

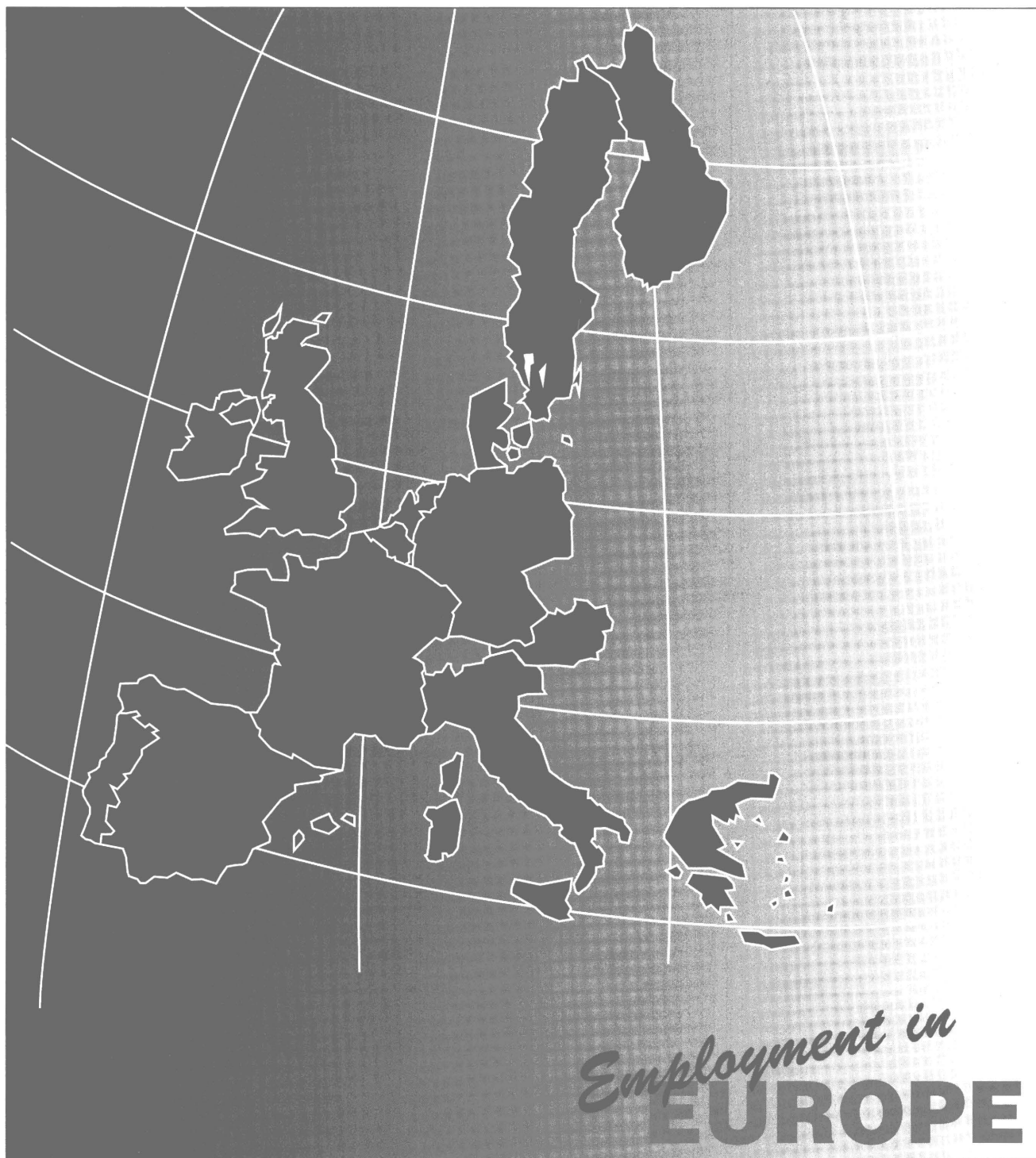
EMPLOYMENT OBSERVATORY

Policies

51

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

Autumn 1995



Employment in
EUROPE



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

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Developments at a Glance

- Austria:** The Federal Ministry of Labour and Social Affairs has set labour market policy targets for the Labour Market Service, which was reorganised in July 1994. The aims include the return to full employment and the maintenance and extension of the welfare state.
- Belgium:** The main axes of the labour market policy section of the programme of the new Belgian federal government aim, among other things, to raise the level of employment, reduce unemployment, to maintain and, at the same time, modernise the welfare state and to ensure that Belgium plays an active role in European integration.
A Royal Decree has specified the provisions in the Plan to Promote the Recruitment of the Unemployed for a reduction in social insurance contributions.
The Guidance Plan for the Unemployed, developed with the aim of preventing long-term unemployment and integrating the unemployed into the labour market, has been extended by a new cooperation agreement between the state and the regions, and a number of details have been changed.
- Germany:** More than DM 3 billion are to be saved in both 1996 and 1997 as a result of changes in the conditions of entitlement to unemployment assistance (e.g. increased referral of unemployment assistance recipients to job creation measures, more stringent controls on claimants' personal assets, change in the concept of the reference wage and the abolition of "original" unemployment assistance).
- Spain:** The initial evidence suggests that the comprehensive labour market reform is supporting the upturn of the Spanish economy and labour market.
A review of the vocational training system illustrates its various components and shows the increased emphasis on vocational training within the educational system.
- France:** Under an Emergency Employment Plan measures are to be introduced to reduce wage costs and social insurance contributions for the long-term unemployed and to provide for a special reduction in social insurance contributions for low-wage labour and greater support for intermediary associations.
A far-reaching cooperation agreement has been reached between the employment service and the organisations representing temporary employment agencies with the aim of generating additional employment opportunities for job seekers.
- Ireland:** A new Maternity Protection Act – which also covers adoption – is to regulate maternity leave and offers a guaranteed return to the employee's previous job.
An evaluation of job creation and training programmes co-financed by the European Social Fund shows that positive effects have been induced, but that the programmes are inadequately focused on their central targets.
- Italy:** New regulations have been introduced governing the distribution of resources from the development fund in support of labour market policy programmes in crisis areas.
Increased support is to be provided for young entrepreneurs, particularly for those operating in the cooperative sector under a decree-law.
- Portugal:** Support has been offered for employers recruiting young people in their first job and long-term unemployed youth contracts in the form of a cut in social insurance contributions and a wage cost subsidy.
A programme for local development initiatives provides investment and wage cost subsidies and loans at preferential interest rates for very small enterprises.
- United Kingdom:** Private employment agencies must no longer apply to the Employment Service for a licence; the inspection and supervisory rights of the authorities remain in place, however.
At the start of July the Department of Employment was merged with the Department of Education. A number of the functions of the former Employment Service are now also to be performed by the Department of Trade and Industry and the Department of the Environment.

EMPLOYMENT OBSERVATORY Policies



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CORRESPONDENTS

Belgium: Joseph Remy (Ministère de l'Emploi et du Travail)

Denmark: Karen Thrysoe (Arbejdsministeriet)
Germany: Jochen Jahn (Bundesministerium für Arbeit und Sozialordnung), Detlef Hein (Bundesanstalt für Arbeit)

Greece: Ekaterini Kritikou (Ministry of Labour)

Spain: Delmira Paz Seara Soto (Ministerio de Trabajo y Seguridad Social)

Finland: Tuuli Raivio (Ministry of Labour)

France: Henri Roux (Ministère de l'Emploi), Claudine Elhaïk (Agence Nationale pour l'Emploi)

Ireland: Vincent Landers (Department of Enterprise and Employment)

Italy: Mariarosaria Damiani (Ministero del Lavoro e della Previdenza Sociale)

Luxembourg: Jean Hoffmann (Administration de l'Emploi)

Netherlands: Ronald van Bekkum (Arbeidsvoorziensorganisatie)

Austria: Johannes Schweighofer (Bundesministerium für Arbeit und Soziales), Marius Wilk (Arbeitsmarktservice)

Portugal: Victor Viegas (Ministério do Emprego e da Segurança Social)

Sweden: Mats Wadman (Arbetsmarknadsdepartementet), Palle Landin (Arbetsmarknadsstyrelsen)

United Kingdom: Graham Archer (Department of Employment), John Frankham (Employment Service)

EUROPEAN COMMISSION

Sergio Piccolo (DG V/A/2)

MISEP-Secretariat:

I. A. S. Institute for Applied Socio-Economics

Novalisstrasse 10, D-10115 Berlin

Tel. +49-30-2 82 10 47, Fax +49-30-2 82 63 78

Angelika Zierer-Kuhnle; translation: Max Guggenheim (French), Andrew Watt (English)

Scientific director: Peter Auer

Wissenschaftszentrum Berlin für Sozialforschung (WZB), Research Unit Labour Market Policy and Employment (responsible for evaluation): Günther Schmid, Peter Auer, Klaus Schömann; Karin Reinsch

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Overall Developments

Belgium

The Main Axes of the Belgian Federal Government Programme – Labour Market Policy

At the end of June 1995 the Belgian prime minister presented the main axes of the Federal Government's programme to parliament. Among other things, the programme described the focal points around which the new federal government intends to develop its labour market policy.

Government policy in general

The government's programme seeks to offer clear perspectives for greater well-being, higher employment, and greater social solidarity and "viability". For this reason the federal government intends to do all in its power to realise the following aims:

- higher employment and considerably reduced unemployment by encouraging the creation of more new jobs, a better distribution of work and alternative forms of working;
- the creation of a "viable" society by strengthening the social fabric, sustainable development, the quality of life, consumer protection, an harmonious family policy and the fight against social exclusion, all these elements focusing on a dynamic policy of urban renewal;
- modernisation of the social security system with the aim of adapting it to new economic and social conditions and a continued guarantee of comprehensive social security for the population;
- a rigorous fiscal policy;
- an active role for Belgium as a motor for European integration;
- a reinforcement of the rule of law and a constant improvement in democracy, offering all individuals

the maximum scope for participation and self-development.

Labour market policy

Employment remains the essential basis for the integration and social identity of citizens, and an essential element of social cohesion. For this reason employment promotion has been accorded absolute priority by the federal government. Drawing inspiration from the main thrust of the Community White Paper and the outcome of the European Council at Essen, the federal government will pursue a dynamic policy to promote employment.

In collaboration with the regional authorities and the linguistic communities and in cooperation with the social partners, a medium-term employment plan is to be drawn up containing a wide range of concrete measures. These concrete plans will be articulated around five central pillars:

- reduction in labour costs;
- redistribution of work;
- greater flexibility in labour market organisation;
- development of the "social economy" and of employment at local level;
- training and retraining.

The implementation of the medium-term employment plan will be the subject of annual tripartite discussions between the federal government and the social partners. A Higher Employment Council (*Conseil supérieur de l'Emploi*) is to be created, the aims of which are as follows:

- to monitor the implementation of the medium-term plan;
- to draw up an annual employment report containing its opinion on the implementation of the plan;
- to examine proposals aimed at promoting job creation such as those formulated by international organisations and to give an opinion on their applicability in Belgium.

On publishing their annual accounts, firms are also to present a social re-

port in which they are to record employment trends, training efforts and the effect on the firm of various employment incentives. This social report is to be discussed by the works council and is to be presented to the relevant bipartite commission with a view to evaluating the employment situation in that particular sector.

1. Reducing labour costs

In order to retard the substitution of labour by capital and to encourage the maintenance and the creation of employment in labour intensive areas of activity, the federal government considers it necessary to lower total labour costs by reducing employer contributions to the social security system. The net overall cost of this reduction in employer contributions will have to be met by an alternative form of social security financing. The following measures have been confirmed:

- the existing Maribel provisions (cf. BIR.B-i.3);
- the plan for the recruitment of the long-term unemployed (cf. BIR.B-v.7);
- the plus-one plan (cf. BIR.B-v.6);
- the spring board jobs (cf. BIR.B-vi.1).

The cut in employer contributions for low-income workers (cf. BIR.B-ii.3) will also be maintained and extended.

The content and the employment effects of the enterprise work redistribution plans (BIR.B-vii.4) and the sectoral employment promotion agreements (BIR.B-i.5) will be evaluated in agreement with the social partners. On this basis research is to be conducted into a system of new agreements under which, by means of simplified procedures, a significant reduction in contributions will be linked to work redistribution, leading to higher employment.

2. Redistribution of work

The federal government intends to extend the instruments currently de-

ployed to promote a redistribution of the existing work volume, notably by means of various forms of part-time work and career interruptions (BIR.B-vii.2). Preferably this development will emerge from negotiations between the social partners and, if required, by amendments to labour law initiated by the federal government.

Effective forms of work redistribution will be encouraged. Part-time employment should be expanded as a proportion of overall employment so as to reach the European average; this implies greater efforts to integrate part-time working practices within overall work organisation. In the longer term this could lead to a generalisation of the right to part-time work and to a career break.

This would require:

- the progressive installation, in agreement with the social partners, of a right to part-time work, one which takes account of the specificities of each firm;
- an improvement in the status of part-time workers with a view to avoiding any disadvantage resulting from the option to work part time;
- joint action with the linguistic communities and regions in order to coordinate policies relating to part-time work;
- incentives for employers in the form of a more than proportional decrease in social insurance contributions for part-time workers where this is linked to the creation of additional jobs;
- research into ways of encouraging workers to opt for part-time employment;
- support for a flexible transition between paid employment and retirement, notably by treating early retirement on a part-time basis more favourably than complete early retirement.

A broader spectrum of options with regard to career interruption is to be developed, one which includes half-day working, four-day week, 3/4 jobs etc. The system of incentives already in operation will be evaluated and

adapted with a view to supporting these schemes.

3. *More flexible forms of work organisation*

The federal government intends to stimulate employment by facilitating more creative and flexible forms of labour market organisation. This increased organisational flexibility must address the needs of both firms and workers. Preferably this development will emerge from negotiations between the social partners and, if required, by amendments to labour law initiated by the federal government.

The National Council of Labour will be asked to give its opinion as to how this greater degree of flexibility of work organisation is to be achieved by means of uniform and/or simplified regulations and procedures.

The possibility of linking effective work redistribution models and the transition to the four-day week with an amendment to the law on weekend work is to be examined.

The proposed law relating to domestic work is to be finalised. Particular attention is to be paid to tele-working and long-distance forms of work.

4. *Development of the social economy, local employment and the "private social sector"*

Employment responding to new social needs – which are currently all too often met by moonlighting – will be promoted. To this end, the government intends to begin by evaluating the ways in which existing structures, institutions and instruments function, whereby all forms of unfair competition are to be avoided.

In order to exploit fully the new employment opportunities arising in the socially oriented private sector, it is to be examined whether all the employment-promoting measures are to be grouped together in a single plan specifically for employment in the "private social sector" (*secteur marchand social*). This would require that the regional authorities and the linguistic communities agree that any

reduction in social insurance contributions be used in full to finance additional employment. The "private social sector" is to be recognised and fully incorporated into the social dialogue.

In order to maximise the possibilities of the social economy, the law on non-profit firms and associations is to be made operational within the shortest possible space of time. Active encouragement is to be offered for firms' attempts at social integration (insertion). The amendment of the law pertaining to public markets is to be examined with a view to improving access for firms in the social economy.

The system of local employment agencies (*agences locales pour l'emploi* – cf. BIR.B-iii.13) will be evaluated and, if required, modified in order to increase its effectiveness in responding to these new social needs.

Finally, the federal government will examine the creation of a voluntary community service. Specifically, it will draw up a legal status for such volunteers.

5. *Support for training*

An important factor in increasing employment prospects is improving the labour market orientation of apprenticeship and retraining, both within enterprises and in training centres and educational establishments. Apprenticeship and training are very largely the responsibility of the regions and the linguistic communities. The federal government is seeking to cooperate with them in order to examine how the supply of training opportunities can be improved and rendered more appropriate to the labour market situation.

The efforts of the "*plan d'accompagnement pour les chômeurs*" (guidance plan for the unemployed) must be intensified with the aim of reinforcing the link between unemployment benefit and the training efforts made.

In collaboration with the social partners the federal government will examine the possibility of consecrating a proportion of the resources

Overall Developments

available for training to specific training efforts for young people. Return-to-school, apprenticeship and work-training models are to be promoted.

6. Unemployment insurance

Entitlement to unemployment support benefits must be more closely linked to efforts towards training, re-training and reinsertion. In this way unemployment support benefits are to become a dynamic instrument within an active employment policy. In this context the definition of "acceptable employment" (*emploi convenable*, i.e. work that an unemployed person can be expected to take, otherwise he or she runs the risk of loss of entitlement) may need to be widened.

The special credits for the unemployed (cf. BIR.B-v.13) will be re-evaluated and refinanced in order to encourage the unemployed to take up self-employment by providing appropriate guidance. In the interest of reinserting the unemployed with the help of unemployment-reduction programmes, the anomalies in the unemployment regulations are to be removed.

Another element, the labour market reform initiated by the Spanish government this year, has undoubtedly supported the positive development on the Spanish labour market. This fundamental and comprehensive reform, characterised by its all-encompassing and balanced nature, has brought about important changes in the institutional framework. It will be recalled that the basic objective was to create and redistribute as many jobs as possible by introducing greater flexibility into labour relations; this, in turn, was to enable firms to adapt to the changing economic situation while maintaining the maximum level of employment.

As has been underlined by most labour market experts and specialists, it is still too early to analyse in full all the implications of this reform, especially in certain highly complex areas involving major changes in labour relations or requiring normative developments in which the social actors are to play a leading role. Nevertheless, we believe that the analysis of the indicators currently available points to positive developments.

