve the maximum employment effect, the reduction in wage costs must focus on low wage-earners. According to studies conducted by the European Commission, the employment effect of a reduction in employer contributions is four times as great when it is concentrated on the lowest wage groups than when it is applied in linear fashion across all wage groups. A focused reduction in overall wage costs along these lines will primarily enable jobs to be created in small and medium-sized enterprises, in which a significant employment-creating potential still exists.

In Belgium the employer contribution for workers earning up to FB 41,040 per month (gross) is to be reduced by half; this represents a cut in wage costs of more than 10%. For those earning between FB 41,040 and FB 50,760 per month, the reduction in employer contributions is degressive, namely 35, 20 and 10%. The reduction also applies to part-time workers if the full-time equivalent of their earnings does not exceed these limits.

The employer must report fully twice a year on the extent and the distribution of the contribution cuts and on the employment effects of the contribution reduction as a whole. This report, too, goes to the works council (or to the trade union representatives in firms lacking a works council, and to the workforce in general where no union representation exists) and to the relevant sub-regional employment committee. If the employer fails to meet his/

her obligations in this regard, FB 10,000 must be paid to the social insurance system per case of neglect; this sum will be passed on to the unemployment insurance fund.

The measure takes effect from 1 April 1994.

Germany

Summary of the Most Important Amendments to the Labour Promotion Act Taking Effect at the Start of 1994

Change due to the law implementing the Federal Consolidation Programme (*Föderales Konsolidierungsprogramm - FKPG*)

From 1 January 1994 the adjustment of wage compensation benefits to overall wage growth under the Labour Promotion Act (LPA) is to apply to the whole of Germany. In the new federal states the adjustment of wage compensation benefits is now being conducted annually rather than every six months. From now on the adjustments throughout Germany from 1 July of a given year to 30 June of the following year will be based on the percentage change in "gross wages" in the year before the last year. Thus the only difference remaining in the mode of adjustment between East and West Germany is that wage and salary trends in the two regions are considered separately.

Changes due to the first law implementing the savings, consolidation and growth programme

In view of the changes in the economic climate and the drastic ef-

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ffects this is having on public finances, the German Lower House (*Bundestag*) has passed laws which involve changes in, among other areas, labour promotion. The following modifications are significant.

Reduction in wage-compensation benefits under the Labour Promotion Act

The wage-compensation benefits unemployment benefit, short-time working allowance, bad-weather allowance, unemployment assistance and integration aid are reduced by three percentage points; for benefit recipients with one child the reduction is just one percentage point. The transitional allowance available to participants in measures promoting individual occupational rehabilitation is reduced from 80% (for recipients with a child) and 70% (for childless recipients) to 75% and 68% respectively. The reduction applies from 1 January 1994 and affects not only new, but also current recipients.

The maintenance allowance paid to participants in further vocational training measures is reduced to the previous level of unemployment benefit for those now in receipt of the allowance; new cases will be subject to a further cut of three percentage points (one point for recipients with a child).

The level of wage-compensation benefits before and after the changes is summarised in the following table:

Wage-compensation benefits based on earned income during previous six months

In order to avoid manipulation more effectively than before, the basis for calculating wage-compensation benefits under the Labour Promotion Act will in future be the claimant's average earned income during the previous six months at standard weekly working hours, instead of three months as previously.

Unemployment assistance

Entitlement to unemployment assistance arising when entitlement to unemployment benefit expires remains unchanged. Unemployed persons entitled to unemployment assistance because they had not worked long enough for entitlement to unemployment benefit, or because their occupation (civil servant, military, judges etc.) does not entitle them to unemployment benefit can now only receive unemployment assistance for a maximum of one year. In current cases unemployment assistance will continue to be paid until 31 March 1994.

Individual promotion of vocational further training and retraining

The maintenance allowance for participation in vocational further training and retraining, a discretionary benefit, will in future be granted with greater regard to labour market requirements.

Support for further training and retraining leading to promotion (the so-called "*zweckmäßige*" *Aufstiegsfortbildung*) is abolished. Benefits will continue to be paid, however, for current cases until their training measures are completed.

Integration aid for ethnic Germans settling in Germany

The maximum duration of entitlement to integration aid for ethnic Germans settling in Germany (*Spätaussiedler*) is generally limited to six months. During this period they can attend German language courses or participate in vocational further training or retraining.

Short-time working allowance

In future the employer must pay the social insurance contributions for those workers receiving short-time working allowance from the first day of entitlement.

Bad-weather allowance

Bad-weather allowance, paid in construction firms suffering loss of work due to bad weather, will expire after the "bad-weather period" 1995/96. In future this period is restricted to three months (from December to February), instead of five (November to March) as previously. The bad-weather allowance will in future not be paid for the first hour of each day lost due to bad weather. As in short-time working allowance, the employer will bear the cost of social insurance contributions.

Job creation measures

In future, workers on job creation schemes can be required to take on regular employment even if this involves work on a fixed-term contract; previously those on job-creation schemes were only required to accept paid work on permanent contracts. The aim of this change is to emphasise the priority to be accorded to non-subsidised employment over job-creation schemes. Rejection of a job offer leads to suspension of benefit entitlement if the

	Before		After	
	with child	childless	with child	childless
Unemployment benefit	68%	63%	67%	60%
Short-time working allowance	68%	63%	67%	60%
Bad-weather allowance	68%	63%	67%	60%
Unemployment assistance	58%	56%	57%	53%
Integration aid	58%	56%	57%	53%
Integration allowance (only transitional cases)		63%		60%
Transitional allowance	80%	70%	75%	68%
Maintenance allowance	73%	65%	67%*	60%*
(* in current cases: 68% 63%)				

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worker in question registers unemployed after completing the job-creation programme.

Unemployment benefit

The suspension periods imposed on unemployed persons who have not taken up a job offer, have refused to participate in a vocational training or rehabilitation measure or have dropped out of such a measure without justification are increased from the standard figure of 8 weeks to 12 weeks. This is now equal to the suspension period imposed on those leaving employment without reasonable grounds.

Unemployed persons failing to meet an employment office's requirement that he/she undergo a medical or psychological examination without due cause suffer a suspension of benefit entitlement of two weeks; this also applies to those failing to report to the unemployment office when requested to do so (again without due cause).

Special programme for particularly disadvantaged long-term unemployed and other very-difficult-to-place persons

The special programme, which, since 1989, has been financed from the central government budget, is, in view of the successes achieved, to be included in the Labour Promotion Act (until the end of 1998). Central government is to continue to bear a share of the costs until the end of 1996.

Further developments in job placement

The previous "commission procedure" has been replaced by a "licence procedure". Permission is granted for non-profit-oriented job placement if this makes a significant contribution to labour market stability. The Federal Labour Office may grant a licence for profit-oriented job placement for occupational and other groups if this is necessary in view of their specific characteristics with regard to job placement (e.g. job placement in the Arts). Permission is to be granted generally for the placement of managerial staff.

The licence is initially granted for a period of three years; after this an open-ended licence is available. In addition, a pilot project of job placement against payment is to be conducted in three regions (yet to be determined) from 1 April 1994 to 31 March 1996.

Contribution rate to the Federal Labour Office

The 1993 contribution rate of 6.5% is to remain unchanged in 1994.

Germany

Federal Labour Office Budget for 1994 – Volume of DM 107.2 billion passed with stipulations by the Federal Government

At the end of December 1993 the Federal Government approved the budget proposal for 1994 presented by the Administrative Council of the Federal Labour Office, although subject to a number of stipulations. These stipulations take account of the recent data on the level of unemployment, wage trends and the changes resulting from the federal budget and other laws which have reduced public spending. The Administrative Council of the Federal Labour Office initially rejected the budget in view of the conditions for approval, but the Federal Labour Minister has passed the budget including the stipulations of the Federal Government.

Spending of DM 107.2 billion is planned for 1994. Planned revenue consists of contributions amounting to DM 89.6 billion and a central government transfer of almost DM 18 billion.

The 1994 budget continues to focus on active labour market policy. Whereas as recently as a decade ago spending on active labour market policy accounted for just 20% of the

Federal Labour Office's overall budget, the figure for 1994 is around 42%. Including the funds provided from the central government budget, around DM 54 billion will be made available for active labour market policy in 1994.

Of this around DM 15.3 billion are allocated to vocational further training and retraining measures. This will enable between 560,000 and 580,000 individuals to enter training schemes in 1994. DM 9.6 billion are earmarked for job creation measures. This will enable an average of 270,000 job creation places to be financed. Wage cost subsidies (including central government funding) will be used to finance around 80,000 participants in measures under §249h of the Labour Promotion Act (i.e. in environmental, social and youth work) in the new federal states. DM 7.9 billion are allocated from the Federal Labour Office budget to around 320,000 recipients of the transitional allowance for the elderly unemployed (*Altersübergangsgeld*); funding for an additional 170,000 recipients comes from central government.

A total of DM 50.7 billion are earmarked for unemployment benefit in 1994; DM 3.1 billion for the short-time working allowance; DM 0.5 billion for the bad-weather allowance, and one billion for the winter allowance.

Spain

The Labour Market Reform in Spain*

The reform of labour relations sought by the Spanish Government (cf. iMi 44) and the more general

* The Royal Decree 18/1993 of 3 December concerning immediate employment promotion measures and law no. 22/1993 of 29 December on taxation measures, legal reform within the public service and in the unemployment support system (cf. iMi 44).

aims such as the fight against unemployment and the promotion of job creation require, in view of their scope, changes in the "workers' statutes" (*Estatuto de los Trabajadores*) and the joint efforts of all participants to ensure their introduction and realisation. With this aim in mind, the Government attempted unsuccessfully in some thirty meetings to achieve a consensus with the social partners and, on 3 December 1993, to obtain cabinet approval for government proposals for legislative changes in the workers' statutes and the regulation of employment agencies. These proposals are expected to come into force, following to parliamentary debate and approval, in the second quarter of 1994.

