

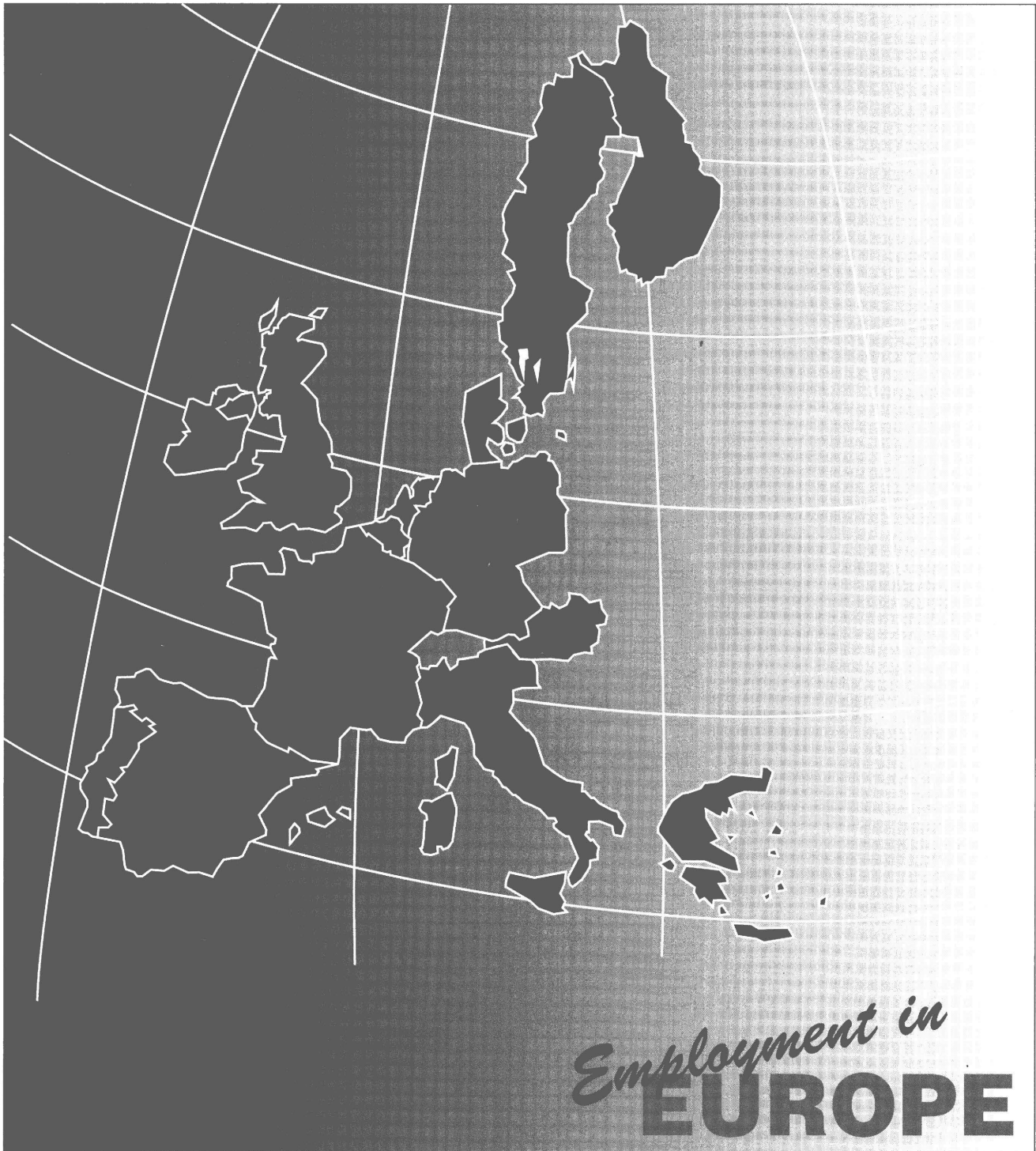
EMPLOYMENT OBSERVATORY

Policies

50

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

Summer 1995



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR EMPLOYMENT
INDUSTRIAL RELATIONS
AND SOCIAL AFFAIRS

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Developments at a Glance

- Belgium** The precise formalities for employment promotion agreements, providing for a flat-rate reduction in employer social insurance contributions for jobs created after 31.12.1994, have been set out in a collective agreement.
The Brussels-Capital region offers support for vocational training in small and medium-sized enterprises by subsidising so-called tutors, who offer guidance to trainee workers.
The Flemish Government is offering flat-rate monthly grants to encourage work redistribution.
- Spain** A study of vocational training measures within the *Plan FIP* has revealed positive employment effects.
A decree has specified the legal provisions on agency work and provides, among other things, for the setting-up of a guarantee fund by each employment agency to cover such risks as bankruptcy.
- France** A preliminary evaluation of the Five-Year Law on employment suggests that the various measures to create and maintain employment have contributed to the current fall in unemployment.
Special placement centres are being set up for engineers, technicians and high-level administrative staff (*cadres*).
- Italy** A law passed in 1994 has set out the conditions for employing organisations and participants in public job-creation measures.
The budget of the Employment Fund has been expanded by 129 billion lire for the current year and is to focus on promoting the labour market integration of the young unemployed by means of job-creation and vocational training measures. The regional employment commissions are to play an important role in this context.
- Netherlands** In reaction of the report to an evaluation commission, the Government has proposed drawing a sharper distinction between the responsibilities of the labour ministry and the labour market authority. In its view the labour market authority should concentrate on placing difficult-to-place jobseekers.
Cooperation between the employment offices, local government social services and the sectoral social insurance boards is to be further intensified.
- Austria** Since 1983 job-creation measures within the framework of the "Action 8000" have provided support for around 35,000 people in socially important areas. Participation by labour market target groups and the integrative effect of the programme are seen as positive.
The new Government's structural adjustment law will lead to restrictions on entitlement to, among other benefits, unemployment benefit and emergency aid.
- Portugal** A job-creation programme has been initiated for unemployed persons not in receipt of benefit and whose income is less than 80% of the national minimum wage.
Also introduced is a programme of alternating employment and training periods for unemployed youth.
Legal provisions have been enacted to regulate cooperation between the departments of the Ministry for Employment and Social Security responsible for studies of employment policy and other research institutions.
In March 1995 an international conference on social and employment statistics was held on Madeira.
- Sweden** A short-term wage-subsidy programme in the form of a reduction in employer social insurance contributions has been introduced to promote recruitment of the unemployed.
All unemployed youngsters aged between 20 and 24 are to acquire basic computing skills in three-month courses subsidised by the state and administered by local government.
- United Kingdom** Vocational training in more than 24,000 small and medium-sized enterprises is to receive support in the form of a new programme based on support for a "key worker" in each enterprise.
130,000 young long-term unemployed are to be integrated into the labour market with the help of intensive personal interviews by the Employment Service and specific, short-duration courses to prepare them for working life.

EMPLOYMENT OBSERVATORY Policies



No. 50, Summer 1995

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Editorial

This is the 50th edition of the journal "Policies" of the MISEP network, the Mutual Information System on Employment Policies. More than ten years have passed since the network was set up by the Directorates General for Employment of the then ten Member States. Europe has changed significantly since then. New countries have joined the Community in two waves: Portugal and Spain in 1986 and Finland, Austria and Sweden at the start of this year. The Maastricht Treaty and the realisation of the Single European Market constitute further milestones on the road towards a unified Europe. Major changes have also occurred on the rim of EU-Europe, with the difficult transformation of the formerly communist countries into market economies.

Particularly in recent years, there have also been important changes within the specific field covered by "Policies", labour market and employment policy. The European Commission, for instance, has presented a proposal for achieving more employment-intensive economic growth, in the form of its

White Paper on Growth, Competitiveness and Employment, published at the end of 1993, and since endorsed, with slight modifications, by all the subsequent meetings of the European Council. While Member States, in the face of mass unemployment, had already been active in this area, their efforts have since found a common frame.

The expansion of the EU and the increasing relevance of employment-related questions have also changed "Policies" as a journal, and have at the same time rendered it an increasingly important reporting instrument on the activities of the Member States in the area of labour market and employment policy.

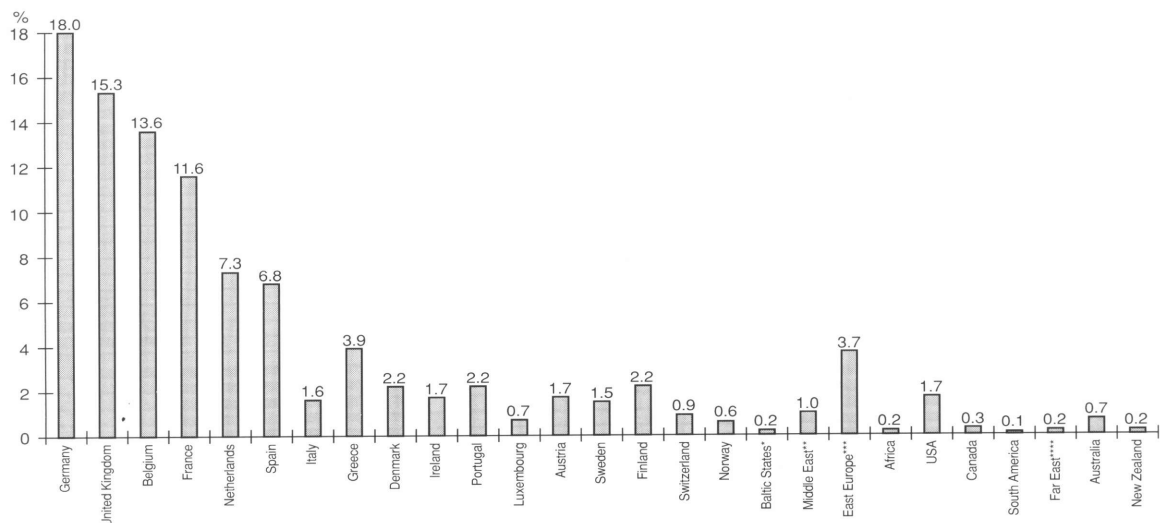
On the occasion on the 50th edition of "Policies" we decided to conduct a readership survey. Alongside a number of criticisms, the response points to a high level of interest and a consistently positive evaluation of the journal by its readers. The survey also enabled us to bring our distribution list up to date. The most important results of this survey are dealt with below.

Our distribution list currently (April) contains 4,089 addresses. Because many institutions take more than one copy, the addressees receive a total of 6,358 copies. Given that the correspondents also distribute "Policies" in their respective countries, the overall circulation is currently 11,200 copies, of which 2,900 are in German, 4,400 in English and 3,900 in French. Every month an average of 110 new addresses – around 200 copies – are added to the list. These figures all serve to indicate the interest aroused by "Policies".

The survey

At the end of 1994, in accordance with the then current address list, 3,668 questionnaires were dispatched (on the distribution of the address pools between the various countries, cf. figure 1). Of these, 962 were returned, a gross response rate of approx. 26%. More than 800 of those returned were suitable for evaluation (net response rate: 23%). For a journal that is distributed free of charge, experience suggests that the response rate was high.

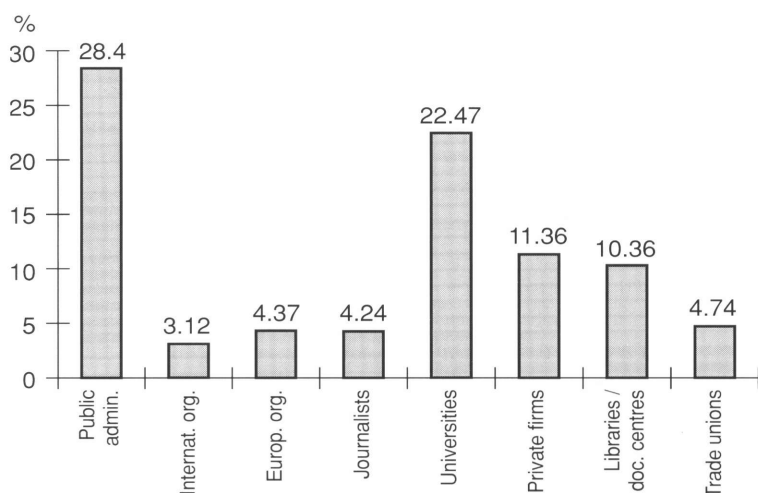
Figure 1: National Distribution of the "Policies" address pool (as of: end 1994; n = 3,668)



** Turkey, Malta, Cyprus
* Lithuania, Estonia, Latvia

*** Russia, Belarus, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Bulgaria, Albania
**** India, China, Singapore, Hong Kong, Malaysia, Indonesia

Figure 2: Distribution of Responses by Sectors



One of our questions referred to the occupational area in which the reader was employed. According to the responses, the majority of our readers work in public administration (labour ministries, labour market services, regional and local administrations) and in higher education, together accounting for more than 50% of respondents. Other important areas are the private sector, libraries and documentation centres (cf. figure 2).

We also asked our subscribers how many additional readers (colleagues) also read their copy. Only around 24% read the journal alone, the majority "share" it with others. Based on the number of non-subscribing readers, it is possible to calculate the total number of people reading an edition of "Policies": at 6,358 copies this is 18,311 readers. Extrapolating this for the entire distributed circulation, this represents around 38,800 people. As was to be expected, "Policies" is read particularly intensively in libraries – whereby the multiplier is seriously understated in this area – and in European organisations. In all the other areas the figures were marginally below the average value of 2.88 readers per copy (cf. figure 3).

The vast majority of our readers (c. 70%) consult "Policies" at least

once a month, mostly for research, teaching, lectures, preparing scholarly articles, advising clients of the labour market authority and to provide information to superiors. Most of them also used other publications for the same purposes, around 40% of them other EU publications.

98% of the total of 636 readers that answered the relevant question find the journal either always (63%) or at least sometimes (35%) interesting; around 2% find it uninteresting. The results vary according to the type of article: 57% of respondents consider the national articles to be always and 42%

sometimes interesting, while they are never interesting for just 2%. The "Focus", too, is highly regarded: almost 68% of respondents find the articles always interesting, 31.5% sometimes and just 0.5% uninteresting.

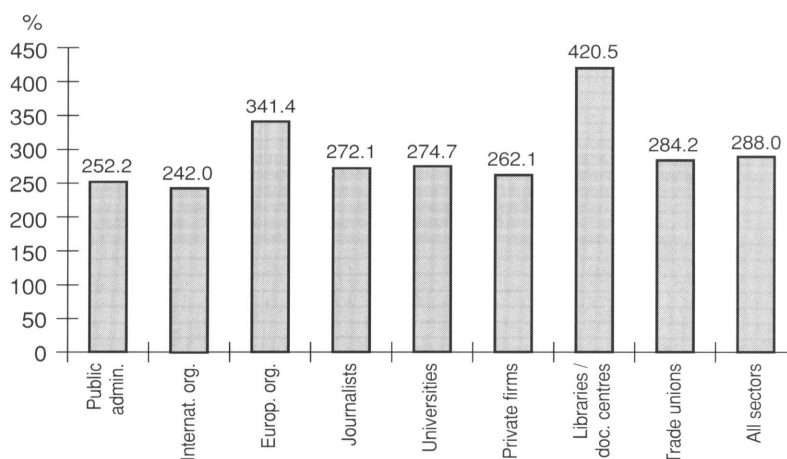
"Why change what is already good" – this was frequently the response to our request for suggestions for improvements. The proposals made by readers included more articles about specific countries; some wanted to see contributions about Eastern Europe. A number of readers requested changes in the layout – some of which have already been included in iMi 49 – others that the journal appear more frequently; some respondents wanted to see more comparative articles and statistics.

Our last question sought to establish the level of interest in an edition of the Basic Information Reports (BIRs) on CD-ROM. Around 59% of respondents expressed such an interest, 39% were not interested, and just over 7% made no response to this question.

All in all the results are encouraging, and even if the majority of readers did not request major changes, we will continue to strive, as in the past, to improve "Policies" issue by issue.

MISEP Secretariat

Figure 3: "Reader-intensity" of an Issue



Overall Developments

Austria

The New Government's Structural Adjustment Law

In its working agreement, reached in November 1994, the new Government has set itself ambitious targets relating to the economy and infrastructure, budgetary consolidation, fiscal policy, social affairs and the world of work, women and family policy, health, housing, the environment, education and culture. In the run up to the passing of the Federal Budget 1995, recently weeks and months have been dominated by the Government's efforts to consolidate the public budget. A large number of new regulations have now taken on statutory force in the form of the "Structural Adjustment Law" of April 1995.

Given that the spending items grouped under the title "social spending" have risen to a more than proportionate extent during the 1990s, this area has been called upon to make a contribution to budgetary consolidation. The following provides a brief description of the changes affecting labour market and family policies.

Tightening of the definition of income in relation to the evaluation of claims on the unemployment insurance fund

In evaluating whether an individual is entitled to benefits from the unemployment insurance fund in spite of the fact that he/she (or his/her spouse) is drawing an income the stricter definition of income as used in determining eligibility for student grants will be applied in future. Under this definition all forms of transfer income are

taken into account as is tax-free income in the case of the self-employed and professionals. In addition to the use of this income concept a figure of 11.1% of turnover is to be used to determine the "negligible" income of the self-employed and with respect to the emergency aid drawn by the spouse.

Parental leave allowance replaced by a grant that is to be repaid by the other parent or by both parents

Under the provisions previously in force, single parents were entitled to a higher parental leave allowance (higher day rate). Under the changes there is now a single rate, but one which can be topped up by a grant. This grant is also available to married or cohabiting parents if one parent has no, or only a very limited, income. The grant of ÖS 2,500 per month is available for the duration of entitlement to the allowance.

Under the changes this grant has to be repaid. In the case of single parents, the grant must be repaid by the other parent; grants to parents made on the basis of inadequate income must be repaid by both parents once their income situation has improved.

The obligation to repay the grant is a part of the tax regulations and is the responsibility of the tax offices. The requirement commences at the end of the calendar year in which the relevant income thresholds are reached, at the earliest at the end of the calendar year in which the child is born; it ends at the end of the 15th calendar year after the child's birth.

Stricter regulations concerning the increase in the threshold for emergency aid

The Labour Market Service is to pass directives, replacing the relevant provisions on emergency aid, so as

to impose stricter regulations on increases in the income threshold.

Under the previous regulations, income thresholds could be increased by up to 50% in suitable cases, such as illness or disability in the family, expenditure necessary for pregnancy or birth of a child. An increase of 50% was automatically granted for unemployed persons or (married) partners aged over 50% and with at least a 50% disability.

This general provision is now to be replaced by Labour Market Service directives which will set out the conditions for, and the extent of the increase in income thresholds. The increase is to be verified on a case-by-case basis by a regional advisory council of the Labour Market Service.

Restrictions on special emergency aid

The special emergency aid is granted in cases where no child-care facilities are available. In order to reinforce the principle that attempts are to be made to find child-care facilities, the opportunities for placing a child in a child-care institution in the local authority area is to be examined at half-yearly intervals within the framework of the verification of entitlement to special emergency aid.

Local authorities to contribute to the costs of the special emergency aid

Local authorities are to meet one third of the cost of the special emergency aid paid to mothers and fathers in the respective local authority area.

Reduced compensation rate by the unemployment insurance fund for the upper wage categories

The level of benefit available from the unemployment insurance fund

is set out for each income level in the form of wage-category tables.

Under the changes, benefit levels for the upper wage categories (from approx. ÖS 21,000 to 33,500 gross monthly wages) have been reduced, cutting the net compensation rate by one percentage point to 56%.