The data on employment trends in 1994 and the first months of 1995 indicate that the contraction of employment registered in the three previous years has been stopped. This fact confirms the positive effect of both the labour market reform and the favourable development of the economy.

This change in trend is reflected in all the statistical sources on labour market developments: the data on labour movements registered by the offices of the INEM, the membership statistics of the social security institutions, the estimations based on the survey of the economically active population and the information derived from tax office sources on wage and salary taxes.

INEM data on the labour market, particularly those on labour movements, which are registered there on a monthly basis, indicate that in 1994 almost 6 million (5,939,207) recruitments occurred, 22% more than in the previous year; this is the highest

figure ever recorded by the Institute. This trend has not only been maintained, but has accelerated during the current year: in the first five months of 1995 recruitment levels were 40% up on the same period the previous year.

Particularly predominant among the vacancies registered as filled by the INEM offices have been the new forms of recruitment introduced by the reform. Of the employment contracts reached for almost 1,250,000 persons in 1994, 208,975 were apprenticeship contracts, 50,962 practical training contracts and 935,428 part-time contracts. During the first five months of this year even more intensive use was made of such contracts: 76,469 apprenticeship contracts, 29,727 practical training contracts and 441,085 part-time employment contracts were signed. These figures clearly show that firms are making widespread use of these contractual possibilities.

Linked to this positive trend in terms of vacancies filled is the decline in registered unemployment. Between January 1994 and May 1995 – the most recent figures available – the number of persons registered unemployed with the INEM fell by 309,804 (11.2%). If the unemployment statistics are analysed on a month by month basis it is apparent that unemployment fell every month with the exception of February, September, October and November 1994 and January 1995. It is normal for unemployment to rise in these months, as young people who have completed school or studies have to be integrated into the labour market and the summer and Christmas holidays come to an end.

An additional important fact confirming the success of the training and part-time employment contracts is the decline in youth unemployment. Since January 1995 the number of unemployed young people aged less than 25 has fallen by 20%, a reduction of 173,803.

The statistics on registered members of the social security system con-

Spain

The Spanish Labour Market Reform: Preliminary Evaluation of its Effects on Employment

The recovery of the Spanish economy that had begun during the second half of 1993 continued during 1994. The leading economic indicators now suggest that the recession is over and that an expansionary phase has begun, initially based on export demand, but one that has been stabilised by the positive developments in domestic industry, construction and services. In this sense the continual rise in the leading economic indicators is significant.

firm the positive labour market trend indicated by registered labour movements. In 1994 the number of registered members of the social security system rose by 200,600 on the previous year. This trend has continued in 1995; in May of this year 337,800 more were affiliated than in the same month the previous year.

With their responsible approach to collective bargaining, the social partners, who are to play a decisive role in raising the level of employment, brought about a significant moderation of labour costs during 1994. This is evident from recent wage trends and the consumer price index. In 1992 the consumer price index rose by 5.9% and wages by 7.3%; in 1993, too, wages rose faster than consumer prices (5.5% compared with 4.6%). In 1994, by contrast, consumer prices increased by 4.3%, while wages rose by just 3.5%.

On the basis of this evidence, a preliminary evaluation of the labour market reform confirms that it has had a beneficial impact on employment, particularly for those groups facing the greatest difficulties in obtaining employment (youth and the long-term unemployed). Moreover, the INEM has expanded its role as a placement agency, raising its market share from 7% to 12% (the percentage figures refer to placement resulting from the direct intervention of the National Employment Institute).

The temporary employment agencies, another innovation introduced by the labour market reforms in order to increase the flexibility of labour relations (cf. iMi 50), constitute another fundamental instrument in what might be called external flexibility by affecting the mechanisms of labour market entry. The available data enable us to be optimistic about their operations.

Between July 1994 and March 1995 the number of contracts placing agency workers at the disposal of user firms rose to 103,160. Particularly significant is that the number of such contracts has risen continuously from month to month.

The contractual modes most frequently utilised by the temporary employment agencies were as follows:

- motives relating to unforeseen market circumstances, accumulation of work and excess orders; these were the reasons behind 53% of such contracts;
- recruitment for specific, limited tasks and services accounted for 37.7%;
- the remaining 8.9% involved filling in for absent workers with a right of return to their positions, or temporarily filling vacancies during selection or promotion procedures.

A total of 208 authorised temporary employment agencies are currently in existence, of which 51 have job centres in a number of provinces or autonomous areas, 70 limit their activities to the autonomous area responsible for their authorisation, and the remainder operate within just one province.

For their part, the employers and employees, through collective bargaining, have adapted the general legal framework to prevailing necessities. An example of this is the signing of the first state collective agreement on temporary employment agencies. This is the most important step since the legalisation of such agencies and shows that this is the best way to safeguard the rights of workers without prejudicing employment. It is evident that the awakened interest in all sectors has contributed to an enrichment of the labour market, to the success of such agencies and, last but not least, to more employment.

So far, and with due caution in view of their only recent introduction, we believe that the temporary employment agencies are developing very positively. They are the foundations which will enable flexibility to be increased. Clearly, though, their future development and the role they will play in labour market policy measures will depend not least on the way in which collective bargaining proceeds.

France

Urgent Action Plan for Employment

At the start of July the French government introduced urgent employment promotion measures consisting of four parts: the employment initiative contract (*contrat initiative d'emploi*), measures to promote youth employment, a reduction in employer social insurance contributions for low-wage workers and the creation of new jobs.

1. The employment initiative contract (CIE)

Initial situation

The return of positive economic growth has not had a significant effect on long-term unemployment: in April 1995 1,227,500 persons had been out of work for more than one year.

The average duration of unemployment has continued to rise inexorably: in April 1995 the average duration was 416 days, an increase of 37 days in the space of just one year.

Planned measure

Recruitment of a long-term unemployed person (out of work for at least one year) under a permanent contract or a fixed-term contract of at least one year will entitle the employer to:

- total exemption of employer contributions to the social security system for that share of the wage corresponding to the national minimum wage (SMIC) for a period of two years;
- a state grant of FF 2000 per month for a period of two years.

The measure is equivalent to a reduction in overall costs of 40% for a worker receiving the minimum wage. By extension, the measure is also to apply to unemployed recipients of minimum social benefit (RMI) and to the disabled. The exemption from social security contributions is permanent for the long-term unemployed

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aged over 50. The aim of the measure is to recruit 350,000 unemployed annually on employment initiative contracts (compared with 180,000 return-to-work contracts in 1994).

Procedures

- The procedures for implementing the measure are the same irrespective of the duration of unemployment. Quotas linked to enterprise size are not to be imposed. Twice a year a report is to be presented to the works council and employee representatives; a quarterly report is to be made to the departmental committee for vocational training, social improvement and employment (CODEF) and a twice-yearly report to the Higher Employment Committee. Firms which have shed labour during the last six months are excluded from participation in the CIE.
- Two forms of support that have proved difficult to implement have been abolished: the return-to-work contract (CRE) and the employment contract for recipients of minimum social benefit (CERMI).

The new measure came into force on 1 July 1995.

2. Measures to promote youth employment

Young people have been the first to benefit from the economic recovery: youth unemployment has fallen by 9.6% since January 1994. Even so, youth unemployment remains far too high: 676,000 young people are currently looking for work, 25% of the active young population.

Recently the social partners drew up a draft agreement to support the integration of young people into working life. The government has decided to retain, subject to the following conditions, the measure proposed by the social partners, the aim of which is to make better use of existing instruments.

- The government intends to support the efforts to develop the "alternating" system of vocational training agreed upon by the social partners

by implementing parallel measures.

- In the case of apprenticeship the government has decided to prolong the flat-rate state grant beyond the 30 June 1995 and to increase the level of the grant from FF 7,000 to FF 10,000.
- Parallel to this, a Round Table is to be organised as quickly as possible, the task of which will be to redefine the modes of financing apprenticeship and "alternating" apprenticeship contracts, so that a draft law can be presented in the autumn.
- This draft law is to simplify the existing measures to promote apprenticeships and will enable the Apprenticeship Training Centres (CFA) to draw greater benefit from the revenue derived from the training levy. Thus the efforts made by government will run parallel to those by the social partners.
- In line with the proposals made by the social partners, an additional employment access measure is to be introduced for hard-to-place young people. This measure:
 - will consist of a grant of FF 2,000 per month for a period of nine months for recruitment under a permanent contract or a fixed-term contract of at least one year for all young people without work experience and encountering particular difficulties in gaining access to the labour market (the grant is also available on completion of work experience under an "orientation contract");
 - will accompany the mobilisation by the social partners at local level to promote labour market access for hard-to-place young people.
- In the case of young graduates it has been decided to modify the support given for the recruitment of young people in their first job (APEJ) for any recruitment under a permanent contract or a fixed-term contract of at least 18 months in the following manner:

- the value of the grant is to be doubled to FF 2,000 per month for nine months, and
- tripled to FF 3,000 per month for nine months for workers recruited to work abroad.

The overall aim is to integrate an additional 150,000 young people between now and February 1997 into working life.

3. Reduction in employer social insurance contributions for low-wage workers

The average cost of labour in France is at a level corresponding to that prevailing in its main trading partners. However, the relative burden of social security contributions on the lowest wage incomes is higher in France than elsewhere. This has a damaging effect on employment, as it raises the minimum cost of recruitment to the employer.

In response, social security contributions are to be reduced by FF 800 per month for all workers receiving the minimum wage (FF 6,250 as of 1 July 1995); this represents almost FF 10,000 per year. This reduction corresponds to the assumption by the government of employer contributions to health insurance (12.8%) on wages up to the level of the SMIC and serves to reduce overall wage costs for a worker earning the SMIC by almost 10%. Taking into account the exemption from employer contributions to family allowance up to the level of the minimum wage, the overall reduction amounts to FF 1,137 per month, representing 12.6% of total wage costs.

The mechanism used by the measure is simple. A discount is granted on the contributions transferred to the social insurance institutions in accordance with the monthly declaration to the URSSAF (organisation for the collection of social security contributions). For wage income between the SMIC and 1.2 times the SMIC the reduction is available on a degressive basis, avoiding the risk of "threshold effects": FF 800 for a wage equal to the SMIC, FF 400 for 1.1 times the SMIC and no reduction at all for 1.2 times the SMIC. For part-time workers the

reduction applies on a pro rata basis to the number of working hours.

3.5 million French workers earn less than 1.2 times the minimum wage. Of these, 75% work in SMEs with less than 100 employees and 36% in those with less than 20 employees; the measure is thus particularly beneficial to employment in SMEs.

While allowing for the specific conditions prevailing in agriculture, the measure will also apply to agricultural workers.

In return the branches are to be required to draw up a so-called "employment development charta", which is to contain the following elements:

- definition of an employment objective for the branch;
- establishment of an observatory to measure changes in branch-level activity;
- identification of relevant parameters and indicators in order to be able to evaluate the employment effects of the reduction in contributions;
- a commitment to recruit young people and the long-term unemployed;
- a commitment to undertake additional training efforts.

4. Creating new jobs

In its struggle against unemployment, the government has committed itself to establishing the conditions for the creation of a significant number of new jobs. The prefects have been commissioned to present a detailed report on the opportunities for job creation within their *département* for the local population (environmental work, child care, after-school support for school children, help for the aged and disabled, etc.).

Initiatives have already been taken in order to promote the rapid development of such new jobs.

- Support for the development of work in non-profit associations
Non-profit associations are very important in employment terms; they currently employ 800,000 peo-

ple and have created 300,000 net new jobs in the last ten years. A number of decisions have been taken with the aim of promoting the development of employment in such associations:

- Associations have been permitted to recruit workers under the employment initiative contract.
- The reduction in social insurance contributions on wages of up to 1.2 times the SMIC has been extended to cover associations.
- The financing conditions for associations have been improved. The outcomes of the debate on the tax position of associations, medium-term financing forms and the development of sponsorship are expected to take the form of measures to be included in the draft taxation law 1996.

- A support and development plan for associations for social guidance and integration

In addition, a number of new measures have been adopted within the framework of the supplementary budget, the aim of which is to extend the network of associations for social guidance and integration.

These urgent employment-promoting measures proposed by the government are now subject to parliamentary debate. Following parliamentary scrutiny the final form to be taken by the measures will be defined in the form of decrees.

Ireland

Evaluation Report: Training and Employment Grants*

The report is an evaluation of the Training and Employment Grant Programmes administered by the Irish industrial development agencies, IDA, Shannon Development and Udaras na Gaeltachta over the 1989 to 1993 period. Expenditure on these

programmes is co-financed through the European Social Fund. The objectives of the programmes vary slightly from one agency to the next but may generally be described as follows. Training grants are directed at the skill needs of those newly recruited to indigenous companies and at the skill needs arising from the location of new overseas investors in Ireland. Financial support is provided by the agencies to enable companies to carry out approved training courses for their employees. Employment grants are provided for new start-up projects or expansions of existing projects. The objectives are to encourage job creation and to meet the funding gap in the area of start-up finance for small business and to ease cash flow difficulties in the early stages of product development.

Aims and objectives

The aim of the evaluation was to examine the effectiveness of employment and training grants in meeting their objectives. It set out to:

- examine the administration systems and operational systems in place for employment and training grants;
- investigate the decision-making processes relating to grants aiding training and employment;
- examine trends in expenditure and activity under the programmes over the 1989 to 1993 period;
- assess the impact of training and employment grants on the companies which received assistance;
- make recommendations on how employment and training grants could be made more effective.

The methodological approach taken was as follows:

- a review of relevant legislation, research and reports and examination of all relevant information held in the relevant government department;
- an examination of data on recipient companies supplied by the grant awarding agencies;

* ESF Programme Evaluation Unit, Dublin, February 1995.

Overall Developments

- meetings with the agencies at national and regional level;
- a survey of fifty companies in receipt of grant aid.

Conclusions

Issues addressed in the course of the evaluation included the targetting and focusing of grant aid, the proportion of assistance going to medium/large overseas companies, the possibility of deadweight, the level of awareness of grant objectives, the quality of training funded through training grants, the role of FAS, the national training authority, in validating training undertaken, and procedures for monitoring the impact of both forms of grant aid.

On the positive side the findings of the evaluation would suggest that the survival and growth rate of companies in Ireland would probably have been poorer and the training incidence less in the absence of training and employment grants. Employment grants were found in many cases to have been an effective tool for assisting companies, especially small companies in a start-up situation. Similarly, training grants had been of enormous benefit to some companies, bringing about an increase in skill levels and a related increase in productivity as well as instilling a training discipline and culture that would not otherwise have prevailed. The overall conclusion of the evaluation, however, was that both employment and training grants suffer as instruments of economic policy by virtue of the fact that they are not sufficiently focused in their objectives. The findings of the evaluation pointed to many areas where improvements could be made which would result in better survival and growth rates among recipient companies as well as improved patterns of training and associated increases in productivity. The challenge, therefore, is to restructure both grants and the agency approach to them such that they become effective instruments through which the "softer", more intangible areas such as management and skills development considered so vital to the

competitiveness of the Irish economy can be developed. The report recommends that a number of steps be taken if this challenge is to be met. Some of the main recommendations are set out below.

Recommendations

- Training grants should be re-focused around one primary objective; to increase the incidence and quality of training in Ireland. Other impacts of the programme, such as operating as an incentive to overseas industry, should be seen as secondary in importance.
- Training grant activity among indigenous industry, particularly in the small company category, should be greatly expanded.
- The value of training grants should be determined by reference to an informed estimate of both the nature and cost of training required by the company. The number of jobs created should not be the only consideration when determining the value of the grant.
- FAS, the national training authority, should overhaul its procedures in relation to both advising on and validating training funded through training grants. It should take on a more proactive role in increasing both the incidence and quality of training.
- Where possible, training funded through grant aid, whether carried out internally or externally, should be certified.
- Only training carried out by trained trainers should be funded.
- New mechanisms and criteria for assessing the impact of government and European Union expenditure on intangible investments, such as those in the "softer" areas of training and skills development, should be developed.
- A register of grants and incentives available to industry should be established. An information service should also be set up to handle queries on the operational details of all government grants.
- A database should be established through which the nature and vol-

ume of all public support going to individual firms can be tracked by those making decisions on grant allocations within agencies.

- The rationale for widening eligibility under the Employment Grants Programme to companies in the medium/large size category should be set out more clearly.

These are just some of the steps that the findings of this evaluation would suggest should be taken to ensure that training and employment grants become more effective instruments for addressing the needs of industry in Ireland. The evaluation findings would indicate that only by making adaptations of this kind will the potential impact of the two forms of grant aid be fully realised.

Austria

Labour Market Policy Targets for the Labour Market Service

On 1 July 1994 the former labour market authority was separated institutionally from the central administration under the terms of the Labour Market Service Law. The aim was to raise the efficiency and effectiveness of Austrian labour market policy by decentralising decision-making structures, reforming the financing system and specifying task areas. In Article 29 of the Law, the aims towards which the labour market service (LMS), as a service company, is to orientate its labour market policy activities were set out in very general form. At their core, these aims relate to efforts to balance labour supply and demand and to provide income support for those affected by unemployment.

In the form of its "Labour Market Policy Targets", presented in May 1995, the Federal Ministry for Labour and Social Affairs has specified these

overall targets with a view to setting current focal points for labour market policy. The provision of funding from the European Social Fund (ESF) and the corresponding resources from the LMS (cofinancing) is to be seen as supplementary to these labour market policy targets.