In addition to these fundamental structural changes, it is vital that a number of measures receive confirmation; these include measures to improve the employment opportunities and promote the occupational integration of young persons lacking specific vocational training, and job creation through greater use of part-time work. For this reason immediate labour promotion measures (Royal decree-law 18/1993 of 3 December 1993) were proposed by the Government (legal gazette, 7 December 1993) and approved by parliament on 28 December 1993. The corresponding executive stipulations (Royal Decree 2317/1993) were passed on 29 December 1993, introducing new regulations concerning trainee, apprentice and part-time contracts (legal gazette, 31 December 1993).

Taken together, the measures can be summarised as follows:

Placement

– The obligation on employers to recruit workers only through the state placement agency (INEM) is abolished. The requirement that all employment contracts concluded be reported to INEM is retained, however.

– Subject to a co-operation agreement with INEM, job placement agencies are to be admitted on a non-profit-making basis.

Employment contracts

– Changes in traineeship contracts: Traineeship contracts can now be entered into by those with academic degrees, and with recognised, medium to high-level vocational qualifications up to four years after acquiring the relevant qualification. The traineeship, which must provide practical experience in the occupation in question, can last between six months and two years. A traineeship in a single profession may not exceed two years even if it takes place in more than one firm. Remuneration during the traineeship is governed by collective agreement. It may not be lower than 60% of the collectively agreed wage of a comparable job in the first, and not less than 75% in the second year of the traineeship; at no time may less than the national minimum wage be paid. At the end of the contractual period the employer is obliged to provide the trainee with a certificate describing the work performed and the length of the training period.

– The abolition of the previous training contract (BIR-E, v.5).

– Regulation of apprenticeship contracts: The aim is to acquire the practical and theoretical training necessary to be able to take on a skilled job. Contracts can be concluded with workers aged between 16 and 25 who do not have sufficient training to enable them to conclude an apprenticeship contract. The age limits do not apply to the disabled. The contract is usually signed for between six months and three years. Once this maximum duration has been reached, the contract may no longer be maintained, neither in the existing, nor in another firm. Theoretical training must account

for at least 15% of the agreed working hours. Remuneration is in accordance with collective agreements, but must be in excess of 70% of the current national minimum wage in the first, 80% in the second and 90% in the third year. On conclusion of the contract, the employer must provide the trainee with a certificate describing the level of practical training reached and its duration. After the relevant examinations, the apprentice may ask the relevant administrative body to confirm the occupational title in question. The apprentice is insured against general accidents, accidents at work and occupational diseases and is entitled to benefits from the wage guarantee fund (*Fondo de Garantía Salarial*).

The number of apprentices which a firm can employ depends on its size:

Enterprise size (employees)	Number of apprentices
up to 5	1
6 to 10	2
11 to 25	3
26 to 40	4
41 to 50	5
51 to 100	8
101 to 250	10 (max. 8% of the workforce)
251 to 500	20 (max. 6% of the workforce)
> 500	30 (max. 4% of the workforce)

– Changes in part-time contracts: Previously the conclusion of a part-time contract was conditional on working hours representing less than two thirds of standard working hours. This condition has been dropped.

In cases where working time amounts to less than 12 hours per week or less than 48 hours per month, social security protection covers only support in case of accidents at work, occupational diseases, support for general acci-

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dents and benefits from the wage guarantee fund (*Fondo de Garantía Salarial*).

- Change in recruitment contracts for workers replacing those on partial early retirement: Workers entering part-time retirement may now only work 50% of their previous working hours and receive 50% of their previous income. The employer is obliged to conclude a recruitment contract with an unemployed person to work the hours no longer worked by the employee on partial early retirement until the latter retires fully.
- Abolition of "intermittent" employment contracts (permanent contracts with discontinuous working periods).

Labour promotion

- Current labour promotion contracts with a maximum duration of three years and expiring between 1 January and 31 December 1994 can be extended for one additional period of up to 18 months. Support programmes to find employment for unemployment-benefit recipients in small enterprises are being developed. The programmes and the groups to which they apply will be determined each year in the budget law.

At the same time, both chambers of Parliament passed law 22/1993, (29 December 1993) on taxation measures and a legal reform within the public service and the unemployment insurance institution (cf. iMi 44). This provides tax incentives, gives the administration of the public service the necessary instruments to enable it to restructure its forms of organisation, and establishes new statutory provisions within the unemployment insurance scheme.

The aim of the reform of the unemployment insurance system is to bring benefits into line with resources. This is necessary as spending on unemployment has risen

from 2.7% of gross domestic product in 1985 to 3.5% in 1993.

The second element in the law reforming the unemployment benefit system involves an adjustment of the statutory rates of unemployment benefit to the worker's previous net earnings. 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 recipients of unemployment benefit did not have to pay social insurance contributions. An unemployed person without dependent children is now entitled to at least 75% of the national minimum wage. He/she must pay 65% of the employee contributions to the social insurance system, being exempted from 35%. This amount is deducted from the benefit entitlement instead of being charged to the public employment service.

Finally, the unemployment assistance and its entitlement conditions and, in consequence, the concept of family responsibilities and the benefit level of the family as a whole have been restructured, together with the adjustment of the level of family income with the non-contributory benefits provided by the social insurance scheme. A recipient of unemployment assistance may not have an income in excess of 75% of the national minimum wage.

This law regulates in 83 paragraphs a series of measures affecting all the areas falling under the responsibility of the Ministry of Labour.

Prior to the introduction of the Five-year law, the law of 27 July 1993 brought in a number of urgent measures of labour promotion, with emphasis on the following areas:

- the implementation of a first stage of reductions in labour costs by exempting wages between one and 1.2 times the minimum wage (SMIC) from the *allocations familiales*, a contribution to family allowance paid exclusively by employers;
- special support for the insertion of the difficult to place by making additional funding available for job creation in the community under *contrats emploi-solidarité*; the number working under such contracts is to increase by 400,000 on 1993 levels. At the same time, the incentives for the employment of priority target groups under *contrats de retour à l'emploi* were doubled.
- new incentives for apprenticeships, training, adaptation and orientation contracts, whereby the "alternating" form of vocational training is seen as a particularly effective measure to combat the labour market exclusion of young people;
- extension of short-time working to prevent redundancies.

These measures illustrate the Government's initial reaction and contribute to a better understanding of the thrust of the Five-year law.

Employment support

- *Reduction in social insurance contributions*: The fiscalisation of family allowance (5.4%) begun on 1 July 1993 – a total exemption from employer contributions for pay up to 1.1 times the SMIC and a reduction of 50% for pay between 1.1 and 1.2 times the SMIC – is to be continued until 1998, whereby the pay levels affected can increase by 10% per year.

France

The Five-year Law on Labour, Employment and Vocational Training

The passing of the Five-year law No. 93-1313 of 20 December 1993 on labour, employment and vocational training marks the end of a significant parliamentary debate.

The next stage provides, from 1 January 1995, for a total exemption for pay up to 1.2 times the SMIC and a reduction of 50% for pay between 1.2 and 1.3 times the SMIC.

- By 1998 the measure will affect 7 million employees or more than half the private-sector workforce (*secteur marchand*).
- *Reductions for recruitment of the first employee – extensions*: The two-year exemption from social insurance contributions granted employers recruiting their first employee is extended for five years.

The one-year exemption from social insurance contributions granted employers recruiting their second and third employee which has already been introduced in rural areas is extended to urban areas facing economic difficulties.
- *Introduction of the “service cheque”*: As an experimental measure, private individuals employing domestic staff may purchase “service cheques” at a network of state-registered distribution centres, whose flat-rate price covers both remuneration and social insurance contributions. The employee receives the face value of the cheque on presentation to the network. This measure simplifies administrative procedures, as it renders superfluous a number of legal obligations on the part of employers.
- *Extension of the support for business start-up by the unemployed (ACCRE)*: Unemployed persons registered as job-seekers for six months and recipients of the insertion minimum income (RMI) may claim a flat-rate state grant. Those affected retain their entitlement to unemployment benefit acquired prior to receiving the grant in the event that they re-register unemployed within six months.
 - For 1994 the grant, the level of which is determined by decree, is likely to be set at FF 32,000.

- *Spin-offs*: Firms are to be encouraged to offer subsidised loans to members of their workforce seeking to set up their own firm: they are to be allowed to set up tax-free reserves for this purpose.
- *Back to work – compensatory payments*: Unemployed persons prepared to accept work where the rate of pay is lower than the level of unemployment benefit are entitled to compensatory payments, the level of which is to be at least equal to the difference between the two.
 - The conditions of implementation of this measure, in particular its duration, will be determined by the unemployment insurance institution UNEDIC.
- *Restrictions on double incomes from employment and retirement*: The current restrictions on double incomes from employment and retirement are extended to the end of 1998.
- *“Employer pool” – greater possibilities*: Until now only firms employing less than 100 workers could join an employer pool. In future this option is to be open to all firms with up to 300 employees.
 - The aim of an employer pool is to place workers at the member firms’ disposal; workers are tied by contract to the pool rather than the individual company.
- *Employment abroad – incentives for young workers*: Firms abroad employing French nationals aged under 26 may benefit from a temporary exemption from social insurance contributions, which are assumed by the *Caisse des Français de l’étranger* (French foreign social fund).
 - This exemption, the level of which is to be determined by decree, aims to facilitate the expatriation of young workers.
- *Contracts for community work (“contrats emploi-solidarité”) – re-orientation*: Such contracts apply only to the long-term unemployed, unemployed persons

aged over 50, the disabled, basic income (RIM) recipients and to difficult-to-place 18-26 year-olds.

- *Tighter restrictions on job-seekers*: The law now contains regulations which previously had been enacted by decree, to the effect that persons “who cannot show that they are looking for work or who, without legitimate cause, refuse to accept employment”, including work under a fixed-term contract, “in line with their speciality or previous training” will be excluded from the list of job-seekers.
 - A decree will determine the conditions under which a person can be removed from the list and so lose entitlement to unemployment benefit.