Restriction on the family supplement to unemployment benefit

The family supplement for parents and grandparents has been abolished. A supplement is only available for a married partner if the couple has children. A family supplement is only granted for children if the unemployed person had previously been the sole breadwinner and the spouse's net annual income did not exceed ÖS 168,000. Any income in excess of this figure is to be offset against the family supplement on a sliding scale.

Extension to the minimum employment period required for entitlement to unemployment benefit in cases of repeated periods of unemployment

Under the previous regulations, the minimum period of employment, after receipt of unemployment benefit, required in order to be entitled to a renewed claim was 20 weeks within the last year.

In view of the fact that short periods of employment and seasonal work place a disproportionate burden on the unemployment insurance fund, this minimum period of employment before a renewed entitlement to unemployment benefit is being increased from 20 to 26 weeks.

Restrictions on "Special Support" (*Sonderunterstützung*)¹

Entitlement to extended "special support" is restricted to mining

companies; the special support law may no longer be extended to other branches by decree. Further restrictions compared with the prevailing statutory position are an increase in the minimum age of entitlement, a minimum of ten year's prior employment and the barring of dislocated planning, staff and administrative enterprises from access to the provisions.

The number of potential claimants is also to be reduced by cutting the number of enterprises eligible to that prevailing on 1 July 1993 and by admitting new enterprises by decree only after close examination of their economic difficulties and to the extent that only mining and extractive activities in the narrow sense are covered.

France

Preliminary Evaluation of the Five-Year Law on Employment

It is now possible to provide a preliminary evaluation of the Five-Year Law on Employment, Labour and Vocational Training passed by the French Parliament in December 1993.

Following three years in which the level of employment had fallen, France experienced employment growth in 1994: the non-farm private sector created 218,000 net new jobs. This boost to recruitment enabled unemployment to be stabilised, despite the mass influx onto the labour market of people who, during the crisis years, had given up all hope of finding work. At the end of January 1995 the number of registered jobseekers was the same as twelve months previously. Un-

employment is currently falling, with a decline of 50,000 jobseekers since October 1994, whereby in relative terms the greatest improvement has been experienced by young people. This new situation reflects the interaction of five causal factors.

1. More employment-intensive economic growth

With economic growth of 2.5% in 1994, the French economy has experienced an upturn which has had a swifter and more pronounced effect on employment than previous economic recoveries: employment expanded by 1.5%.

New recruitments took the form of permanent, fixed-term and agency-work contracts. A large proportion of the temporary contracts have been progressively transformed into permanent contracts as the trend towards a lasting recovery stabilised. By the end of the year temporary contracts (fixed-term and agency work contracts) accounted for just 5.5% of total employment, the same figure as in 1991.

Of the new measures introduced to combat unemployment, the reduction of social insurance contributions has enabled firms, in particular small and medium-sized enterprises, to consider recruiting unskilled workers. This is reflected in a fall of 3.1% in unemployment among labourers and unskilled workers. Overall the measure exempting employers from contributions (5.4%) to the family allowance (allocations familiales) for workers earning up to 1.2 times the statutory minimum wage (SMIC) benefited a total of 3,500,000 workers in 1994; the extension, provided for by the Five-Year Law, of this exemption to workers earning up to 1.3 times the SMIC as of 1.1.1995 will affect 4,400,000 workers, one third of private-sector employment.

¹ Under this measure unemployed elderly workers are entitled to an early old-age pension.

Overall Developments

2. A significant fall in the number of redundancies

Job-creation was particularly strong in the tertiary sector (+2.9%), especially in the area of producer services and the trade sector. Following the incessant decline since the start of 1990, industrial and construction employment has remained stable since mid-1994. A number of other branches have experienced employment growth, in particular in the intermediary-good and consumer-good sectors.

At the macro level the number of redundancies for economic reasons fell by 25% between December 1993 and December 1994, largely due to the realisation of the alternatives contained in the Five-Year Law passed on 20 December 1993. The number of recipients of progressive early retirement benefits, for example, has virtually doubled within the space of one year, and the creation of "long-term short-time working" (*temps réduit indemnisé de longue durée* – TRILD) and "annualised" part-time work have enabled firms to maintain their employment levels.

3. Reactivation of collective bargaining over working time

The Five-Year Law offers new opportunities for collective bargaining on ways of spreading total annual working hours more flexibly ("annualisation").

In 1994 six flexibilisation agreements at branch level have permitted weekly working hours to fluctuate during the year (or part of the year). This shows that the bargaining process currently under way is moving in the desired direction, although it will take time before such changes reach maturity.

The existence of around 30 company-level agreements on work-

ing time reduction are evidence of the direct application of the Five-Year Law.

4. An employment policy re-oriented towards private-sector recruitment

Thanks to the incentives offered by the law of 27.7.1993 there has been a sharp increase in the number of young people undergoing dual ("alternating") training. The number of apprenticeships rose by 25.3%, a net absolute increase of 160,000 new contracts, while by the end of the year the total number of trainees was approaching 250,000, a figure that has not been reached since 1968. There has been a 21.5% increase in the number of training contracts (*contrats de qualification*). Almost 60,000 young people took advantage of the support for the initial employment of young people which came into effect in April. (This aid does not form part of the package of measures under the Five-Year Law.)

Overall, youth unemployment fell by almost 40,000 between January 1994 and January 1995, representing a decline of 5.3%. This easing of youth unemployment is expected to be maintained thanks to the implementation of the programme to offer systematic counselling to all those aged less than 20 who have been unemployed for more than 6 months, the aim of which is to provide such young people with employment, training or an activity.

The second priority for French employment policy is long-term unemployment. Almost 200,000 return-to-work contracts were signed during 1994, 52% more than in the previous year. These efforts to aid the long-term unemployed have been underlined by the adoption of an insertion measure which offers a substantial incentive for recipients of

minimum social benefit (RMI) that have been unemployed for more than two years.

5. Modernisation of the public employment service

Three "progress" or "objective" contracts have been signed between the government and the principal actors in the area: the employment service (ANPE), the National Association for Adult Vocational Training (AFPA) and the National Agency for the Improvement of Working Conditions (ANACT). As far as the ANPE is concerned, its greater orientation towards employers has already produced tangible results: the number of job offers registered with the Agency increased by 30% in 1994, of which the ANPE managed to fill 86%.

In addition, the establishment of *espaces jeunes* – facilities offering vocational training and work experience for young people – enacted by the Five-Year Law has begun in 150 locations throughout France (cf. iMi 49).

The start of the current year saw the fusion of the regional directorates for employment and labour with the regional directorates for vocational training, a move that will enable the measures of the two previously separate departments to be coordinated more closely.

The improvement in the overall economic situation, which has enabled more than 200,000 jobs to be created, combined with the positive influence on the labour market exerted by the provisions introduced within the framework of the Five-Year Law on Employment, Labour and Vocational Training led to an improvement in the employment situation and a stabilisation of unemployment in France during 1994.

Placement and Vocational Guidance

France

Placement Centres for Managerial and Technical Staff (“*Espaces Cadres*”)

In 1994 the employment service (ANPE) received a total of 32,000 job offers for “*cadres*” (engineers, high-level administrative staff, but also technicians and medium-level white-collar staff); this is compared to just 12,000 in 1992 and 20,000 in 1993. A target of 40,000 has been set for this category for 1995.

For many years the ANPE had neglected the *cadres* as a target group so that employers seeking such personnel were obliged to recourse to the services of specialised recruitment agencies.

In the long run, however, the ANPE has had to face up to this task, particularly in view of the rapid and extremely pronounced increase in the number of unemployed *cadres* – by the end of 1994 the figure had reached 191,691, a rise of 84% in four years – and a decline in recruitments on the open market. *Cadres* are highly qualified, have a high educational level, and also form part of the reservoir of potential employers that in the future will call upon the services of the ANPE. A *cadre* satisfied with the performance of the Agency may well later be a recruiting officer. For this reason the ANPE is determined to address the problems facing this occupational category and accordingly to transform the former agencies for *cadres* and to create special placement centres for this category, the so-called “*espaces cadres*”. So far around 20 *espaces cadres* have been set up.

Objectives

- The *espaces cadres* is a location offering additional resources.
- The *espaces cadres* provides services for jobseekers and employers.
- The *espaces cadres* is a service which offers skills and know-how specific to the special nature of its target group to employers, jobseekers, partner organisations and the ANPE networks.

Spatial structure of the *espaces cadres*

The *espaces cadres* are to contain four different rooms (“spaces”), each to meet a different task:

1. A room staffed by advisors in which jobseekers are to be provided immediate access to all services: access to employment and training offers, to general information on job-search, short interviews, etc. This is to be the largest zone in an *espace cadres*, and must be staffed accordingly. In this room the three categories of advisor (advisory assistant, advisor, head advisor) work in a non-differentiated way.
2. An “office” in which jobseekers can be received in a personal way.
3. A room for technical processing in which, depending on the organisational structure of the *espace cadres* one or more staff teams are active.
4. A fourth room serves, as required by the specific character of each *espace cadres*, as a conference room in which informative group presentations, meetings, recruitment interviews, etc. can be held, and which offers a suitable framework in which to welcome visiting partners. This room can be integrated within the logistics of the *espaces cadres* or an existing room can be utilised.

The target group of the *espaces cadres*

It is the task of the inter-occupational employment offices (*Agences interprofessionnelles*) to define the target group for the services on offer within the *espaces cadres*.

The *espaces cadres* are second-level facilities offering services going beyond the normal spectrum of employment office services to a target group of jobseekers consisting of employed or unemployed *cadres*, and young graduates who have studied for at least four years.

The main tasks of the *espaces cadres*

The basic services are to be provided by the general employment offices, whereas the *espaces cadres* are to offer supplementary services only. The mission of the *espaces cadres* is to offer as many solutions to jobseekers as possible.

Services for firms recruiting *cadres*

The centres, in conjunction with the general employment offices, are to establish contacts with employers with a view to the recruitment of *cadres* by means of special “action plans”.

In this regard the ANPE is to intervene in four main areas:

1. Firms that are not yet clients of the ANPE are to be convinced of the benefits of the service quality offered by the Agency;
2. the confidence of firms that are already clients in the public employment service is to be maintained;
3. firms that are already clients with regard to low-skill job offers are to be convinced of the benefits of registering their job offers for *cadres* with the ANPE;
4. ANPE is to promote job-creation (in permanent and fixed-term

Placement and Vocational Guidance

contracts, including part-time and job-sharing employment opportunities) in small and medium-sized firms.

Services for *cadres* jobseekers and young graduates

Services for *cadres* jobseekers and young graduates are to be offered at all locations. Specifically, the services are to include the following:

- services oriented specifically to the needs of *cadres*, such as jobseeker clubs (iMi 49), and the skill-profile cheque-book (iMi 45);
- comprehensive information on the regional, national and European labour market for *cadres* (including the provision of a European advisor to assist with the European file);
- the job-search circle for *cadres*;
- the specialised daily and weekly press;
- vocational training documentation;
- the ANPE job offers for *cadres* (Minitel, notices, specialised information);
- company files and dossiers;
- information on measures provided by ANPE partner organisation, the *Association pour l'emploi des cadres* (APEC – Association for the employment of managerial staff, engineers and technicians);
- interviews providing diagnosis, counselling and job-search assistance;
- meetings with firms, the ANPE partner organisations, between employed and unemployed *cadres*, etc.).

Internal services

The *espaces cadres* play the role of a resource centre for the general employment offices which constitute the third "client" of the *espaces cadres*.

The *espaces cadres* and the employment offices must work together as a network.

The placement service for *cadres* will support the creation of *espaces cadres* in the regions in line with requirements by collating the experiences gained within the network, making them available to all the regions and facilitating the exchange of information between the regions on the problems facing *cadres* through regular meetings or workgroups on specific topics.

What is important is that the *espaces cadres* offer both experienced personnel and young graduates a certain range of services. Such services may be such as to promote job-search within a group, for example on the model of the jobseeker clubs (cf. iMi 49), which may be set up by the regions.

Relationships with the ANPE's partner organisations

The concern about the rise in unemployment among high-level managerial and technical staff is one that is shared by all the relevant labour market actors.

The ANPE, driven by a genuine desire for partnership, can rely on its partner organisations – the *cadres* professional associations, the National Association of *Cadres* in Enterprises (ANCE), the association of former pupils of the *grandes écoles* (élite universities), the job placement services of the *grandes écoles* and other universities, the vocational training association and the APEC – to assist it in pushing ahead with its measures and playing its part as the focal point of the efforts being made to support unemployed *cadres* and potential employers.

The aim is to contribute to a mutual enrichment of the actions of both sides and to promote readily comprehensible and coordinated services.

The ANPE informs its users about the services implemented by

its partners and provides services in cooperation with its partners. It offers them the opportunity to work on its premises and to serve their clients with the instruments and know-how of the Agency.

Cooperation with APEC (the placement service for *cadres*), the central partner for this target group, was set out in the agreement signed in 1983 and in the joint declaration of 1993 and has manifested itself in the creation of the FNE *cadres* (national employment fund for *cadres*), APECs offers on the Minitel server 3615 ANPE, the provision of all the *espaces cadres* with APEC documentation and the exchange of staff at regional level.

A measure agreed jointly between the ANPE and APEC in 1995 is aimed at young graduates and is to be implemented in cooperation with the placement services of the universities in four regions (Ile de France, Midi-Pyrénées, Haute Normandie, Nord-Pas de Calais).

Netherlands

Evaluation Report on the Labour Promotion Act

Division of responsibilities

In future the amended Labour Promotion Act will draw a clear distinction between the responsibilities of the Minister for Social Affairs and Employment and those of the central labour market authority (CBA). In future the Government will not be directly represented within the CBA.

The CBA's primary task will be to place difficult-to-place jobseekers. At the same time the placement activities of the CBA are to remain open to all jobseekers and employers.

The interest groups of employers and workers are to retain the right to nominate members of the administrative council of the CBA. In future, decisions by the administrative council are to be taken on the basis of a simple majority. Thus no group on the administrative council is to have the right of veto. A clearer distinction is to be made between the tasks of the administrative council and those of CBA itself. The CBA's board of management is to be given greater scope in the day-to-day running of the labour market authority.

Training for the unemployed is to focus on the integration of the difficult-to-place long-term unemployed by means of a short period of vocationally oriented training. However, the labour market authority does not require training centres of its own in order to perform this task. Consequently, the Government is planning to separate the further training centres from the labour market authority.

Cooperation must be improved between the CBA and the unemployment insurance organisations (local government and sectoral social insurance boards). Closer cooperation between these organisations is to be established by means of joint responsibility for clients (cf. the article on page 27 of this issue).

Even so, the Minister for Social Affairs and Employment bears the political responsibility for the policies pursued by the labour market authority and sets its political and financial framework of conditions. On the basis of this framework the Minister is to evaluate the political planning and the budget of the labour market authority and to formulate his acceptance or rejection.

These plans for change represent the Government's reaction to the report of the commission set up to evaluate the labour market authority (Van Dijk Commission). Greater distance between the administrative council and the CBA's board of

management will be conducive to a more effective implementation of the labour market authority measures. The transfer of responsibility for the day-to-day running of the organisation to the board of management should improve coordination between the central and regional levels and reinforce the administrative steering of the organisation as a whole.

It is proposed that the administrative council consist of nine independent members. The organisations, representing employers and workers each nominate three representatives. The Government names so-called "Representatives of the Crown" (independent representatives), of which one assumes the chair of the administrative council. The regional labour market authorities are entitled to nominate three non-voting observers, tying the regional labour market authorities more closely into the policy formulation process of the administrative council. All the members of the administrative council and the chairperson are appointed by Royal Decree.

In order to improve the financial structure, the Government plans in future to distinguish between a "basic budget" for statutory tasks – such as registering the unemployed – and a budget for specific services provided by the labour market authority. In addition the various institutions of the authority will be allowed to generate their own income. In particular, they will be able to charge for placement activities for other organisations (e.g. the unemployment insurance organisations). The Government's view is that the scope of such services is to be extended.

The Government is also seeking to improve the way in the labour market authority budget is administered. The responsibility of central management for determining the overall policy direction vis à vis the regional labour market authorities –

a principle that has yet to be given a legal basis – may make this possible. The amended Labour Promotion Act is to include concrete proposals on how best to realise a swift and efficient system of internal accounting within the labour market authority.

In addition the Government intends to reduce the number of regional labour market authorities from their present total of 28 to between 15 and 20 in order to raise the effectiveness of the organisation as a whole and to improve its cost-efficiency. The precise regional demarcation will depend on the reorganisation of the regional structure of the public administration currently under discussion and on regional labour market structures.

The Government is also in agreement with the Evaluation Commission with regard to the need to improve cooperation with the unemployment and social benefit insurance organisations (local government and the sectoral social insurance boards). It takes the view that unemployed persons should be able to register as a jobseeker and as a recipient of unemployment benefit at "one desk". Joint registration by the unemployment insurance organisations and the employment offices will ensure a clearer division of responsibilities and better coordination of the services for jobseekers. Priority in setting up such one-stop offices for jobseekers is to be given to conurbations, where the incidence of unemployment and its related problems is highest.

The Government also accepts the Commission's view that administrative supervision of the labour market authority by the Minister for Social Affairs and Employment must be intensified. In future the Minister will be responsible not merely for evaluating whether the activities of the labour market authority conform to the law, but also

Placement and Vocational Guidance

for monitoring the effectiveness of the organisation.

The Government will present its amendment proposals to parliament before the summer recess. The amendment to the Labour Promotion Act could therefore come into force on 1 January 1996.

The reaction of the CBA board of management

In a preliminary reaction to the government proposals the central management of the labour market authority declared its agreement with the overall mission statement for the labour market authority, namely to place jobseekers in employment and to offer employers skilled labour. In order to meet this objective the labour market authority favours the so-called "slipstream" or "carrying wave" method: the labour market authority posits that successful placement activity involving repeated and intensive contacts between the labour market authority and employers increases the propensity of the firms to take on the long-term unemployed; these are, as it were, "carried into" the labour market

on the "wave" of the prior contacts. The CBA points out that an excessively one-sided concentration of placement on the (very-)difficult-to-place unemployed, as envisaged by the Government, poses a threat to the placement of the unemployed as a whole and in particular to the favoured slipstream method.

The labour market authority management takes a positive view of the retention of the tripartite structure of the administrative board. The inclusion of the social partners, in particular, is an essential precondition for a successful sectoral policy to ensure the implementation of collective agreements on the placement and training of the unemployed in the relevant branches.

The limitation of the responsibilities of the administrative council and the strengthening of the powers of the central management are in accordance with the agreement signed on 21 December 1994 between the social partners and the labour minister. The clearer distinction between the administrative council and management will help

bring about the desired effect of rendering measures more uniform and improving governance within the organisation. This, in turn, will improve the services offered to the unemployed.

Opinions still differ with regard to the proposals relating to the further training measures for the unemployed, the most important instrument for upgrading the skills of jobseekers. This specific form of further training requires individual guidance, substantial mobility in implementation, and flexible and practical training. Setting up the further training centres of the labour market authority as autonomous institutions runs counter to the needs of (very-)difficult-to-place jobseekers. In this matter further negotiations between the Minister and central management are required.

The more intensive cooperation between the labour market authority and the unemployment insurance and social benefit organisations is in accordance with the agreements that have already been reached at central level.

Job Creation

Belgium

Employment-Promotion Agreements

The national collective agreement of 7.12.94 (cf. iMi 49) has opened the door for new forms of employment agreements at sectoral, or at least at firm level. The aim of these agreements is to bring about appreciable employment growth by virtue of cuts in employer social insurance contributions.

In accordance with the national collective agreement, the social partners have reached collective working agreement no. 60, rendered generally applicable by Royal Decree of 27 January 1995 (*Moniteur belge*, 15.3.1995). This agreement sets out the procedures for the conclusion of employment agreements providing for a flat-rate cut in employer social insurance contributions.