The article reproduces the targets set by the Ministry in unabridged form.

The new challenges facing Austria: maintaining social standards and achieving full employment

The prime aim of Austrian labour market policy is to reattain full employment. This is not only for humanitarian and economic reasons, but also because this is the only way to ensure the maintenance and extension of the social security system in the long term. Also in the foreground in substantive terms, and in line with the federal government's working agreement of 1994, is the continued pursuit of welfare state aims, i.e. to contribute towards an equitable society, to guarantee social security, to attain and maintain the highest standards in terms of labour law and social policy, and to provide special support for the weaker members of society.

In no way is a reduction in welfare standards or the abandonment of the full employment policy to be considered as a response to the challenges arising out of international developments. The increasing financial pressure on labour market policy means that the available funds should be used for those most in need of them and that the entire innovative potential of the LMS be mobilised to promote employment and re-employment and so reduce the necessity for transfer benefits.

The labour market policy aims mentioned below are to be taken into account by the LMS, not least when drawing up the guidelines for the implementation of the various labour market policy instruments. The labour market policy of the LMS is to be given special emphasis in the following areas.

1. The Austrian economy cannot afford to dispense with the contribution of older workers to value added

The value-creating potential and the experience of older people is necessary not only for a humane, but also for an effective economy. The aim of raising the actual age of retirement and thus rendering transfer benefits in the transition phase between paid employment and retirement superfluous presupposes a solid labour market base, not just for younger, but also for older workers. The LMS is to deploy all its placement and support instruments in order to realise this aim; where necessary it is to refine them. Moreover, it is to exert its influence on employers to ensure that they do not seek to dispense with their responsibility for older workers by forcing them out of the labour process.

At the same time, care must be taken to ensure that this integration effort is not to the detriment of other disadvantaged groups on the labour market.

2. Labour market policy is also a policy for women

Austrian women must enjoy the same income and employment opportunities as men. The two-fold task here is, on the one hand, to induce an appropriate process of skill adjustment and development, while, on the other, providing support in view of the fact that women still perform a greater volume of work within the family, in order to enable them to pursue a career or participate in training measures.

Part-time employment should also receive support with the aim of establishing conditions of access to working life that are attractive in terms of social and labour law, whereby care must be taken to ensure that this does not lead to a cut in full-time jobs.

3. Long-term unemployment not only excludes social groups from society, but is also harmful to the economy as a whole

For humanitarian, social and economic reasons it is absolutely vital to prevent long-term unemployment

arising in the wake of structural economic and social changes. Innovative instruments need to be deployed and developed further in order to help problem groups among the unemployed. Particularly when deploying experimental support measures, care must be taken to ensure that, in addition to the benefits in labour market policy terms, the side effects of the support policy are of benefit, or at least are not damaging, to society as a whole.

4. Disabilities must not lead to social and labour market exclusion

Proven instruments are also to be deployed, and new ones developed, to further the integration of the disabled. The funds made available by national and international authorities for this purpose are to be used to the full.

Priority for further development should be given to models combining counselling, placement, further rehabilitation and personal guidance in entering working life. To this end co-operation between LMS offices and the Federal Social Offices is to be intensified.

5. Training as a pathway to success in structural change

Structural change in the world of work, vocational training and the maintenance of career opportunities are inextricably linked to one another. It is those workers who have only received an initial period of training that find it particularly difficult to gain access to training measures and thus to secure jobs. It is therefore important to ensure that training measures commence immediately after the failure of placement efforts in order to avoid unproductive waiting periods on benefit.

Austria's accession to the European Union offers the opportunity to intensify training in those areas facing structural changes by deploying resources from the European Structural Fund. When developing policy models, care is to be taken to ensure that adequate account is taken of employer and individual interests besides those of labour market policy

Overall Developments

with regard to the distribution of costs.

The reorientation of the vocational training system is one of the greatest challenges facing Austria. As it has in the past, labour market policy must contribute to the modernisation of training standards, although it is to be noted that the creation of a modern training system is not the sole responsibility of labour market policy.

6. Integrating foreign workers by means of a coordinated labour market and immigrant employment policy

In the interest of labour market equilibrium it is necessary, in view of the prevailing circumstances, to manage the supply of foreign labour – using the instruments of immigrant employment policy – in such a way that, on the one hand, the demand for labour can be met and, on the other, job security for Austrians and those foreign workers already integrated, welfare quality and pay levels in existing jobs are not endangered.

In line with the guidelines set by the Ministry of Labour and Social Affairs, and with due consideration for regional labour market requirements, LMS policies on foreign workers should focus on the following: priority admission for those groups with a high degree of integration; orienting work permits to those labour markets in which displacement effects are unlikely; and deploying labour market policy instruments to ensure the reinsertion of integrated unemployed foreign workers in the labour market.

Alongside ordered policies for the admission of foreign workers, the LMS must intensify its efforts to meet firms' demand for labour, in the short term by drawing on the labour force potential available in Austria and the EU, in the medium term by means of labour market training measures. If demand remains unmet it will lead to increasing calls for additional employment of foreigners.

7. The future belongs to the young

Although Austria's youth unemployment figures are exemplary in global terms, it is important to maintain this

standard by means of active measures, particularly for young people who have little prospect of a stable career due to their lack of education or training, disability or lack of social skills.

The range of successful instruments developed by labour market policy, including career information centres, individual counselling and the opening up of new career opportunities and forms of training, particularly for girls and young women, is to be extended. In those regions suffering from, by Austrian standards, high youth unemployment, additional employment and integration projects are to be implemented in co-operation with local and regional partners. The Youth Initiative '94 to '96 of the Federal Minister for Labour and Social Affairs will be continued in partnership between the LMS and the Ministry.

Research and development: a guideline for and driving force behind labour market policy

Basic and applied research and development must provide effective support in developing the labour market policies of the future if the labour market policy targets set are to be implemented, particularly in times of radical changes. Within the framework of these targets, particular attention should be paid to the following areas.

1. Basic research for labour market policy:

- Establishment of a monitoring system by means of which, at national, regional and local level
 - microeconomic, regional and social developments can be observed and evaluated with a view to their relevance for labour market policy;
 - changes in employers' recruitment criteria and labour requirements can be observed; and
 - mobility and displacement processes on the labour market can be observed and analysed in both the short and long term.
- Analysis of the causes of long-term unemployment.

- Determination and evaluation of the short and long-term effects of training measures.

2. Evaluation of labour market policy instruments:

- Evaluation of labour market policy in the two main areas of job placement and labour market training; continuous monitoring of the effectiveness and efficiency of counselling and placement, including the interaction with placement-support measures.
- Systematic documentation of labour market policy models and instruments in other countries.
- Collation and evaluation of innovative labour market policy approaches, their mode of operation and field of application, including those in operation in other western industrialised countries.

3. Organisational development:

- The development and evaluation of controlling mechanisms with a view to their mode of operation and to overcoming weaknesses.
- Examination and evaluation of modern forms of management, in particular in connection with the implementation of the targets, the fulfilment of the long-term plan and its operationalisation by the use of coefficients and quantified target systems at all levels of the organisation.

The targets

The aim of Austrian labour market policy is to achieve full employment and simultaneously to maintain and raise the social standards, pay level and quality of employment.

Within the framework described above the following principles are to be adhered to in implementing the labour market policy of the Federal Minister of Labour and Social Affairs within the limits set by the resources available:

- activation has priority over welfare provision
- placement and support have priority over administration

- job maintenance, creation and improvement have priority over (financial) support for the unemployed.

The following guidelines have been issued for the LMS in implementing these principles. The LMS is to:

1. extend placement instruments in order to shorten the phase between initial contact and immediate and concrete support action, ensuring counselling and placement through action plans, rapid deployment of instruments conducive to placement;
2. extend placement instruments in order to generate additional employment and training opportunities by intensifying contacts with enterprises and other organisations, and to avoid shortages of specific categories of labour by means of support and training measures;
3. intensify the further training and qualification offensive;
4. continue testing of training for the employed taking account of labour market policy, individual and employer interests;
5. support the elderly by means of an extension of offensive labour market policy instruments, whereby the LMS is to exert all its means of influencing firms not to remove older workers from the labour process;
6. support the employment of women by intensifying training measures and overcoming obstacles to mobility. In particular, greater support with child care and other care duties and support for socially acceptable forms of part-time employment;
7. extend the range of instruments to integrate the long-term unemployed and other problem groups among the unemployed; utilisation and testing of models in operation in other countries;
8. extend the range of instruments to integrate the disabled; utilisation and testing of models in operation in other countries;
9. extend counselling and information services for young people (BIZ: careers advice in cooperation with schools). Implementation of preventive measures and youth programmes (e.g. "Youth Initiative '94 to '96") to prevent youth unemployment and in support of youth employment in problem regions;
10. develop instruments to counter seasonal unemployment and to intensify its preventive efforts in this area;
11. support those workers suffering hardship due to Austria's accession to the EU;
12. accompany the implementation of the targets by means of occupational and labour market research so as to evaluate the effectiveness and the further development of labour market policy instruments; to pay special attention to the introduction and application of modern management methods; introduce and implement instruments based on decentralised, quantitative targets and corresponding controlling and monitoring and to evaluate and develop them with respect to the effectiveness and degree of goal attainment of the labour market policy measures implemented.

Placement and Vocational Guidance

France

Agreement between the Employment Service and the Organisations Representing Temporary Employment Agencies

Two employers' organisations covering the temporary employment

agency branch exist in France: PROMATT (*Syndicat des professionnels du travail temporaire*) and UNETT (*Union nationale des entreprises de travail temporaire*). Membership of the two organisations totals 500 firms, accounting for more than 80% of the branch activity volume.

In 1993 more than 5 million temporary employment contracts were signed, 40% of the recorded signings of employment contracts in France (source: DPAE - declaration prior to

recruitment). Together the temporary employment agencies employ around 14,000 permanent staff who manage the business dealings with the user firms and recruit and administer the temporary workers.

In view of the desire, common to the ANPE, PROMATT and UNETT, to improve the services rendered to firms, to increase the flexibility of the labour market, and prevent long-term unemployment by improving job seekers' chances of labour market

Placement and Vocational Guidance

integration, the three organisations have committed themselves under a framework partnership agreement to collaborate on the basis of mutual respect for the specific characteristics of each organisation.

Aims

The temporary employment agencies belonging to PROMATT and UNETT are to

- disseminate, with the help of local employment offices, their job offers more widely, by making them available to all the users of the Agency;
- benefit from ANPE services to assist them in the search for applicants and their preselection;
- intensify their collaboration with the public employment service.

The temporary employment agencies and the local employment offices are to exchange information pertaining to the regular labour market, the temporary employment market and employment measures, so as to tailor their respective services better to the needs of job seekers. In particular, they are to make use of the opportunities offered by temporary employment to facilitate the process of integration or reintegration of specific groups (young people, the long-term unemployed, the disabled, etc.).

On the basis of this agreement the ANPE is keen to:

- develop an active partnership at local level with the temporary employment agencies;
- increase the range of labour market solutions offered to job seekers by making available to them job offers passed on by the temporary employment agencies;
- widen the range of reintegration opportunities offered to job seekers.

By these means, additional employment opportunities can be offered, and in future it will be possible for job seekers to view the job offers provided by the ANPE and the temporary job opportunities of the temporary employment agencies at one and the same place.

Implementation

PROMATT and UNETT are to inform their members of this agreement; they are to be urged to make their job offers available to the local employment office responsible on the basis of location or occupational sector.

At local level the ANPE commits itself to offering a personalised and privileged service to temporary employment agencies belonging to PROMATT and UNETT, one based on cooperation between the directors of the local employment offices and the branches of the temporary employment agencies. Specifically, this service will mean that the local employment office will disseminate and process the temporary job offers. At the request of the temporary employment agency, as client, the job offers will be:

- displayed and made known to job seekers, who may then present themselves to the agency. These publicly displayed offers will refer to the name and address of the temporary employment agency in question. They will be clearly identifiable as temporary job offers and will contain job descriptions and requirements, in order to help job seekers determine which offers come into consideration for them.
- Or they will be processed in such a way that the local employment office can present suitable candidates to the agency.

In the case of temporary job offers for a large number of workers, an extended period or for specific categories of workers (young people entering the labour market for the first time, the physically disabled, etc.), information on the user firm will be communicated to the ANPE. Such offers will be processed, compared with the available labour supply and filled within a period appropriate to their special character.

The actors

As far as the ANPE is concerned, the operative forms taken by implementation can vary at local level. Depending on the strategy adopted, the direc-

tor of each local employment office may take the initiative in signing a local agreement with the temporary employment agency operating in the relevant sector. This will serve to flesh out the bare bones of the national agreement. Those responsible for local branches of the temporary employment agencies belonging to PROMATT or UNETT will be informed of the agreement by their respective federation and serve as partners for the directors of local employment offices in putting the partnership into practice.

United Kingdom

Changes to the Law on Employment Agencies

Until early this year the Employment Agencies Act 1973 required all employment agencies in Great Britain to be licensed by the Department of Employment. The licensing requirement was abolished on 3 January 1995 as a result of the Deregulation and Contracting Out Act 1994.

The abolition resulted from a review of the licensing system which showed that the bureaucratic and financial burdens which it imposed on the employment agency industry were no longer justified. During the last few years of the system the Department of Employment received over 4 000 new licence applications each year and over 10 000 renewal applications. By comparison the Department had cause to refuse or revoke an average of only 4 licences per year. Moreover, experience had shown that the licensing system did not establish a licence holder's honesty or reliability for all time.

However, only the licensing requirements of the 1973 Act have been abolished. Statutory minimum standards of conduct for agencies specified

in the Act and in regulations made under it remain in force. So do the powers of entry and inspection of Employment Agency Inspectors. With the abolition of licensing, in-

spectors can now concentrate all their efforts on the investigation of complaints, other indications of possible breaches of the law and random checks.

Former powers to refuse and revoke licences have been replaced by new powers to prohibit people from carrying on agencies on grounds of misconduct or other unsuitability.

Job Creation

Belgium

Modification of the Plan to Promote the Recruitment of the Unemployed

The recruitment plan provides for a reduction in employer social security contributions for certain types of recruitment occurring between 1 January 1995 and 31 December 1996 (cf. iMi 49). Two Royal Decrees had already been enacted to implement this recruitment plan. The first (of 23 December 1994) laid out the formalities which the employer must fulfil in order to benefit from the plan's provisions. The second (of 27 December 1994) set out the categories of job seekers which entitle the employer to a cut in social insurance contributions, and the extent, the duration and the conditions of this reduction. Subsequently, Royal Decree of 30 March 1995, an amendment of the Royal Decree of 27 December 1994 (*Moniteur belge*, 11.04.95) has led to fundamental modifications in a number of these provisions. In addition, Royal Decree of 30 March 1995 implementing Chapter II of Title IV of the Law of 21 December 1994 (*Moniteur belge*, 11.04.95) has set out the application procedures regarding the recruiting enterprises.

Conditions relating to job seekers

The Royal Decree of 30 March 1995 modifying that of 27 December 1994 has introduced a number of clarifications in the definition of the categories to which the worker must belong on recruitment for the employer to benefit from the advantages of the recruitment plan; these are the unemployed entitled to full benefit, minimum social benefit (minimex) recipients, those who have completed a period of training and/or guidance in a vocational training enterprise, those who have completed a period of part-time education, those employed under a work-training contract and those who have completed an apprenticeship within the framework of a partnership agreement.

In addition to these groups the Royal Decree of 30 March 1995 has added a number of categories of workers who had not been considered eligible until then:

- a) job seekers registered with a community fund for the social and occupational integration of the disabled who, during the six months prior to recruitment, have worked not more than 150 hours in dependent employment or three months in self-employment;
- b) job seekers who
 - during the 12 months prior to recruitment completed a period

of at least six months' employment in an "insertion enterprise" recognised by the Ministry of Employment and Labour;

- do not hold an upper secondary education certificate;
- c) job seekers who are aged less than 30 on recruitment and who:
 - are not entitled to the "waiting allowance" because they have not completed the required studies;
 - during the 12 months prior to recruitment, calculated to the day exactly, with the exception of the admissible working periods set out in the following point, were registered unemployed with the regional employment office;
 - during the course of this same period worked not more than 150 hours in dependent employment or three months in self-employment;
- d) job seekers who, in the three years prior to recruitment, became unemployed as a result of the termination of a period of uninterrupted employment lasting at least 12 months under a working time regime of less than 18 hours (but at least one third of normal working hours), provided they fulfil the following conditions:
 - during the 12 months prior to recruitment, calculated to the

Job Creation

day exactly, with the exception of the admissible working periods set out in the following point, were registered unemployed with the regional employment office;

- during the course of this same period worked not more than 150 hours in dependent employment or three months in self-employment;

These conditions have also to be fulfilled by

- e) job seekers who, during the three years prior to recruitment filed for bankruptcy or became unemployed due to the bankruptcy of the firm they were managing.

Extent of the reduction in employer social insurance contributions

For job seekers who, during the 12 months prior to recruitment were unemployed on full benefit, in receipt of minimum social benefit or belonging to one of the categories mentioned above, the reduction in employer social insurance contributions amounts to:

- 75% from the date of recruitment to the end of the fourth quarter following that in which recruitment occurred;
- 50% for the fifth to the eighth quarter inclusively following that in which recruitment occurred.