Work organisation

- *Calculation of work on an annual basis – offsetting a cut in working hours*: Firm or plant-level agreements can now be reached leading to a new form of work organisation with a redistribution of working hours across the entire year or a part of it “especially where this is linked with a collective reduction in working time”. Workers are only entitled to an overtime bonus or time off where weekly working time exceeds the weekly average specified in the agreement.
 - Thus, management may, while respecting an upper limit of 48 hours per week, set varying weekly working hours for its workforce, and thus adjust working hours to the needs of the firm in an optimal way. The agreement must specify the notice to which employees are entitled regarding changes in their working time schedules. Even in the absence of special agreements, employees with child-care responsibilities may take advantage of the annualisation of working time on an individual basis.
- *Working time reduction*: Firm or plant-level agreements can now be reached under which the total

Overall Developments

- annual volume of working hours is set in such a way that working time is reduced by at least 15%. If wages and salaries are at the same time reduced (to an extent which must be agreed) and the workforce is expanded by 10% within six months (and this new level is maintained over a period of three years), the firm is entitled to state compensation amounting to 40% of social insurance contributions in the first, and 30% in the two subsequent years.
- Agreements to this effect must be signed by 31 December 1994.
- *Training account* (“*capital de temps de formation*”) – *under negotiation*: A national agreement or, if this cannot be reached within one year, branch-level agreements, are to be signed to regulate the conditions under which employees can benefit, in the course of their working life, from a training account.
- *Overtime – extended time in lieu*: In order to induce employers to make less use of overtime as a means of adjustment, an extension of the prescribed time in lieu for overtime is planned:
- overtime in excess of 42 hours per week remaining within the annual quota entitles employees to 50% time in lieu (in firms with more than 10 employees);
 - overtime in excess of the annual quota: 50% time in lieu in firms with less than 10, and 100% time in lieu in firms with more than 10 employees.
- *Part-time work on an annual basis*: Part-time work can now be organised on an annual basis by means of firm or branch-level agreements, leading to the de facto abolition of discontinuous work (*travail intermittent*). In order to provide an incentive for the conversion of full-time into part-time jobs (with between 16 and 32 hours per week), qualifying the employer for a 30% reduction in social insurance contributions, the law permits the full-time re-
- muneration level to be retained for the purposes of calculating contributions to finance retirement pensions (from 1 January 1994 for a period of five years).
- *Sunday work*: New applications for an exemption from the ban on Sunday work must meet the following conditions: “In tourist and spa towns, and in tourist areas with exceptionally large numbers of visitors or permanent cultural attractions, retail establishments offering goods or services conducive to a more pleasant stay for the visitors or which promote their relaxation or leisure (sport, recreation, culture) may offer some or all of their staff weekly days off on a rotating basis during the period(s) of tourist activity.”
- *Reduced working time over the long term*: This measure enables firms facing an exceptionally long period of depressed demand to put the workforce as a whole or in part on short-time work for a maximum of 18 months and a total of 1,200 hours with state support. The level of benefit offered to the employees represents at least 50% of their lost earnings.
- *Workforce representation – greater flexibility*: In future, workers’ representatives (*délégués du personnel*) will be elected for two years (rather than one year at present). The election is to take place together with the next election to the works council (*comité d’entreprise*). In firms with less than 200 workers management may, after consultation with the workers’ representatives and the works council, if it exists, bring about the fusion of the two bodies. In firms with more than 150 employees the works council must meet once a month, in firms with less than 150 employees or in those which have opted for a single organ of representation, every two months. In firms with less than 300 workers management must report to the works council once a year; this

replaces all the economic, social and financial data and documentation previously required.

- *Moonlighting*: A series of measures has been implemented to reinforce the fight against moonlighting, illegal agency work etc. Responsibility before the law for illegally employing workers is extended to legal entities.
- *Foreign firms*: In future French social security law is to be applied to foreign companies offering services on French territory.

Training and labour market integration

- *Decentralisation of vocational training for young workers*: After an intervening period of five years each region of France is to be responsible for the vocational further training of workers under 26 on its territory. Training measures (*formations qualifiantes*) are to be decentralised as quickly as possible.

- The transfer of responsibilities and the corresponding financial resources will occur in stages over the next five years.

In addition, the law introduces a “regional plan for the extension of vocational training for young workers” whose medium-term aim is to generate programmes from the measures needed to satisfy training needs, whereby particular account is to be taken of regional economic conditions. The plan is to be drawn up by the regional council in conjunction with the government.

- *Apprenticeships*: The regional plans for the extension of vocational training foresee the introduction of “alternating pre-professional initiation classes in technical colleges (*lycées professionnels*) and apprenticeship centres and also in the private school sector”.
- This is a form of “pre-apprenticeship” for school-children from the age of 14; participants retain their status as school-children.

- *Labour market integration contracts:* In order to promote the labour market integration of young people with particular difficulty in gaining access to employment, a fixed-term employment contract (for six months or one year, which can be extended once) is introduced, replacing the current occupational orientation and work familiarisation contracts. The provision of a tutor is obligatory.
 - Remuneration is to be fixed by decree at 90% of the minimum wage (SMIC) if no training is involved and a lower rate if the young worker receives training.
- Those with 18+ academic qualifications may also conclude a labour market integration contract. In place of training an “occupational project” can be conducted, supervised by a tutor, for a maximum of one year.
- *Compulsory negotiations on “alternating” training:* It is now mandatory that negotiations be held every year on apprenticeship and

“alternating” labour market integration in order to improve the situation in certain branches which show deficits in this regard.

Co-ordination, simplification and evaluation

- *Single advisory centres for young people*
The law prescribes that during its five-year term of validity single advisory centres offering advice to young people are to be established at local level.
Corresponding co-operation agreements are to be reached between the state, the employment office (ANPE), regional government, local advisory bodies and local authorities.
- *Consultation of the regional committees*
The regional committees for vocational training, social support and employment are to be consulted on the programmes and methods implemented by ANPE and the association for adult vocational training (AFPA) in their respective region.

Creation of a supreme council for employment, income and costs: A new organisation, which is to replace the research centre for incomes and costs (CERC), is given the responsibility for improving the understanding of incomes and costs and their effects on employment; it is also to develop recommendations for employment promotion.

Co-ordination between ANPE and UNEDIC: Within the space of six months the government must present to Parliament a report setting out the details for closer co-ordination between ANPE (placement) and UNEDIC (unemployment insurance), and the conditions for a possible fusion of the two organisations.

Evaluation: By 30 June 1996 the government must present to Parliament an evaluation report on the Five-year law.

This is to be preceded by four reports on the execution of the law, which are to be presented by the Government before 31 December 1995.

Training

France

Qualification Balance for Unemployed Managerial Staff

Under French law (as of 31.12.1991) all employees with at least five years' work experience and one year's service with their employer are entitled to time off in order to draw up a “qualification balance”. This is done within the framework

of the plan for further training for the employed or through the OPACIF (*Organisme Paritaire Agréé au titre du Congé Individuel de Formation* – Bi-partite institution for individual training leave). Until now the unemployed have been excluded from this measure, although they, more than any other group, stand to gain from an evaluation of their skills and knowledge and the completion of an “occupational project”.

A pilot project conducted between November 1992 and February 1993 with 400 unemployed managerial staff generated positive results, and on 16 November 1993 an

agreement on a proposal to draw up 15,000 qualification balances for unemployed managerial staff during 1994 was signed by the Minister of Labour, the President of APEC (an association placing managerial staff, engineers and technicians) and the Director General of ANPE.

The aim of the qualification balance is to enable the individuals concerned to analyse and later to synthesise their occupational and personal experience and to mobilise their resources for an effective and appropriate occupational project, the ultimate objective being re-integration into the labour market.

Training

This is to be supported by a new instrument: the "qualification balance chequebook for managerial staff". The chequebook has a value of FF 5,500, whereby FF 5,000 are state funded, the unemployed person him/herself providing the remaining FF 500.

The target group for the measure are managerial staff with at least three years' work experience, registered unemployed for up to six months and not older than 55; an additional condition is that they have not participated in a similar measure during the previous six months.

The qualification balance is a "personal" measure which can be adjusted both substantively and in terms of time to individual cases. The balance must follow a predetermined pattern, however. The first step is an analysis of the application for participation, the aim of which is to determine formally the aims pursued by the person concerned and whether the measure on offer can be helpful in fulfilling them.

This is followed by three compulsory stages:

- Formulation of an inventory of the knowledge, skills, personal characteristics, preferences and motives of the applicant;
- evaluation of these elements with a view to career plans and projects;
- critical analysis of the project involving comparison with the prevailing situation on the labour market.

Finally the results must be passed on to the applicant, where appropriate following a discussion with him/her; this is to take the form of a written summary.

It is important that managerial staff appreciate that the qualification balance is a flexible, uncomplicated answer to their questions, providing them with the information they require to develop a new career strategy.

Equally, the qualification balance enables the job-seekers themselves

better to evaluate the scale and appropriateness of their aims and to define a consistent and suitable career project. This is all the more important in view of the difficulties arising from employer requirements for the polyvalent deployment of job applicants.

Armed with this information, the managerial job-seeker is well equipped to select a "balancing organisation" of which there are 600 distributed throughout France.

A qualification balance may last up to one month; additional time for subsequent work may be allowed once the balance itself has been completed.

The new measure has been introduced and the first chequebooks distributed. It will run until the end of 1994. All the unemployed managerial staff taking part in the measure receive an evaluation form which will enable a complete quantitative and qualitative balance of the measure to be drawn up, based on the data collected by the administrative offices responsible.

Ireland

New Approach to Apprenticeship

A new approach to apprenticeship has been introduced in Ireland, resulting from an agreement between employers and trade unions. The Standards-Based Apprenticeship system gives employers a more cost effective, efficient and flexible apprenticeship, and, for the individual, leads to an internationally recognised craft qualification. The new system is, as the name suggests, based on the achievement of set standards of skill and knowledge, rather than on time served. On successful completion of the Standards-Based Apprenticeship, a National

Craft Certificate will be awarded which is recognised in Ireland as well as other EU and non-EU countries.

The system is being applied to certain trades from September 1993. Remaining trades will be phased in as soon as possible.