A legal proposal specifying the employment-promoting measures will finalise the precise extent of the reduction and define the conditions of entitlement to these benefits.

The procedure to be followed at sectoral level

Negotiations leading to the conclusion of a collective employment-promoting agreement are initially the responsibility of the bipartite sectoral committees and sub-committees. The negotiation phase at sectoral level ended on 31.3.1995, unless the organisations represented on the bipartite committees fixed a different date or unanimously decided not to reach an employment-promotion agreement.

The bipartite committees can chose one of the following formulae: measures with a direct effect, measures to be applied after the en-

terprise joins the agreement; or measures which define a framework to be "filled" by the individual enterprise.

The procedure to be followed at enterprise level

If an agreement has not been reached at sectoral level, individual firms may reach an employment-promotion agreement.

In firms with union representation, this agreement is to take the form of a collective agreement, requiring prior approval by the relevant bipartite committee. In the absence of such a committee, or if the committee is not operating, this task is to be performed by the National Council of Labour (*Conseil national du travail*).

In firms lacking union representation is to be drawn up in accordance with the following procedure:

- The employer sends a copy of the proposed agreement to each employee;
- the proposal must contain all the details pertaining to the form and content of the proposed measures and their expected effects on employment;
- for one week following receipt of this written statement, the employer places at the disposal of the workforce a form in which they can make their observations. During this period workers and/or their representatives may also inform the district head of the social law inspectorate in the locality of the company of their views. The name of any worker so involved may not be passed on or made public.
- at the end of the 8-day period, the employer passes on the proposed employment-promotion agreement together with the list of employee comments to the office for collective labour relations of the

Ministry of Employment and Labour.

- Under the relevant legal proposal, this agreement is to be approved by the "Corporate plans" committee (cf. iMi 47).

Benefits for the employer

Under the legal proposal mentioned above, an employer executing an employment-promotion agreement reached in accordance with the provisions of collective agreement no. 60 and who can produce evidence of an increase in the size of his workforce and that the volume of working hours is at least equal to that of the comparable quarter in 1994 is entitled to a reduction in employer social insurance contributions of FB 37,500 per quarter for each worker recruited after 31.12.1994. This is subject to the condition that the reduction does not exceed a level corresponding to complete exemption from employer contributions.

The reduction is only available for the duration of the agreement, and at the latest until 31.12.1996.

Belgium

The Flanders Region – Grant to Encourage the Redistribution of Work

In 1994 the Flemish Government decided to introduce a grant to encourage the redistribution of work between the employed and the unemployed with the aim of raising the level of employment. The grant is available to workers employed in the Flanders Region who:

Job Creation

- move from a full-time to a part-time job in a company operating a company work redistribution plan (cf. iMi 45), or
- interrupt their career in order either to undergo vocational training or to care for children aged up to three years.

The Flemish Government decree of 1.2.1995, which seeks to promote the occupational reintegration of unemployed persons drawing full benefits from the unemployment insurance fund and persons of equal status by means of work redistribution (*Moniteur belge*, 10.3.1995) has now led to changes in the provisions of implementation and, in some cases, increases the value of the grant.

Coverage

As far as the geographical area and the target group are concerned, the coverage remains unchanged under the new provisions: any worker with an employment contract in the Flanders Region is entitled to claim the incentive grant.

Excluded from entitlement, however, are those employed by the following institutions:

- central, provincial and local government, public institutions and enterprises in partial state-ownership, except for financial institutions;
- vocational training centres;
- subsidised, free educational establishments for staff for whom subsidies are granted.

In future the Flemish Government may extend the area of application to other categories of blue-collar and white-collar workers and to natural persons or legal entities of equal status by decree; where appropriate, changes in the procedure may be made.

Grant for working time reduction on an individual basis

Workers reducing their working hours on an individual basis by at

least 20% compared with their previous full-time total are entitled to an incentive grant. The value of the grant varies according to the extent of the cut in hours as follows:

- FB 5,000 per calendar month for a reduction of 50% of full-time hours;
- FB 3,000 per month in all other cases (i.e. reduction to between 51% and 80% of full-time hours).

The grant is only available if the worker had been employed at collectively agreed full-time hours for at least six months prior to applying for the transition to part-time work. Furthermore, the worker in question is not entitled to take a career break once the shortened working time regime has begun.

A further requirement is that the working time reduction is given a formal basis; one of the possibilities listed below is to be selected for this purpose:

- either a company work redistribution plan approved by the federal Ministry for Employment and Labour;
- or a collective labour agreement on voluntary work redistribution and whose main provisions are recognised by the Flemish Government;
- or a work redistribution plan submitted to the Flemish Government by a firm employing at least 50 workers (as of 31.12.1994) and lacking trade union representation with workforce agreement and whose employment effects are recognised by the Flemish Government.

The individual working time reduction must have commenced by 31.12.95 at the latest. The period of entitlement is limited to the duration for which the company plan has been approved or, in the case of an approved collective agreement or a recognised work redistribution plan, the period or which the central employment effects have been recognised; the entitlement period

may not exceed two years, however.

Entitlement to the grant for personal working time reduction precludes that the worker in question:

- takes up a second full or part-time job;
- takes up any other form of paid employment unless this was already the case prior to the switch to part-time work;
- claims any benefit within the framework of the legislation on unemployment;
- claims a grant for career interruption.

Grant to encourage workers to interrupt their career

Workers interrupting their career are also entitled to a grant. The value of the grant is as follows:

- FB 5,000 per calendar month for workers employed for at least 75% of full-time hours and opting for a complete career break;
- FB 3,000 per month for workers employed for at least 50% of full-time hours and opting for a complete career break;
- FB 3,000 per month for workers employed for at least 75% of full-time hours and opting for a career break equivalent to half the collectively agreed working hours.

The grant is only available if the worker had been employed for at least uninterrupted six months prior to applying for the career break grant at the same number of working hours as at the time the application is made.

The following grounds for career interruptions are recognised:

- vocational training;
- care and supervision of children aged up to three years;
- care for the non-chronically sick.

The career interruption must have commenced by 31.12.1994 at the latest. The grant is available for a maximum of two years.

In the case of a career break for the purpose of vocational training, the grant is only available for the actual duration of the training period, although the grant will be paid for a minimum of one quarter. In the case of a career break in order to care for children, the grant is paid until the child's third birthday; here, too, the grant will be paid for a minimum of one quarter. For workers interrupting their career to care for a sick person payment of the grant is limited to one month; this will be extended by one month if the worker in question produces a doctor's certificate of the necessity of continued care. The grant is only paid if it is shown that a replacement worker has been recruited to stand in for the employee interrupting his/her career.

Entitlement to the grant for personal working time reduction precludes that the worker in question:

- takes up a second full or part-time job;
- takes up any other form of paid employment;
- claims any benefit within the framework of the legislation on unemployment except the career break grant;
- claims a grant for personal working time reduction (see above).

Evaluation

In order for the administration to be in a position to inform the Flemish Government of the effectiveness of the grant it will pass on the data on applications for the grant to the relevant sub-regional employment committee. This committee will report at six-monthly intervals on the implementation of the measure and its results at sectoral level. The evaluation committee set up by the Flemish Government will evaluate the measure twice a year and may decide to recommend that the measure be extended.

Italy

New Provisions on Work in the Public Interest

Law no. 451/94 has introduced a number of changes to the provisions governing work "in the public interest" (*lavori socialmente utili*). Article 10 states explicitly that such work must be within innovative areas such as culture, environmental protection, urban renewal, research, vocational training, support for small and medium-sized firms in the service or trade sector or in exports or personal services. The law underlines the extraordinary nature of such work which therefore "must be fixed-term" (Article 10). Such work is supported by public bodies in accordance with Article 1 of Decree-Law no. 29 of 3 February 1993. The term "public bodies" covers all state departments, institutes and schools of all types, autonomous state enterprises and administrations, regional, provincial and local government, institutes of higher education, and state and public charitable organisations.

The following groups of persons can be recruited under the scheme:

- persons registered with the special wage compensation fund (CIGS);
- those who have been registered in the first class of the placement lists for more than two years;
- workers on the mobility lists, and
- other groups of workers as recommended by the regional employment committee, subject to approval by the labour ministry.

The projects can be financed by the proposed public institutions within their respective budgetary frameworks and, during 1994 and 1995, by the Employment Fund (*Fondo per l'Occupazione*) under Article 1 of Law no. 236/93. Recently the budget of this fund for 1995 was expanded by 128 billion lire with

the aim of financing such projects in the public interest and also for the occupational integration of unemployed youth (under Article 15 of Law no. 451/94).

Workers recruited under this scheme enjoy a number of benefits. This is because work in the public interest implies neither the start of an employment relation in the legal sense nor the end of eligibility to benefits from the special wage compensation funds or the so-called "mobility allowance" (a form of unemployment benefit). Workers employed under the provision are not removed from the job placement and mobility lists. In addition, in those projects which provide specific training periods, the employer is obliged to provide insurance cover against accidents and invalidity occurring as a result of the activity undertaken. Workers registered with the special wage compensation fund or drawing the mobility allowance may not be employed for longer than their period of benefit entitlement. In such cases they receive additional payments only for those working days in which they have actually performed labour services.

It is the regional employment committees (*sezioni circoscrizionale per l'impiego*), in conjunction with the public bodies concerned and on the basis of criteria set out by the labour ministry, that are responsible for allocating workers to the organisation implementing such projects. Refusal to accept such a form of employment without a justified and plausible reason leads to the loss of wage compensation or mobility benefit. (If, for instance, the job offered is located more than 50 kilometres from the worker's place of residence, this constitute a satisfactory reason, so that a worker rejecting such an offer would not lose the aforementioned benefits.)

The projects are to be conducted in accordance with criteria set out by the labour ministry, in line with

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general guidelines for the public sector. National or inter-regional projects, which must be approved by the public administration responsible, are to be submitted to the labour ministry, local projects to the provincial labour office and the regional employment agency (cf. below). The employment agency, in particular, may play a supportive role, in both a technical and occupational sense, for the public bodies concerned in preparing the projects. Periodically the Ministry of Labour, in accordance with the views of the Central Employment Commission is to issue decrees relating to the following issues: (a) the distribution of the subsidies at regional level in line with the problems facing local labour markets; (b) criteria for the financing of the projects; (c) minimum standards to be met by the projects; (d) dates by which applications are to be submitted; (e) priorities to be considered in selecting the projects to receive support; (f) criteria for selecting the workers to be assigned to the various projects; (g) financing formalities and the way in which it is to be ensured that project realisation is in accordance with the regulations.

In order to monitor the initiative, the current state of the projects is to be verified annually by the Ministry of Labour and the *Departimento della Funzione pubblica*.

regarding employment and the fiscalisation of social benefits", contains a number of important new regulations for the Italian labour market. Particular attention is to be drawn to the programmes aimed at integrating unemployed youth (article 15). This measure offers young jobseekers additional employment opportunities.

The measures can be realised either by means of projects in the "public interest" (cf. above) or projects offering training, or projects which, in addition to training, provide "work experience for skilled professions". This latter point represents an important innovation in this area. In these projects the regional employment agencies (*Agenzie regionali per l'impiego* – technical, project-oriented institutions whose task is to bring the demand for and the supply of labour into equilibrium) play an important role in close cooperation with the field offices of the labour ministry and the regional employment offices. These agencies are responsible for drawing up the framework agreements governing the specific agreements between trade unions and employers' federations and/or professional associations.

Also set out in the law are the conditions of access to the programmes. Eligible are young persons aged between 19 and 32 or – in the extreme case of long-term unemployed persons registered in the placement lists – workers aged up to 35. In addition, the projects may be realised only in those regions listed in Article 1 of Law no. 236/1993; these are the areas mentioned as target areas 1 and 2 in EC directives no. 2052/88 and no. 328/88 and in law no. 181/1989. These consist of local authority areas in which the unemployment rate is at least 50% higher than the average rate for the EU as a whole and those which have experienced a sharp fall in employment in those

industrial sectors of decisive importance for economic development. The areas covered also include regions suffering from a serious imbalance between labour demand and supply, even where they are not explicitly mentioned in the above directives.

The duration of the projects is restricted to a maximum of 12 months and participation by the young persons to a maximum of 80 hours per month. The young person is entitled to a bonus payment of 7,500 lire for each hour spent in training or employment. Half of this sum is provided by the employing institution; the details of such payments are set out in the agreements.

These elements – the limited duration of the project and the relatively modest bonus of a maximum of 600,000 lire (80 x 7,500 lire) per month – underline the provisional character of these youth programmes. At the same time, however, they also reinforce the trend, which began at the latest with Law no. 56/1987, towards greater flexibility on the Italian labour market through government intervention. They also offer young people the chance to gain work experience in a suitable context, which in view of the continued decline in employment opportunities is certainly a positive development.

The programmes also offer the young participants certain other advantages. Work within the scheme is not considered as the start of an employment relation and thus does not lead to exclusion from the placement lists. At the same time, the employer is not precluded from recruiting the young person at the end of the project on the basis of a work and training contract, in which case the employer is entitled to a reduction in social insurance contributions. In other words the young persons participating in the programme are offered an additional opportunity.

Italy

New Programmes to Integrate Unemployed Youth

Law no. 451 of 19 July 1994, which emerged out of Decree-Law no. 299 of 16 May on "urgent provisions

As far as the additional burdens imposed on project organisations due to the recruitment is concerned, it is to be mentioned that the projects have to provide "appropriate accident and invalidity insurance cover at their own cost" (para. 6). In initiating these programmes the Government was conscious of the fact that they may lead to "perverse effects", e.g. that regular staff may be replaced by subsidised youth workers. This is because the employer, once the agreements expire, would have access to a reservoir of cheap and easily accessible workers, and would thus not have to recruit new workers on a permanent basis. In order to preclude this possibility, the Law stipulates that employers participating in the programme may not recruit additional workers unless he has provided employment for at least 60% of the young people previously employed under similar, previous projects.

Under Article 1, para. 7 of Law no. 236/1993 the Employment Fund, whose budget was expanded for 1995 by a further 129 billion lire (Decree-Law no. 105, 7 April 1995) is to finance both the programme described above and the employment opportunities for "work in the public interest".

to employment programmes or vocational training measures, and who lack the means of subsistence came into force.

The job-creation measures are to be implemented by non-profit organisations, in particular charitable institutions, local government departments and the civil service. The measures are also to be integrated within employment projects by means of which new jobs are to be created. The measures are aimed both to help the unemployed into a paid activity and to serve community interests.

To be entitled to participate in the programme applicants must be registered unemployed and their monthly income may not exceed 80% of the national minimum wage. An employment contract is concluded with the employing organisation for a maximum period of twelve consecutive months. The unemployed person receives monthly pay equal to the national minimum wage plus travelling and food expenses.

The monthly costs of participation are borne in full by the Institute for Employment and Vocational Training (IEFP) if the employer organisation is a private charitable institution. In the case of other non-profit organisations, 70% of the costs are assumed by the IEFP, although the support level may be raised to up to 100% if the unemployed persons live in an area with a high incidence of unemployment or come from economic sectors experiencing crisis or undergoing a restructuring phase.

The Decree-Law also applies to seasonal workers and thus replaces the previous provisions on employment programmes for this group of workers.

Sweden

Recruitment Incentives

The recruitment incentive programme which was set up following the parliamentary labour market committee's report 1994/95 (AU20) and law 13/7/94, Support for New Employment, is a labour market programme designed to compensate employers for the costs associated with new hirings. The purpose of the programme is to encourage employment at an earlier stage and to decrease overtime work. The incentive is available to companies with less than 500 employees.

What the programme offers employers

Private employers, municipal and governmental authorities, as well as state owned companies, enjoy complete exemption from employer's payroll taxes (up to a maximum of SEK 6,000 per month) for each new employee for a period of twelve months. The maximum value of the exemption is therefore SEK 72,000 for each new employee.

The recruitment incentive may be combined with other labour market measures, for example recruitment subsidies, if the new employee is covered by such measures. In the calculation of any recruitment subsidies, the exemption from payroll taxes which the recruitment incentive provides is to be taken into account.

Requirements for employers

The incentive applies to persons who are recruited between 1 January 1995 and 31 May 1995 and who are, or were, registered with a public employment office. Employment must be on a permanent basis and involve work for at least seventeen hours per week.

Portugal

Employment Programme for Unemployed Persons Lacking the Means of Subsistence

In May 1995 a Decree-Law (DN no. 17/95 of 27.3.1995) promoting the employment of unemployed persons not in receipt of unemployment support, without direct access

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In addition the employee must have been registered with a public employment office as unemployed or must have participated in labour market programmes for at least four weeks during November/December 1994. In addition, the employee must have been unemployed or participating in a labour market programme immedi-

ately prior to employment. The public employment office issues proof of their facts to the employer.

Tax exemptions

The employer deducts the employer payroll fees at the time of payment. The first time such deduction may be made is March 1995.

The tax authorities administer and take decisions regarding the waiver. Auditing takes place through random checks and through the company's own auditing procedures.

The take-up of the incentive, which was expected to be much higher, will not exceed 20,000 persons.

Training

Belgium

Grant for Vocational Training Measures in the Brussels-Capital Region

The Decree of the regional government of Brussels of 8.12.1994 implementing Article 8, § 2 of the ordinance of 1.7.1993 on the promotion of economic expansion in the Brussels-Capital region (*Moniteur belge*, 12.1.1995) provides, among other things, for a grant for vocational training measures for the employed.

Firms affected

All small and medium-sized firms operating in the Brussels-Capital region are, in principle, able to apply for the grant. Small and medium-sized firms are defined as those:

- employing no more than 250 workers;
- with a turnover of no more than ECU 20 million or whose total assets amount to no more than ECU 10 billion;

- no more than 25% of whose capital is owned by one or more large companies (excluding state-owned investment companies or risk-capital companies).

An enterprise must meet all three criteria.

Vocational training measures

Vocational training measures for groups

The training measures are to be aimed at groups consisting of executives, middle management or the workforce of the company. The measures must of an extraordinary or urgent nature, the aim of which is to improve the operations or the competitiveness of the enterprise. Excluded from the programme are training measures relating to day-to-day, routine problems of the firm.

The training measures are to be conducted by firms:

- that are specialised in the relevant area;
- have performed such activities for at least two years;
- are able to prove a sufficiently well-established competence, on the basis of a list of references;

- are independent of the company drawing the grant.

The grant can be up to a maximum of FB 250,000 per training measure, but may cover only a maximum of 50% of the costs of the measure. The grant is subject to the conclusion of a contract between the firms in receipt of the support and the regional administration. The grant is not actually paid until the costs of the training measure have been met in full, the recipient company has presented an evaluatory report and the relevant receipts have been handed in.

Tutelage

The regional government grant can also be claimed for measures promoting occupational integration under tutelage within the firm. Tutelage within the firm promotes the integration of one or more workers currently undergoing training by a member of the workforce - the "tutor" - specially designated for this purpose.

The following can be considered as "workers undergoing training":

- job-seekers who were recruited by the firm on the basis of activities by the Brussels regional em-

ployment office (ORBEM) (e.g. granting a occupational transition allowance (cf. iMi 49) or a grant to set up, expand or convert an enterprise (cf. BIR B-iv.4),

- job-seekers recruited by the firm under a combined work-training contract (cf. BIR B-iv.3), or
- job-seekers recruited by the enterprise on the basis of an employment contract and participating in a programme of occupational and social integration involving a training period within the framework of a partnership agreement (cf. BIR B-vii.3) with the ORBEM.

In order to be considered as tutor an employee must have been selected (with his/her agreement) from among the workforce to perform this task. His/her level of qualifications must be at least equal to the workers undergoing training and must be appropriate to the training objectives.