For job seekers who were unemployed on full benefit or in receipt of minimum social benefit during the 24 months prior to recruitment, the reduction in social insurance contributions rises to:

- 100% from the date of recruitment to the end of the fourth quarter following that in which recruitment occurred;
- 75% for the fifth to the eighth quarter inclusively following that in which recruitment occurred.

For the other categories of workers the higher level of reduction is not available even if they meet the relevant conditions for 24 months or longer.

Special provisions for recruiting firms (*entreprises d'insertion*)

Under Royal Decree of 30 March 1995 implementing Chapter II of Title IV of the Law of 21 December 1994, firms qualify for a reduction in employer social insurance contributions on recruiting particularly hard-to-place job seekers.

By such "*entreprises d'insertion*" the law understands companies and associations that are legal entities and are recognised and subsidised as such by the relevant authority of the region or linguistic community, and the aim of which is the social and occupational integration of particularly hard-to-place job seekers by means of a productive activity related to goods or service production.

The following groups of job seekers are classified as particularly hard-to-place: those who, on recruitment;

- had been registered unemployed for at least 12 months with a regional employment office;
- do not hold an upper secondary educational certificate;
- during the previous 12 months did not benefit from full-time education or training and worked for not more than 150 hours in dependent employment or more than three months as self-employed.

Such workers may be employed by the insertion firms within the framework of a full or part-time contract, on condition that the latter amounts to at least 50% of full-time employment.

Insertion enterprises benefit from the following reduction in employer social insurance contributions on recruiting particularly difficult-to-place job seekers:

- 100% from the date of recruitment to the end of the fourth quarter following that in which recruitment occurred;
- 75% for the 5th to the 8th quarter;
- 50% for the 9th to the 12th quarter;
- 25% for the 13th to the 16th quarter.

Italy

New Regulations in Support of Young Entrepreneurs

Decree-law no. 695 of 24 November 1994 has introduced new conditions for the provision of incentives to young entrepreneurs. It stipulates that firms which exhibit particular characteristics and commit themselves to realise certain projects can benefit from various allowances. Such firms include producer and worker cooperatives meeting a number of special conditions (e. g. entered in the prefectural register). In addition, the firms in question must have their legal, administrative and operative location within the regions covered by objectives 1, 2 and 5 b of EC directives no. 2081 of 20.7.1993. As is well known, these targets refer to

- the promotion of development and structural adjustment in regions facing developmental problems;
- the restructuring of regions (including border regions or sub-regions) hard hit by industrial decline;
- support for agricultural development, also in the sense of the structural adjustment of rural areas (objective 5b).

To be eligible for support firms must exhibit the following characteristics: they must consist exclusively of young people aged between 18 and 35, or primarily of young people aged between 18 and 29 who, as of 1 January 1994, hold the absolute majority (in terms of both number and shareholding) and are resident in the above-mentioned regions.

Particularly eligible for financing are projects for goods production in the agricultural, craft and industrial sectors or in service enterprises rendering services to firms of all sectors. Excluded from the measure are all projects which do not lead to the extension of the entrepreneurial, productive or employment base, which

are not innovative in character with respect to the proposed initiatives, and which involve planned investment in excess of 5 billion lire.

Moreover, in order to ensure that fictitious firms are not set up merely to benefit from the support available, the Decree stipulates (Article 2, Paragraph 4) that the entrepreneurial activity described in the project must be performed for at least ten years from the date on which the firm in question receives the benefits.

The incentives are as follows:

- capital grants and subsidised loans in line with the limits fixed by the EU;
- management grants;
- technical assistance from the Association for Young Entrepreneurs during the investment realisation phase and the starting phase of the initiatives;
- support for training and vocational qualifications required in order to realise the project from the Association for Young Entrepreneurs.

It is to be noted that the above-mentioned incentives may not be combined with other forms of support provided by the EU, national or regional government or public funding of any sort (either before or after the granting of the support).

The following forms of spending are eligible for support:

- feasibility studies including market analysis;
- production sites;
- buildings (purchase or construction);
- machinery and equipment;
- other material and immaterial goods linked directly to the production process.

The contribution to the costs of management amounts to 70% in the first year, 60% in the second and 40% in the third year and covers spending up to 700 million lire.

The feasibility studies must:

- indicate the skills and experience of the partners and the respective enterprise functions to be performed by the various partners;

- indicate the proposed market;
- and investment, and
- provide proof of the economic rationality of the investment.

An additional interesting element is that the most representative professional associations may take a share of up to 3% in the equity capital of the firm run by young entrepreneurs.

Portugal

Support for the Recruitment of Young People and the Long-term Unemployed

In May 1995 a new Decree-law came into force (no. 89/95 of 6.5.1995), the aim of which is to provide incentives to recruit young people aged between 16 and 30 looking for their first job and the long-term unemployed.

For permanent employment contracts there are two forms of support which the employer may claim simultaneously:

- financial aid in the form of grants to the value of 12 times the national minimum wage for each new job created;
- exemption from social security contributions for a period of 36 months.

Fixed-term employment contracts entitle the employer to support in the form of a 50% reduction in social security contributions for the duration of the employment relation. This provision is to remain in force only until 31.12.1996.

In order to be entitled to the financial support, an employer must create new jobs. In order to benefit from the exemption or reduction in social insurance contributions, the employer must show that the size of the workforce has increased since December of the previous year.

Portugal

Programme for Local Development Initiatives (IDL)

The Programme for Local Development Initiatives (IDL) established by Decree-law no. 34/95 of 11.2.95 and regulated by resolution no. 57/95 (17.6.95) of the Council of Ministers has the following fundamental aims:

- to create new jobs by stimulating local initiatives;
- to prevent outward migration, particularly of young people, from areas suffering from declining population;
- to maintain cultural diversity, goods production and artisanal services, including tourism, on the national and international market.

The Programme encompasses a number of measures which have been evaluated positively – such as the local employment initiatives (ILE) – and regulates the support available for job creation and small-scale private investment within a single statutory framework. It contains not only the incentives established by the new decree-law for very small enterprises (with less than 10 employees), but also provisions derived from the application of the Regional Incentives System established in 1994.

The incentives for very small enterprises are as follows:

- investment subsidies of up to 75%, depending on project type;
- favourable credit terms;
- grants for the creation of new jobs equivalent to 12 times the national minimum wage for each job created.

The incentives for very small enterprises benefit not only firms realising fixed-capital investments of less than Esc. 20,000,000, but also non-profit organisations, particularly private charitable institutions, investing less than 75,000,000 in fixed capital.

Job Creation

Responsible for coordinating the Programme is the Ministry for Planning and Territorial Administration. Also involved are the financial institutions participating in the administration of the project and the public

bodies concerned, in particular the Institute for Employment and Vocational training (IEFP), the Institute for Small and Medium-sized Enterprises and Investment Promotion (IAPMEI), the tourism fund, the Di-

rectorate-general for Trade, the Institute for Agricultural Markets and the Agro-Food Industry (IAMAIAA) and the Directorate-general for Social Affairs.

Training

Spain

General Survey of Vocational Training in Spain

The system of vocational training in Spain is currently undergoing a complete reorganisation in line with the principles and objectives set out in the national vocational training programme (*Programa Nacional de Formación Profesional - PNF*) which was elaborated by the General Vocational Training Council and approved in 1993 by the Council of Ministers. Starting from a conception of vocational training as suitable preparation for working life and as the acquisition of vocational skills which facilitate labour market integration and career advance, one of the PNF's priority objectives is to coordinate the implementation of vocational training for those in education and those already in employment, articulating in a coherent whole the sum of all efforts and measures for both groups.

The legal instruments on which the PNF is based include, among others, the general legal ordinance on the education system (LOGSE); on coming into force in 1990 the law initiated the school reform and that of regular vocational training; the national training and vocational insertion plan

(Plan FIP, cf. iMi 43) which referred to the organisation of practical vocational training for the unemployed; the national agreement on vocational further training and the tripartite agreement on continuing training (cf. iMi 41) which regulate the organisation of continuing training for the employed, together with the support, guidance and collaboration of the public administration with regard to this type of training. Finally, Law 10/199 (previously enacted as Royal Decree-law 18/1993) (iMi 45) has established a new configuration of training contracts (practical training and apprenticeship contracts), and undoubtedly plays a central role in terms of vocational training and employment in Spain.

In territorial terms it is to be noted that five autonomous areas (Andalucía, the Canary Islands, Catalonia, Galicia and the Valencia Region) have assumed responsibility for managing and implementing vocational training programmes; they bear full responsibility for regular and practical vocational training. Two other autonomous areas (Navarre and the Basque country) have such rights with respect to regular vocational training.

As far as *regular vocational training* is concerned, the educational system envisaged by the LOGSE, and which is gradually being implemented, pro-

vides for the inclusion of the content of standard vocational training both within secondary (12 to 18 year-olds)¹ and higher education (18 and older).

Within secondary education, in the compulsory first phase (12 to 16 year-olds) and the voluntary second phase (16 to 18 year-olds) basic vocational training is to be provided; in the second phase specific, medium-level vocational training is also available. Specific, high-level vocational training is to take place within higher education for those aged over 18.

Basic vocational training is conceived of as a polyvalent technical training which prepares students for subsequent specific vocational training. During specific training, students are to acquire knowledge, abilities, skills and attitudes in preparation for exercising a specific profession. On completion of specific training, successful students receive a corresponding professional title. Training concludes with two different qualification levels: training within the framework of the second phase of secondary education (16 to 18 year-olds) leads to the title of technician, while that conducted within higher educa-

¹ The ages given here are illustrative in nature and refer to children following a "normal" educational biography beginning with compulsory schooling. Older children lacking the required certificates may enter the various training cycles by taking an external examination.

tion (over 18s) leads to the title of graduate technician (*técnico superior*). Both training modules provide for alternating periods of theoretical-practical training and practical training within enterprises.

For the academic year 1994-95 the education authorities have initiated a number of experimental modules at medium and high level for a variety of occupational groups, with a view to definitively replacing the old educational system - currently the two are running parallel - in the coming years.

Under the new vocational training ordinance, the education system, through the mediation of the educational authorities, has also been charged with the following tasks:

- a) implementing so-called "Social Guarantee Programmes", which offer those lacking an academic or vocational qualification an alternative type of schooling leading to a vocational qualification. In the course of 1994 and 1995 professional initiation programmes, which include general and specific vocational training, have been conducted in various occupations and sectors (hotel and catering, tourism, automobile industry, metal-working, etc.), together with so-called Guaranteed Training workshops in which apprenticeship for a particular job predominates;
- b) progressively assuming responsibility for the general basic training for the active population (employed and unemployed) required in order to be able to participate in practical and continuing vocational training programmes, such as vocational training for first-time job seekers who lack academic or vocational qualifications.

As far as *practical vocational training* is concerned, the bodies responsible for the labour market (INEM and the autonomous areas) will assume the following responsibilities:

- a) Management of the Plan FIP (plan for vocational training and insertion) aimed at all the unemployed, but with priority for those in receipt of unemployment benefits; the

long-term unemployed aged over 25; those aged less than 25 that have worked for at least six months; those facing particular difficulties in entering or re-entering the labour market, first-time job seekers, for whom the enterprise requests concrete training measures on condition that it then recruits 60% of the participants in the measure.

- b) Management of the programmes of the "workshop schools" (*Escuelas Taller*) and the youth training centres (*Casa de Oficios*), which are oriented specifically towards first-time job seekers aged less than 25 lacking professional qualifications who are not covered by the "social guarantee programmes".

The vocational training courses under the Plan FIP are implemented either directly by the Plan's own managerial administration or by so-called "collaboration centres" (*centros colaboradores*). The programme of training courses is drawn up annually by the managerial administration INEM or the autonomous areas responsible. The course offers are oriented to the training needs as identified by the INEM Employment Observatory (on the basis of an analysis of recruitment trends and the occupational integration of trained personnel) in the various geographical regions and sectors. The courses, which include periods of practical training in enterprises or workshop schools, are divided into modules in such a way that a student completing all the training modules obtains a certificate on completion of the course.

The so-called "collaboration centres" (enterprises and institutions, educational establishments, employers' federations and trade unions), which organise the courses, participate yearly in the planning of the course programme.

The programmes of the workshop schools and the youth training centres, in which work and training alternate, are tailored to the needs of unemployed youth. They receive training in activities offering employment opportunities in, among other areas, conservation, recuperation and pro-

motion of the natural and urban environment. If the participants receive complementary training to prepare them for job search, this is financed either externally or by the training establishment. Once the training period has been completed, trainees receive a certificate detailing the vocational qualifications acquired and the training modules completed.

The social partners constitute the second pillar of the practical vocational training; further training for the employed. These training measures are administered at central level by the Continuing Training Foundation (FORCEM), an institution set up by the trade unions and employers' federations.

In principle the training measures are canalised via training plans, although it is envisaged that workers receive financial support for individual training leave. The training plans cover training measures by firms with more than 200 employees, those of a group of enterprises with less than 200 employees, and those organised by unions and employers' organisations (training plans transcending sectoral boundaries). The plans set out the objectives and content of the training measures, the groups of workers for which they have been conceived, schedules and modes of organisation.

This overview of two areas of the Spanish vocational training system, one in the hands of the educational authorities, the other the responsibility of the labour market administration and the social partners), has refrained, for reasons of simplicity and general comprehension, from describing other supplementary measures proposed by the PNFP to improve the quality of the educational system. It will suffice merely to mention them by name: the creation of a state coordination network for training centres; the renewal and development of regular vocational training and of the national centres for practical occupational training; the development of programmes for teachers, for job seekers, for vocational orientation, for the evaluation of work inte-

Training

gration measures and the certification of qualifications in order to further the free circulation of labour within the European Union.

It is important to note that within the framework of the restructuring of the Spanish vocational training sys-

tem the Ministry of Labour and Social Security and the Ministry of Education and Science have, on an inter-ministerial basis, embarked on the establishment of a National Qualifications System. The aim of this system is to ensure the mutual recognition of

certificates from the regular and the practical occupational training schemes. To this end the relevant catalogues, the Catalogue of Occupational Titles and the National Register of Professional Certificates, are to be overhauled.

Social Security, Unemployment Benefits

Germany

The Reform of Unemployment Assistance (*Arbeitslosenhilfe*)

Following a decision by the cabinet, the Federal Ministry of Labour and Social Affairs is to present a legal amendment on the reform of unemployment assistance. The aims of the reform are to coordinate between unemployment assistance and minimum social benefit (*Sozialhilfe*) more closely and in a way compatible with the system as a whole, to promote re-entry into the labour market and improve incentives to work, and to reinforce the principle of subsidiarity underpinning means-tested unemployment assistance.

In particular, the amendment is to include the following main measures with significant financial implications.

1. Promotion of labour market re-entry and the creation of incentives for unemployment assistance recipients to work

A regulation is to stipulate that recipients of unemployment assistance are to be allocated to job creation (ABM) and "productive labour promotion" measures (§§ 242s and 249h of the Labour Promotion Act - LPA)

to an extent corresponding to their share of the unemployed. Until now unemployment assistance recipients have been underrepresented in both ABM and the programmes under §§ 242s and 249h LPA, despite the fact that such programmes are oriented specifically towards the long-term unemployed. The aim of this initiative is to ensure that a greater number of unemployment assistance recipients take up paid employment and that recipients account for a greater proportion of those promoted. The willingness of unemployment assistance recipients to take up employment will be tested by means of a job offer. The increased use of these measures will lead to a stabilisation and will improve the skill levels of unemployment assistance recipients and will thus improve their chances of placement.

2. The introduction of "work-training" (*Arbeitstraining*) measures

New, short-duration "work-training" (*Arbeitstraining*) measures are to be introduced in order to identify the suitability of benefit recipients for certain types of work and as a means to enable recipients to acquire additional qualifications together with support and assistance for job applications. Such offers will improve unemployment assistance recipients' chances of obtaining employment on the regular labour market.

3. Introduction of "employee assistance" (*Arbeitnehmerhilfe*)

Young benefit recipients, in particular, are to be offered so-called "employee assistance", creating incentives to accept low-paid and short-term employment: for instance seasonal work. The domestic unemployed can apply for a wage bonus of DM 25 per day.

Currently around 150,000 work permits are being granted to foreign workers, despite high unemployment in Germany. The employee assistance should enable benefit recipients to be placed in seasonal work in the agricultural sector and in other areas.

4. Early retirement

Recipients of unemployment assistance are to be obliged to take an early retirement pension. Unemployment assistance is a central-government financed welfare benefit. Consequently, there is no justification for a person entitled to a social insurance pension continuing to claim the state welfare benefit, as the latter is subsidiary to the former. A regulation is to be introduced under which the unemployed individual is to be directed to claim his/her benefit entitlement under the social insurance scheme.

5. Efforts to be intensified to identify claimants' assets

Greater efforts are to be made to determine the assets held by unemploy-

ment assistance recipients and their spouses; above a certain level such assets lead to reduction of benefit entitlement. Until now such a deduction was only possible if the unemployment assistance claimant correctly reported his/her financial position to the employment office. This fact offered an incentive to give an incorrect account of existing personal wealth and thus to illegally claim benefit, to the detriment of honest claimants. In future, verification of the reported data is to be intensified in cooperation with the Federal Office of Finance. By avoiding unjustified payments, the resources for those genuinely in need will be safeguarded.