The development of the system is being overseen by the National Apprenticeship Advisory Committee (NAAC), comprising the Board of FAS (the national training and placement authority), trade unions, employers, educational establishments, and FAS members.

The normal duration of an apprenticeship for each trade will be determined by the training, education and development requirements of each trade, and is the subject of a review which will be completed in 1994. As an interim measure, the normal duration for the apprenticeships which commenced in September 1993 will be four years. The apprenticeship has seven phases; four on-the-job, interleaved with three off-the-job. The maximum total duration of off-the-job training will generally be 40 weeks.

On-the-job costs of the new apprenticeship system, including wages and training costs, will be met by employers. *Off-the-job costs* will be met as follows:

- wages will be paid from a contribution by employers in specified Industry Sectors;
- training costs will be funded by the exchequer.

As part of a policy for promoting and encouraging the entry of women into apprenticeship FAS has made provisions for a range of special measures. A bursary is offered to employers who recruit female apprentices under the new apprenticeship system in the currently designated trades. Each eligible employer may receive a total grant of £2,400 for each female apprentice recruited. It also provides preparatory practical and theoretical training aimed at preparing women to work in a traditionally male environment.

In addition, during the course of apprenticeship, the monitoring process provided by FAS gives support, encouragement, advice and assistance to female apprentices.

In order to become eligible to take part in the scheme, the employer must satisfy FAS of:

- his/her ability to provide access to the range of work specified in the curriculum, as well as access to specified equipment and special tools;
- his/her ability to provide a suitable qualified and experienced craftsman to oversee the training and work of the apprentice as well as a suitable person who is, or can be approved by FAS to carry out the specified assessments of the apprentices competence.

The minimum requirements for the prospective apprentice are that she/he must be no less than 16 years old and have at least a grade D in any five subjects in the Junior Certificate examination, or equivalent grades in other approved examinations.

However, persons unable to meet these requirements may qualify if they satisfactorily complete a pre-apprenticeship course approved by FAS and are successful at an assessment interview, or if they are over 25 years of age, have a minimum of three years' work experience relevant to the chosen occupation and are successful at an assessment interview.

aim of which is to facilitate the insertion or reinsertion into the labour market of the unemployed and of workers threatened with unemployment. In this context, workers are considered to be threatened with unemployment if they are employed in: sectors currently facing major structural change; sectors or regions affected by the economic or social repercussions of structural change; or firms facing economic difficulties, or workers with precarious jobs.

As far as *support for vocational training* is concerned, of the measures included in the package the fixed-term job creation/training measures deserve special mention. Their aim is to enable the unemployed and those threatened with unemployment to acquire an additional vocational qualification. The funding for such measures is granted by the vocational training centres and is available to firms which are prepared to replace members of their workforce for a limited period with workers participating in these special measures.

An entirely new approach within the *work-training programmes* is the staged reduction in working hours, agreed with the employers, for older workers, beginning four years before they are due to retire. At the same time unemployed persons will be hired, enabling them to receive training, supported by the elderly workers who pass on their knowledge and experience; during this period the latter receive a basic wage. The unemployed persons participating in this measure receive a wage, subsidised by the Institute for Employment and Vocational training (IEFP), which may not exceed double the statutory minimum wage.

In order to promote *job creation and small business start-ups*, increased funding is to be provided both to the long-term unemployed over 45 years of age who wish to enter self-employment and to employers recruiting this category of unemployed person.

A project for the *labour market insertion of the unemployed* has been developed; unemployed persons aged up to 45 who have been out of work for nine months receive individual support, the aim being to avoid long-term unemployment.

In addition, unemployed persons who had been unemployed for two years or longer and have found a job without the support of the employment office and have been employed for at least three years receive a bonus of three times the minimum monthly wage.

Last but not least, the package of measures includes an improved offer of *career information and orientation opportunities*, in order to increase awareness of the solutions to employment and training problems already available. The regional and local IEFP employment offices now have a data bank covering all the activities with the potential for job creation.

At three-monthly intervals these measures will be subject to revision by the IEFP and the Directorate General of Employment and Vocational Training in accordance with their respective responsibilities.

Portugal

Special Measures to Combat Unemployment

Last December the Portuguese Government adopted by Decree (No. 1324/93, 31 December 1993) a package of special measures, the

United Kingdom

Modern Apprenticeships

On 2 December 1993 David Hunt, the Secretary of State for Employment, announced plans for the introduction of modern apprenticeships.

The British Government recognises that to remain competitive, our industries need an increasing number of people qualified to technician, supervisor and craft levels.

Training

Achieving this requires high quality, work-based training aiming towards defined standards. Modern apprenticeships will help meet this need.

From 1995, all 16 and 17-year old school-leavers in England will be offered work-based training to National Vocational Qualification (NVQ) Level 3 - equivalent to 'A' Level standard. Every apprentice will sign a pledge with an employer containing a clear statement of what is being offered by the employer and a commitment by the apprentice to see the apprenticeship through. The time needed to become qualified

will depend on the young person's ability but will typically be two and a half or three years. Places will be available equally to young women and young men.

The aim is to develop modern apprenticeships in all sectors and occupations, including for example financial services and information technology as well as the more traditional apprenticeship fields such as engineering and electronics, and to involve small and medium-sized employers as well as larger ones.

Within the basic framework, a period of consultation about the best way to develop the scheme has be-

gun. Key players in this process will include the National Council of the Training and Enterprise Councils, the Confederation of British Industry, the National Council for Industry Organisations and the Trade Unions Congress. Pilot schemes will run in 1994 to help draw up general criteria, for other schemes to follow.

The Government will be investing £1.25 billion in the scheme over the next three years. When the apprenticeships are up and running to full capacity there will be around 150,000 trainees and over 40,000 young people gaining NVQ Level 3 each year.

Placement

Netherlands

Co-operation Projects between the Employment Office and the Industrial Insurance Boards

Since 1 November 1993 the employment office and the boards responsible for unemployment insurance benefits (*bedrijfsverenigingen*) have been working together closely in four Dutch regions on a programme to register, support and place unemployed persons.

Aim of the co-operation

The federation of industrial insurance boards (FBV) and the Central

Labour Market Authority (CBA) expect that this co-operation will help to reinsert their joint "clients" into the labour market more quickly and effectively. This should enable benefit-receipt periods to be reduced.

Pilot projects

Co-operation has begun with four pilot projects. In two regions an experiment has started with so-called "one-stop offices", where the client can simultaneously register unemployed with the employment office and apply for unemployment benefit. The joint office is staffed by both employment office and *bedrijfsvereniging* personnel. In two other regions a joint "dossier examination" has been introduced: the client registers with both the employment office and the board, which then exchange data.

Procedure

After the client has registered unemployed, the employment office and the *bedrijfsvereniging* together establish the shortest path back into employment. The latter assumes responsibility for support and control, while the former directs placement and, where necessary, retraining and further training. The pilot projects are to last one year. Evaluation of the results and the experience gained will indicate whether the form of co-operation chosen is to be pursued further. The pilot projects cost 1.8 million guilders; the FBV and the CBA are each bearing half of the costs incurred.

Job Creation

Ireland

Back to Work Allowance

A new social welfare allowance, Back to Work Allowance has been introduced from October 1993. The aim of the Back to Work Allowance is to create additional employment opportunities, mainly in indigenous industries and in the community and voluntary sectors. Unemployed people and lone parents who take part in the scheme can retain a percentage of their social welfare payments for a period of up to two years.

The scheme is designed to encourage growth in industry sectors that already have been identified as having potential for additional employment, training or self start opportunities. These sectors are: fisheries, crafts, community development groups, heritage, tourism, local enterprises, voluntary organisations, horticulture.

In addition, self-employment projects not confined to the desig-

nated sectors are acceptable under the scheme.

To qualify for work under the scheme, participants must:

- be aged 23 years or over; *and*
- be receiving a minimum rate of Unemployment Assistance (£40 per week if single, £62 per week if married) and have been unemployed for at least 12 months; *or*
- be receiving a Lone Parent's Allowance.

Periods spent on 2nd Chance Education or FAS schemes will count as periods of unemployment.

Persons who take part in the scheme will receive 75% of their weekly social welfare entitlement (including adult and child dependant allowance) in the first year, and 50% in the second. They will also continue to receive all secondary benefits they had been receiving prior to their participation in the scheme. These include:

- Medical Card (provided that the combination of income from employment/ self-employment and Back to Work Allowance is less than £250 per week);

- Back to School Clothing and Footwear Allowance;
- Butter Vouchers;
- Fuel Allowance; and
- Christmas Bonus.

Family Income Supplement may also be payable.

The Back to Work Allowance itself will not be subject to social insurance or income tax deductions, but the income from employment would be liable for such deductions in the normal manner.

In order for employers to take part in the scheme the work being offered must

- be new employment;
- come within the sectors listed above;
- be likely to develop into a lasting job;
- not displace existing employment; and
- amount to a minimum of 20 hours work per week.

Approved employers are entered on a register of employers which is made available to qualified applicants.

Special Categories of Workers

Netherlands

Position of School-Leavers Has Deteriorated

As a result of recent economic trends and the imbalance between the demand for and supply of labour, particularly with regard to

young people, the labour market position for most school-leavers deteriorated in 1992.

This is the finding of the "School-Leavers' Report 1993" published by the labour market authority. The number of vacancies for school-leavers registered with the employment offices fell from 42,300 to 22,500 between September 1990 and September 1992. Two-thirds of the jobs on offer are for LBO (leaving

certificate for secondary vocational education) and MAVO-level (leaving certificate for secondary schools) school-leavers.

In 1991 and 1992 206,000 and 170,000 school-leavers entered the labour market respectively. Only a marginal decline in numbers is expected for the subsequent years. Unemployment among school-leavers rose from 15% in 1990/91 to 20% in 1992. The overall unemployment

Special Categories of Workers

rate, on the other hand, fell to just under 7% in 1992.

School-leavers without an educational qualification are in the weakest position on the labour market and face a much longer job-search period than those with a qualification. Young people with training in technical and medical professions are more successful than those qualified in other areas at all qualification levels.