Prior to the start of a tutelage a tutelage contract must be signed between the ORBEM, the trainee and the firm in question. The ORBEM is entitled to verify whether the tutelage agreement is being fulfilled at any time; if the employment office considers that the agreement is not being adhered to, it may suspend or terminate payment of the grant.

For a full-time position the grant amounts to a monthly subsidy of 20% of the gross earnings of the tutor, subject to a ceiling of FB 30,000. For a position corresponding to at least half collectively agreed working hours, the monthly subsidy amounts to 10% of the gross earnings of the tutor; here the ceiling is FB 15,000. The grants are paid by the ORBEM.

In the last month of the training period the company and the workers undergoing training draw up a joint evaluation report which is passed on to the ORBEM.

The following points are still to be clarified in the form of a decree by the Regional Government of the Brussels-Capital region:

- the number of trainees that can be under the responsibility of a single tutor;
- the precise tasks of the tutor;
- the information that is to be passed on to the workforce representation organs;
- the precise way in which the benefit is to be calculated and paid out;
- the duration of benefit entitlement;
- the prescribed contents of the evaluation report.

Spain

Studies of Training Measures and of the Employment and Training Requirements of Spanish Firms

During the first quarter of this year the Ministry of Labour and Social Security (*Ministerio de Trabajo y Seguridad Social* – MTSS) published the results of two studies commissioned by the director general for employment (*Dirección general de empleo*). The aim of the first study was to evaluate the training measures initiated within the framework of the "Vocational training and reintegration plan" (*Plan FIP*). The second consisted of an analysis of the employment and training requirements of Spanish firms. This article summarises the main results of the two studies.

Analysis of the training measures implemented within the *Plan FIP*

This study was conducted on the basis of data collated and processed by the labour market authority INEM, the government department responsible, relating to virtually all the vocational training measures conducted in Spain in 1991. The aim of the study was to establish the basic characteristics of participants in the *Plan FIP* and the impact of the courses on labour market integration and careers from the end of the course to the time the survey was conducted. Participants themselves were also asked to evaluate the effectiveness of the measures.

The central results of the study are as follows.

1. The vocational training measures supported by the *Plan FIP* exerted a considerable impact, leading to tangible employment effects, a result that is all the more impressive given that the observation period – from 1991, when the courses took place, to the survey held in 1993 – was marked by a severe economic crisis and serious employment losses.

The unemployment rate among participants prior to starting the courses was 84%; by the time the survey was conducted this had fallen to 60.8%; during the same period the number of persons seeking their first employment opportunity fell by more than half. This means that more than 57% of participants found employment; around 28% of them subsequently suffered renewed unemployment, however.

2. 60% of former participants in courses held within the framework of the *Plan FIP* experienced no change in their situation with regard to their employment status: they either remained in employment or unemployed. 26% entered employment and thus experienced an improvement in their situation. A relative im-

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provement occurred for a further 11%: they entered employment following participating in the course, but were again unemployed by the time the interviews were conducted. Only 2.7% reported a deterioration in their employment situation: they had been in employment at the start of the course, but were made redundant in the intervening period.

3. The beneficial effect of the training period on the work situation is most clearly shown by the analysis of those workers that were in employment at the time of the course. Of this group, 72.3% retained their job, 10.6% changed position and 17.1% lost their job and became unemployed. As many as 40.7% of those in employment reported that the course had had a positive effect upon their working conditions, either in the form of a change in occupational category or higher earnings. 14.5% of respondents indicated that they had been promoted, 5.3% had suffered a deterioration in terms of occupational category, while 80.2% remained unchanged in this regard. Higher earnings were reported by 48.4%, unchanged pay by 23.3% and income losses by 3.5%; almost a quarter of those questioned provided no information on this point.

4. Only 8.84% of those undergoing training in 1991 were in receipt of unemployment benefits. This reflects the largely non-active nature of the training offers and their lack of orientation towards job-seekers.

The change of orientation within Spanish vocational training towards greater consideration of unemployment benefit recipients that has since occurred is in line with both the desire to increase spending on active policy measures compared to that on passive measures for the unemployed

and the fact, shown clearly by the study, that the best reintegration results are achieved for this subgroup.

5. Although the principle of sexual equality was respected with regard to the allocation of training opportunities – women accounted for 51.8% of the participants in 1991 – this was not enough to ensure equal results with regard to subsequent employment chances. Whereas 63.9% of male participants were in employment on termination of the course, this was true of just 52.4% of women. While the best and worst reintegration quotas were recorded in the same age groups for both sexes, the quantitative differences were significant. During the first half of the active employment biography this largely reflects family responsibilities, in the second the lack of vocational training and work experience.

6. In 1991 the programme was not explicitly oriented to the reintegration of the unemployed and other disadvantaged groups. The study shows that just 9.8% of participants had been motivated by INEM to take part in a specific course. This compares with 81.7% who chose a course of their own free will, for personal reasons, and not necessarily with the aim of subsequently entering employment. Only 34.7% decided to participate in order to improve their job-search opportunities, compared with almost 50% for whom participation was not strictly for employment-related reasons.

This shows that the change towards an active steering of the training opportunities in the planning and programme design stage and by means of participant selection, a change that has been initiated within the framework of the *Plan FIP*, is among the most critical issue to be addressed by the public vocational training and employment

system, irrespective of which government department assumes the task. The primary aim must be to avoid socially unjust and economically inefficient overlapping with other elements of the vocational training system (e. g. the *formación profesional reglada*).

Survey of the employment and training requirements of Spanish firms

This study, conducted in 1993, had a dual aim: firstly, to derive information on the employment trends in, and the training requirements of, Spanish firms; secondly, to become acquainted with the vocational training activities developed by the firms themselves.

With regard to the employment requirements of the firms questioned, the following results deserve special mention:

Although more than two thirds of the firms questioned reported that they had taken on labour during 1992, this was insufficient to offset the number of workers leaving the firms ("exits"). The analysis of the nature of the employment contracts signed in 1992 shows that 89.6% were fixed-term, with an even higher figure reported in the construction industry, in small and medium-sized firms and in the private sector. Permanent employment contracts (10.4% of all contracts) were encountered more frequently in industry, in large firms and in the public sector. Almost one third of the permanent contracts were signed at least partly with a view to the incentives provided for the recruitment of certain groups of workers by Law 22/1992 of 30 July (immediate measures to promote employment and protect against unemployment).

Employers consider the greatest obstacles to recruitment to be the general economic situation and high labour costs – both direct and indirect wage costs. A small proportion of the firms surveyed did see

the inadequate skills and lack of vocational training of jobseeker as an important barrier, however.

Significant differences emerge when the responses are disaggregated by enterprise size and with respect to the situation facing the firm (in terms of changes due to the introduction of new technology, restructuring, etc.). Small firms, for example, which are more sensitive to cyclical fluctuations, and firms undergoing personnel adjustment and restructuring processes were more likely to mention the economic situation and the uncertain prospects than large firms, which tended to indicate reasons linked to the internal structure of the firm, problems with labour mobility and wage costs.

More than two thirds of the firms shed labour during the year, in most cases due to the expiry of fixed-term contracts, to a lesser extent via redundancies and retirement. Workforce exits were concentrated in the construction industry, the industrial sector and large firms, of which more than 98% reported shedding labour during 1992.

According to the firms surveyed, one third of the workers leaving the firms in 1992 were replaced during the year. A higher proportion of replacements was reported in the service sector, in medium-sized firms and in those expanding capacity or undergoing technological change. It is striking to note that almost one in two firms recruited no workers to replace those leaving the firms in 1992, whereby the situation in the construction industry is particularly worrying.

The method most frequently chosen to fill vacancies was via personal contacts, the dominant criterion, particularly in smaller firms, and the employment offices, which, alongside newspaper advertisements, was the recruitment method most commonly used by large firms. There is thus a clear correla-

tion between enterprise size and recruitment practices. Standardised and institutionalised procedures predominate in large firms, an approach which increasingly gives way to personal contacts the smaller a firm is.

Another interesting result in this context is that the most important criterion used when vacancies are filled internally via promotion is the work experience of the applicant (as opposed to seniority), especially in small and medium-sized enterprises. In larger firms, on the other hand, vocational qualifications and participation in training courses are also decisive factors, with the motivation and availability of the employee in question also playing a significant role. Academic qualifications, by contrast, are of secondary importance; in large firms they are approximately as relevant as seniority.

Rather more than half the firms questioned experienced no difficulties in filling vacancies, although one in three faced serious problems in recruiting for certain jobs. Large firms and industrial enterprises suffered disproportionately from such difficulties. The problem tends to arise with respect to highly specialised and skilled positions.

If demand were to pick up, the majority of firms would initially take on additional labour on fixed-term contracts and, secondly, optimise the use of productive capacity. The choice of option varied according to enterprise size: most small and medium-sized enterprises would increase the size of their workforce by means of fixed-term employment contracts, while larger firms would tend to exploit the potential for improving their capital stock. This option is also favoured by the majority of industrial and service enterprises.

As far as personnel is concerned, the most widespread problem according to the firms is the inadequate level of training of a signifi-

cant proportion of the workforce, followed by overmanning and inadequate worker mobility; the latter is mentioned more frequently by large firms.

More than one third of the firms introduced new technology in 1992 and 1993; the figure was above average in industry, in service enterprises, in the construction industry and in firms with more than 250 employees. Although the introduction of new technology did not exert a significant influence on the overall employment level, its effect in industry and construction was to reduce manning levels somewhat, whereas in the service sector the impact was employment-promoting. In terms of enterprise size, the introduction of new technology had a negative employment effect in firms with more than 250 employees and a positive effect among workforces of less than 250.

As far as vocational training requirements are concerned, the firms questioned considered the following aspects to be relevant:

In 1993 half of the firms surveyed considered an improvement in vocational training to be necessary. One in four companies reported that this was their central personnel-related problem.

Almost one third of the firms had undertaken vocational training measures for members of the workforce during 1992. Virtually all the large firms offered staff further training, whereas only three in ten small enterprises provided vocational training measures.

The most common form of vocational training is training on the job, especially for low-skill maintenance and production workers, sales staff and labourers. This is followed by external courses (primarily for managerial staff, technicians and middle management) and internal training courses.

The aims of the measures deployed were, in order of impor-

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tance, staff adjustment to newly introduced technology, acquainting new recruits with existing technology and systems and an improvement in basic skills. The aims of the measures differ depending on the occupational category addressed. Improvements in basic skills and training for new recruits are concentrated among maintenance, production and sales personnel and the unskilled, whereas courses for technicians, middle management and support staff aim to facilitate adjustment to technological change and, to a lesser extent, new forms of work organisation.

Of those firms providing vocational training (somewhat less than one third of the total), 82% offered vocational training courses (internal or external). Such courses were concentrated among service firms and medium-sized to large firms. On average just over six courses were offered per enterprise, with industry in first place, with an average of seven courses, construction is in last place with two courses. Overall, more than half the courses were organised by firms on an internal basis, whereby small and medium-sized enterprises were more likely to opt for external courses. Unskilled and semi-skilled workers tended to receive internal training.

It is estimated that 23% of the total workforce of the firms surveyed participated in a training course in 1992. If only those firms offering vocational training are considered the figure rises to 39%.

The training areas in which demand is highest – in terms of the entire enterprise sample – were in the field of information technology, commerce and finance. Looking at the different sectors, industrial and construction firms accorded priority to training in production systems, industrial firms to management and in service enterprises to mechanisation. Desaggregating by enterprise size, large and medium-sized firms reported that in addition

to the three main areas already mentioned language training played a significant role (around 70% of large firms and 40% of medium-sized firms reported activities in this area). Similar figures were recorded for training in management. Courses on improving human resources and product development were least attractive to the sample firms as a whole.

As far as spending by the firms on vocational training for their workforce is concerned, the study suggests a more positive overall picture than that emerging from previous studies. Even allowing for the fact that at the quantitative level this result is to be treated with caution in view of the small size of the sample, there is clearly a trend towards greater interest on the part of firms in the vocational training of their employees. This is reflected in higher activity level and thus higher spending on vocational training:

On average firms spend Pts. 1 million on training annually or around Pts. 36,000 per worker. The volume of spending rises with enterprise size: 80% of large firms, 40% of medium-sized firms, but just 20% of small enterprises reported spending resources on vocational training for their workforce. In sectoral terms, spending was highest in the service sector, followed by industry and, at a distance, by construction.

37% of the firms surveyed reported that their training needs were not being met in full; such firms are concentrated in industry and services. The analysis of the responses points clearly to the difficulties faced by small and medium-sized enterprises in meeting their training requirements.

In terms of occupational categories, the training deficit is widest for maintenance, production and sales personnel; firms report a higher degree of satisfaction with training for more highly qualified personnel;

one in three firms reported no training constraints for executive and middle-management positions.

Of all the enterprises questioned 8.5% reported having taken advantage of courses on offer within the framework of the *Plan FIP* in 1992. The construction industry and large firms used such courses most intensively. Demand in large firms was greatest in the area of vocational training for new technologies and new management techniques. Small firms used disproportionately often programmes for the initial training of youth.

Portugal

Training and Work Experience for Young People

In March 1995 the Portuguese Government provided a legal framework (Decree no. 247/95 of 29.3.1995) for work experience for unemployed youth within the framework of a combined training and employment programme. This additional work experience may last up to six months and aims to help young people prepare for working life.

The period of work experience is based on a contract between the young person in question and the training establishment (public or private enterprise). The trainees receive monthly earnings equal to twice the national minimum wage if they have a higher education degree and 1.3 times the minimum wage if they possess any other qualification. The costs of the training period are met equally by the Institute for Employment and Vocational Training (IEFP) and the training establishment.

United Kingdom

Training Boost for Small Firms

A new £63 million programme aimed at helping more than 24,000 small firms to increase their business potential by improving employees' skills was launched in April by Undersecretary of State James Paice.

Skills for Small Businesses is a three year initiative, beginning in April 1995, run by Training and Enterprise Councils (TECs) in England. It is aimed at assisting firms who employ less than 50 employees. It is designed to help companies help themselves by training a key worker to pass on knowledge and expertise to colleagues.

The Government believes that small companies are central to the economic competitiveness of the country, but their survival cannot be assured by attempting to com-

pete on labour costs alone. Whilst many large organisations can deal with upgrading their workforce skills through in-house programmes, smaller organisations are vulnerable as they tend not to have the facilities, expertise or funds to meet changing skill needs. From recent surveys the Employment Department has identified that while many small firms appreciate the need for improved skills, only 23 per cent said they had undertaken any training during the first three years of business. It is for this reason that the *Skills for Small Businesses* programme has been launched.

The initiative was originally announced in the 1994 Competitiveness White Paper – "Helping Business to Win" (see iMi 47). The concept of *Skills for Small Businesses* is being tested and refined in a small number of pilot projects, which will prove invaluable in helping TECs to deliver the main programme.

Once a TEC has accepted a firm wishing to participate, they will as-

sist in identifying the key employee who will have the suitable technical ability and status within the firm to assist in developing training to meet future business needs. *Skills for Small Businesses* will supply this key employee with practical support such as advice and guidance at work and financial aid to cover associated costs such as any external training. With the TEC's assistance, each company will also be able to develop its own specific training package in line with business requirements, which will be overseen by the key employee once qualified in the new skills.

Although *Skills for Small Businesses* is aimed initially at one employee per small company, it will have a knock-on effect. Where possible, TECs will develop ideas such as identifying and setting up various networks of small companies, enabling them to "pool" their new skills amongst other workforces and to find innovative solutions to encourage the spread of investment between firms.

Special Categories of Workers

Austria

Evaluation of the Community Employment Programme "Action 8000"

Since 1993 support has been provided for the fixed-term employment of the long-term unemployed and those requiring psycho-social and/or occupational guidance in associations and the public admin-

istration within the framework of the "Action 8000". Overall a total of around 35,000 difficult-to-place persons were employed with the aid of this support instrument in such socially important areas as social services, environmental work, recycling and waste disposal, urban and village renewal, culture, "soft" tourism and child care. Depending on the nature of the employing institution the level of support can reach up to two thirds of the direct and indirect wage costs incurred (up to a maximum of ÖS 25,000 per month). In the case of non-commer-

cial organisations the remaining personnel costs can be covered by financial participation by local or state government or other public bodies. The labour market service generally provides employment subsidy for one year; for persons aged over 45 for up to a maximum of two years.

Support for fixed-term employment relations can perform two labour market policy functions:

- Initiating function: The support measure may enable the employing organisation to retain the in-

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dividual for whom support has been provided under a regular employment contract after the period of support.

- Transitional function: The support measure may make it easier for the individual receiving support to gain access to the regular labour market by providing him/her with a fixed-term employment opportunity. In the case of projects offering such transitional jobs accompanied by psycho-social guidance or occupational/technical training, grants are available to cover part of the personnel costs for "key staff" and, depending on the labour market policy relevance, for operating costs. In order to raise the re-employment chances of the individuals in the programme on the labour market particular stress is now being laid on projects which combine employment with training elements.

A number of special provisions apply to support within the framework of Action 8000 for employment

- in private child-care facilities supporting working women and parents by offering extended opening hours, and
- in environmental and waste management advisory services.

For those institutions creating new, permanent employment opportunities in these two areas the labour market service provides grants corresponding to 50% of the labour costs for the first three years.

Deploying measures in a way appropriate to the problems

The structure of the individuals benefiting from support show that the measure has been successful in reaching those particularly badly affected by the prevailing labour market problems.

As youth unemployment fell while the number of long-term unemployed among adult unem-

ployed grew, an increasing number of unemployed persons aged over 25 were incorporated into the measure: during the observation period (1988-1990) 68% of those benefiting from support were older than 25, 32% were younger.

The years 1988-1990 saw a substantial expansion of employment opportunities for women; they accounted for 59% of those supported, compared to 44% in the mid-1980s.

The majority of beneficiaries received support by virtue of the long period during which they had been unemployed. Of those aged less than 25, 82.2% had been out of work for at least six months, of those over 25 the figure was 81.5%. 59.2% of the over 25's had been unemployed for at least 12 months. Those persons that had been unemployed for shorter periods received support because of their special problems with labour market integration or because they were employed in innovative areas.

Both skilled long-term unemployed persons and low-skill workers were integrated within the Action 8000 programme. Those with only the minimum compulsory educational qualification constituted the largest single group (31%). Of male participants with this educational level, the majority found employment in public cleaning and gardening, renovation, private-sector activities and environmental protection; women were mostly employed in care services.

Those with higher education qualifications tended to work in the scientific, cultural and educational (teachers) fields.

Positive effects of the programme

The Action 8000 programme has generated positive effects with regard to the occupational biographies, the skill level and the income situation of those benefiting from support. Moreover, the Programme has also proved its worth in economic terms.

It is with regard to its employment effects that the labour market policy potential of the Action 8000 is revealed most impressively. Of the 8,138 persons in receipt of support during the period 1988-90 57% were in employment on the termination of the support period. In most cases this means the prospect of permanent employment: in the year after the end of the measure around 53% have been in employment for at least ten months. Of the 1,999 persons for whom a period of between three and four years after the end of the measure could be included in the analysis, 48% had been in employment for at least 80% of this period.

In addition to the chance of (re-) integration into working life, Action 8000 also offers beneficiaries the chance to freshen up existing, and to acquire new skills and qualifications. The majority of participants (63%) were employed in the subsidised employment relation in work commensurate with their qualification level. In the case of around 19% of those supported, the Programme provided an opportunity to obtain higher qualifications.