6. Level of unemployment assistance to be more closely linked to time and situation-related criteria

When granting unemployment assistance for the first time and subsequently verifying entitlement, the level of benefit entitlement is in future

to be more closely linked to time and situation-related criteria. Instead of basing the entitlement level – as has been the case up to now – on previous earned income, the indicator also used to determine entitlement to unemployment benefit (*Arbeitslosengeld*, the benefit drawn prior to unemployment assistance), measurement is to be based on the earned income that the unemployed person could expect to earn under current labour market conditions.

7. "Original" unemployment assistance to be abolished

The so-called "original" unemployment assistance was a special state welfare benefit for those categories of the unemployed lacking any link with the labour market (such as judges, civil servants, military personnel) and for those who had worked and paid social insurance contributions for less than 150 calendar days. This benefit is to be abol-

ished, a move justified by the inadequate link to the labour market. Special provisions are to be made for those unemployed on completion of military and alternative-civilian service. The impact of the abolition of the measure is to be cushioned by other social policy measures.

Planned dates of introduction

The measures under points 1 to 6 are to be brought together in a statutory amendment on the reform of unemployment assistance. They are to come into force on 1 April 1996. Measure 7 is to be brought forward and is to come into force on 1 January 1996.

Financial effects

Together, the measures described in the above points 1 to 7 will reduce public spending on unemployment assistance by DM 3.4 billion in 1996 and DM 3.8 billion in subsequent years.

Special Categories of Workers

Belgium

The Guidance Plan for the Unemployed

The Cooperation Agreement of 7 April 1995 between the state, the linguistic communities and the regions on the Guidance Plan for the Unemployed (*plan d'accompagnement des chômeurs*) (*Moniteur belge*, 4.7.95) provided for the extension of this plan until the end of 1995, together with a reorientation of a number of modes of application. This Agreement came into force on 1.4.1995 and replaces the

Cooperation Agreement of 22 September 1992 (cf. iMi 40).

The general aim of the Guidance Plan is to prevent the emergence of long-term unemployment and to permit the unemployed receiving guidance to establish a foothold on the labour market. More specifically, to this end the plan aims:

- to improve the ability of the unemployed person to reenter the labour market by means of specific and intensive guidance by the offices and authorities responsible for employment and vocational training;
- to support the efforts of job seekers to reenter the labour market;

- to raise the insertion rate of the unemployed persons concerned.

Target groups

The guidance plan is a mandatory measure addressed to all unemployed persons on full benefit who are compulsorily registered as unemployed, aged less than 45, entering their tenth month of unemployment and do not hold an upper level secondary education certificate. The regions may decide to extend the guidance plan on a voluntary basis to cover all the unemployed on full benefit aged 46 or over and entering their tenth month of unemployment.

Special Categories of Workers

Procedures

The guidance plan consists of two phases.

In the first phase the regional employment office draws up a "diagnosis" of the situation of the unemployed person in question and informs the individual of his/her chances on the labour market.

During the course of the second phase, which lasts at least three months, the regional employment office presents to the unemployed person in question an action programme within the framework of a guidance agreement. This programme takes account of the age, the personal, social and professional abilities of the unemployed person and contains an analysis of the individual's options on the labour market. Within the framework of the action programme, to which every unemployed person from the target group is entitled, the regional employment office may, as necessary, pay particular attention to specific characteristics.

In the course of implementing the guidance agreement, the regional employment office regularly organises intensive measures adjusted to the needs of the guidance plans. Specifically, these plans contain measures relating to orientation, guidance, vocational training, placement and the continual evaluation of the unemployed in the programme.

At the latest four months after signing the guidance agreement, the regional office makes an evaluation which is then transmitted to the National Employment Office (ONEM). For those individuals pursuing an action programme of longer duration, a final evaluation is to be transmitted at the latest 12 months after signing the guidance agreement.

For those unemployed individuals accepting and executing in good faith the action plan presented to them, the point at which entitlement to unemployment benefit is suspended due to long-term unemployment is postponed. By contrast, the relevant data on those unemployed individuals who refuse to accept the guidance

agreement, who lose interest in the course of its execution, or who fail through fault of their own will be communicated to the ONEM, which, where appropriate, will impose the sanctions applying to those turning down job offers or training places or who are not available for work. The regulations applying to the transfer of data between the ONEM and the regional employment offices are set out in an annexe to the cooperation agreement.

Employment-promoting measures

The regions have committed themselves to reserve some of the places on employment programmes and part of the recruitment support funds for those unemployed who have signed a guidance agreement.

As far as guidance, vocational training and insertion are concerned, the regions and the linguistic communities will pay particular attention to those areas in which there is a labour shortage or genuine recruitment prospects and to those sectors that have concluded a cooperation agreement within the framework of the utilisation of sectoral funds for employment promotion set out in the national agreement 1995-1996 (cf. iMi 49).

The federal authority has committed itself to focus the benefits of the reductions in employer social insurance contributions more closely on those employers recruiting unemployed persons who have signed a guidance agreement.

Financial resources

The guidance plan for the unemployed is financed by a special contribution (0.05% of payroll) paid by the employers.

The financial resources earmarked for the guidance plan will be distributed in the following way:

- a maximum of FN 200,000,000 has been earmarked for the ONEM to cover monitoring costs;
- a maximum of FB 100,000,000,000 has been earmarked for the regions for their guidance activities;

- a maximum of FB 800,000,000 has been earmarked for the relevant federal bodies for supplementary vocational training.

Ireland

Maternity Protection Act, 1994

The Maternity Protection Act, 1994 repealed and re-enacted, with amendments, the Maternity Protection of Employees Act, 1981, while also implementing the employment rights aspects of the EU Pregnant Workers Directive (92/85/EEC). The Act covers any employee who is pregnant, who has recently given birth or who is breastfeeding. It entitles such employees to 14 consecutive weeks' maternity leave, during which all employment rights (other than the right to remuneration) are guaranteed. It also entitles them, at their own option, to additional maternity leave of up to four weeks, which must follow on immediately from the maternity leave. Employees who satisfy social security contribution conditions receive a maternity benefit of up to 70% of their gross weekly pay (subject to a ceiling) during the 14-week period. The optional additional maternity leave is at the employee's own expense. During pregnancy and for the 14-week period immediately following the birth, employees are entitled to time off without loss of pay for ante-natal and post-natal medical visits.

The Act also introduced a new entitlement to health and safety leave for such employees, if there is a risk to them in the workplace. Separate health and safety legislation requires employers to remove the risk to these employees or, if this is not feasible, to offer them suitable alternative work. When neither option can be reasonably exercised, the entitlement to

health and safety leave arises. An employer is liable to pay the employee normal basic pay for the first three weeks of this leave; thereafter eligible employees receive a health and safety benefit from the Department of Social Welfare.

A new right to leave for an employed father in the event of the death of the mother within 14 weeks of the birth has also been created. In these circumstances the father is entitled to the remaining time off up to the end of that 14th week and to opt for the four additional weeks' leave.

Following any absences authorised under the Act, an employee has the right to return to work in the same employment and under the same conditions. During maternity leave, health and safety leave, natal care absences and some of the father's leave, employment rights (e.g. annual leave, increments, seniority) are preserved. While additional maternity leave and some leave for the father does not count as reckonable service, continuity of employment before and after the leave period is preserved.

A dispute under the Act may be referred to a rights commissioner and may be appealed to the Employment Appeals Tribunal. A rights commissioner or the Employment Appeals Tribunal may, as appropriate, order either party to the dispute to take certain action in resolution of the dispute and at the same time may order the grant of leave for a specified period and/or compensation of up to 20 weeks' remuneration to the employee. If the dispute relates to a dismissal it is dealt with under the Unfair Dismissal Act 1977, which has been

amended by the 1994 Act so has to provide that no qualifying period of service in employment is required before the dismissals legislation applies. Dismissals relating to an employee's exercise of rights under the 1994 Act or to matters connected with pregnancy, giving birth or breastfeeding are deemed to be unfair dismissals. Technical disputes about health and safety matters must be referred to the Health and Safety Authority, which is the statutory authority for such matters.

Ireland

The Adoptive Leave Act, 1995

The Adoptive Leave Act, 1995 was introduced to give a statutory right to leave to an adopting mother or sole male adopter, so that they would have a similar level of entitlement to a natural mother on maternity leave. The Act, which came into operation on 20 March 1995, provides for an entitlement to a minimum of 10 consecutive weeks' adoptive leave commencing on the day of placement of the child. The leave is regarded as reckonable service and all employment rights (except the right to remuneration) are protected. During adoptive leave eligible employees also receive social welfare benefit.

The Act also provides for an entitlement to additional adoptive leave of up to four weeks, which may be taken immediately after adoptive leave. The periods of employment immediately before and after the additional leave are deemed to be continuous, but the four weeks are not reckonable service. In the case of a foreign adoption, part, or all, of the additional adoptive leave may be taken immediately in advance of the day of placement.

In the event of the death of an adopting mother before or during adoptive leave, the adopting father is entitled to take leave. The duration of this leave is up to the tenth week after the day of placement, or up to the fourteenth week after the day of placement, should the father wish to take additional adoptive leave.

Employees absent under the terms of the Act retain the entitlement to return to work when the leave terminates. As long as they comply with specified notification procedures, employees may return to the same work under the same terms and conditions of employment as existed before the commencement of the leave.

Having commenced adoptive leave, an employee must furnish the employer with a certificate of placement, or a declaration of eligibility in the case of a foreign adoption, as soon as is practicable and no later than four weeks after the leave commences. These documents are available from the adoption society or health board which arranged the placement, or from An Board Uchtála (the Irish adoption board).

Italy

New Regulations Regarding the Use of the Development Fund

Provision was made for creating a development fund (*Fondo per lo sviluppo*) in Article 1 of Decree-law no. 147 of 20 May 1993, converted into Law 236 of 19 July 1993. However, in order to be put into effect, it was necessary to amend a regulation specifying a number of criteria and forms of implementation. This regulation had been published in the official gazette no. 138 of 15 June 1995 (Decree of the President of the Council of Ministers of 3 November 1994, No. 773), which provided for the realisation of development projects using resources from the development fund. Yet this only applies in regions covered by targets 1 and 2 of EC directives no. 2052/1988 and 328/1988 and in Law no. 181/1989 (reindustrialisation measures for the restructuring of the steel industry). These include regions suffering from a severe imbalance between labour supply and demand (cf. Article 6 of the Decree no. 616/1977).¹ Such programmes must contain the following elements:

1. Measures to realise new enterprise initiatives, from reindustrialisation projects to the restructuring and conversion of the productive apparatus enabling the reemployment of those workers previously excluded from production;
2. measures in support of industry (including producer services);
3. support measures aimed at raising the overall efficiency of an entire area, for example by acquiring redundant commercial sites, restructuring and reconstituting them, or by developing the technological infrastructure.

In addition, programmes must be prepared in accordance with a pattern

set out by the Ministry of Labour, Directorate-general "Employment". Applications can also be made by consortia, public bodies, etc. Applications must contain the following elements: a) general guidelines and specific initiatives to overcome the crisis situation(s), b) a definition of the employment targets with a list of the workers whose return to work is planned, and c) a financial plan.

For the purposes of examining and evaluating the programmes, the labour ministry has established a special structure consisting of civil servants from various departments (Ministry of Industry, Treasury, Ministry of Labour, etc.) together with representatives of the "Committee for the Coordination of Employment Initiatives" established by the president of the council of ministers. (This committee is responsible in particular for monitoring the initiatives once implemented.)

When examining the programmes the following points will be given special emphasis:

- evaluation of the likely employment implications of the programme and its effectiveness in terms of the socio-economic development of the area;
- examination of the coherence and feasibility of the programme.

The following points will also be considered:

- the planned location of the proposed initiatives in the areas particularly hard hit by regional or sectoral crises with serious implications for employment;
- management of the programmes by associations which bring together the leading institutional and economic forces of the region and which are eligible for EU funding by activating supranational support measures.

In realising these provisions on the preliminary examination, programmes that are submitted within 20 days of the above-mentioned regu-

lation coming into force will be considered for the granting of resources from the development fund for 1993-94.

The above-mentioned civil service structure is, among other things, to prepare a draft agreement covering the procedures, aims and implementation periods of the programme; this will take the form of a technical document that will define the programme itself in detail with respect to both policy and financial aspects. The agreement will encompass the relevant EU provisions on state support for productive activity and initiatives for regional development measures, the type of spending for which development fund resources will be made available, selection criteria on the recipient side, conditions for the distribution of the resources, etc. The agreement will also provide for monitoring of the initiatives once implemented.

On the basis of the proposals made by this body, the Ministry of Labour is to approve the programmes by decree, whereby it will set the level of support to be made available in each case. The funds will only be provided after a corresponding agreement has been signed with the organisation(s) responsible for programme delivery. Once this agreement has been approved, the Ministry of Labour may make an initial payment of up to 50% of the agreed level of support on presentation of proof that an equivalent level of spending has occurred and that the programme is making progress. Under exceptional circumstances the initial payment can amount to 70% of the agreed level of support.

Monitoring of the degree of progress achieved by the programme will be performed on the basis of spe-

¹ The regions covered by targets 1 and 2 are defined as those areas in which GDP per capita is less than 75% of the EC average on the basis of data for the last three years and areas with an unemployment rate higher than the EC average rate during recent years, etc.

cific physical, employment-related and financial indicators, depending on the nature of the programme, its socio-economic objectives, etc. If the implementing organisations fail to honour their commitments, the new provisions specify that financial support granted by ministerial decree may be revoked, and the organisations subsequently required to repay funds already allocated.

Finally, it is to be mentioned that, with a view to the implementation of this decree by the president of the council of ministers, the Ministry of Labour has prepared a circular (published in the official gazette, no. 54 of 18 May 1995) on the regulation together with the draft application form, which participating organisations should submit in order to obtain financial support from the development fund.

In order to supplement the framework relating to the most recent changes in the provisions on areas in crisis, the decree of 14 May 1995 (published in the same legal gazette no. 138/1995) has accorded priority to those areas suffering from a significant imbalance between labour supply and demand. For such regions, extraordinary measures are to be initiated, including active labour market policy measures, support for employment and for the realisation of re-industrialisation, conversion and development programmes at local level, involving the creation of technological infrastructure. The regions affected by this Decree are: Piedmont, Lombardy, Liguria, Emilia-Romagna, Umbria, Tuscany and Latia.

United Kingdom

Reorganisation of Departmental Responsibilities in the UK

Following a ministerial reshuffle on 5 July, the functions of the former Department of Employment have been merged with the Department of Education (renamed the Department for Education and Employment) and the Department of Trade and Industry. The Department for Education and Employment takes on responsibility for employment policy, training (including TECs), for the Jobseekers' Allowance, the Employment Service and equal opportunities issues. The Department of Trade and Industry takes on responsibility for industrial relations (policy and legislation), pay issues, redundancy payments, work permits, ACAS and the administration of Industrial Tribunals. The Department for the Environment takes on responsibility for health and safety at work. Employment statistics and labour market surveys transfer to the Central Statistical Office.

The purpose of the merger is to bring together all the policies and programmes that are designed to educate and train young people and adults and equip them and re-equip them for work. The Government aims by

this means to achieve even greater coherence and strength in the whole range of education and employment programmes.

The Secretary of State for Education and Employment is Mrs Gillian Shephard, Secretary of State for Education prior to the reshuffle (and a former Secretary of State for Employment). Mr Eric Forth and Lord Henley are Ministers of State and Mr James Paice and Ms Cheryl Gillan are Parliamentary Under Secretaries of State.

Greece

From the National Bulletin

Presidential Decree 186/23.5.1995 on the "Protection of employees from the dangers resulting from the effects of biological substances at work", in accordance with council directives 90/678/EEC and 98/88/EEC, was published in the official gazette on 30 May 1995.

On 19 April 1995 Labour Ministry Decree 107797/95 was published in the official gazette. The decree defines the "Conditions and preconditions for the approval of training programmes in private companies by the labour market authority for 1995".

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (28 September 1995):

Belgium	BFR	38.09
Denmark	DKR	7.20
Germany	DM	1.85
Greece	DRA	300.73
Spain	PTA	160.58
Finland	FIM	5.60
France	FF	6.40
Ireland	IRL	0.81
Italy	LIT	2,101.80
Luxembourg	LFR	38.09
Netherlands	HFL	2.07
Austria	AS	13.03
Portugal	ESC	194.41
Sweden	SEK	9.15
United Kingdom	UKL	0.82

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Finland: From the crisis of the century to a slow recovery with active labour market policy

by Pentti Vuorinen*

In the early 1990s Finland achieved an unenviable world record by pushing up its unemployment rate from an annual average of 3.4% in 1990 to a peak of 20.0% in the first half of 1994. During the 1980s the average unemployment rates had fluctuated around 5%; prior to this the highest post war annual average figure had been 7.4% in 1978. Mass unemployment, with almost half a million jobless, is a completely new phenom-

enon in Finland, and one which puts the employment and labour market system of the country to a severe test. The whole concept and ideology of a welfare state based on full employment is at stake. Traditional measures appear inadequate to overcome the crisis: what is needed are new, innovative approaches.