United Kingdom

Extension to Community Action Announced in the Budget

In his budget on 30 November last year, the Chancellor of the Excheq-

uer announced an extension of the Community Action programme, which was launched in September 1993. Community Action aims to give people who have been unemployed for twelve months the opportunity to do part-time work in the community, combined with active jobsearch.

The extension to the programme means that it will now provide a total of 95,000 opportunities.

People on Community Action work for at least 18 hours per week and receive an allowance equivalent to their benefit plus £10. In addition, each person receives at least three hours' structured jobsearch help each week. A place on the programme lasts for up to six months.

The programme is delivered mostly by voluntary and charitable organisations who are best placed to create a wide range of work placements which benefit local communi-

ties and do not substitute for paid employment or adversely affect traditional volunteering. These opportunities include environmental work, caring, administration planning and research.

On completion of Community Action, it is expected that a proportion of participants will directly enter paid employment as a direct result of the work experience they have gained and the help they will have received in looking for work. Others are expected to enter training or have another positive outcome. Many more will enter work or training at a later stage as a result of help they have received through the programme.

The programme has been welcomed both by the voluntary sector and by participants and the early indications are that it is effective in helping people into jobs and training.

Miscellaneous

Denmark

Boom in leave schemes

In connection with the Danish labour market reform which came into operation on 1 January 1994 the existing leave schemes have been improved. There are three different leave schemes: training leave, parental leave and sabbatical leave (see iMi 43).

The objectives of the leave schemes are:

- to increase mobility on the labour market by means of job rotation;

- to increase the level of training of both employees and unemployed persons;
- to enhance the living and working conditions of families with young children.

The first figures on the take-up rate are now available and relate to the first seven weeks of 1994. A total of 22,617 persons have taken leave. The parental leave scheme, in particular, shows a marked increase. Most of those taking parental leave are women. 45% of those taking leave had been unemployed prior to taking leave.

The planned duration of the leave taken varies significantly. For the

training leave the most frequent durations are 21 to 24 weeks and 49 to 52 weeks. For parental leave (under the old scheme) 60% have a planned duration of more than 49 weeks, which is also the case for 50% of those on sabbatical leave. Parental leave under the new scheme seems to concentrate on periods of typically 25 to 28 weeks or 49 to 52 weeks.

Sabbatical leave has been considered as a possible instrument for job-sharing arrangements. If three persons, for instance, decide to take sabbatical leave for one week per month, it would be possible to recruit a fourth person (who would

also take sabbatical leave for one week each month). During the sabbatical week they would then receive 80% of the maximum rate of unemployment benefit. This model is referred to as the "dustman model" because it was a group of dustmen who first came up with the idea. More detailed rules and conditions for such arrangements are presently being discussed.

Of the 12,500 employees whose applications for leave were approved during the first seven weeks of 1994, the employers have expressed a wish to recruit substitutes in 7,000 cases. This gives a theoretical replacement rate of 56%. There is no obligation on the employer to recruit a substitute for persons taking training or parental leave except in the case of sabbatical leave.

Spain

The National Minimum Wage for 1994

With Royal Decree 2318/1993, 29 December 1993 the Spanish Government has fixed the national minimum wage, which applies, from 1 January 1994, not only to permanent and fixed-term contracts, but also to casual labourers and domestic staff.

The new minimum limits, which represent a 3.5% increase over the previous year, were calculated in the light of the price index for consumer goods, average national productivity, the growth of wage and salary income as a share of national income, and the general state of the economy. Particular attention was

paid to the Government's aim to curb inflation. Wage moderation had become indispensable, particularly in view of the significant fall in employment rates in 1992 and 1993, the aim being to bring about a more healthy economic situation, enabling the Spanish economy to make the best possible use of the coming upturn. In this way it is hoped that positive economic growth can be achieved in 1994 sufficient to halt the process of job cuts and to smooth the path for economic recovery and job creation.

The minimum wage and salary in agriculture, industry and services was set at Pts. 60,570 per month for workers over 18 and Pts. 40,020 for workers below 18. In annual terms, i.e. including two special payments of thirty days' wages, the minimum wage/salary now amounts to Pts. 847,980 and 560,280 for workers above and below 18 respectively.

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (on 17 March 1994):

Belgium	BFR	39.74
Denmark	DKR	7.55
Germany	DM	1.93
Greece	DRA	291
Spain	PTA	158
France	FF	6.57
Ireland	IRL	0.79
Italy	LIT	1,905
Luxembourg	LFR	39.74
Netherlands	HFL	2.17
Portugal	ESC	199
United Kingdom	UKL	0.77

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Japan at the Crossroads?

Peter Auer*

The example of Japan is frequently quoted in discussions of economic and employment success, recently, for instance, in the European Commission's White Paper on Growth, Competitiveness and Employment. Although Japan now finds itself in a serious crisis, unemployment remains below European levels as it has done in previous downturns. This article summarises some of the characteristics of the Japanese system which go some way to explaining this fact. A brief description of the current situation is followed by an analysis of a number of fundamental changes currently under way within the Japanese employment system.

Japan in crisis

There are growing signs that the current recession in Japan – GDP growth is expected to have contracted to around 0% in 1993 – is not merely a cyclical downturn, but rather has structural causes. These structural factors could, it seems, make it impossible to maintain the full-employment policy pursued until now. The factors making up this structural change include the long-term appreciation of the yen and the resulting problems of international competitiveness, the demands, particularly from the USA, for a reduction in Japan's trade surplus via the removal of direct and indirect trade barriers and for a partial substitution of the domestic for the export market. The relocation of productive capacity abroad is also beginning to exert an impact on Japanese

employment, particularly at a time of generalised over-capacity and in the context of yen appreciation.¹

Besides these two external factors, which are of great significance for the export-dependent Japanese economy, it is the bursting of the speculative "bubble economy" at the start of the 1990s which done most to squeeze corporate liquidity: previously, Japanese firms had been very liquid, enabling them to see out cyclical crises. There are also a number of structural factors affecting the Japanese employment system more specifically. Demographic developments, for instance are putting the employment system to the test as the ageing of the working population is leading to problems with the on-going development of internal labour markets and in financing old-age pensions.

A successful economy, high participation rates and low unemployment

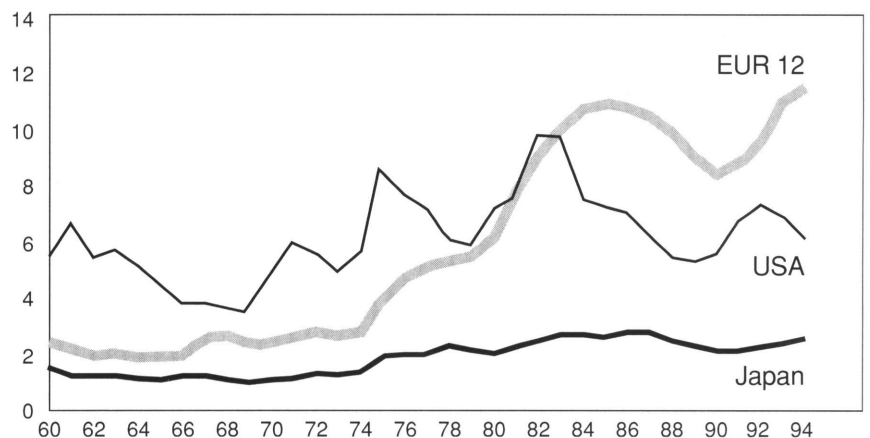
Consistent and rapid economic growth – an annual figure of less than

3% was recorded only twice, in 1974 and 1986, and a year-on contraction only once in the last thirty years – has catapulted Japan to its current position as one of the world's most successful industrialised economies; by the end of the 1980s its per capita income is one of the highest in the world. Together with Germany it is one of the leading export nations and is considered, alongside the USA and Europe, as the third pole of the global economic "triad". In terms of employment growth and unemployment, too, Japan is one of the world leaders: only once during the last thirty years did unemployment reach 3% (at the start of 1987), remaining below this figure even at the end of 1993 (December 1993: 2.9%), whereas the EU now has an unemployment rate of more than 11% (cf. Figure 1). Although employment has not grown

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¹ By 1991 Japanese firms abroad employed around 1.6 million workers; between 1994 and the year 2000 Japan is expected to lose between 700,000 and 1.3 million jobs as a result of relocation abroad.

Figure 1: Unemployment Rates: EUR 12, USA and Japan
(as a percentage of the civilian working population)



Source: European Commission (1993c)

Figure 2: Growth of GDP and Employment, 1980-85, 1985-90, 1990-92

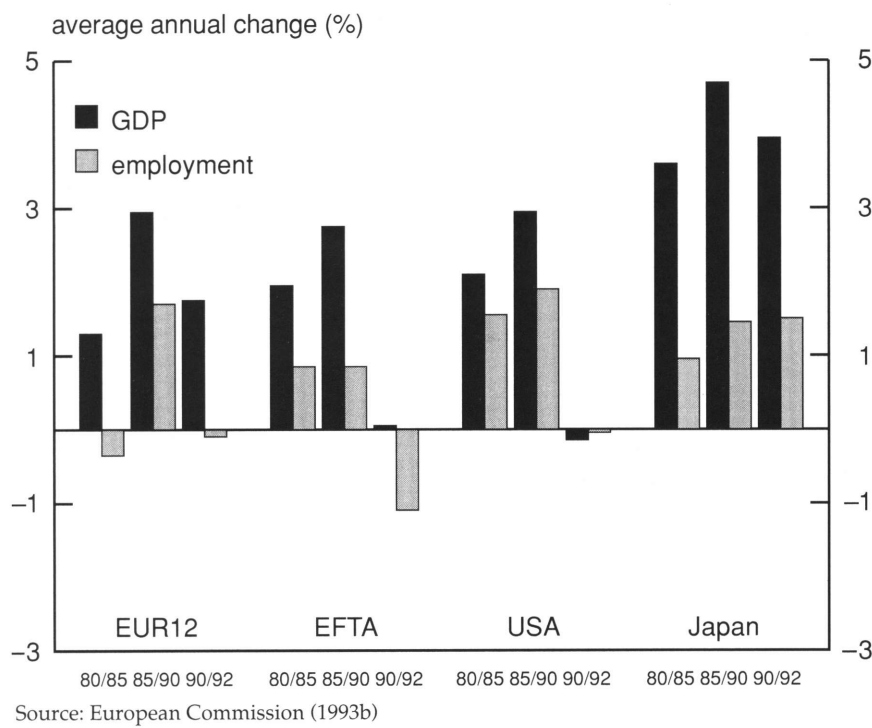


Figure 3: Employment Trends, EUR 12, USA and Japan (Index: 1966=100)