The stabilisation effect can also be seen from the improvement in the income situation experienced by the majority of participants. Around half of those in receipt of support (excluding the "key staff") earned between ÖS 10,000 and 14,000 per month gross during the support period. In the course of their subsequent occupational career, a number of participants were able to improve their income situation further. Of those participants for whom the support period ended at least three years earlier and who were still in employment at the end of 1992, 75% were earning more than during the support period; in the case of just under 11% earnings had remained constant, while around 14% had had to accept a slight fall in incomes.

The economic rationality of the Action 8000 is shown by comparing the costs and benefits for the public budget resulting from the support provided. The results of the fiscal analysis for those in receipt of support during 1990 show that on average the costs of providing support had been recouped within 10 months (305 days) of the end of the support period.

Positive evaluation of the Action 8000 by those involved

The positive developments induced by the Programme are not only shown by the empirical data, but are also reflected in the positive evaluations reported by those involved (Labour Market Service, employer organisations, participants and the social partners). The lack of conflict and the cooperative relations between actors confirm that the Action 8000 has developed from an experiment into a standing instrument of active labour market policy. From a labour market policy perspective the programme is seen as particularly appropriate, indeed indispensable for those unemployed persons for whom previous attempts at reintegration have failed.

Sweden

Computer Training Centre – "Datortek"

All unemployed young people between the ages of 20 and 24 will be provided the opportunity, during a three-month period, of learning to work with computers. The education programme will include modern word-processing, calculation and data base programmes.

The education programme will be administered by the local mu-

nicipalities following a grant of SEK 120 million by the national government.

Following the programme, the participant will be able to use computer technology as a tool in various professions and activities. It is also hoped that the programme will stimulate interest by women in the information technology sector.

The programme is on a half-time basis for a period of three months. The remaining time will be spent engaged in other programmes with other labour market aims. Unemployed young people entitled to financial support from the unemployment insurance fund or to labour market assistance in the form of cash will continue to receive this support. The remaining participants will receive a smaller allowance amounting to SEK 640 per month.

United Kingdom

New Job Help for Long-term Unemployed Young People

A new national programme designed to help 18 to 24 year olds who have been unemployed for one year or more to get a job was launched in April by Undersecretary of State Ann Widdecombe. The programme, *Workwise and 1-2-1*, will provide a total of 130,000 places in the year 1995-96 at a net cost of £10 million.

It was decided that positive action needed to be taken to help young people at the start of their working lives who have been unemployed for a year to establish a work record and acquire skills.

Two separate pilot schemes called *Workwise and 1-2-1* were set up in 1994, designed specifically for young people who had been out of work for 12 months or more. The pilots offered them help to identify skills, overcome barriers to employment, and to set clear and realistic job goals. The pilots proved very successful and consequently *Workwise and 1-2-1* have been combined and extended to the whole of Great Britain.

The programme has two distinct elements. Participants on *1-2-1* will be required to attend a series of up to six interviews with a named Employment Service adviser. The interviews will focus on the barriers preventing them from finding work. The client and the adviser will then work together to draw up an individually tailored action plan to overcome those obstacles. *Workwise* is a mandatory course combining individual assessment, job preparation, practical guidance on job-search techniques and intensive jobsearch. The course will last for up to four weeks.

The two elements are designed to work as a package to meet clients' particular needs. Employment Service advisers have some degree of flexibility to decide on who should be referred to which programme, and the order in which they should be referred. *1-2-1* is likely to be the initial option in most cases, and – while people may be referred directly to *Workwise* – it is likely that it will be predominantly for those who have completed *1-2-1* without finding a job.

Spain

Provisions Implementing Law 14/1994 on Temporary Employment Agencies

An article in "Policies" 47 dealt with Law 14/1994 (official legal gazette – BOE – 2 June 1994) on temporary agency work. Just over six months later, on 1 February 1995, the BOE published Royal Decree-Law 4/1995 which deals with Law 14 and supplements the statutory framework of conditions for temporary employment agencies (*ETT – Empresas de Trabajo Temporal*).

The most important aspects of this Decree-Law are described in the following article.

The first of the six chapters into which the Decree-Law is divided deals with the administrative approval procedure. The procedure that must be followed by a temporary employment agency seeking to commence (or recommence) operations is set out for agencies in the following situations:

- those which, under Law 14, suffered the sanction of suspension of their activities and now wish to return to the market;
- those for which approval has expired as they were not continuously in operation for one calendar year; and
- those who on termination of the approval period, failed to apply for an extension.

It is to be noted that a detailed list of workplaces is required in addition to the documentation that must be presented on commencing operation. The aim of this provision is to ensure that the agency has an organisational structure such that it is

in a position to meet its obligations as employer.

In the context of the procedures for applying for extensions and readmissions, the agencies are required to show that during the financial year prior to application they devoted 1% of their total payroll to providing vocational training for the workers recruited for the purpose of placing them at the disposal of user firms.

A precise definition of the term "total payroll" (*masa salarial*) is important not only with respect to vocational training, but also when the financial guarantees required by law have to be brought up to date. This point, which had remained open in Law 14, is dealt with by the provisions of the Decree-Law: the total payroll is the sum of wage and special payments earned by the workers employed by the agency for the purpose of placing them at the disposal of user firms, with the exception of:

- a) contributions to the social insurance institutions and other deductions paid by the employer;
- b) benefits and services provided by the social insurance institutions;
- c) compensatory payments made as a result of redeployment, and the suspension and termination of contracts;
- d) compensatory payments or advances for costs that should in fact be borne by the employee.

The second chapter deals with the financial guarantee which must be produced by the agency in order to obtain administrative approval. The Decree-Law stipulates the form and level of the guarantee and repeats the Law in stating that the guarantee is to be used to pay outstanding earnings, debts to the social insurance funds and compensation payments on termination of the

agency contracts. Subsequently, a precise definition of the total payroll is given (see above) and the procedures by which the guarantee is to be made and after which it may be released are set out.

A claim is made on the guarantee in cases where outstanding payments are due because of insolvency, suspension of payments, or the bankruptcy of the agency or its creditors. Claims must be set and recognised by a conciliation procedure, court decision or a judicial order by the social insurance institutions. If the agency guarantee is insufficient to meet the outstanding debts, the user firms assume subsidiary liability.

The guarantee is released when the agency terminates its operations and has convinced the labour authorities that no obligations linked to the guarantee remain.

The third chapter deals with the registration of temporary employment agencies. Following administrative approval by the labour authority, registration is performed by the General State Administration (central section and provincial sections) or, where appropriate, by the relevant authorities of the autonomous regions. The autonomous regions are at present: the Basque Country, Catalonia, Galicia, Navarra, Andalucia, Valencia and the Canaries. Finally, it is a requirement that the registers of the central section of the administration and those of the autonomous regions exchange the relevant information.

The registers are open to public scrutiny and certification of entry in the register may be requested.

As far as the contracts signed between the agency and the user firms (so-called placing-at-disposal contracts) and between the agency and its workers are concerned, chapters four and five limit themselves to

setting out the minimum contents required.

Chapter six, finally, deals with the obligations of the temporary employment agency to provide information both to the public authorities and the user firms. In accordance with appendix 4 to the provisions, the agency is to provide the public administration with details of the user firms and the number of contracts concluded with each firm, disaggregated according to the contractual conditions and the number of the workers placed at the disposal of the user firm. Furthermore, the agency is obliged to inform the administration of changes of a purely commercial nature, such as name or address.

On the other hand, the temporary employment agency is also obliged to provide the user firm with a copy of the employment contract or the work commission and to provide confirmation that it has met its obligations with regard to pay and social insurance contributions for the workers concerned.

There are currently 138 authorised temporary employment agencies in operation in Spain, of which 27 are based in several provinces or autonomous regions. The field of operation of 33 of the agencies is limited to just one of the autonomous areas and the remainder is active in only one province.

By February 1995 a total of 54,572 contracts had been signed within the 27 agencies authorised by the Directorate General of Employment.

Netherlands

Report on the Cooperation between the Employment Offices, Local Government Social Services and the Sectoral Social Insurance Boards

The labour market authority, the local government social services and the sectoral social insurance boards are working increasingly closely together (cf. iMi 49). The services offered by the cooperating organisations are improving perceptibly and staff motivation for cooperation is high. Such cooperation is not always without its problems, however, a fact due not least to the fact that the participating organisations are still hesitant about intensifying the cooperative relationship further. As a result many processes remain stuck in an experimental stage. This is exacerbated by ignorance of the effectiveness of cooperation opportunities and a lack of coordination between some service areas.

These are the central conclusion of the report "Cooperation in transition", a stock-taking study of cooperation between the labour market authority and the social insurance institutions.

The study describes the prevailing forms of cooperation between the employment offices, the sectoral social insurance boards and local government social services. The organisations are already working closely together at a number of different levels, with a great variety of forms of cooperation. This is because at local and regional level they are usually free to decide how and in which areas they will work together. The study covers more than 200 cooperation networks. Labour market

authority cooperation with the local government social services responsible for administering the tax-financed social benefit measures is more highly developed than that with the sectoral social insurance boards responsible for unemployment insurance. Forms of cooperation between local government social services and the sectoral boards without the participation of the labour market authority, on the other hand, are virtually non-existent.

Cooperation between the labour market authority and local government social services relates on support for the long-term unemployed in the youth employment guarantee programme (JWG) and the job pools for those that have been out of work for longer than one year. More than half of the cooperation networks have begun to work together to coordinate internal organisational work processes, e.g. in support services for the unemployed ("one-stop services") or by setting up a joint "job centre". Cooperation between the labour market authority and the sectoral social insurance boards focuses on placing the unemployed and in some cases workers with a partial occupational disability.

The researchers draw distinctions between two forms of cooperation: target-group-oriented and process-oriented cooperation. Characteristic of the former are intensified efforts to place disadvantaged labour market target groups: by providing on-going guidance and support the aim is to reintegrate such target groups into the labour market. Process-oriented cooperation, on the other hand, aims to provide more effective and better services, for instance by cooperating in providing support for jobseekers. In the case of both forms of cooperation the researchers found examples both of the fullest possible integration of work processes and responsibilities and cases in which no cooperation whatever was evident.

Miscellaneous

The first conclusion drawn by the researchers is that cooperation is already occurring in many areas. Both the motivation for cooperation and awareness of the fact that cooperation between the three organisations can improve service provision exist, as does the realisation that – due both to the situation on the labour market and political pressure – such cooperation is desirable. Generally speaking the experiences with the various forms of cooperation have been positive. New initiatives are continually emerging.

The second conclusion to be drawn from the report is that the organisations involved are hesitant about intensifying cooperation further. Generally cooperation has failed to go beyond the experimental phase. This is partly due to the opposing interests and visions of the labour market authority and the social insurance institutions. A more political form of steering is thus desirable. As yet the organisations have not collated sufficient information on the effectiveness of the cooperation.

The third conclusion is that a continuous, on-going service for the unemployed throughout all phases of their period of unemployment has still not been established.

Under the Decree the Directorate General for Employment and Vocational Training (DGEFP), together with the Institute for Employment and Vocational Training (IEFP) and the Observatory for Employment and Vocational Training (OEFV) are responsible for promoting the coordination of both employment and vocational training policy and academic and technological research. This applies in particular to the following:

- the evaluation of employment and vocational training measures;
- local job-creation opportunities;
- job-creation opportunities arising out of scientific and technical research, from innovation, the identification of gaps in the supply of goods and services and economic and commercial prospects;
- motivation processes for employment, vocational training and economic and social initiatives;
- other areas relating to employment and vocational training.

zambique and St. Tomé and Príncipe.

During the Conference the handbook published by the ILO on the concepts and methods used in statistical work on labour supply, employment, unemployment and underemployment were analysed. Other topics of relevance to employment policy were:

- *Classification of economic activities:* Here agreement was reached that statistical work requires coordination by establishing classification systems on the basis of the United Nations International Classification of Occupations.
- *Underemployment:* In this area it is evident that supplementary indicators to the unemployment rate are required in order to identify disequilibria on labour markets.
- *Informal sector:* The necessity of distinguishing between the informal sector and the underground economy and of elaborating the guidelines established at the 15th Conference on Labour Statistics held in 1993 was underlined.
- *Wage statistics:* It was emphasised that integrated systems must be established to supplement the existing systems on basic wages, earned income and labour costs.
- *Statistics on vocational training:* Special importance is to be attached to the establishment of information systems on vocational training with a view to their contribution to the formulation of national policies on vocational training.
- *Statistics on collective bargaining:* In this area it was agreed that a wider spectrum of statistics must be available on issues such as wages, working time, absenteeism, health and safety at work, consumer price indices and productivity indices.

Portugal

International Conference on Social Statistics

In March 1995 the Sixth Conference on Social Statistics for countries in which Portuguese is the official language was held in Portugal, in the autonomous region of Madeira. Participants at this year's conference, which is organised every two years by the statistical department of the MESS, were the ILO (International Labour Office) and EUROSTAT together with delegations from Angola, Brazil, the Cape Verde Islands, Guinea-Bissau, Equatorial Guinea, Portugal, Mo-

Portugal

Study into Employment Policy

Decree no. 247/95 of 29.3.1995 provides a legal basis for cooperation between the departments of the Ministry of Employment and Social Security (MESS) responsible for employment policy studies and research centres at universities and other institutions.

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (12 June 1995):

Belgium	BFR	37.93
Denmark	DKR	7.21
Germany	DM	1.85
Greece	DRA	296.70
Spain	PTA	160.34
Finland	FM	5,66
France	FF	6.48
Ireland	IRL	0.81
Italy	LIT	2,178.61
Luxembourg	LFR	37.93
Netherlands	HFL	2.06
Austria	ÖS	12.98
Portugal	ESC	194.30
Sweden	SEK	9.53
United Kingdom	UKL	0.82

Erratum

The UK authorities have informed the MISEP secretariat that the "Focus" article published in inforMISEP no. 48 on "The Organisation of Labour Market Policy Delivery in the European Union" seriously misrepresented the organisation of labour market policy in the United Kingdom.

The overall responsibility for labour market policy and delivery in the UK rests with the Department of Employment. The Department, therefore, provides an "integrated" approach (to use the terminology of the article) in the very important sense that although active labour market policies are delivered by agents of the Department – the Employment Service and Training and Enterprise Councils (TECs) – the strategic decisions on policy and delivery are made within the Department. There is also a further sense in which labour market policy is integrated. Within the Employment Service (the public employment service agency of the Department of Employment) the functions of benefit payment, the provision of advice and guidance to unemployed people, and help with job placement are all delivered by one organisation – a model of delivery which conforms with the recom-

mendations of the OECD's 1994 Jobs Study.

In the view of the UK authorities the article misunderstands this delivery system and makes inaccurate statements about the proportion of labour market expenditure devoted to "administration". It is true that around 40% of expenditure on "active" labour market measures is spent on the Employment Service but that cannot be considered as merely "administration". It also includes expenditure on the full range of labour market measures delivered by the Employment Service. It is an essential feature of the way that active labour market policies are delivered in the UK and illustrates the important role that placement and job search activities (one of the items proposed by the Commission's White Paper on Growth, Competitiveness and Employment to activate labour market policy) play in the UK.

What is more, as well as placing very many unemployed people into jobs the Employment Service, through its advice and counselling services, provides a "gateway" to other programmes and services, most of which are delivered by TECs. TECs (and local enterprise companies [lecs] in Scotland) are employer-led independent companies established to deliver training and enterprise programmes and services on behalf of the Department of Employ-

ment. This is part of their role in developing strategic economic partnerships at a local level aimed at producing a skilled and enterprising workforce.

There are also a number of more specific points which the UK authorities would like to make on the comments in the article about TECs. The first is that, contrary to the impression given, since January 1992 TECs have been able to recruit on the job market as they see fit. Also the statement that financial monitoring procedures in TECs are "... extremely bureaucratic ... in contradiction to the rationalisation and increased efficiency which privatisation was supposed to bring about" gives an inaccurate picture as there have in fact been significant efficiency improvements in terms of costs and outputs: between 1991/92 and 1993/94 in both youth and adult programmes there have been reductions in cost per start, cost per person per year and cost per NVQ (National Vocational Qualification) achieved. Finally, TEC boards have a contractual obligation to operate an equal opportunities policy and this precludes any "incentives for creaming". This means that although funding is based on payments for starts and outcomes, special arrangements are in place to protect the position of people with special needs.

The "Focus" part of inforMISEP "Policies" is conceived by the MISEP secretariat. The opinions and analyses contained in this section do not necessarily reflect the opinions or views of the European Commission or the correspondents. Signed articles are the sole responsibility of the author(s).

Labour Market and Employment Policy in Austria, 1975–1995

From Austro-Keynesianism to the Austerity Package

*Johannes Schweighofer**

Taking unemployment rates as an indicator that provides an initial impression of the state of a national labour market, even now, in the mid-1990s and in the wake of a recession, Austria remains in a very favourable position compared with the other European Union countries. Only in Luxembourg was the national unemployment rate below the Austrian figure of 4.5% in 1994. This poses the question as to the factors underlying this relatively favourable position. It is the central thesis of this article that it has been the integration of the various fields of action of economic policy, in particular micro-economic labour market policy and macro-economic employment policy, within the context of a political system based on social partnership that has exerted a decisive influence on the positive development of the Austrian labour market. In the following contribution, this integration at the level of practical economic policy will be matched analytically by devoting considerable space to the macro-economic context in which labour market policy measures in Austria are embedded.

Naturally, any evaluation of labour market policy developments from an Austrian perspective will differ from that given if a comparative perspective is chosen, not least because, with the exception of the

boom years of 1988 to 1991, in which the Austrian unemployment rate actually fell in one year, the country's labour market problems have steadily worsened from 1982 to the present day.

What factors lie behind the rise in unemployment during the 1980s? Continuing along the line of argument just mentioned – the importance of social partnership – it can be argued that the ongoing process of integration into Western Europe, which in economic terms began as early as 1972 (Free Trade Agreement with the EEC) and 1976/1982 (policy of pegging the Austrian schilling to the Deutsche Mark), has decisively restricted the scope for an autonomous Austrian employment policy, a process that has been exacerbated by the opening of Eastern Europe.

This article seeks (1) to describe labour market and employment developments in Austria; (2) to address questions relating to the structure and the possible causes of the increase in Austrian unemployment rates; (3) to shed light on the relationship between the business cycle and economic growth and employment and unemployment; (4) to describe and analyse Austrian labour market policy and its effects; (5) to sketch out the macro-economic context; (6) to explain what Austrians understand by "Austro-Keynesianism" and social partnership; and finally (7) to summarise the arguments and look ahead to the way in which the Austrian labour market and employment system can be expected to develop.