The main reason for the unprecedented upsurge in unemployment was the continuous decline of Finland's economic output, which lasted virtually four consecutive years. This, in turn, was caused mainly by the collapse of the country's export markets. The foundations on which bilateral trade with the Soviet Union – that had accounted for 15 – 20% of exports in the 1980s – had been based disappeared virtually overnight with

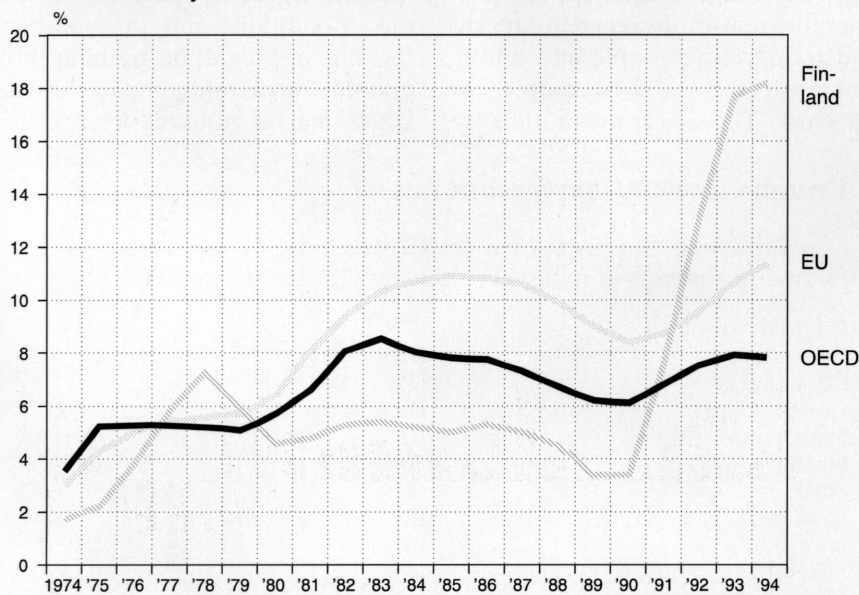
the political upheaval in the USSR. At the same time, Finland's most important western markets were struggling with the worst recession of the post-war era. Both developments blocked exports as a whole and prevented the country from offsetting the loss of eastern markets with new sales opportunities in the West.

Exports were further squeezed by competitiveness problems. Between 1987 and 1990, the international competitiveness of Finnish industry declined by well over 10%, a result of fast-rising costs and the ever-stronger markka. Moreover, by far the most important sector of the economy, pulp and paper industry, was simultaneously hit by worldwide overproduction and a cost crisis.

All this was accompanied by domestic adversities. The rapid deregulation of capital imports and financial markets from the mid-1980s onwards, i.e. at the beginning of the economic upswing, first overheated the financial markets and then the rest of the economy. Both companies and households took on record debts, and the free availability of finance meant that poorly judged investment decisions were common.

Falling export revenues together with over-indebtedness and the sudden collapse of the inflated capital asset prices – resulting from the relaxed money market in the late 1980s – all led to a severe crisis on the financial markets, particularly in banking. Domestic demand plunged, leading to widespread lay-offs in the labour intensive domestic production sector.

Figure 1: The average unemployment rates¹ in the OECD, the EU and Finland in the years 1974 – 1994



1 Standardised unemployment rates

Sources: Ministry of Labour, Statistical Unit, 15. 3. 1995; OECD, Economic Outlook.

* Senior advisor, Ministry of Trade and Industry, Helsinki (formerly Ministry of Labour).

The poor export figures together with the import pressures resulting from the persistently strong domestic demand up to the early 1990s led to a serious trade deficit. As early as 1989, net foreign debt relative to GDP topped the 20% crisis level, and by 1993 it was well over 50%. This prompted a tight monetary policy, which further speeded the downturn in consumption and investment. Between 1991 and 1994, domestic demand fell by a fifth.

From cyclical to structural crisis

Although the fundamental reasons behind the severe unemployment problems were clearly cyclical, structural features have grown more important as the situation has deteriorated. This is due to the rapid growth in long-term unemployment during the last few years and the fact that the recession has brought about major structural changes in the economy. Both sectoral and corporate structures have changed profoundly, and the half a million jobs lost will certainly not be replaced with similar ones. Skill requirements are an example of such structural changes: the skill-based, high technology segment of the economy has not been affected badly at all, while a significant proportion of jobs within the labour intensive and less skill demanding industries and services producing for the domestic market have disappeared.

Problems related to labour market functioning are also evident. Most of them are, however, more an effect than a cause of the recession. More than 72% of the increase in labour costs this year arises from various taxes. Over recent years there has been a substantial increase in the pay-linked social security contributions paid by employers. Higher taxation and insurance contributions have raised the job-creation threshold, especially in labour intensive small and medium-sized businesses with less highly skilled work forces.

Thus the employment and social security system are both under pressure, although this cannot be taken as

the main reason for rising unemployment in Finland. Nevertheless, factors related to these issues are evidently hampering the fight against unemployment.

In June 1994 the President of the Republic appointed a working group charged with identifying obstacles to achieving a lasting cut in unemployment. The group compiled expert analyses and proposals concerning employment creation and made recommendations for measures and programmes to reduce unemployment. A number of measures to improve the functioning and the institutional set up of the labour market recommended by the working group have been introduced and developed further, especially by the new government which came to power in April 1995. The measures seek to aid labour market processes, e.g. by providing the increased flexibility needed in the new economic upswing.

In the following, Finnish employment developments are first considered from the point of view of wider economic developments and the

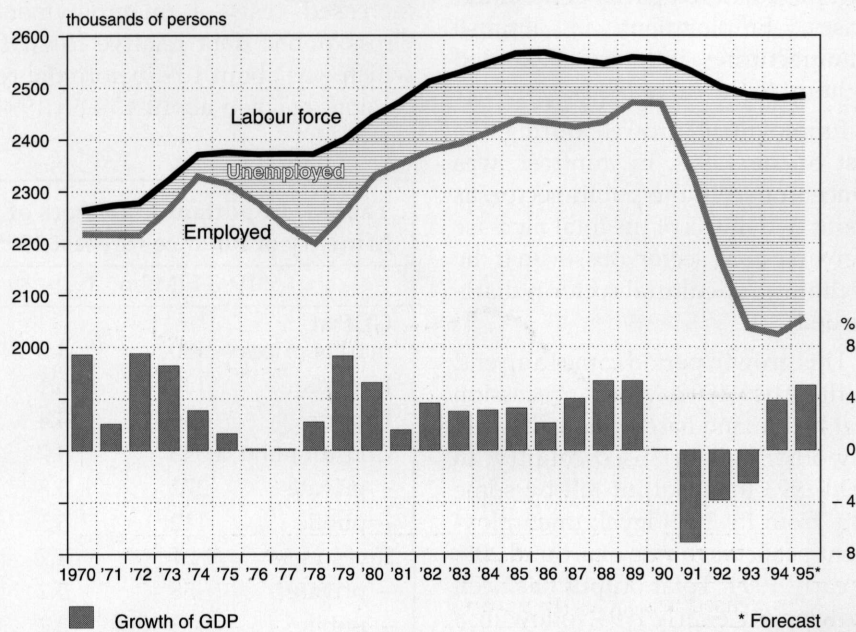
prospects for the near future. The second section studies the composition of employment and unemployment developments in more detail. The third section of the article describes the main features of Finnish labour market policy.

Economic developments

In international terms, long-term economic growth has been rapid in Finland, interrupted only by the 1930s slump and the Second World War. During the post-war period, GDP has grown at a rate of about 5% a year. Finland survived the mid-1970s oil crisis better than most industrialised countries, a rapid economic upswing started in 1978 and steady growth averaging almost 4% a year continued throughout the 1980s. Employment remained high, and Finland joined the ranks of the leading welfare states.

These developments were based largely on the rapid expansion of the forest industry and related industrial branches. They were reflected in an investment rate that remained one of the highest among the industrial

Figure 2: Employment situation and economic growth in Finland in the years 1970 – 1993 and forecast for 1994 – 1995: average



Source: TM, Tilastoyksikkö, 20. 2. 1995.

countries throughout the 1980s, at over 25% of GDP. However, this massive investment was, on average, less effective than in other industrial countries. Sectors protected from competition - primarily agriculture, some of the related food industry and the tertiary sector, and even some exporting industries focusing on trade with the Soviet Union - were able to make large investments because the costs could be passed on to prices. Low-yield investments were also possible because regulation of financial markets kept interest rates at an artificially low level.

The sectoral composition of the economy remained one-sided, heavily dominated by forest industry and related metal industries. Structural developments of the economy and employment were, in comparison to older industrialised countries, retarded. Employment in manufacturing industries started to decline in the OECD countries in the 1970s, a development that led in many western European countries to severe difficulties, especially in industries like steel, shipbuilding, textiles and clothing. In Finland, by contrast, such industries managed to survive the period without crisis. This was largely due to the steady growth of exports to the Soviet Union and to the up-to-date production capacity of the enterprises. Employment in Finnish manufacturing industry expanded right up to the early 1980s.

Employment growth during the rest of the 1980s, by contrast, was concentrated in the public sector, as about two thirds of the total increase were in public sector jobs, even if the declining agricultural sector is disregarded.

This growth period came to an end in the early 1990s, with a recession that hit Finland harder than virtually any other industrialised country. In 1990-1993 total output fell by some 13% from its 1989 level; unemployment peaked at a rate of around 20% in early 1994. Total output has been growing since early 1994, following a continuous decline lasting four years. Output is expected to rise by about

5% in 1995, and forecasts for 1996 vary between 4 and 5%. Thus the recession is now clearly over.

The marked improvement is the result of a sizeable increase in exports - they have been expanding for four years now - together with a concomitant rise in industrial production. In 1994 exports as a share of GDP reached the record figure of 35%. This turnaround was reflected in a positive balance of payments on current account. The recovery of the domestic sector started more slowly, but by the end of 1994 rising private consumption and higher investment further strengthened economic growth.

Economic prospects are also good in terms of inflation. Inflationary expectations have remained subdued, and prices are increasing very modestly. Real wage and salary earnings are expected to increase by 3-4% this year, meaning an increase in household purchasing power for the first time in three years.

The worst macroeconomic problem - besides unemployment - is the high level of public debt. As a result of the recession, Finland ended up with one of the highest levels of public debt in Europe. The growth of public debt was exacerbated by the assumption by the government of private sector banking liabilities and by the increased costs of unemployment. Gross public debt relative to GDP, which was about 10% before the recession, reached about 63% in 1994.

The figure is expected to continue to rise until 1997 when it will peak at 70% of GDP. However, positive economic overall expectations and trust in the governments' ability and willingness to cut public expenditure have led to declining long term interest rates, which has improved the climate for growth, especially for firms producing for the domestic market.

As a result of rapid economic growth, unemployment has also started to decline. However, the restoration of high employment levels is not an easy task. The government has announced its intention to cut unemployment by half by the year 2000. To reach this target, macroeconomic and labour market policy measures are not enough. The entire foundations of the country's economy have to be restructured as the economic environment has changed radically since the late 1980s and the previous period of high growth and employment.

Employment

Labour supply fell by about 70,000 (-3%) during the recession. Young people, in particular, retreated into training when faced by the shortage of jobs, while mothers of small children frequently withdrew from paid labour to household work. Given rapid economic growth the supply of manpower is likely to increase, as this reserve returns to the labour market when job opportunities once again open up. The growth of the popula-

Table 1: Important indicators of the Finnish economy, 1979-1994, and Ministry of Finance forecast 1995 (% change/year)

	1993 FIM bn	1979- 89	1990	1991	1992	1993	1994	1995*
GDP at market prices	480	4.0	0.0	-7.1	-3.6	-1.6	3.9	5
Imports	133	6.1	-0.6	-11.7	1.1	0.7	11.8	10
Exports	159	3.4	-1.4	-6.6	10.0	16.7	11.4	7.7
Consumption	383	3.7	1.0	-1.9	-4.1	-4.3	1.3	3.3
- private	272	3.8	0.0	-3.6	-4.9	-3.9	2.0	5
- public	112	3.5	3.8	2.5	-2.2	-5.3	-0.4	-1
Investment	71	4.7	-4.1	-20.3	-16.9	-18.6	4.1	15
- private	58	5.2	-6.2	-23.1	-19.6	-18.9	6.9	19
- public	13	2.2	14.1	-0.2	-2.0	-17.4	-8.5	-10

* forecast

tion of working age will also continue throughout the 1990s, and, if the economic trend remains favourable, the labour supply could increase by a further 4–5% by the year 2000 for demographic reasons. On the other hand, additional training opportunities will restrain growth in labour supply, so that the workforce is only expected to increase by about 70,000 by the year 2000, thus raising the total to around the pre-recession level. The labour force will not begin to contract until the next century, most clearly in the 2010s, when the children of the post-war baby boom will be reaching retirement age.

For the economy as a whole, the recession caused the loss of almost 500,000 jobs over four years. About half of the jobs in the construction sector have been lost, while industry and commerce, second worst hit by the recession, saw the loss of every fourth job. Employment in the transport, finance and service sectors declined by between 5 and 15%. Employment in primary production fell in line with the long-term trends.

It will take a long time to recover the jobs lost, even given healthy economic development; employment is certain to remain distinctly lower in the second half of the 1990s than it was prior to the recession. Structural changes within the economy can also be expected to continue, leading to changes in both labour supply and demand, and exacerbating the task of bringing down unemployment.

The demand for labour started to rise slowly in the second half of 1994. In the last quarter, the number employed was about 20,000 (1,0%) higher than the year before. The first quarter of 1995 saw accelerated growth in the demand for labour, with figures 40,000 (+2,0%) up on the previous year. Employment increased in all sectors except agriculture. The bulk of job creation (+ 25,000) was in manufacturing industries.

Long-term forecasts are rather unreliable in the Finnish case, because one cannot wholly rely on the traditional macroeconomic relationships

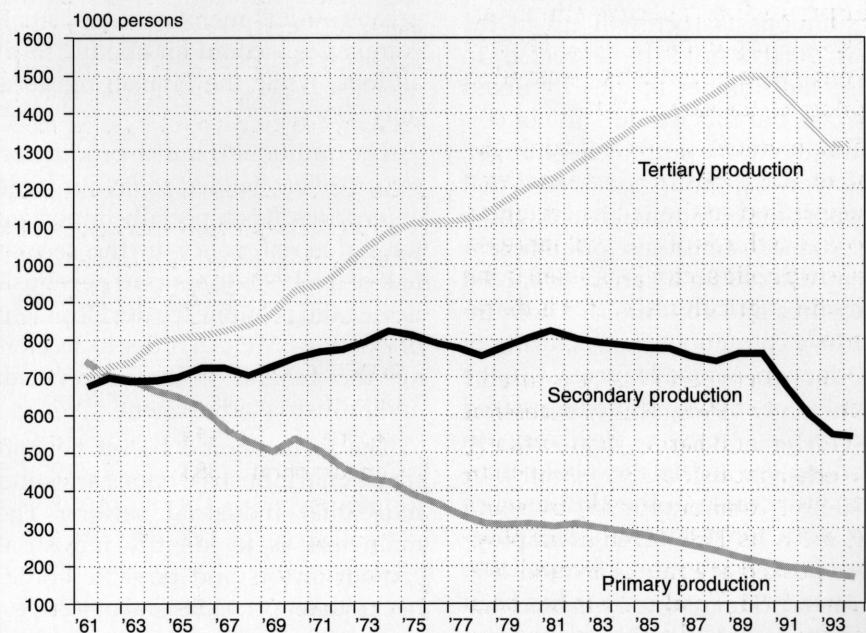
Table 2: Labour force and employment, 1990 and 1994 and forecasts for 1995 and 1996

	1990	1994	1995*	1996*	90-94	94-95	95-96
Population 15 – 74	3,737	3,824	3,840	3,855	+ 87	+ 16	+ 15
Persons not in labour force	1,181	1,345	1,350	1,350	+ 164	+ 5	+ 0
Labour force	2,555	2,480	2,490	2,500	- 75	+ 10	+ 10
Unemployed	88	456	405	360	+ 368	- 46	- 45
Employed	2,467	2,024	2,085	2,140	- 443	+ 61	+ 55
– Agriculture and forestry	207	167	160	153	-40	- 7	- 7
– Manufacturing	556	426	453	473	- 130	+ 27	+ 20
– Construction	205	114	126	138	- 91	+ 12	+ 12
– Trade	394	297	305	315	- 97	+ 8	+ 10
– Transport and communication	178	161	170	180	-17	+9	+10
– Finance, insurance and business services	238	202	202	202	-36	0	0
– Public services	546	509	507	502	-37	-2	-5
– Private services	139	141	155	170	+2	+14	+15
– Unknown	3	7	7	7	+4	0	0
Labour force participation rate (%)	68.4	64.8	64.8	64.8	-3.6	0	0
Unemployment rate (%)	3.4	18.4	16.3	14.4	+15.0	-2.1	-1.9

between production, productivity and employment after the recession and the many structural changes. It is evident that job-creating mechanisms have changed significantly,

and, for example, that the criteria for recruiting new personnel have been modified since the days of steady and stable growth in the 1980s. In view of this, an improvement in the employ-

Figure 3: Employed persons; by industry (condensed classification) 1961–1994



Sources: TM, Tilastoyksikkö 23. 5. 1995; Tilastokeskus, työvoimatilasto.

ment situation would seem to call for a more functional and a more highly diversified labour market, as well as for an intensification of job-creation programmes.

The effects of EU membership on employment are hard to predict. The Ministry of Labour estimates that it will lead to job losses in some areas, especially in agriculture, the food industry, public services and, in the short term, the chemical industry. On the other hand, high-tech sectors of the metal and engineering industry, pharmaceuticals, tourism, private services and business services should all benefit from membership.