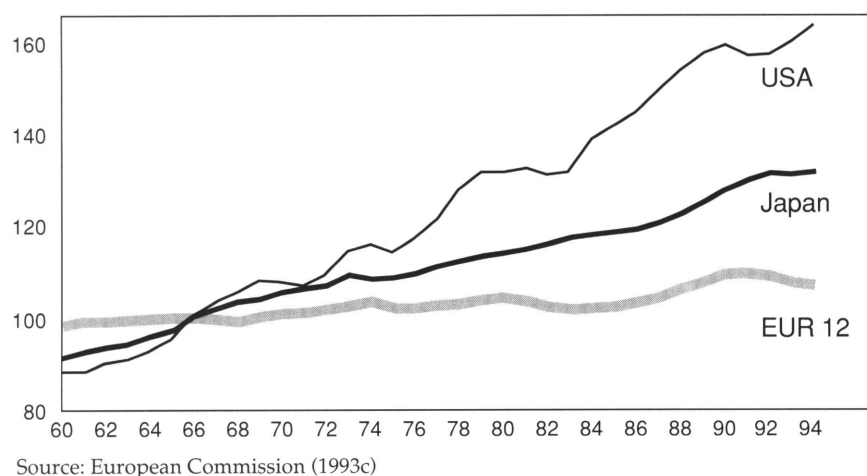


Table 1: Employment Growth in Japan, 1980-1991*

	Full- and part-time	Full-time	Part-time
Total	10,300 (+ 26%)	6,180	4,120
Women	5,560 (+ 41%)	2,620	2,940
Men	4,740 (+ 18%)	3,560	1,180

* Wage and salary earners in thousands; during the same period the number of self-employed and family workers declined by around 660,000; allowing for this the increase was of the order of 9.7 million.

Source: Japan Institute of Labour (1993, p. 24); Sasajima (1993, p. 32).

as rapidly as in the USA, and employment elasticity is during the 1980s – partly due to higher productivity – lower than in Europe (cf. Figure 2), employment expanded by over 11 million between 1973 and 1991. This represents an increase of over 21%. Although employment expansion was also recorded in the EU, particularly between 1984 and 1991, the expansion was far less significant than in Japan (cf. Figure 3). There were also structural differences in employment growth: in Japan female wage and salary employment rose by 41% between 1980 and 1991, that of men by 18%, whereby in absolute terms the expansion was roughly equal. Around 60% of these jobs (47% in the case of women) were in full-time employment (cf. Table 1). In the EU, by contrast, male employment grew by just 1% between 1980 and 1990, whereas female employment expanded by 16% (cf. European Commission 1993b), whereby more part-time jobs were created than in Japan. As in Europe or the USA, Japanese employment growth was concentrated in the service sector (around 70% of total employment growth), although, in contrast to Europe, the industrial sector also grew in employment terms. A further difference was that in Japan the public sector contributed only marginally to additional job creation.

It is to be noted that the rise in employment has not been solely due to high rates of economic growth: over the long term, far fewer jobs are created per percentage-point growth than in the USA (and only slightly more than in Europe)², as productivity growth is very high in both industry and business services, such as banking and insurance: productivity is much lower, however, in personal services, which account for a large share of employment. According to Petit (1992) employment in personal services increased from 13.6% to 19.7% of total employment between 1973 and 1989, whereas its share of value-added actually fell by about

² From 1970 to 1992, one percentage point increase in growth led to a 0.7 point rise in employment in the US, 0.144 in Japan and 0.110 in Europe.

one percentage point to 11.3%. The employment growth implied by these trends is considerable: around 5 million new jobs were created here, some 60% of the increase in service employment (Petit 1992, p. 19). Thus to a considerable extent, employment growth in Japan can be explained in terms of the low level of productivity in this segment of the service sector. There is, in Japan, a pronounced dualism between sectors of high and low productivity which yields positive results in terms of employment creation.

Government stimulation of the economy

The demand-management programmes periodically implemented by Japanese government in times of falling growth – the programmes consisting usually of tax cuts and public works – have certainly played a part in stabilising and promoting employment growth. Yet overall government spending is around 20 percentage points lower than in the EU.³ However, repayments on the public debt (and interest payments on government securities) now account for around 20% of government spending, a fact due not least to the demand-stimulation programmes. Even so, the overall tax ratio in Japan is, at just over 30%, lower than in Europe where fiscal revenue amounts to over 40% of GDP (cf. OECD 1993b).

Although public works have helped to maintain and create employment⁴, the overall (direct) contribution of the Japanese public sector to employment is much smaller than in Europe (cf. British contribution to the "White Paper", European Commission 1993c, Part C).

The Japanese employment system

Thus the main motor for employment growth remains the private sector. Nevertheless, the comparatively low overall employment elasticity, which holds both for the upswing and the downswing, can partly be traced back to institutional factors. Various specific elements of the Japanese employment system, such as "life-long employment", seniority, human-

		establishments implementing vocational training	Not implementing	N.A.
Total	100.0	69.0	27.2	3.8
Construction	100.0	65.9	30.1	4.0
Manufacturing	100.0	67.3	30.9	1.8
Transportation and Communication	100.0	67.8	26.5	5.7
Wholesale and retail trade, Restaurant	100.0	72.2	25.7	2.1
Financing and insurance, Real estate	100.0	87.1	10.7	2.1
services	100.0	65.3	27.8	6.8
1000 persons or more	100.0	96.2	1.7	2.1
500-999 persons	100.0	95.0	3.7	1.3
300-499 persons	100.0	88.0	9.0	3.1
100-299 persons	100.0	80.5	15.4	4.2
30-99 persons	100.0	63.2	33.0	3.8

Source: Ministry of Labor (1993)

capital investment and firm-centred labour relations, exert a decisive impact on employment and unemployment in Japan.

Traditionally, life-long employment, the seniority principle, with wage determination and promotion, and plant-level union organisation are considered to be the three – inter-related – corner-stones of the Japanese employment system (cf. Inagami 1988, Sasjima 1993, Suzuki 1993). The principle of "life-long employment" (by which working life is meant) is the most important. In its ideal form, at least, it means that the Japanese worker is recruited by a firm from school or university, where he/she spends his/her entire working life up to retirement. During working life, the seniority principle implies that pay and status rise with increasing age, whereby occupational careers are closely linked to the acquisition of additional skills: promotion is accompanied by continuous further training, sometimes off, but mostly on the job, so that Japan exhibits high participation rates in vocational training (cf. Table 2). Once a year, general wage increases and the size of the bonus – usually paid twice a year and which can represent as much as six months' basic pay – are negotiated by trade unions which are

closely tied to the plant. On retirement workers receive a company retirement payment, which can be worth as much as 45 months' wages. Previously this was provided as a lump-sum payment, but now often takes the form of a monthly allowance (a state pension is available from age 60).

Life-long employment for whom

It is generally accepted that the principle of life-long employment applies to the core workforces of large industrial firms, but many observers, particularly those whose perspective is based on segmentation theory, have pointed to the dualism (or indeed the dualisms) within the Japanese labour market (Sako 1992). These "dualisms" relate to core and peripheral work force groups within large firms, the differences between large, medium-sized and small firms, between the industrial and service sectors, between men and women, between "standard employees" and the growing categories of "flexible" employ-

3 A result of a smaller defence budget and a small central-government sector, which, with a 6% employment share, employs less than half the average number of public servants in the EU.

4 The most recent anti-cyclical programme of an estimated volume of 15 trillion yen (115 bn ECU) aims to raise economic growth by an estimated 1 to 3%.

ment, such as part-time workers, workers on fixed-term contracts and agency workers.

Not for women

The employment situation of a large proportion of the around 26 million working women in Japan (1991; constituting 41% of the working population and a participation rate of 61.6%), in particular, is less subject to the principle of life-long employment than that of men. As in other countries, this is partly a reflection of women's dual role as mother and worker, leading to breaks in working life due to child-care responsibilities. The exclusion effect of such an interruption is, however, greater in the context of an employment tradition in which employees place their labour power at the disposal of firms much more extensively than is typical of European firms. This can be seen from part-time workers, whose numbers have doubled since 1980 (1991: more than 8 million, around 16% of total employment and around 30% of all female employees). Although in statistical terms part-time workers are defined in Japan as those working less than 35 hours per week, it is frequently the case (in about 20% of part-time jobs) that part-time workers in fact work full time, but receive lower wages and other benefits (e.g. the bonus). This is one reason why the average working time of Japanese "part-time" workers, at 29 hours per week, is relatively high in international terms. The hourly wages of women working part time amount to only around 70% of those working full time and just 45% of men in full-time employment. Moreover, part-time workers are normally not employed on permanent contracts (Sasajima 1993); most work on part-time, fixed-term contracts, which are thus "doubly flexible". Around 850,000 persons (most of them women) work from home, at wages which are even lower than those for part-time workers. Contracted homework is, however, on the decline in Japan; the figure peaked in 1973 at 1.85 million.

The "flexible" employment of women is supported by the Japanese taxation and social insurance system

which allows tax and contribution-free earnings of 1 million yen (around ECU 8,000) per annum. Only income in excess of this amount is subject to tax and social insurance contributions.

Flexible employment and foreign workers

In addition to part-time workers, around 500,000 agency workers are employed in occupations subject to statutory regulation, together with about 2 million "arubeito", among them many students in marginal employment.