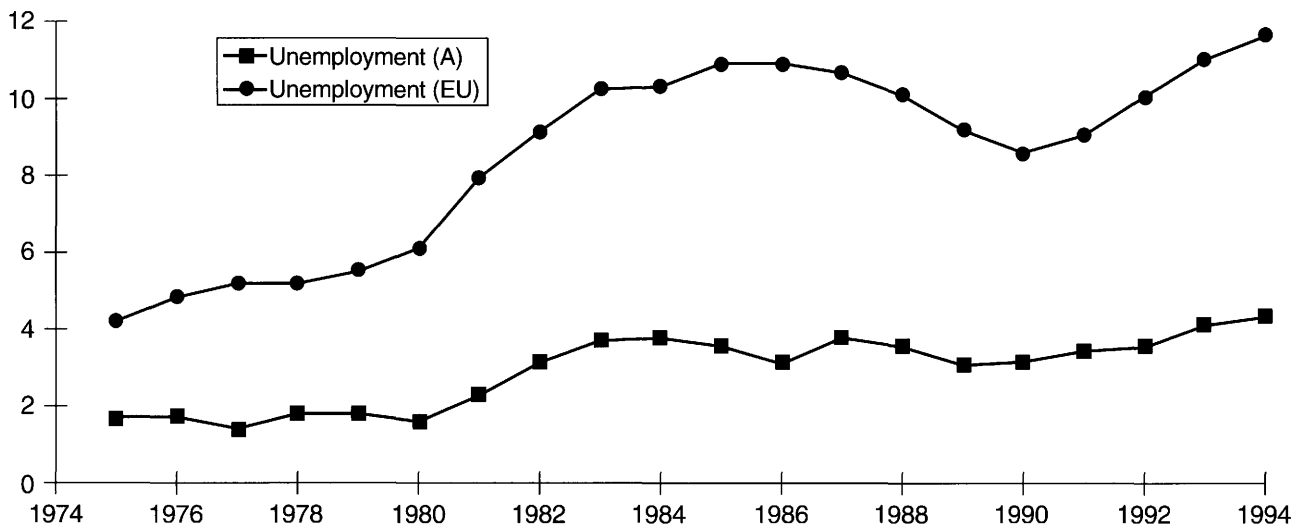
1. Employment and unemployment trends since 1975

There has been a sharp increase in the Austrian labour force – employees, self-employed and the unemployed – since the mid-1970s. An additional ca. 450,000 persons entered the labour market during the last two decades, expanding the working population to its current figure of around 3.7 million. Compared with 1975 there are now around 140,000 persons fewer in self-employment, while the number of wage and salary earners has increased by around 440,000. Employment (employees and the self-employed) expanded particularly sharply during the boom years of 1988 to 1992. In 1982 and 1983, however, it fell slightly in the wake of the 1981 recession.

As far as sectoral changes in employment are concerned, developments have been similar to the pattern in other countries. Over the longer term there has been a sharp fall in the number of employees in the primary sector; the proportion of service sector employment has risen continuously; the goods-producing sectors, on the other hand, have more or less maintained their absolute employment level (employees and self-employed), although the industrial sector has shed around 150,000 jobs. In international comparative terms, there would still appear to be a potential for tertiary sector employment growth.

* Federal Ministry of Labour and Social Affairs, Vienna. I would like to thank St. Potmesil, P. Auer, M. Marterbauer, M. Quehenberger, H. Höpflinger and R. Lachinger for valuable comments. Of course any remaining inadequacies of the text are the sole responsibility of the author.

Figure 1: Unemployment in Austria and the EU, 1975 – 1994



Note: The Austrian data series is not fully compatible with standardised international figures.

Source: EU, OECD.

Women account for around two thirds of the long-term growth of waged and salaried employment; although female labour supply is subject to cyclical fluctuations, it has expanded along a steady growth path. Even so, female participation rates in Austria remain at around 58%, compared with a figure of around 81% for

men¹. This puts Austria's overall participation rate (of around 70%) and its female participation rate at between 1 and 2 percentage points below the OECD average, but significantly above the EU average. During the 1980s male participation rates remained more or less constant; female rates, on the other hand, have been

rising markedly, as in other countries, since the 1960s. This increase in participation rates reflects both a changing conception of women's role and other factors, such as a declining influx of labour from the agricultural sector and the restructuring of the taxation system on an individual basis at the start of the 1970s.

Table 1: Labour Market Indicators, Austria and the EU

	1975		1992	
	Austria	EU	Austria	EU
1. Population (millions)	7.58	312	7.91	330
2. Population of working age (millions)	5.04	198	5.30	222
3. Employment (millions)	3.23	124	3.66	135
4. Unemployment (millions)	0.056	5.3	0.19	14.1
5. Participation rate	65.1%	65.4%	69.4%	67.2%
6. Employment by sector				
a) Agriculture	3.0% ¹	11.2%	7.1%	5.9%
b) Goods production	45.0% ¹	38.8%	35.6%	30.8%
c) Services	52.0% ¹	50.0%	57.4%	63.1%
	1975–1983		1983–1991	
7. Change in employment by sector ²				
a) Agriculture	-2.05	-1.85	-2.5	-2.4
b) Goods production	0.25	-1.3	0.6	0.1
c) Services	2.15	1.85	2.3	2.4
8. Change in employment part-time/full-time (men/women)				
full-time ³ : men	0.85	-0.50	0.70	0.40
women	0.90	0.95	2.10	2.00
part-time ³ : men	1.40	-	1.6	-
women	15.6	-	20.6	-

Notes:

- 1 Distribution of wage and salary earners
- 2 Average annual growth rates; figures for the EU are for OECD-Europe
- 3 Proportion of men/women in part-time employment in 1973/1992

Sources: Wifo; OECD (1994a); EU.

Particularly striking is the fluctuation in the employment of foreign workers in Austria. From a peak of 227,000 such employment declined in the course of the recessions which followed the two oil-price shocks to 139,000 in 1984, only to rise subsequently, in the wake of a long period of uninterrupted economic growth, to a figure of 291,000 ten years later. Austria has used foreign labour as a business-cycle buffer since the 1960s, as can be seen from the following figures: 1975: -12.4%, 1976: -10.3%; 1989: +10.6%; 1990: +32.6%; 1991: +21.6%.

In 1992 around 9.1% of all employees in Austria were in part-time employment. This average figure conceals the fact that while just 1.6% of male employees were working part time, 20.5% of female workers did so. Accordingly, women account for al-

1 These figures do not allow for part-time employment shares and other definition-related problems (12-hour rule, statutory retirement age for women, etc.).

most 90% of those in part-time employment. In international comparative terms Austria occupies a place at the rear end of the field in this regard, and has exhibited only slow growth of part-time employment as a share of the total; in 1973 the figure was 6.4%.

As can be seen from Figure 1, although Austria's unemployment trends are broadly in line with average EU trends, its unemployment rate has remained constantly at a level corresponding to between one third and two fifths of the European average. Without doubt this constitutes the most striking employment-related difference between Austria and the other EU countries. An additional notable difference occurred in the wake of the first oil-price shock: between 1975 and 1980 the EU-average unemployment rate rose by almost 50%, whereas the Austrian rate remained virtually constant over the same period (for possible explanations of this, cf. chapters 4 to 6).

After 1981, however, the "glorious years" were over for Austria, too, domestic unemployment shot up by 50% in 1982, and did not decline again until the expansionary phase of the second half of the 1980s. In rela-

tive terms, the decline in unemployment during this phase was more pronounced in the EU than in Austria.

2. The structure and causes of unemployment

Seasonal unemployment

Austria has one of the highest rates of seasonal unemployment in Europe (Geldner/Walterskirchen 1992). If the highest rate of unemployment encountered in the course of a year is set in relation to the lowest rate recorded in that year, the figure for Austria was 1.9 (1989). This compares with a figure of 1.7 in Sweden and 1.23 for West Germany. This means that in Austria around one third of all individual periods of unemployment and more than one fifth of total unemployment result from seasonal fluctuations in employment (Brandel et al. 1994). Branches affected by such seasonal fluctuations are the construction industry, agriculture, and the – in Austria relatively large – tourist sector (hotel and catering).

A longitudinal study of a representative sample of employment relations (Pichelmann/Riedel 1992) that looked into the importance of

short-term redundancies followed by reinstatement for the Austrian labour market comes to the conclusion that, focusing on the cycle "employment – unemployment – reemployment", around 50% of all cases of unemployment are accounted for by temporary redundancy followed by reinstatement.

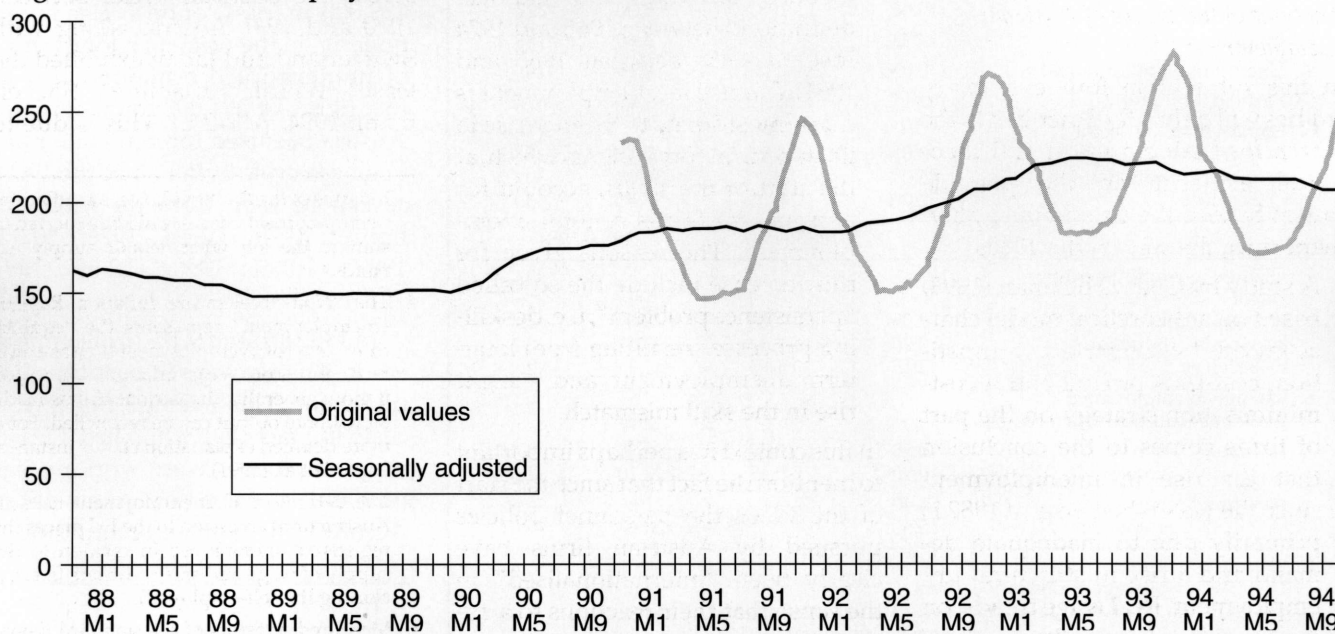
This system is to be seen not least as an "alliance" between enterprises and their employees against the unemployment insurance system. Almost half of the seasonally unemployed, namely, already have an assurance on being made redundant that they will be reinstated².

Long-term unemployment

During the 1980s there was a marked rise in the number of persons unem-

² For the year 1993 seasonal unemployment has been calculated to have caused direct and indirect costs of around ÖS 7.5 billion. Given that this sum is in no way matched by social insurance contributions, the Austrian Government felt obliged to introduce amendments. The cross-subsidisation of the tourist industry by the unemployment insurance system and the very high level of foreign unemployment there have almost certainly contributed to the structural crisis currently afflicting this sector, as they served to reduce the pressure for adjustment.

Figure 2: Seasonal Unemployment in Austria (in thousands)



Source: Wifo

ployed for longer than one year as a proportion of total unemployment. Even so, the 1993 figure was just 17% (OECD 1994a, p. 208), compared, for instance, to 46.8% in the Netherlands or 56.9% in Belgium. One third of all long-term unemployed persons are aged over 50. Thus age is clearly an important personal explanatory factor for the incidence of long-term unemployment.

Unemployment among specific groups

Above-average rates of unemployment are recorded for the following groups: those aged between 50 and 59; those living in the southern and eastern federal states Kärnten, Steiermark, Burgenland and Vienna; those employed in seasonal occupations and those linked directly to production; (since 1987) women; foreigners; those lacking a vocational qualification or with only minimum compulsory education. In contrast to the situation in certain other countries, unemployment rates in the 15-18 year age group are substantially below the average for the country as a whole, a fact that reflects the dual training system in operation in Austria. In the following age group (18-24) the incidence of unemployment corresponds more or less with average rates.

Analyses of the causes of Austrian unemployment

In this sub-section four exemplary studies will be briefly described in the search for both empirical and theoretical evidence on the possible causes behind the rise in unemployment since the start of the 1980s.

1. A study by Coen/Hickman (1993) based on a theoretical model characterised by imperfect competition, cost-plus pricing and a cost-minimisation strategy on the part of firms comes to the conclusion that the rise in unemployment since the watershed year of 1982 is primarily due to inadequate demand and a rise in structural unemployment. Real wage trends, on the other hand, actually exerted a retarding effect on the rise in un-

employment in the view of the authors.

2. Another study (Tichy 1994) explains the rise in unemployment largely in terms of the sharp increase in labour supply, an increase that was incompletely absorbed by the additional jobs created. Contrary to standard expectations³ this did not lead to wage restraint and a relaxation of tension on the labour market – or at least not to the required extent – a result explained by the inadequate flexibility of the trade unions in wage determination.
3. According to Pichelmann (1993a, b), structural unemployment, measured in terms of the NAIRU⁴, is largely due to the rise in social insurance contributions, 60 to 70% of which were passed on in the form of higher labour costs. This explains, according to the study, ca. 30% of the current level of unemployment. The rising proportion of the unemployed who have been out of work for more than a year, which, due to the increasing irrelevance of such persons as a supply factor, reduces the impact of higher unemployment on wage growth, is an additional important factor.
4. Christl (1992), in turn, shows that the “natural rate of unemployment” of, on average, 2% (national definition⁵) between 1966 and 1974 rose to 4.4% between 1985 and 1991. The rise in unemployment is due almost solely to the increase in its structural components which, at the start of the 1990s, account for around two thirds of total unemployment. The reasons given for this increase include the so-called “persistence problem”, i. e. deskilling processes resulting from long-term unemployment, and a slight rise in the skill mismatch.

In this context it is perhaps important to mention the fact that since the start of the 1980s the personnel policies pursued by Austrian firms have clearly been “internationalised” in the sense that their reactions to a cyclical decline in capacity utilisation are swifter and more pronounced

than previously, with peripheral workers laid off at an early stage. The fact that, following an upward shift, entry rates into unemployment do not return to anywhere near their former level even during a long phase of economic growth is clear evidence of this.

The results of the theoretical-empirical studies briefly described above should be treated with a degree of caution, not least because their conclusions are to some extent mutually contradictory. Even so, it does seem possible to tentatively identify the reasons behind the rise in Austrian unemployment. The cyclical unemployment resulting from the economic downturns experienced since the start of the 1980s has, in the course of the decade, increasingly become a structural phenomenon; the persistence of unemployment has meant that unemployment rates have fallen only slightly during the upturn, but have risen sharply in each downturn.

3. The business cycle, growth, employment and unemployment

It is a central characteristic of the cyclical sensitivity of Austrian labour market trends that, in international terms, the unemployment rate exhibits relatively minor fluctuations across the business cycle. Between 1970 and 1991 Austria, along with Switzerland and Japan exhibited the least cyclical variability⁶ (Pichelmann 1994, p. 312 f.). This is due to

3 In terms of the Phillips Curve, the inflation-unemployment curve would be expected to shift to the left when labour supply expands.

4 The “Non-Accelerating Inflation Rate of Unemployment” represents the “equilibrium” level of unemployment such as exerts no impulses on (wage) inflation, i. e., to put it more generally, the various claims made on national output can be reconciled. For a more detailed explanation cf., for instance, Layard et al. (1991).

5 The definition of unemployment used in Austria until accession to the EU places the registered unemployed in relation to the supply of wage and salary earners (i. e. excluding the self-employed).

6 Measured in terms of the standard deviation of the first differences between annual average unemployment rates.

(1) moderate cyclical fluctuations in output, of which (2) over the short term only one third is reflected in changes in demand for labour. This means that Austria experiences relatively pronounced – in international terms – pro-cyclical productivity movements, exerting a dampening effect on labour market developments. An even more pronounced effect is exerted in the same direction (3) by the extraordinary degree to which labour supply reacts – pro-cyclically – to cyclical movements in employment.

Looking at the labour market from a long-term perspective, we must consider how GDP growth, employment and unemployment interact. With an employment elasticity of 0.21 during the period under consideration Austria is substantially above the EU 12 average. Moreover, if the elasticity figures are disaggregated into two periods (cf. Table 2), it is evident that the employment-intensity of growth in Austria has not only not declined, it has actually risen.

According to Walterskirchen (1994) Austria has exhibited a significant and stable relationship between economic growth and employment since the 1970s. If the employment statistics are adjusted to allow for the supply-side shock of the years 1990 and 1991 (an influx of around 100,000 additional workers from abroad), more than 80% of growth can be explained (in the statistical sense of the word) by GDP growth. In order to neutralise the effect of productivity growth, i. e. to maintain employment at a constant level in the face of technological progress, economic growth of at least 2% is required. This figure changes only marginally when wage and working time developments are allowed for⁷.

The final step in the argument involves the relationship between economic growth and unemployment. This relationship is subject to strong labour-supply effects. Female participation rates and the supply of foreign labour, in particular, have proven to be especially sensitive to the state of the Austrian business cy-

cle. As a result, the unemployment rate has increased since the 1970s by an average of approximately 0.3 percentage points p. a. if the level of employment is held constant. Generally the relationship between economic growth and unemployment is less

stable than that between growth and employment. On average the quantitative relationship lies between 0.18 and 0.34%, depending on the period under consideration, and is thus more or less in line with the figure in other countries.

4. Labour market policy⁸

Passive labour market policy

The Unemployment Insurance System in Austria

1. Unemployment benefit

- *Conditions of entitlement:* willingness to work, i. e. willing to take up "acceptable" employment, to participate in a labour market policy measure, to take an initiative of one's own
- *Level:* (contribution-free) basic allowance of 57% of previous net income subject to a ceiling of approx. ÖS 12,200 (1994), with additional allowances for dependants
- *Duration:* Minimum insurance period: 52 weeks for first claim to unemployment benefit; 26 weeks for further claims

Minimum duration of entitlement: 20 weeks, rising to 30 weeks after 3 years' employment, 39 weeks after 6 years' employment and a minimum age of 40, and to 52 weeks after 9 years' employment and a minimum age of 50

2. Emergency aid

Benefit available on exhaustion of entitlement to unemployment benefit, other sources of family income taken into account

- *Conditions of entitlement:* no placement possible even in a different occupation; proof of need; Austrian citizens and those of equal status are entitled
- *Level:* a maximum of 90% or 95% of previous unemployment benefit entitlement
- *Duration:* granted for one year with subsequent verification that conditions of entitlement are being met (renewable)

3. Family benefits

Child-care leave allowance (Karenzurlaubsgeld):

- *Conditions of entitlement:* granted as income compensation for those interrupting their career or reducing their working time in order to care for a small child
- *Level:* (1994) ÖS 5,424; for single parents and those on low incomes: ÖS 8,049 (from 1.1.1996 as supplement of ÖS 2,500 is to be provided)
- *Duration:* up to a maximum of 2 years

Special emergency aid:

- *Conditions of entitlement:* can be granted if the lack of child-care facilities for small children makes it impossible to take up or continue in employment

4. Transfer benefits to facilitate transition to retirement

Special support:

- *Conditions of entitlement:* for elderly persons (men aged 59, women aged 54 or above) with long periods of benefit contributions and fulfilling the conditions for entitlement to unemployment benefit, but who cannot be placed
- *Level:* Equal to unemployment benefit plus 25%

Advance on a pension:

- *Conditions of entitlement:* granted when an old-age or invalidity pension has been applied for

5. Income loss compensation in cases of bankruptcy

- *Conditions of entitlement:* granted workers in bankrupt firms to protect them against the risks of loss of income and delays in paying overdue wages and salaries

7 The interrelationships in the industrial sector are as follows (Hahn/Thury 1994). Between 1962 and 1993 output growth of 1% led – in the same period – to employment growth of 0.12% (FRG 0.13%, USA 0.47%). The long-term output elasticity of employment is 0.57% (FRG 0.61%). As far as long-term productivity trends are concerned, industrial productivity growth was markedly

more dynamic during the 1980s in Austria than in Germany, so that the decline in employment was significantly more pronounced there. In the service sector, on the other hand, productivity growth was relatively slow.