National strategies have been drawn up in Finland to support continuous economic growth up to the end of the decade, to bring the public debt under control, and to reduce the present high rate of unemployment to the European average. The working group on employment appointed by President Ahtisaari stated in its report, that a growth target of about 5% a year is feasible, if overall economic development is stable, and exports and export-driven industries expand rapidly.

Economic growth of about 5% a year would increase employment by some 45,000 a year, i.e. a good 2%. Continuous fast growth up to the year 2000 would be expected to raise the number of jobs by about 270,000, but this would still not suffice to attain the employment target. The working group considered that support for economic growth and a heightened emphasis on employment also call for a variety of special measures and conditions. These include: a continuous restructuring of production, a notable increase in the number of small and medium-sized enterprises, greater flexibility in working life and in the labour market, an increase in the skill level of the work force, and an intensification of active labour market policy.

The working group estimated that these measures would create some 330,000 new jobs by the year 2000, reducing the number of unemployed

to around 200,000, and the unemployment rate to 8%.

More jobs in SMEs

The new jobs will be mainly in SMEs with less than 500 employees, a category which already employs nearly two thirds of private sector workers in Finland. The proportion of jobs in SMEs varies from sector to sector. In manufacturing industry, SMEs employ well over half of the total workforce. Other important sectors are construction, trade and private services. Although a large number of SMEs operate on the domestic market, fast growth in exports is increasing the demand for sub-contracting, augmenting the job-creation potential of SMEs. The new trends in industrial organisation towards lean production, corporate specialisation in core businesses and increased networking linkages generally strengthen the role of SMEs.

A comparison of Finland and the other EU countries indicates that improving the growth potential of SMEs can have a major impact on job creation. SMEs account on the average for about 4 percentage points more of employment in the other EU member states than in Finland. In the case of small firms with under 10 employees, the differential is even greater. In EU member states, small companies account for about 29% of all jobs, while the Finnish figure is only 23%.

The traditional Finnish production structure has tended to favour large enterprises. It is especially important for industrial policy in the second half of the 1990s to support new businesses and promote the development of existing SMEs, in order to accelerate the general structural renewal and industrial adjustment.

The focus should be set beyond traditional industrial boundaries and individual industrial sectors. The main task is to identify industrial growth factors and possible bottlenecks, to set priorities and objectives, and on the basis of these to seek to influence the quantity and quality of specialised factors of production to

be created in the future. The identification of sustainable competitive advantages and factors generating long-term growth is the essential concern. For example, advanced producer services are a key part of the new industrial structure.

High expectations regarding service jobs despite the banking crisis

Even if it were to become highly competitive, industry alone cannot solve the problem of mass unemployment. Yet its impact on job creation is felt elsewhere in the economy, in that new industrial jobs also increase employment in transport and trade, for instance, and, as incomes grow, also in private services. If unemployment is to be overcome, most new jobs must be created in the private service sector, where rising productivity is less likely to mean staff cuts than in industry. Private services have a good potential for creating more jobs, not least because many traditional functions in goods production will increasingly be carried out by various types of private service firms. There are also good growth prospects for private enterprises in welfare services formerly provided by the public sector, as the need for such services is more likely to increase than decline in future. Jobs in teaching and research are also expected to increase in the second half of the 1990s. All in all, achieving the more optimistic employment target means creating about 250,000 new jobs in services by the year 2000.

A rapid increase in employment in the tertiary sector presupposes the right degree of flexibility on the labour market. The adjustment process is only just beginning, so it is still difficult to evaluate the structural change called for in the service sector. Social policy choices will largely dictate how services are divided up between the private and the public sectors. In 1994, the public sector accounted for an average of 30.6% of total employment, i.e. 2 percentage points more than in 1990. During the recession, public sector jobs decreased by 86,000 (-12%), although

the sector's employment share actually increased, because even more jobs were lost in the private sector. Public sector employment encompasses both administration and services such as education, health and social welfare, of which more than 85% are provided by the public sector (Table 3).

The financial sector, including services to business, has experienced a violent wave of rationalisation in recent years. The banking sector, in particular, has experienced – and is still going through – a deep crisis. Banks and insurance companies are being restructured, merged and closed down. For example, the two largest commercial banks of Finland have recently merged. In insurance, no new jobs are expected to be created in the 1990s. However, new functions and sub-sectors are expanding within the business service sector, including real estate services, legal, accounting and auditing services, information technology, marketing and security services. In these areas, employment is expected to increase, as other enterprises rationalise their own operations and increasingly resort to outsourcing.

In transport and communications there were about 160,000 jobs in 1994. Of these, transport and warehousing accounted for about 117,000 and telecommunications 43,000. Relatively few jobs were lost in transport and communications during the recession, and employment here is expected to rapidly re-attain and even exceed the pre-recession level. Growth will be fastest in telecommunications, which is currently the fastest growing branch of the Finnish economy.

Developments in the trade sector have generally followed the overall economic trend, though fluctuations have been less pronounced than in manufacturing. As the economy grows, jobs in trade are expected to increase, though greater competition will hold back the rise. Trade will be forced to rationalise still further, leading to closures of small shops. The number of jobs in hotel and cater-

ing will also rise, though the pace will depend on how tourism develops, and a rise in employment will also require cuts in labour costs. Large foreign companies are expected to penetrate further into many Finnish service industries, such as transport, forwarding and advertising. Their presence is therefore expected to grow, especially in retail trading in various special goods, such as clothes, furniture and interior décor.

Primary sector

In European terms, the share of employment in the primary sector has remained at a high level in Finland. This is largely due to the deliberate policy of protecting and heavily subsidising domestic agricultural production. Thus the prices of domestic farm products are well above those on international markets. Falling export subsidies and reduced protection against imports will inevitably force cut-backs in agricultural output. As productivity will also rise, the labour input in farming will inevitably decrease, the number of farms will fall and their average size will grow. The number of jobs relative to the number of farms will also decline. Adjusting to these changes will call for the development of new agricul-

tural production to replace what has been displaced, and the creation of new ancillary occupations. However, the further decline of rural populations in the already sparsely populated Finnish countryside poses an intractable problem.

The number of jobs in forestry will grow as the economy picks up, but over the longer term can only fall again. Mechanical harvesting will further reduce the need for human labour in forestry.

Working time and employment

Generally, European research on working time has forecast trends towards more diversified, individualised and localised working times. Standard working time patterns, on the other hand, are expected to lose ground. During the early 1990s, the central theme of Europe discussions on working time has been work sharing. In Finland, however, adjustment to recession seems to have occurred almost entirely through increased unemployment, rather than adaptation of working times. The most obvious change, partly accelerated by the recession, is the increased number of local, firm-level agreements on working time. During the recession there were only minor

Table 3: Public employment by sector in 1990 and 1994

Sector	1000 persons		% of the employed in the sector	
	1990	1994	1990	1994
Agriculture and forestry	16.1	15.3	7.8	9.1
Industry	15.1	12.6	2.7	3.0
Construction	28.6	25.3	13.9	22.3
Trade, hotels and restaurants	5.1	3.6	1.3	1.2
Transport and communications	70.1	27.6	39.2	17.1
Finance, insurance and business services	24.1	23.9	10.1	11.8
Services	545.6	508.9	79.6	78.2
– Public administration and national defence	129.2	114.9	98.5	98.9
– Education and research	137.1	133.2	89.6	88.1
– Health services	140.6	132.1	86.4	84.6
– Social services	117.6	112.2	89.2	86.5
– Other services	21.1	16.4	19.7	16.9
Total	704.7	618.4	28.6	30.6

changes in the nature of employment contracts, however. The proportion of the labour force employed on full-time and permanent contracts declined only marginally, from 81.4% to 80.5%. More obvious changes concerned young workers and new employment contracts. In 1989, the majority of new employment contracts were full time and permanent. By 1993 such contracts had declined to just 28% of new employment relations. In the public sector, only 10% of new employment contracts were full time and permanent, and among young workers the corresponding share was 15%. (Julkunen and Nätti 1995).

Finland has far fewer part-time workers than the countries of central and southern Europe. If Finland were to achieved the same proportion of part-timers, its unemployment problems – purely mathematically at least – would be solved. However, cultural and labour market traditions are complex phenomena and these are very different in Finland than in other countries. The relatively equal division of labour between the sexes in Finland is shown by the fact that both men and women work mostly full-time; child care facilities are widely available.

Attitudes towards more part-time work are favourable, however, on condition that this is voluntary, that earnings are adequate and that agreement can be reached on returning to full-time work later on. Thus the number of Finns interested in part-time work depends essentially on the conditions and the pay.

All in all, changes in policies concerning working time could well permit a combination of paid work, study, family life, leisure time and rehabilitation that is both socially and financially secure. However, any reforms must guard against increasing discrimination against women on the labour market; men, too, must be supported and encouraged in taking part-time jobs.

Part-time work is not the only way to make working time arrangements more flexible. Various models for re-

arranging and dividing up working time have been developed and tried out in practice. These include ‘sandwiching’ work and other activities (study and sabbaticals), and dividing the working day into two six-hour shifts. A six-plus-six-hour model is currently being experimented.

Unemployment

Up to the 1990s unemployment in Finland had remained well below the average EU level. Unlike the situation in the EU countries, the unemployment rate continued to fall even after the slump produced by the oil crisis, and throughout the 1980s, unemployment averaged under 5%, i.e. about half the European average. With the recession of the early 1990s, however, unemployment exploded to five times its previous level within the space of just a few years, and reached about double the average EU level. Despite the economic upswing, unemployment continued to rise and has decreased only slowly since the second half of 1994. Registered unemployment in 1994 in the working population as a whole and in various sub-groups is presented in Table 5.

Cyclical unemployment started to diminish slightly at the beginning of 1994, this was mainly due to diminished lay offs, while hiring of new personnel expanded very slowly. Even during the first quarter of 1995 about half of the decline in unem-

ployment resulted from decreasing lay-offs.

Long-term unemployment

Before the recession, the number of long-term unemployed (unemployed for over a year) was quite small, about 10–14% of all the unemployed during the 1980s. This was before the Employment Act of 1988, which made it obligatory for the municipality or the state to offer the long-term unemployed a job for 6 months. The Act, together with the intense demand for labour during the boom period, almost totally removed long-term unemployment. By mid-1990, there were only 2,500 long-term unemployed, 3% of all unemployed.

The subsequent sharp growth in unemployment led to an increase in the number affected by long-term unemployment. With the increasing number of those entitled to work under the Act, the state and the municipalities were faced with major difficulties in implementing it in a rational way; ultimately the obligation to offer a job to the long-term unemployed was abolished in the new Employment Act of 1993.

Despite this, the labour market administration has continuously targeted its operations to the long-term unemployed and it was only thanks to the intensified policy measures implemented that the growth of long-term unemployment could be halted

Table 4: Percentage of part-time workers by gender in various countries

	Total	Men	Women
Sweden	25	7	45
Norway	23	8	45
Denmark	23	9	42
Finland	7	4	10
USA	17	10	55
Japan	16	7	31
Netherlands	25	10	55
Belgium	9	2	23
Germany	13	2	30
France	12	3	23
UK	22	5	45

Source: Report of the Committee on Part-time Work, 1993.

Industrial relations

A relaxation of, and changes in, regulations concerning working hours, wage systems and other working conditions are the subject of an intense debate in Finland. The whole set of issues, often simply termed 'increasing the flexibility of labour market', is seen as a panacea for all the country's unemployment problems by some. In Finland, these issues are mostly handled through the tri-partite labour market system. Thus radical changes in labour market regulations have to be agreed on this basis and can in no way be decided by the labour market administration alone.

Traditionally the Finnish labour market system has always been highly centralised. The negotiations between central labour market organisations have provided the general framework for legally binding collective agreements. As a rule, the sole responsibility of the local level has been to implement these regulations.

The Finnish system shares many features in common with the Swedish, Norwegian and Danish systems: the level of trade union organisation is high (between 60 and 90%); national-level trade unions play an important role, and

most organisations effectively enjoy a monopoly situation.

This centralised and consensus-oriented system functioned well up until the 1990s recession. Since then, however, the new economic situation, together with Finland's accession to the EU, imposes new challenges on the labour market system. Finnish firms and the labour market system as a whole need to become more competitive, flexible and effective. The old centralised system is too rigid and too slow in reacting to rapid changes. It has concentrated one-sidedly on generating increasingly complex norms and regulations, and it does not have the capacity to resolve the problems of high unemployment or the difficulties faced by the ageing workforce in a highly complex labour market.

In most west European economies there is now a tendency towards local or enterprise level bargaining, and efforts are being made to develop participation and decision-making systems in individual companies. The freedom to take decisions at company and even shop-floor level is increasing.

In Finland, the most important steps in this move towards decentralisation were taken in late 1993 with the collective agreements that

were signed at union level. The agreement in the metal sector was a breakthrough that paved the way for the other branches. In the public sector, local government started to decentralise decision-making down to local level two years ago. Clearly then decisive steps have already been taken, and the Finnish system of centralised bargaining is working its way towards new arrangements in which the local level assumes a far more important role.

Within guide-lines set by nationwide organisations, local agreements can provide the necessary flexibility. The question remains, whether employers are willing to reach deals with employees at the local level. If the parties involved are unable to reach an agreement at the local level, there are general guidelines in collective agreements and legislation to cover such situations, however (Kairinen 1994).

Thus there is a clear development towards more local agreements and a more decentralised industrial relations system. However, the very tedious, complicated and conflict-ridden negotiations in winter and spring of 1995 led to renewed calls for a return to centralised, nation-wide negotiations.

in the autumn of 1994. In spite of this, the long-term unemployed as a share of total unemployment are still likely to increase, due to the fall in overall unemployment.

The number of long-term unemployed is highest, absolutely and relatively, in industrial occupations. Hence geographically, it is concentrated in the old, declining industrial areas. A large proportion – 32% – of the long-term unemployed have no vocational qualifications, while 32% have a secondary vocational education. Only 5%, less than 6,000, have attended higher education.

Long-term unemployment is a particularly severe problem among

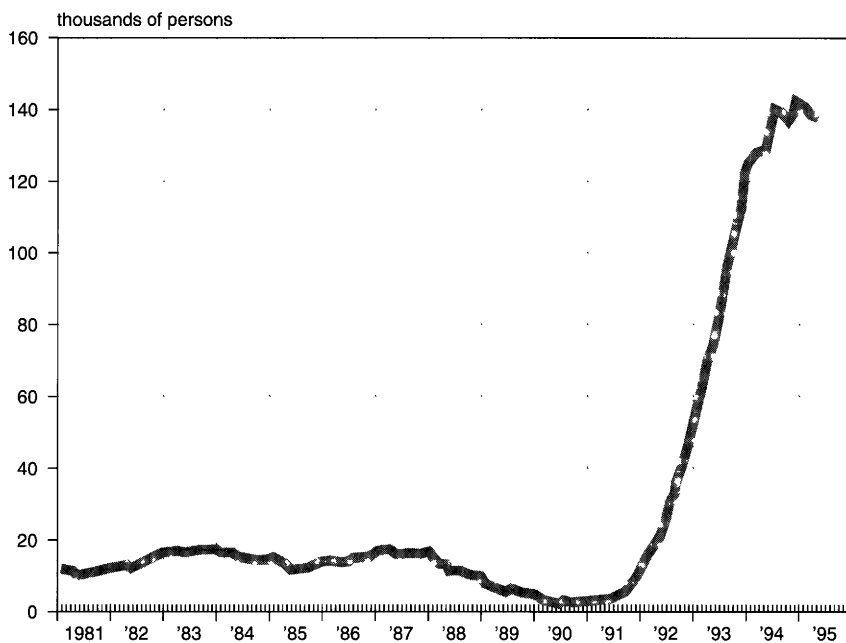
the elderly unemployed: 55% of the unemployed over 55 – more than 30,000 people – have been without

work for over a year. However, it is also increasing among the younger age groups. By the end of

Table 5: Average registered unemployment in 1994 in the country as a whole and EU objective 6 regions (the most sparsely populated peripheral areas)

	Total	Outside region 6	Region 6
Total unemployed	494,200	403,000	90,600
Unemployment rate	20.0	19.3	23.8
Unemployed women	217,300	178,800	38,500
– % of unemployed	43.9	44.3	42.5
Under 25s	93,900	76,700	17,000
Under 20s	27,600	22,600	5,000
Long-term unemployed	135,600	117,900	17,700
– % of unemployed	27.4	29.2	19.5
Disabled	32,000	24,800	7,200

Figure 4: The number of jobseekers unemployed for over a year, 1981 – 1995



Sources: TM, Tilastoyksikkö, 20. 6. 1995; Työministeriö, työnvälitystilasto.

1994, 11% – 9,500 people – of the unemployed under 25 and 6% – 1,500 people – of those under 20 had been without a job for over a year.

Youth unemployment

On long-term averages, the unemployment rate of those under 25 is about double the overall rate. This ratio has not been significantly altered by mass unemployment. In 1994, the unemployment rate of those under 25 was 33,6%, or five times as high as in 1990. The unemployment rate of teenagers (15-19) averaged 36,7% in 1994 and that of young adults (20-24) 32,4%. During the recession, young people on fixed-term employment contracts and with a low level of education have been more likely to suffer unemployment than the average and they have been affected most by longer periods of unemployment. The proportion of the young unemployed lacking educational qualifications is especially high in the metropolitan area of Helsinki.