Japan employs only around 320,000 foreign workers, just 0.5% of the working population; this figure is made up of working students (60,000), foreigners of Japanese origin (150,000) and legal immigrant workers (around 110,000 in 28 professions). The legal stipulations are very restrictive – employers may only recruit foreigners holding a qualification not held by Japanese citizens; the Japanese labour market is thus virtually "closed". Nevertheless, there is a growing problem of illegal employment of immigrants, the number of which is estimated at up to 500,000. Whereas it used to be predominantly women taking on "entertainment jobs", illegal employment has more recently increasingly concentrated on young male Asians in so-called 3-K jobs (*kitsu*, *kitani* and *kiken*: strenuous, dirty and dangerous).

Dualisation tends to be cumulative in nature; women and other "flexible" employees are more heavily represented in small firms and in the service sector, while "standard employees" are more likely to be found in large-scale industrial firms.

Life-long employment as a social norm

Despite the qualifications made above, the concept of life-long employment remains the dominant structural norm of the Japanese labour market. Yet this employment pattern has no basis in law, except for the right to work mentioned in the Japanese constitution and a dismissal protection law which requires "fair-

ness" even in the case of mass lay-offs (cf. Gould 1993); it is rather a social norm, but one which many employers see as binding and which trade unions seek to impose. Even as late as 1988, Inagami, for instance, concludes that over the preceding twenty years this principle had actually gained in strength, at least for male industrial workers; in 1985 some 72% of male employees were "standard employees"; in firms with over 1,000 workers the figure rises to 90%, while in small firms (10 to 99 employees) the figure is just 55% (Inagami 1988). Although Sako has shown that employees recruited under "standard" employment contracts as a proportion of the total declined between 1982 and 1987, even at the later date around 75% of all workers were "standard employees" (Sako 1992). International comparison of job tenure confirms that Japanese workers stay with their employer longer than in other countries and that the (external) mobility of workers is lower.

Employment security through flexibility?

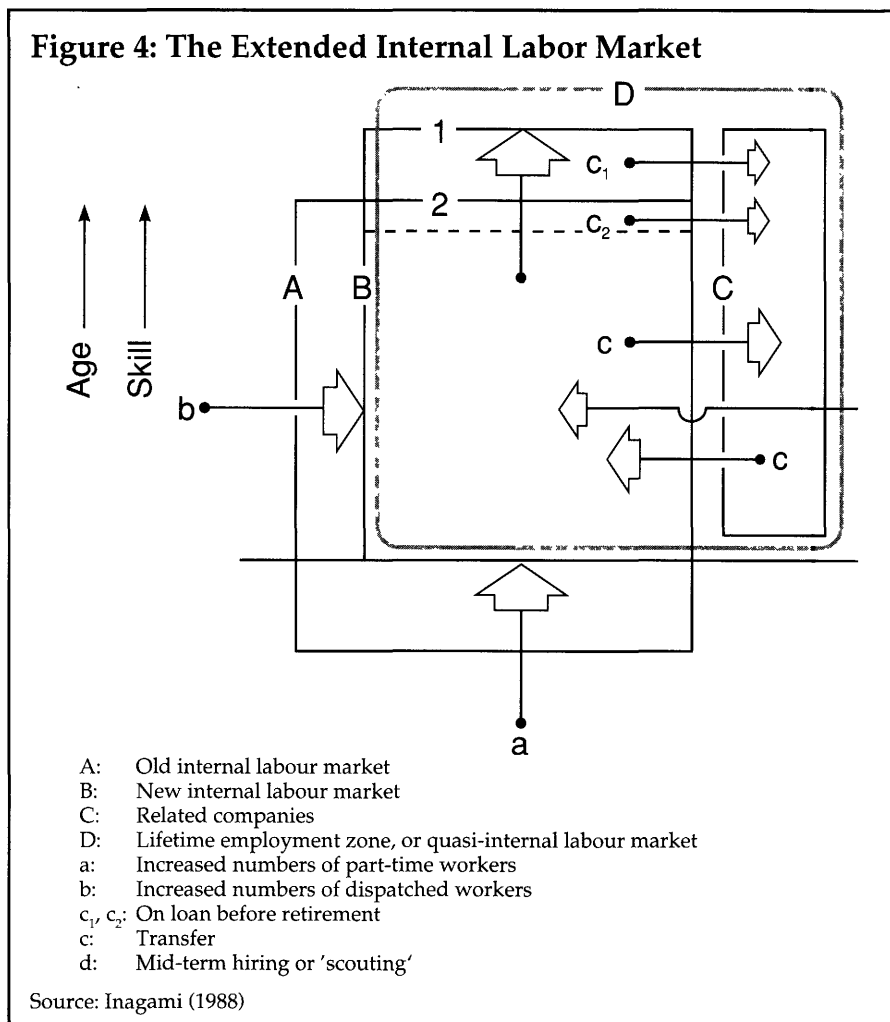
An employment system that has institutionalised employment stability in core labour market areas requires flexibility buffers (Auer 1993). Besides the more flexible adjustment of working hours (reducing and extending overtime) and adjustment through wage flexibilisation and an increase in the number of "flexible" employment relations, Japanese firms exhibit a higher internal, "functional" flexibility than in many European countries. Japanese standard employees are multi-skilled, and their responsibilities are not restricted to narrowly defined functions. This is reflected in the pay system, and their earnings are not related to specific employee tasks but rather to entry qualifications, seniority and skill acquisition. Additional elements of this flexibility are the organisation of work in groups, the integration of quality control and maintenance, and the interchangeability of workers across functional borders. Although Koike (1992) points out that Japanese workers usually also have clearly defined tasks and functions to perform,

the system of promotion "ladders", in which workers are employed in a wide variety of tasks, contributes to a broadening of skills.

Yet more than functional flexibility, it is a form of *extended, internal labour market* which distinguishes the Japanese employment system from European labour markets at the micro level. This form of flexibility covers not only departments and individual plants of large concerns, but also suppliers (whether or not the large firms holds a stake in them) and even other branches. This "employee transfer" entails a number of dimensions. One of the aims is to transfer know-how, between producers and their suppliers, for example, and also to enable managers to be promoted to directors of supply firms; but it also provides for a form of "cushioned" redundancy, particularly for older workers (Leclerc 1992). Nagano (1989) distinguishes between two forms of this practice (known as *shukko*), depending on whether it is in the interest of the "giving" or the "receiving" firm: "push" *shukko* is typical of superfluous older workers, while "pull" *shukko* tends to involve younger workers, the underlying aim being know-how transfer. Such redeployment can be temporary or permanent, whereby transfers due to "push" factors tend to be permanent, whereas workers taken on for "pull" reasons tend to be lent temporarily (cf. Leclerc 1992). The various flexibility flows, the aim of which, in the final analysis, is to maintain extended, internal labour markets are summarised in Figure 4 (taken from Inagami 1988).

Labour market policy in support of the adjustment of internal labour markets

That flexibility buffers are necessary in the face of labour market rigidities is a principle that can be extended to some elements of Japanese labour market policy. Japan's specific form of employment stability is made possible not least by a form of "employment insurance" which temporarily relieves firms undergoing cyclical adjustment from the burden of wage costs; in some ways it is analogous to



short-time working in several European countries. This "employment adjustment subsidy" enables firms to maintain pay levels and employment contracts while either laying off workers temporarily, providing them with further training, or transferring them provisionally to another enterprise; firms are entitled to a subsidy from an employment stabilisation fund of two-thirds of wages (50% in the case of firms with more than 1,000 employees) for up to a year (further extension possible). This fund is financed by an employer contribution of 0.35% of payroll.

During the current recession the fund hit a new spending record, exceeding the amount paid out in the 1975/76 recession. Between October 1992 and September 1993 16,800 firms registered a total of 977,578 short-time workers, 4,172 firms 259,202 participants in further training and 458 firms 4,206 transfers.

Thus the maintenance of employment among core workers in large and small and medium-sized firms constitutes an important element of Japanese labour market policy, whereby around 20% of beneficiaries made active use of the time available to participate in further training. A related element of labour market policy, and one destined to become increasingly important, are the measures aimed at the elderly (subsidies for employment maintenance, see below).

Unemployment

(see also box on page 25)

While these institutional factors help to keep the overall Japanese unemployment rate down, young people and the elderly suffer from unemployment to an above-average extent, with "core" labour market groups suffering less than propor-

Unemployment Statistics and Unemployment Insurance in Japan

With an official unemployment rate of still less than 3%, Japan clearly belongs to the group of industrialised countries which have dealt effectively with the employment problem. Unlike in Germany, the unemployment rate is not calculated in terms of the number of unemployed as against wage and salary earners but rather, as in countries such as France, the USA, and more recently Great Britain, as against the civilian labour force, i.e. including the self-employed and family workers. If these categories were excluded, the unemployment rate would be about one percentage point higher. A less restrictive definition of unemployment than the one adopted in Japan would also raise the jobless rate, particularly for women: in the monthly surveys of a sample of Japanese households on which the official statistics are based, only those persons not employed at all or for less than one hour per week during the survey period are counted as unemployed. This definition effectively keeps those in marginal employment and often foreigners, domestic, seasonal and family workers off the unemployment register.

Unemployment insurance

A compulsory unemployment insurance scheme has been in operation in Japan since 1947. In its present form it is based on the 1974 unemployment insurance reform law which changed

Age	Duration of employment				
	< 6 months	6 months-1 year	1-5 years	5-10 years	> 10 years
<30	No entitlement	} 90 days	90	90	180
30-45			90	180	210
45-55			180	210	240
55-66			210	240	300

1) Extended entitlement periods apply to the difficult to place (e.g. the disabled), although still subject to the maximum of 300 days.

2) Entitlement periods are shorter for part-time workers, to a maximum of 210 days.

the name of the unemployment insurance system into the "employment insurance system". The compulsory insurance scheme covers regular employees of all private-sector firms with the exception of very small firms (less than 5 employees) in the agriculture, forestry and fishing sector, for which the scheme is voluntary. In 1989 part-time workers were incorporated into the compulsory insurance scheme; specific funds are responsible for public service employees, seamen, seasonal workers and day-labourers.