8 For a description of Austrian labour market policy in its entirety, cf. Federal Ministry of Labour and Social Affairs – BMAS (1994).

Table 2: Growth, Employment and Employment Elasticity, Austria – EU

	Austria			EU		
	Growth	Employment	Elasticity	Growth	Employment	Elasticity
1975–1994	45.5%	9.41%	0.21	43.2%	3.2%	0.07
1975–1982	17.2%	1.7%	0.1	15.8%	-1.3%	-0.08
1983–1994	28.3%	8.5%	0.3	27.4%	4.5%	0.16

Note: Elasticity = employment growth per percentage point of economic growth
Source: Wifo.

The argument that the provision of unemployment support benefits induces negative incentive effects relates primarily to 1) the level of benefits, i. e. the "compensation rate", and (2) administrative aspects of the insurance system, i. e. to questions of the verification of entitlement conditions, willingness to work and job-search activities, etc. by the employment offices.

The net compensation rate in Austria varies, depending on income level, between 53% and 57%; in the case of large families, however, child allowances and tax advantages may push this figure up to 80%. The most recent reform, which came into force in the spring of 1995, reduced the compensation rates for higher incomes by one percentage point. The OECD (1994b, chapter 8) employs a combined measure of wage compensation rates which permits, with some reservations, international comparison of (gross and net) compensation rates for unemployment of different durations and different family constellations. On these figures, Austria was roughly in mid-field between 1961 and 1991 with respect to gross incomes, but in the upper third in terms of net compensation rates. The central question is whether the unemployment insurance system, alongside its positive effects in facilitating efficient search processes, also exerts a negative impact on the average duration, and thus on the level of unemployment. Reliable empirical evidence that would enable this question to be answered is not available for the Austrian labour market in the 1990s. The following two considerations do,

however, serve as indirect evidence for the view that support for the unemployed does not exert serious negative effects on search behaviour: (1) the – in international terms – relatively small number of long-term unemployed as a proportion of overall unemployment (cf. section 2), and (2) the extraordinarily high exit rates from the unemployment register: although the exit rate has declined from an historically and internationally unprecedented level of 61.4% of the unemployment level (monthly average values) in 1980 to a figure of 25.5 in 1991, even this latter figure is exceeded only by Sweden and the USA of all the OECD countries (OECD 1993a; Pichelmann 994, synopsis 2).

Active labour market policy

At a very broad level of aggregation, suitable for an initial evaluation, total spending on labour market policy in Austria amounted to 1.77% of GDP in 1993 (OECD 1993a, chapter 2); 0.32% of GDP were spent on active measures⁹. This puts the Austrian "activity rate" – spending on active measures as a proportion of total spending – at 18%, a rather low figure in international terms: the figure in Sweden, Finland and Portugal is three times as high. Even if a longer-term perspective is taken, only 10 to 25% (national definition) of total spending is devoted to active measures, and even if active spending as a percentage of GDP is set in relation to the level of unemployment, i. e. spending/GDP for each percentage point of unemployment, in order to allow for the urgency of policy action, Austria's position does not improve markedly. In terms of this indicator, spending in

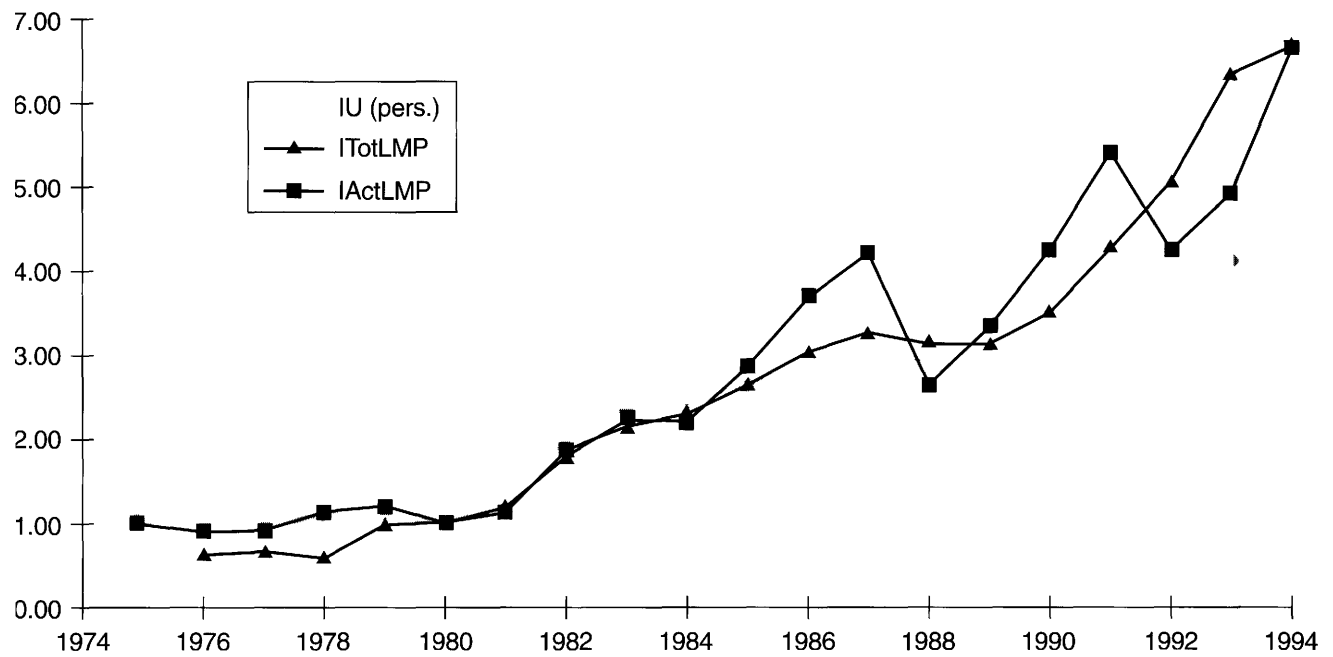
Germany is still 3.5 times, that in Sweden 4 times higher and in Portugal twice as high as in Austria¹⁰. Austria is also way down the field when it comes to programme participation levels. In 1990 2.5% of the working population took part in publicly supported training measures, support for the disabled, youth programmes or publicly sponsored employment. Only in Greece and the United Kingdom was a lower figure recorded, whereas participation in such programmes in Belgium is four times higher, despite the fact that in that year the Belgian unemployment rate was only somewhat more than twice as high as in Austria.

Looking at the figures for total labour market policy spending, the active spending share and the level of unemployment (cf. Figure 3), it is apparent that until 1984 the three indices moved more or less together; in the years 1984-1987, 1988-1991 and 1992-1994, however, spending on active measures rose far more sharply than unemployment and – with the exception of the most recent period – also as a proportion of total spending. Particularly striking are the two troughs in 1988 and 1992. In the first case spending on active measures contracted by 37% compared with the previous year, in the second by 22%. Looking at Figure 3 it is difficult to avoid the conclusion that Austria has been pursuing a stop and go policy in this area. Even if the changes in the rates of unemployment and active spending growth moved in parallel in a number of years, one is forced to the conclusion that Austrian labour market policy has lacked a systematic and medium-term approach in the conception and implementation of its active policies. This

9 The figures given are based on the systematic developed by the OECD. In cases where the national definition, which differs from the former in a number of respects (definition of active measures, maternal benefits, etc.), is used, this is indicated in the text.

10 The low activity level of Austrian labour market policy may be due to a perception problem: in a country in which both youth and long-term unemployment are low, the relevant actors may see little cause for action.

Figure 3: Indices of Unemployment, Total LMP Spending and Active LMP Spending (1980 = 100)



Note: LMP spending is not adjusted for inflation

Source: various labour ministry programme budgets.

failure is clearly linked to the way in which labour market policy in Austria is financed, namely by employer and employee contributions. Under such conditions it is hardly surprising that active labour market policy

finds it difficult to make an anti-cyclical impact.

There is no reliable empirical evidence on the net impact of the ÖS 5.5 billion, or 0.25% of GDP (1994; national definition) spent by Austria

on active labour market policy. Besides technical problems – it can be assumed, for instance, that spending on active measures, and all the more so on passive measures, is to be seen as an endogenous value, generating the usual problems of causality – the empirical evaluation of active labour market policy must confront the problem of the multivarious nature of its effects: on the efficiency of the matching process, on skills, the productivity and substitution effects, etc. An international comparative study by the OECD (OECD 1993a, chapter 2, p. 58 ff.) does, however, come to the conclusion that higher spending on active labour market policy raises the employment-intensity of economic growth and tends to dampen the pace of wage growth¹¹. In general terms, the OECD study concludes that it is probable that the level of spending per participant plays a central role in determining the effectiveness of a policy measure.

Table 3: Overview of the Structure of LMP Spending in Austria

	1976	1984	1994 ¹
1. Labour market information (basic duties, information, customer service, advisory service)	34	1,251	3,160
2. Support for mobility (training and regional mobility)	337	885	2,037
3. Job creation (short-time working support, enterprise support)	160	720	1,373
4. Apprenticeship training and measures to prepare young people for working life	68	331	160
5. Support for the disabled	58	210	890
6. Support for foreign nationals	1	4	121
7. Bad weather allowance in the construction industry	-	344	535
8. Equipment (for training centres, accommodation)	88	24	80
Total active LMP	745	1,859	5,000
9. Unemployment and maternity benefit (passive LMP: unemployment benefit, emergency aid, short-time benefit)	4,953	14,437	46,135
Active/passive LMP spending	15.0%	12.9%	10.8%

Notes:
 Figures in million schilling (ÖS 13.09 = 1 ECU, April 1995)
 1 Central government proposal for 1994
 Sources: Labour Ministry programme budgets.

¹¹ The t value of the corresponding coefficient in the wage equation is 1.8 for Austria and with the right sign (-4.2).

Let us now look at the areas in which the resources for active labour market policy are deployed in Austria. As in many other countries, the lion's share, namely around two thirds of the entire budget for active measures, is earmarked for the activity of job placement in the wider sense of that term (1993: 0.12% of GDP) and further training (1993: 0.1% of GDP). Over time the Austrian Labour Market Service has developed a wide-ranging catalogue of activities in the fields of counselling (e. g. for women, foreigners, the disabled), placement and labour market information, containing a large number of innovative elements (e. g. the job-creation measure "Action 8000", "socio-economic enterprises" and "work foundations" [*Arbeitsstiftungen*], to mention only the most important)¹². However, as has already been mentioned, the quantitative resource input is modest.

On accession to the European Union, Austrian labour market policy became entitled to resources from the European Social Fund (ESF). At present it appears that funding totalling around ÖS 1.5 billion will be made available for targets 1, 2, 3, 4 and 5b¹³, corresponding to around 25% of national spending on active measures. This funding should be available by the summer of 1995, whereby the largest share of resources, around ÖS 1.1 billion has been earmarked for targets 3 and 4. Assuming that the principle of additionality is adhered to, spending on active labour market policy will rise by this amount.

Other instruments

Austrian labour market policy has sought to change labour supply in a variety of ways: (1) Between 1970 and 1975 the standard working week was reduced from 45 to 40 hours. (2) Total lifetime working hours were reduced by the introduction of a fifth week's annual holiday and easier access to early retirement via a disability or early old-age pension. There was a sharp increase in the incidence of both forms of labour market exit dur-

ing the 1980s (Biffel 1992): in 1979 approximately 4% of 50-65 year olds took early retirement (old age pension) and around 8% a disability pension, ten years later the figures were 8% and 15%. As a result, it is only in the Netherlands that the non-participation rates of 55 to 64 year olds are higher than in Austria. (3) As has already been mentioned (section 1), the supply of foreign labour has been subject to political regulation.

During the vital phase for the labour market between 1975 and the start of the 1980s, state-owned industry was called upon to cushion the decline in employment (labour hoarding). Not until the public sector itself encountered severe difficulties were significant cuts in workforce levels made in this sector.

The supply of part-time jobs, neglected by policy makers, has remained at an extremely modest level.

Overall, Austrian labour market policy has taken considerable steps to reduce labour supply, in the belief that this would serve to reduce the flow of labour into unemployment¹⁴. The knock-on effects of this approach, for example on the pension system, have forced a number of changes to be made in recent years – e. g. steps towards an increase in the effective age of retirement – however.

5. Macro-economic employment policy

The framework of international conditions for Austrian employment policy experienced a marked shift between the second half of the 1970s and the first half of the 1990s. The decision to peg the schilling to the D-Mark established a rigid link between Austrian interest rates and international developments; the most recent attempt to decouple the two failed in 1979. As a result the rise in real interest rates has led, in Austria as elsewhere, to heightened pressure on budget deficits and public borrowing. The consequence of this development was a change in priorities for Austrian economic policy: increasingly the aim of budgetary consolidation took on central importance.

Fiscal policy

Between the mid-1960s and 1992 the cyclical fluctuations in Austrian GDP – measured in terms of the amplitude of the cyclical components – were only half as strong as in West Germany, and only around one third of those experienced in the USA (Hahn/Walterskirchen 1992). The main reason for this is the particularly stable consumer spending trend exhibited by Austrian private households. This, in turn, reflects a stabilisation-oriented economic policy, the important role played by transfer income, and anti-cyclical saving patterns by private households, among other factors.

As far as fiscal policy is concerned, however, it is important to note that only once – namely in 1975 – did Austria pursue an active budgetary policy, i. e. consciously deployed deficit spending with the aim of stabilising employment levels (Rothschild 1993, p. 139). And even in this case the deficit had not been planned in advance; when the budget was drawn up strong real economic growth of 4% had been assumed, so that the expansionary effect only

12 Evaluations have been conducted of these individual instruments, which in general conclude that positive employment effects have been generated. For further details cf. Federal Ministry of Labour and Social Affairs – BMAS (1994).

13 The aims of EU structural policy are as follows: Aim 1: Promoting the development and structural adjustment of underdeveloped regions; Aim 2: Restructuring of regions, border areas and sub-regions seriously affected by declining industrial output; Aim 3: Countering long-term unemployment and facilitating the integration into working life of young people and those threatened with exclusion from the labour market; Aim 4: Facilitating the adjustment of workers to processes of industrial change and changes in production systems; Aim 5b: Promoting the development of rural areas by facilitating the development and the structural adjustment of such areas.

14 Theoretical considerations cast doubt on the long-term effectiveness of cuts in working time and early retirement with regard to the (equilibrium) rate of unemployment; this is due to the so-called "lump-of-output fallacy", i. e. the argument that work can be redistributed by such means only holds if output remains constant (Layard et al. 1991, chapter 10/7).

came about in the course of the fiscal year (Lehner 1982, p. 29). During the cyclical downturns of 1978 and 1981, the deficits arose due to the acceptance of reduced fiscal income; demand-supporting measures in the active sense were not employed. This may have been linked to the massive current account problems faced by the country in 1977, to which the Austrian government responded by imposing VAT on luxury articles (as a substitute for currency devaluation). Since then Austrian fiscal policy has been content, as far as its responsibility for employment is concerned, merely to allow the automatic stabilisers¹⁵ to function: the cyclical component accounts for not less than one half of the overall budget deficit (OECD 1993b).

This is largely due to the increased pressure to consolidate the budget. Between the mid-1970s and the start of the 1980s the national debt doubled to 40% of GDP; the current figure is just over 60%. During the second half of the 1970s it was largely the major deficits in the central government budget, in the 1980s primarily the two-percentage-point increase in real interest rates that forced up the national debt (Jäger 1992). Clearly the resulting positive interest rate-growth differential has restricted the scope for Austrian fiscal policy, a limitation the country was forced to accept by virtue of the link to the D-Mark.

As far as the question of whether Austrian fiscal policy has exerted pro-cyclical or anti-cyclical effects, the national study by the OECD (OECD 1995) concludes that: if "pro-cyclical" is taken to mean the combination of an increase in the structural budget deficit and a decline in the potential output gap, then Austrian fiscal policy was pro-cyclical in 1994. In other words, as capacity utilisation was rising towards full capacity, the (non-cyclical share) of the budget deficit continued to increase and was thus moving, as a consequence of discretionary policies, "in the wrong direction". Looking at the last twenty years, the report con-

cludes that while for some years no statistically robust evaluation could be made, in those years in which such an evaluation was possible, it was pro-cyclical policies that predominated¹⁶. Another study (Bartel/Pruckner 1992) comes to the similar conclusion that Austria's stabilisation policies do not exhibit pronounced anti-cyclical patterns: between 1973 and 1990 Austria's "full employment budget position" induced pro-cyclical effects in about one out of every two years.

Public employment programmes represent an additional way in which the authorities can seek directly to counter a deterioration on the labour market in the course of a recession. In the face of the 1982 recession the Austrian government initiated a programme which provided for additional capital spending of ÖS 5 to 6.5 billion for that year; the programme was expected to have an employment effect of 7,500 persons, or 0.3% of the workforce (excl. the self-employed) (Breuss/Walterskirchen 1982). With hindsight, this employment initiative has been described, with regard to its actual impact, as a purely symbolic act (Seidel 1993). A decade later, in the spring of 1993, the Federal Government presented its "Growth Initiative" (Walterskirchen 1993), involving a programme of investment in infrastructure, export guarantees, subsidised export credits and a temporary increase in tax allowances on investment. One billion schilling – the so-called "structural billion" – were to be devoted to improving skills, although in fact it was two years before this sum was actually spent. No sound empirical analysis of the employment effects has yet been conducted. The impact of this employment programme on the labour market is likely to have been modest, however, all the more so given that the various options created were not fully utilised. More generally, though, the use of fiscal policy in the 1993 recession was relatively successful in labour market terms; the so-called "second stage of the tax reform" brought about a discretionary

reduction in the tax burden on private households (ÖS 13 billion) and firms (ÖS 4 billion).

Wages and salaries

As will be shown in detail in section 6, Austrian wage trends are characterised by an extraordinarily high degree of real wage flexibility relative to the level of unemployment. Of the European countries, only Sweden and Switzerland exhibit greater flexibility in this regard (Pichelmann 1994). The highly coordinated wage bargaining at sectoral level usually generates wage settlements which – allowing for the subsequent negotiations at enterprise level – are in line with the sum of productivity growth and inflation. Austrian wage bargaining exhibits "solidaristic" elements to the extent that there is evidence for the view that branches do not orientate their wage settlements to their specific rate of productivity growth, but rather to the national average rate. Despite this, sectoral wage differentials remain very large, even in international terms, a fact which is likely to have retarded the process of structural adjustment in a number of branches (e. g. textiles, clothing, tourism): Austria has answered the question as to whether an advanced industrialised country "must" have, for instance, a domestic clothing industry in the affirmative.

Overall, Austrian industry has been able to maintain its favourable position in terms of unit wage costs vis à vis its leading trading partners, despite an annual, effective appreciation of the schilling in excess of 2%.

¹⁵ Unless fiscal policy takes counter action, fiscal revenue (for example from taxes) declines in the recession, while spending (for instance for higher unemployment) rises; the reverse effects occur during the upturn. These elements of the public budget thus exert an "automatic stabilising" effect on economic developments.

¹⁶ The evaluation of discretionary fiscal policy measures is subject to a large number of uncertainties, relating, for instance, to the effects of the budgetary position on the domestic economy, non-budgetary forms of financing, statistical problems, the output gap, questions of causality, etc., cf., for example, Jäger (1990).

This was possible due to very rapid productivity growth.