The benefits paid by the unemployment insurance fund usually represent 60% of the average basic wage; low wage-earners, though, may be granted up to 80% of their previous wage. The benefit rate is, however, calculated only with respect to basic wages, i.e. excluding the bonus and overtime payments which together account on average for around one third of total earnings. According to calculations by the OECD, the benefits provided by the unemployment insurance fund represent only about 32% of effective net income for the average unemployed person; this is higher than the compensation rate in Great Britain and Italy, but is significantly below that in many other European countries. To be entitled to benefit the applicant must have been in insured employment for at

least six months in the year prior to becoming unemployed, must be registered unemployed and be available for work. For those who have paid contributions for longer than one year, the duration of benefit entitlement depends on age (cf. Table). In individual hardship cases entitlement duration can be extended; in the case of mass unemployment it can also be extended for entire regions or indeed for the country as a whole. For unemployed persons over 65 there exists a special system in which, depending on the duration of unemployment, a one-off payment of up to 150 days' benefit can be made. A similar system exists for certain seasonal occupations (one-off payment of 50 days' benefit).

Financing

The overall contribution to the state-run unemployment insurance scheme amounts to just 1.25% of gross wages (excluding bonus and overtime); in branches with a high unemployment risk and where seasonal employment is significant - construction, agriculture, forestry and fishing - the contribution rate is between 1.45 and 1.55%. Employees and employers together pay 0.9% (1.0 or 1.1% in the branches mentioned) on a fifty-fifty basis; an additional 0.35% (0.45% in the construction industry) are paid solely by the employers into an employment stabilisation fund. Firms suffering from cyclical crisis or reorganising production may draw a wage subsidy of 50% (66% in small enterprises) from the fund for up to a year (extendible). The aim of these subsidies is to enable firms to retain their employees, either by making them work shorter hours, temporarily or allowing them to undergo training or transferring them temporarily to other firms. In addition to these wage subsidies and retraining support, allowances are also provided for the reinsertion of those laid off for cyclical or structural reasons as well as subsidies for employers recruiting or retaining older workers (cf. text).

in thousands	Unemployment rate in %						Long-term unemployed as % of total unemployment	
	Total	M	F	Youth			+6 months	+12 months
				15-24	15-19	20-24		
1975 1,000	1.0	-	-	3.0	3.6	2.9	-	-
1980 1,140	2.0	2.0	2.0	-	-	-	-	-
1985 1,560	2.6	2.6	2.7	-	-	-	-	-
1986 1,670	2.8	-	-	-	-	-	-	-
1987 1,730	2.8	-	-	-	-	-	-	-
1988 1,550	2.5	-	-	-	-	-	40.5	20.2
1989 1,420	2.3	2.2	2.3	4.5	7.0	3.8	37.3	18.7
1990 1,340	2.1	2.0	2.2	4.3	6.6	3.7	39.0	19.1
1991 1,360	2.1	2.0	2.2	4.5	6.6	3.9	38.1	17.9
1992 1,420	2.2	-	-	4.4	6.7	3.8	35.0	15.3
(1993) ¹⁾	(2.9)	-	-	-	-	-	-	-

Sources: Japan Institute of Labor (1993); OECD (1993a)

1) December

tionately.⁵ This serves to confirm the degree of employment protection afforded these latter groups. The unemployment rate for women is only marginally higher, although this is at least partly due to the fact that unemployment among women is inadequately reflected in the statistics. A further difference between male and female workers is that the proportion of women among the core-age-group unemployed rises more quickly during the recession than that of men, a trend which must be put down to the lower level of employment protection for women. The long-term unemployed make up a far smaller proportion – around 15% – of the jobless total than in the EU countries (which range between 62% in Belgium and 28% in Great Britain). In regional terms, the national unemployment rate of 2.5% (average for July to September 1993) is the product of a variance between 1.6% in the central-Japanese west-coast region of Hokuriko and 3% in the Kinki region. The degree of variance within Europe is more pronounced (from around 20% in Spain to 2.5% in Luxembourg) and also within individual European states (European Commission 1993b).

Although unemployment is now rising, and a business-cycle indicator commonly used in Japan – the ratio of vacancies to the number of job-seekers – deteriorated from 1.45 vacancies per applicant in the first quarter of 1991 to 0.70 in the third quarter of 1993, the level of employment continues to rise, for example, by almost 1% in September 1993.

High employment and low unemployment to continue?

Rapid economic growth, employment-intensive growth in the service sector, together with flexible adjustment to cyclical and structural change through variations in working hours, wages and bonus payments⁶ have all contributed to employment maintenance and growth in Japan; these factors have been reinforced by the employers' policy – supported by the state – of "life-long employment" and the government

anti-cyclical programmes implemented periodically.

Although it is too early to speak of the end of the "Japanese model" – Japan will certainly remain the strongest economy in an area which is generally seen as the "power house" of the coming decades – a number of changes are currently under way which could affect the stability of the national system. As far as the employment system is concerned, the most important of these is the rapid rise in the number of older workers in the workforce, which is making it necessary to re-think the principle of life-long employment. On this question a conflict of interest arises between firms and the state. In order to limit the financial burden of the pension insurance scheme (and thus restrain rising indirect wage costs), the Japanese government is seeking to raise the retirement age from 60 to 65; the decision has already been taken, but not yet implemented. Even then, the contribution rate to the pension insurance scheme would have to rise from 14% now to 26% by 2010. Firms are already finding it difficult to provide sufficient jobs for older workers. Recent studies show that around 50% of firms suffer from (non-cyclical) overmanning, particularly with regard to white-collar workers aged over 45. "On-the-job unemployment" is estimated to be as high as 2 million.

Whether these problems can be solved by the planned reorientation of the "employment stabilisation policy" to job maintenance for older workers is difficult to determine. As competitive pressures increase, Japanese firms, too, may be forced to solve their employment problems via redundancies and early retirements, rather than job maintenance and *shukko*. This is all the more likely as firms must be able to offer promotion opportunities to younger workers if the employment system is to function. Changes on the supply side, where the younger generation are changing jobs more frequently than their mothers and fathers, may in future collide with the system of life-long employment and limited external mobility. Experts are broadly

agreed, though, that two of the underlying problems – a surplus of older, and a shortage of younger workers – will affect both Japan and European countries in the coming years.

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⁵ Against the background of an overall unemployment rate of 2.6% (in September 1992), 5.3% of 15-24 year-olds and 4.8% of the 60-64 year-olds were without work, compared to just 2% for the 25-54 year-olds.

⁶ Whereby bonus payments are not as cyclically sensitive as is sometimes claimed. In the automobile industry, for example, they have fluctuated between a narrow band of 4.8 to 5.3 months' wages over the last twenty years.

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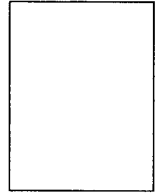
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A comparison of participation rates in Japan and the EU

Both the Green and White Papers published by the European Commission emphasise that participation rates in Japan (and in the USA) are about 10% higher than in the European Union. The participation rate is normally defined as the labour force (employed plus unemployed) as a percentage of the population of working age (15 to 64).

Examining Japanese sources it is striking that the participation rates published there are around 10% lower than those reported in international comparisons (e.g. the OECD or the European Commission). This is because Japanese participation rates are calcu-

lated against a working population which includes all those over the age of 15, i.e. with no upper limit at 64. This, in turn, reflects the fact that participation rates among elderly Japanese, both men and women, are substantially higher than in Europe. This can be seen from the following figures for 1990: with an overall participation rate of 62.4% (women: 41.3%), the rate for men aged 65-69 was 54.1% (women: 27.6%) and for those aged 70-74 37.4% (women: 17.5%). As many as 18.5% (women: 6.5%) of those over 75 are still economically active. In Great Britain the participation rate for 65-69 year-old men is 8% (women: 2.8%); in (West) Germany 6.9% (women: 3.0%); in France 6.5% (women: 4.3%). Among the over 70 year-olds participation rates in the EU countries vary between 4 and 2%.

For core age groups, on the other hand, participation rates are actually rather similar, while those for young peo-

ple are actually higher in Europe than in Japan due to differences in the education system. In view of the high rates of youth unemployment in Europe, though, employment rates - which measure the number of employees in work as a percentage of the population of working age, and are thus more revealing than standard participation rates - are lower. Here too, depending on the underlying concept used, differences of up to 10 percentage points can be observed.

The implication of these statistics is that if Europe wishes to achieve participation rates comparable with those of Japan, participation by the elderly would have to be increased. This is likely to be a controversial aim in social policy terms. If higher employment shares are to be the aim, support will also, indeed primarily, have to be provided for youth employment.

Key Labour Market Indicators, Japan and EUR 12 (in millions)

	1975			1991			Change 1975/91 in %		
	EU	Japan		EU	Japan		EU	Japan	
1 Total population	312.4	111.8		328	124		5	11	
2 Population of working age (15-64)	197.9	78.00		221.2	89.6		12	15	
3 15 and older ¹	-	(84.7)		-	(102.3)		-	21	
4 Total employment	124.3	52.4		135.2	63.6		8.8	21.3	
5 Unemployment	5.3	1.0		12.8	1.4		142	40	
6 Participation rates % ²	M+F	M	F	M+F	M	F	M+F	M	F
A. 4-5/2	65.4	-	-	68.5	-	-	67.0	-	-
B. 4/2	62.8	-	-	67.2	-	-	61.1	75	49
C. 4/3	-	-	-	61.9	-	-	-	-	-
D. OECD (concept A.)	-	-	-	71.7	90.1	54.0 ³	-	-	-
7 Unemployment rate ⁴ in %	4.1	1.9		8.7	2.1				
8 Employment by economic sector									
Agriculture	11.2	10.3		6.2	7.2				
Industry	38.8	35.2		31.3	33.9				
Services	50.0	54.5		62.3	58.9				

1) Japanese definition (cf. above)

2) Cf. above

3) 1973

4) Cf. box, p. 25

Source: European Commission (1993b); Japan Institute of Labor (1993); Japan Productivity Center (1993)

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