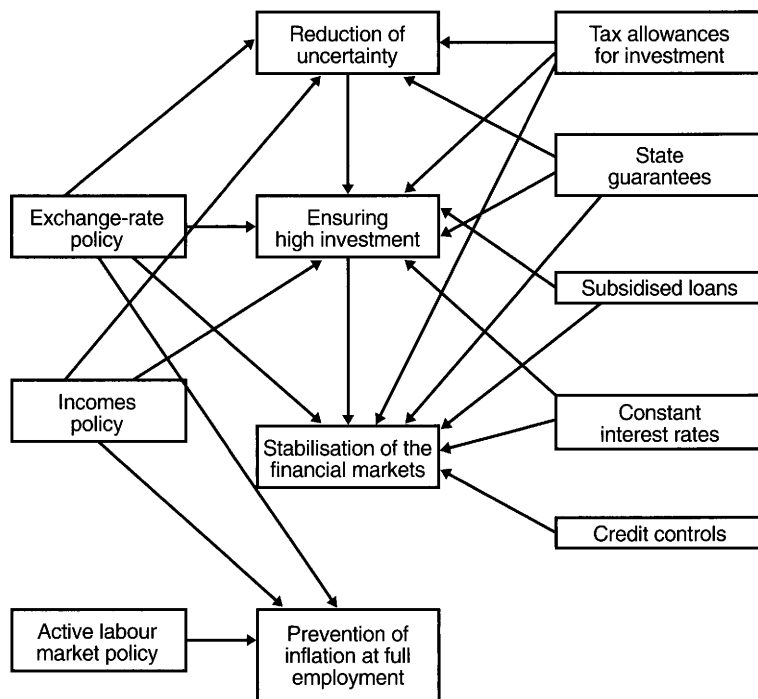
Of central importance for wage bargaining and economic policy in general is the "social partnership" on which Austrian bargaining structures are based.

6. Austro-Keynesianism and social partnership¹⁷

As in other countries, the post-war era, an extraordinary historical phase, came to an end in Austria with the economic crisis of 1975, marking a structural watershed. Despite rapid inflation – which peaked in 1974 at 9.5% – and negative growth, Austrian economic policy held on to the aim of full employment, at least until the start of the 1980s. The term "Austro-Keynesianism" was later coined to describe the policy mix deployed by Austrian economic policy, and it has indeed been an innovative system in many ways. What is to be understood by this term, one used in Austria with a mixture of pride and scepticism¹⁸?

Even from an Austrian point of view the question is not an easy one to answer; this may well be linked to the fact that in the mid-1970s Austrian economic policy adopted an extremely eclectic and pragmatic approach in attempting to overcome economic crisis¹⁹. What is certainly clear is that Austria did not react to cost-push inflation and contracting demand with a "classical" Keynesian programme. At the same time, it did deploy Keynesian instruments and retained much of the Keynesian perspective on economic policy (Rothschild 1993, p. 138 f.). An active policy of deficit spending in order to support the demand for labour, for instance, was only implemented in 1975; budget deficits were often accepted in a passive way, and certainly no attempt was made to prevent them (cf. section 5). The view taken by Austrian economic policy makers that an acceptable level of employment would not automatically result from the interplay of market forces, but required government intervention, on the other hand, was decidedly Keynesian.

Figure 4: The Interplay of Objectives and Instruments in Austro-Keynesianism



Quelle: Tichy (1982)

In addition to this underlying approach, the following three elements can be considered to be the most important innovations for an employment-oriented economic policy brought about by Austro-Keynesianism.

1. Austria has taken seriously the radical Keynesian argument concerning economic instability: uncertainty – and thus inevitably instability – are seen as inherent characteristics of the economic system. The policy aim was therefore to stabilise and render calculable those variables most important for the plans of economic actors (here parallels to monetarist economic policy are evident). The stabilisation of the expectations held by economic actors is to be achieved in a variety of ways; of these perhaps the most central has been the rather unorthodox way in which instruments have been assigned to different objectives.
2. Austria has never set money supply targets. Inflation was to be kept under control by means of a "hard-

currency policy"; this began informally in 1976, followed in 1982 by the formal decision to peg the Austrian schilling to the D-Mark (Ger-

¹⁷ On this topic cf. *Wirtschaftspolitische Blätter* 3/1982 ("Der Austro-Keynesianismus"); Arndt 1982a; Weber/Venus 1993; Marin 1982; Gerlich et al. 1985; Talos 1994; *Wirtschaftspolitische Blätter* 5-6/1994 ("Wirtschaftsordnung und Sozialpartnerschaft im internationalen Wettbewerb"); Gerlich 1995.

¹⁸ One of the actors involved, if not the most important, the Social-Democrat Chancellor Bruno Kreisky, gave the concept, having reluctantly accepted it, a peculiar, negative definition: "Austro-Keynesianism has as much to do with Keynes as Austro-Marxism with Marx, namely nothing" (quoted in Seidel 1993, p. 145).

¹⁹ To a foreign observer, the situation appears as follows: "Austrian policy makers ... have show an ability unmatched elsewhere to pull the right trick at the right time. It is their pragmatism and their willingness to be eclectic that elicits our admiration. In some countries ideology has banished rationality from the policy-making process, while in others labor and capital have fought zero-sum distributional wars. Whether Austrian policy was guided by monetarist or Keynesian precepts is probably less important than its consistent ability to match means to ends and to keep its focus on result rather than appearance" (Arndt 1982b, p. 6).

many is Austria's most important trading partner). The effects on the balance of payments were considered to be of secondary importance. This policy served to reduce revenue uncertainty for many export firms. At the same time, the nominal, effective appreciation of the currency served as an "adjustment whip" for the sector exposed to international competition. The counter-inflationary effects of this policy were seen as a signal to the trade unions to exert wage restraint and, in particular, not to undermine the competitiveness of firms operating on international markets. Parallel to this, supply-side measures sought to ensure a high level of investment as a share of output: tax incentives for investment, export credits and guarantees (particularly for trade with Eastern Europe) and subsidised loans all aimed to reduce the extent of cyclical fluctuations and thus also to stabilise expectations²⁰. More generally, government intervention measures have consistently sought to prevent the initiation of negative cumulative effects during recessions. As can be seen from Figure 4, the multifunctionality of the instruments used constitutes an additional important characteristic of Austro-Keynesianism.

3. Many consider Austria's most important contribution to Keynesianism to be its incomes policy based on social partnership. In practice this means that the Austrian Trade Union Federation (ÖGB) has consistently seen its wage bargaining approach in terms of a macro-economically oriented incomes policy²¹, in which wage bargaining is an integral part of price and taxation policy. Because the state, as far as was possible, guaranteed the trade unions that inflation would remain modest – not least due to the hard-currency policy, which enjoyed union support – and offered them some influence over employers' price behaviour (via the price committee of the Bipar-

tite Commission), they were able to exert a direct influence on their real wage target. Annual wage rounds made explicit reference to price trends, (macro-economic) productivity growth, forecast economic growth and, indirectly, to the situation on the labour market²².

Seen from an economic perspective, the social partnership has also served to reduce uncertainty. The annual "repeated, cooperative tripartite positive-sum game" between government, employers' federations and unions contains certain aspects, at least, of an implicit wage-price contract. In exchange for wage moderation on the part of the unions during periods of rapid economic growth, employers offer to reduce the speed

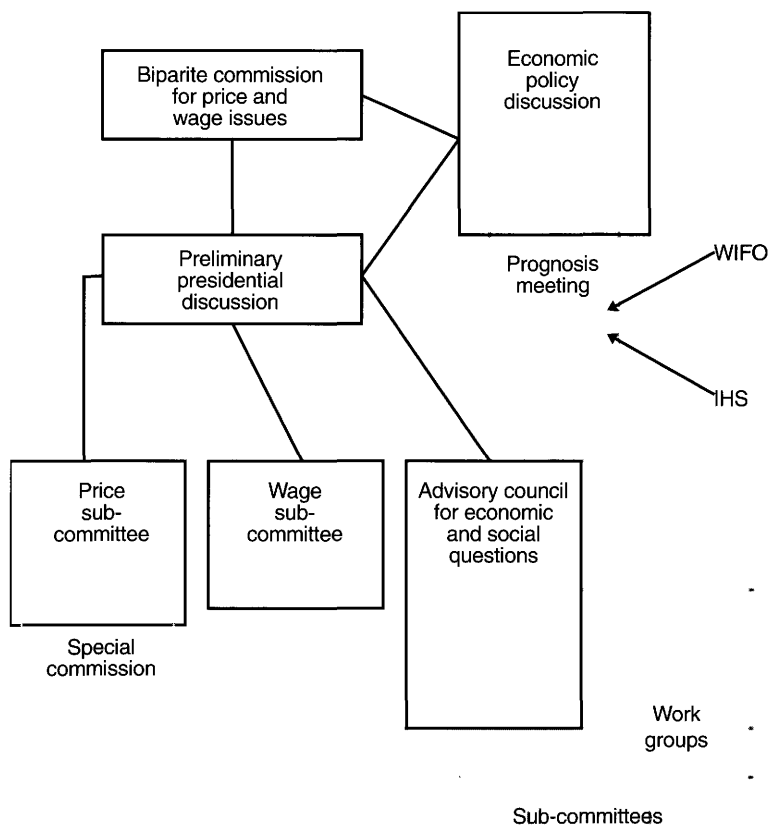
with which they adjust workforce levels in the downswing. The stabilisation of the income and employment

20 As a result of these measures Austria exhibits a very high investment share, amounting to around 25% of GDP during the 1980s, considerably higher than in the EU and far in excess of investment in the USA.

21 "... the Austrian stabilization policy did not try to improve the trade-off between inflation and unemployment by weakening the trade unions and making the labour market more competitive. On the contrary, it used the power of a centralised system of labour representation to introduce general economic reasoning into the process of wage determination" (Seidel 1982, p. 17).

22 The extraordinarily high degree of real-wage flexibility with respect to unemployment is clear evidence of the macro-economic orientation of the ÖGB (Pichelmann 1994, p. 312). Only once, namely in 1975, did nominal wages overshoot the target, and this was due to incorrect expectations.

Figure 5: Basic Structure of the Bipartite Commission for Price and Wage Issues



Note: The figure describes the basic structure as it existed in the 1960s and 1970s. In the wake of the most recent institutional reform (23.11.1992), the price sub-committee has been assigned to the long-neglected field of competition policy (the task of which, however, was until recently largely that of protecting firms from competition). In addition, a permanent committee for environmental questions and an additional sub-committee for international questions were set up.
Quelle: Marin (1982).

situation serves to stabilise expectations. On top of this comes a retarding effect: the relatively time-consuming procedure of applying for approval for price increases before the price sub-committee of the Bipartite Commission has prevented price increases overshooting. The same is broadly true of the procedure by which the social partners at sectoral level are allowed to enter into wage negotiations by the wage sub-committee.

In concluding this section a number of other factors of a socio-economic or indeed socio-cultural nature need to be mentioned. Neo-corporatist political systems, of which Austria's economic and social partnership is a particularly comprehensive form, are characterised by a "special relationship" between the state and the organisations representing the interests of labour and capital. The former has an interest in a cooperative resolution of social conflict potential and supports conflict-avoidance procedures by underpinning bipartite problem-solving through its fiscal, labour market, monetary and exchange-rate policies. The option of shifting the level at which problems are to be solved – from the state to the social partners and vice versa – at any time eases the burden on both the state and the social partners. Real distributional questions are explicitly excluded from the negotiations and the proponents of this "cooperative, concerted policy" see themselves as participants in a "growth coalition" with a long-term time horizon, the aim of which was to distribute the fruits of success. This quickly led to the view among the social partners that they are both "sitting on the same branch". This fact was very much in tune with Austria's desire for harmonious social relations, which, understandably enough following the experiences of the inter-war period, which culminated in civil war, was very pronounced.

The centralisation and concentration of interest articulation are further, necessary conditions of this po-

litical system, as the interests of each group must be rendered uniform and competition within the various federations in each camp must be prevented²³. The "voluntary" nature of participation, exclusiveness, and the quantitative restriction on the groups involved to just 20 to 30 voting individuals, the informal decision-making processes and the necessity of reaching a unanimous verdict are all further features of this Austrian "quarter-century provisional arrangement" (Marin 1982).

7. Summary and outlook

From an international perspective the problems facing the Austrian labour market may not appear particularly dramatic, all the more so in view of the importance of seasonal unemployment for the overall figure. From an Austrian point of view, however, the steady rise in the structural components of unemployment gives cause for concern. Active labour market policy, which is seriously under-financed and lacking a longer-term, systematic, underlying approach, is potentially of central importance in this regard. Positive elements that should be mentioned in this context are the innovative elements of the measures implemented within the framework of the so-called "experimental" labour market policy. In addition, Austrian labour market policy has made extensive use of steering instruments to influence labour supply. These include easier transition to retirement, instruments to steer the supply of foreign labour and the instrumentalisation of state-owned industry as an employment buffer.

In view of the increase in the public debt, however, an employment-oriented fiscal policy has found it increasingly difficult to prevent cyclical unemployment. Having said this, it seems that Austrian fiscal policy has not fully exploited the scope for anti-cyclical taxation and spending policies. The automatic stabilisers were, however, allowed to make their effects felt in a comprehensive way, which, among other factors, has helped to keep the amplitude of cycli-

cal fluctuations in Austrian within narrow limits.

In general terms it can be concluded that it has been the passive, reactive elements of Austrian labour market and employment policy that have been predominant.

Any explanation of the low rates of unemployment in Austria must therefore point to other elements, in particular to institutional factors. In the final analysis, it is the aim of the political system based on social partnership described in the previous section to integrate and coordinate the different fields of economic policy action such that policy objectives are mutually complementary rather than mutually exclusive. It is interesting to note that this integration is now being paralleled at EU level in the form of the closer cooperation between the ECOFIN Council and the council of labour and social affairs ministers, a decision taken at the European Council held in Essen in December 1994. In this context Austria is in a position to contribute to the process of integration by incorporating its many years of experience with the social dialogue between government and the representative organisations of employees and employers.

While it is clear that the institutions of economic and social partnership impose a considerable number of "rigidities", in the sense that they serve to delay and mitigate the impact of pure market forces, the net effects on employment and growth trends are almost certainly positive, as the built-in elements of inertia prevent expectations and price and quantity adjustments from overshooting, particularly during the downturn, and thus help to reduce the incidence of cumulative destabilisation processes. The resulting problems of structural change in Austria have been solved "internationally": via the hard-currency policy in the case of the sector exposed to international

²³ Even so, from the very outset, i. e. in the 1950s, reservations about the principle of social partnership have been brought forward regarding its implications for democracy and the constitution.

competition and by accession to the EEA and the EU for those areas previously sheltered.

As in other countries, Austria experienced a marked downturn in economic activity in 1993. In the wake of the recession, the tax reforms of recent years – that had significantly eased the tax burden on both private households and firms – and not least the disproportionate (with respect to GDP) rise in transfer payments (resulting from, among other things, the introduction of the second year's leave or the care allowance) meant that the net central government deficit climbed to 4.7% of GDP in 1993²⁴ and to over 5% in 1994. For 1995 these strains on the budget will be exacerbated by the payments Austria is called upon to make on joining the EU; Austria will be a net contributor to the Union. Outstanding public debt has risen to more than 63% of GDP, another indicator with respect to which Austria currently fails to meet the criteria set out in the Maastricht Treaty.

An austerity package, initially focusing on savings on the spending side, has been introduced to halt the budgetary trend of recent years. A so-called "structural adjustment law" involving spending cuts and measures on the revenue side is currently being implemented, although it will have no serious – positive or negative – effects on labour market policy; a number of restrictions on benefits are under consideration, however. More generally, the measures have clearly been conceived with a view to the necessities of an "empty public purse". At no time during the discussions surrounding the implementation of the coalition agreement for 1995 was an increase in spending on active labour market policy seriously considered, for instance. Other measures originally foreseen under this agreement have had to give way to the objective of budgetary consolidation.

With regard to the prospects for Austrian labour market and employment policy, it is important to note that in recent years Austria's employ-

ment-oriented economic policy has come under pressure from a number of sources.

1. The intractability of unemployment is increasing from one business cycle to the next, making labour market policy activities both more necessary and more difficult. Meanwhile the scope for employment policy has narrowed significantly.
2. Especially since the discussions surrounding the coalition government's austerity package, there have been signs of a degree of uncertainty on the part of both the government itself and the social partners concerning their respective roles. In April 1995 a long-serving finance minister resigned, along with other members of the government, remarking that he wished Austria would have a finance minister against whom the leadership of the trade union movement would not have to demonstrate. Long-established – in both a positive and negative sense – patterns of action within the political system no longer appear practicable, at least in the form in which they have functioned until now. It appears that the shifting of the level at which problem-solving strategies are applied between government and the social partners now only functions at the cost of considerable friction. Moreover, both partners are currently only performing their functions to a limited extent, defending this position with reference to the inactivity of the other side. Creeping, although not explicitly formulated doubts are being raised about certain institutions, without an open public debate on the strengths and weaknesses of the Austrian political system. Both actors, the government and the social partners, currently appear weakened, albeit for different reasons. This fact is clearly shown by the austerity package, which lacks any trace of innovative and active measures to address the problems facing the country, and which does not perceive with suffi-

cient clarity, not to mention seriously address, the real problems of the Austrian employment system – such as seasonal unemployment or the prevailing distributional injustices.

To some extent the current signs of a crisis within the Austrian political system may reflect the fact that Austrians have simply "forgotten" how to deal with the underlying issues of social distribution and/or are now incapable of discussing them openly. This problem is now becoming apparent as growth rates slow. There is some preliminary evidence that Austria is beginning to move away from corporatism towards a form of "lobbyism" (Gerlich 1995). The consequences of such a shift are impossible to foresee at present.

3. Membership of the European Union is also likely to have contributed to the prevailing uncertainty as it places the relative positions of the various social actors in a new framework, one to which Austrians have yet to adjust. The transition to the planned economic and monetary union (via the convergence programmes), for instance, has already served further to restrict the scope for national economic policy, while at the same time the existing scope for action – e. g. in the form of an active and innovative education and labour market policy – has not been clearly perceived by either the government or the social partners and thus remains unexploited. In addition, Austria is now increasingly expected, as a full member of the EU, to take up positions in the debates taking place within the Union. While it is clearly inadequate merely to proceed on the basis of existing positions – e. g. with respect to the five key areas of the European Council in Essen – there is still no sign of public debate on such issues in Austria.

²⁴ The impact of the automatic stabilisers on budgetary flows in 1993 was very significant, accounting for more than two thirds of the rise in the deficit (Lehner 1994).

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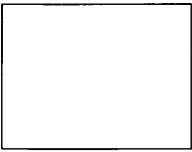
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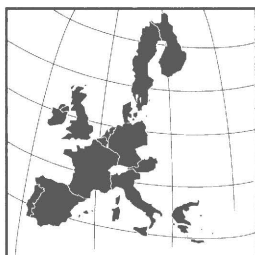


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EMPLOYMENT OBSERVATORY



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

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The series inforMISEP "Policies" presents those measures, policies and instruments adopted by the Member States which are aimed at promoting and improving employment within the European Community. The reports are compiled on the basis of information provided through the Mutual Information System on Employment Policies (MISEP). MISEP was created to meet the need for an exchange of information on employment policies and institutions within the European Community. A bulletin of recent developments in employment policies is published quarterly in English, French and German. Basic Information Reports describing the national employment institutions, measures and procedures in each Member State are updated and published periodically. In addition, comparative reports on the effects of labour market policy measures will be published at regular intervals.

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The aim of the series on "East Germany" is to present analytical and up-to-date information on the transformation process and its implications for the labour market in the one part of the former Eastern Bloc which has already become a part of the European Community: the new German Federal States (Länder). The publication is addressed to persons and institutions in Western, Central and Eastern Europe who have an interest in the transformation process from a planned to a market economy. This newsletter is published quarterly in German, English and French.