Youth unemployment is mainly a problem of labour market entry. When the demand for labour col-

lapsed, young people had difficulties in finding a first job after school. Consequently, young people increasingly opted for training schemes. As a result the labour market participation rates of the younger age groups have decreased steadily; during the recession the participation rate among teenagers fell by around 14 percentage points and that of young adults by about 9 percentage points. While this indicates that young people are continuing to place their faith in education in spite – or perhaps because – of unemployment, it also means that labour supply can be expected to expand sharply when employment prospects improve.

Regional and gender aspects of unemployment

Regional differences in unemployment have always been wide in Finland. In the recession years, these differences levelled out, however, as job losses affected the whole country fairly equally. Unemployment rose most in southern Finland and the metropolitan areas, where the unemployment rate had previously been lowest, and where labour shortages

had frequently been a central problem during the late 1980s.

It is still uncertain whether this 'levelling effect' will be permanent. Earlier upswings suggest, however, that new jobs are likely to be created mostly in southern Finland when the demand for labour picks up, meaning that regional differences will once again increase. Such differences are also being exacerbated by the fact that the effects of public sector retrenchment will be felt most in developing areas, where local authorities and the state account for a larger proportion of jobs than in southern Finland.

The Finnish recession hit construction and manufacturing industries first; consequently the contraction initially primarily affected male employment. The relative employment shares of women at first remained high. However, with the increasing cuts in public expenditure and public (especially health and social) services, female unemployment has started to rise rapidly. In this respect, even a renewed period of growth is unlikely to ameliorate the situation. Indeed, worse times for female unemployment may yet be ahead, as the cuts in public spending are very likely to continue and might result in further female job losses.

Labour market policy measures

In Finland labour market policy measures are implemented by the Ministry of Labour and, under its authority, the District Labour Offices (13) and employment offices (183). The Ministry of Labour defines the national priorities of labour market policy. The main focus has been the reduction of unemployment in general and of youth and long-term unemployment in particular.

The rapid growth of unemployment has considerably increased the number of persons attending the employment offices in recent years: by 1994 some 40% of the labour force were registered as job applicants with the employment offices. Three quarters of the clientele were registered as unemployed job applicants.

Table 6: Labour force, job applicants and job vacancies reported to the employment offices, 1991–1994

Year	Labour force (1,000)	Job applicants	Unemployed job seekers	Jobs vacant
1991	2,553	719,400	464,900	196,900
1992	2,502	907,300	646,800	127,800
1993	2,484	1,028,600	768,800	114,200
1994	2,470	954,500	710,000	153,800

Active and passive labour market policy

The funds for active employment policy have been considerably increased in recent years; since 1985 they have tripled. By means of active employment policy it proved possible to lower the unemployment rate by approx. 4% in 1994. On average 96,000 unemployed persons participated in measures during the year.

The Finnish unemployment benefit system is quite comprehensive and, therefore, expensive. The explosive growth of unemployment has meant that unemployment benefit expenditure has risen almost eight-fold in nine years. Such benefit payments account for more than double the costs of active operations. In addition, other expenditure caused by unemployment, e.g. in social welfare services, and losses to the national economy must be taken into account. The relation between active and passive labour market policy is thus clearly distorted.

Spending on active measures accounts for approx. 1.25% of GDP at present, whereas spending on unemployment compensation swallows over 3%. The following table depicts developments in this area during the period 1985-1994.

Owing to the state of the Finnish national economy, and in particular the high level of indebtedness, the pressure to make savings in unemployment security are high. However, funds used for active labour market policy are partly an alternative to unemployment security expenditure, as they reduce unemployment and thus the need for benefit payment.

Labour market measures include manpower services provided to the entire clientele of the employment

offices, labour market training for adults, targeted primarily to the unemployed and to those under threat of unemployment, and subsidised employment for the unemployed. Wider labour market measures include public, job-creating investment, state grants for municipal and private investment, and specific support for structural change.

Labour market services

The aim of manpower services is to enhance the vocational development and the job placement chances of individuals and to supply labour to the employers. According to the new Act on Labour Market Services which came into force at the beginning of 1994, placement and other manpower services may also be performed by private enterprises.

The purpose of vocational guidance is to help individuals to find suitable jobs and to develop their professional career. Vocational guidance is provided by around 120 vocational guidance psychologists distributed among the 183 employment offices. 45,000 persons receive vocational guidance annually, half of which are young people. In recent years, the emphasis of vocational guidance has increasingly shifted to services for adults already in the labour market, however.

The purpose of youth employment services is to provide occupational orientation, help select training opportunities and enhance transition from one educational phase to the next and between education/training and the labour market.

Educational and vocational information services provide information on training opportunities, the nature of various jobs and occupations, and the labour market. The information services are available (both as printed matter and as electronic data) to the clients in every employment office.

The number of disabled job applicants has continuously increased as a result of the ageing of the labour force and high unemployment. At around 45,000 the disabled account for 8% of all job-seekers. The number of disabled unemployed averaged over 31,000 in the first half of 1994. Employment of the disabled on the open labour market has become more difficult with the weakening employment situation, and long-term unemployment among the disabled and thus the real danger of exclusion from the labour market have increased. Employment of disabled job-seekers is primarily promoted by means of general manpower services, training and subsidised employment. In addition, vocational rehabilitation and a vari-

Table 7: Spending on active and passive labour market policy (in FIM million)

Year	Active measures	Unemployment compensation
1985	2,135	1,984
1991	5,176	5,127
1992	6,815	9,837
1993	6,593	13,462
1994	6,127	15,500

Programme	1985	1989	1994
Public employment services and administration	265	515	876
Labour market training	894	1,161	2,417
Youth measures	176	255	678
Subsidised employment	1,420	2,258	3,966
Measures for the disabled	300	619	754
Unemployment compensation	2,927	3,105	23,352
Early retirement for labour market reasons	1,553	2,678	2,378
Total	7,535	10,591	34,440

Source: Statistical Unit of Ministry of Labour.

ety of other supportive measures exist for the disabled.

Employment offices can also place disabled job applicants in sheltered work arranged by municipalities, federations of municipalities, or non-profit organisations. Sheltered work is funded via the state grant scheme for social welfare and health services.

Labour market training for adults

The role of labour market training has received great emphasis in Finland. An effort has been made to direct the unemployed into labour market training at an early stage of unemployment, and thus to prevent prolonged periods of unemployment. However, the increased number of long-term unemployed has gradually shifted the focus, and currently around 10% of those starting labour market training had been unemployed for over 12 months.

Labour market training for adults is implemented by cooperation between employment authorities and educational authorities. The Labour Administration is responsible for the definition of the objectives and for the funding of training, while the education authorities are responsible for planning the content and for implementing training. The Labour Administration purchases labour market training from training providers: vocational educational institutions, adult education centres, universities and private enterprises. The procure-

ment is based on competition, i.e. the training provider is selected through a tendering procedure. The labour administration can also procure training in cooperation with employers.

During training, students are paid a subsidy corresponding to the level of unemployment benefit. In addition, a maintenance allowance is paid to cover travel, and food and accommodation costs can be reimbursed. The support is paid by unemployment funds and local offices of the Social Insurance Institute of Finland.

Participation by the younger age groups in labour market training is rather limited, as the main responsibility for youth education lies with the medium-level educational system. The intense growth of youth unemployment has, however, increased the share of young people in labour market training. Of those commencing labour market training in 1993, 34% were under 30 years of age, and 34% between 30 and 40, and 27% between 40 and 50. Those over 50 accounted for just 5%.

The purpose of labour market training is also to improve gender equality and to decrease labour market segregation. An effort is being made to induce women to enter traditionally 'male' occupations and vice versa. With the weakening employment situation in the 1990s, women increased as a proportion of the unemployed from 37% to 44%. Women account for 39% of entrants to labour market training.

In occupational terms, the largest groups to be trained are in administrative and office work (26%) and in industrial work (22%). Training aiming at promoting entrepreneurship and self-employment has been increased. As opportunities for employment in the public sector will shrink, entrepreneurship will be needed in social welfare and health care services, in particular. Entrepreneurship training has also been expanded in the fields of technology and natural sciences. A total of 9,500 people entered entrepreneurship training in 1993; 10% of those successfully completing a training programme had attended entrepreneurship training.

The employment situation of those having completed labour market training is monitored two months after the end of training. In 1990, approx. 80% of those having completed training were placed immediately after training and only 17% were unemployed. The deterioration of the employment situation has led to diminishing returns on training, however: today only a third of those having completed training find a job immediately.

To evaluate the long-term impacts of labour market training, a specific research project including three ex-

Year	1991	1992	1993	1994
Training purchases	614	764	788	928
Student allowances	732	1,209	1,234	1,259
Total	1,246	1,973	2,022	2,187
Training starts	18,400	28,900	30,600	32,000
- percentage of labour force	0.7 %	1.1 %	1.2 %	1.3 %

Table 10: Subsidised employment: participation and budget

Year	persons (yearly average)	% of the labour force	budget (FIM million)
1991	40,300	1.6	3,000
1992	52,100	2.1	4,200
1993	56,800	2.3	3,800
1994	66,400	2.7	3,800*
* estimate			

tensive surveys of the impact of labour market training at individual, company and national level is being implemented over the period 1993-1996. According to preliminary results, the employing firms assess labour market training quite positively. The training has generally met their needs and the results of training have also had a favourable impact on the firms' business success. Moreover, participants state that training has met their expectations and that their job opportunities have improved because of training. The statistical study on the impact of labour market training on employment policy proves that labour market training has been successful in preventing additional and reducing existing unemployment and in enhancing labour market access.

Subsidised employment

Temporary employment subsidised from employment funds can be offered to an unemployed person who cannot be placed in the open labour market or into training. A condition for this is that the employment opportunities of the person will be improved by the period of subsidised employment. The recession has increased the significance of subsidised employment. Special attention has been paid to improving the labour market skills of those having the weakest standing on the labour market.

Prior to offering an individual subsidised employment, a plan is made with a view to the client's employment opportunities and on the measures – training, rehabilitation, on-the-job training, or a combination of these – that could improve his/her situation.

The number of unemployed in subsidised employment has increased; the impact of such employment on the unemployment rate in the entire country is 2.7%. Of those in subsidised employment in 1994, 52% were long-term unemployed. For young people, subsidised work is used as on-the-job training to enhance access to training or jobs.

Young people accounted for 20.4% of those in subsidised employment in 1994, the disabled for 3.3%.

There are two types of employment subsidies: those granted to the employer to pay wage costs, and those granted to the unemployed for self-employment and on-the-job training.

Employment subsidies can be granted to both public and private employers. The relative importance of the private sector as a recipient of employment subsidies has more than doubled between 1991 and 1993. In government offices and institutions, the employment subsidy covers the entire wage costs, in municipalities and in the private sector only a part thereof. The employment subsidy is granted for a maximum of 6 months (to be extended to 10 months). The person employed under such a scheme has an employment contract with the employer and receives regular wages. The purpose of the employment period is to maintain and improve the labour market skills of the person and so improve this/her chances of obtaining a permanent job.

Employment subsidies granted to the employer must not distort competition between companies and cannot be granted if the employer has laid off personnel during the last three months. The job offered must have the same working conditions and benefits as those of other workers.

Employment subsidies paid directly to the unemployed comprise traineeship support, start-up grants and part-time work support.

The purpose of the traineeship support paid to the unemployed is to help a person with no vocational

skills to come to terms with working life and to guide young people entering the labour market for the first time into suitable training. The number of those in on-the-job training averaged 4,600 in 1994.

The start-up grant is a maintenance allowance of approx. 5,000 FIM a month in support of an unemployed person with a business idea in the early phase of the business activities. Support is usually granted for a period of 6-7 months. During this period, the person can develop the business idea enabling him/her to set up their own business. In addition to a feasible business idea, the new entrepreneur is required to have either experience in business or have undergone entrepreneurial training. The number of those receiving start-up allowances in 1994 was 11,500. Around 50,000 grants have been allocated since the beginning of the programme in 1984.

The idea of part-time work support is to induce a person with a full-time job to move into part-time work for a fixed period of up to a year. An unemployed person is then placed in the part-time job left vacant. The demand for part-time support has been weak, however; only 4,600 people have received the subsidy.

Reform of labour market policy

The experiences with the labour market policy system have shown that a very formal and norm-bound support system with precisely targeted measures does not work efficiently under rapidly changing labour market conditions. A system with strictly focused support can easily create a vicious circle in which new types of

measures and regulations are continuously needed to mend the defects created by the system. Strict eligibility requirements often create problems for target groups and special cases excluded from a support scheme; new measures subsequently have to be launched to service this clientele. In a situation of rapidly rising and diversifying unemployment, the number and diversity of support schemes easily accelerates. This has evidently happened in Finland.

A new employment subsidy system characterised by new, more flexible support measures came into force on 1 April 1995. According to the new system, employment subsidies can now more easily be combined with other measures, such as training and rehabilitation. The subsidy is increasingly being deployed as part of a service package, not just as a separate measure. The narrowly defined and very strictly targeted support measures will be abandoned. Also the maximum duration of a support period is being extended from the previous six months to ten.

The conditions for employment subsidies granted to companies, on the other hand, have been tightened considerably. Support is granted only if the period of employment includes a training component. Another condition is that the company employs the unemployed person after expiration of the measure for a period longer than the support period. The aim of the change is to promote hiring, especially by SMEs, and to persuade the companies to retain participants. Administrative efforts are also made to remove the formal barriers and bureaucratic complications that restrict the wider use of apprenticeship contracts, and more generally impede recruitment by SMEs.

Under the new law, other groups than the long-term unemployed (unemployed for over 12 months) can be entitled to subsidies. Generally the discretionary power of employment offices to take case-by-case and more 'customer friendly' decisions has

been increased considerably. The reform will result in savings of about FIM 530 million.

Conclusion

The Finnish labour market is still in crisis. Bringing down the high unemployment rate to the European average is only possible if favourable circumstances are combined with appropriate policy action. First, steady, strong economic growth of 5% per annum for the rest of this decade is needed. The preconditions of sustainable and rapid growth are a stable macroeconomic environment, lower rates of interest and moderate pay settlements, continuous productivity growth and a reduced public sector deficit. In addition, industrial structures must be regenerated and dynamised, with flexible networks and intensified cooperation between various actors. The change is based on the production and use of high skills, which implies a general rise in the educational level on the one hand, faster introduction of new technologies and innovation on the other. A solid, competitive industrial base will then create the conditions for the success of the service sector.

Active measures to accelerate economic growth, promote structural change and increase labour demand are not, however, sufficient for the attainment of satisfactory employment results. In addition, measures to promote the functioning of the labour market are required. The core of the national employment strategy is growth based on highly skilled labour. Its central principles are as follows.

- *Reinforcing the national innovation system and raising the technological level.* Educational structures and systems must be developed on the basis of the principle of life-long learning. The skills and qualifications of labour market entrants, the employed and the unemployed must be increased to meet the changing needs of working life. Emphasis must increasingly be placed on research and development activities and technological diffusion intensified.

- *Promotion of the establishment of new labour-intensive SMEs and strengthening their role.* This calls for a general change in corporate culture and more entrepreneurial training. Funding systems for companies must be developed and network cooperation between companies supported.

- *Increase in labour market flexibility, abolishing recruitment barriers and employment of the unemployed.* Forms of work organisations and managerial methods have to be developed further. Rigid general regulations on working time, labour costs and the distribution of work between various occupational groups must be made more flexible. Labour supply is to be reduced, e.g. by developing leave systems for training and self-development.

- *Reinforcement of basic skills, especially in respect of corporate globalisation.* Language training, knowledge of other cultures, training in foreign languages and other types of training important for the globalisation of working life and international relations are to be promoted and developed at all levels of the educational system.

- *Increasing consideration of environmental issues in all social and corporate activities.* Taking into account the principles of sustainable development calls for new kinds of know-how and new developments in production technology and energy supply systems in the service sector, in community planning and in agriculture and forestry. Environmental issues have a great employment potential.

- *Improving the match between supply and demand on the labour market.* The pressures on the national economy to cut costs, the high demand for services, and changes in the operating environment call for improvement in the workings of the Labour Administration so that the availability, quality and customer-orientation of services can be secured. Service processes and the contents of customer services must be developed.

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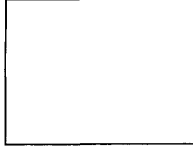
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Institut für Angewandte
Sozial- und Wirtschaftswissenschaften
Novalisstrasse 10
D-10115 Berlin**

The Finnish Unemployment Insurance System

Unemployment allowance

All unemployed jobseekers fit for work, between the ages of 17 and 65, and resident in Finland are covered by unemployment insurance. The job-seeker has to be available to the labour market, registered as being in search of a full-time job, may not have been offered suitable work or training, and must have worked for at least 26 weeks during the previous 24 months in a job involving at least 18 working hours a week.

The unemployment allowance is paid, after a waiting period of five working days, for at most 500 days of unemployment during four successive calendar years. For those entering the labour market for the first time the waiting period is three months. The beneficiary is paid either the basic daily allowance or an earnings-related allowance. The full basic allowance (FIM 118 presently) is paid to all persons in need of financial assistance.

An unemployed person who is a member of an unemployment fund is paid an earnings-related

allowance. This daily allowance comprises the FIM 118 basic component and an earnings-related component. The earnings-related component is 42% of the difference between the person's daily pay and the basic component. If pay is higher than FIM 10,440 a month, only 20% is paid of any amount exceeding this sum.

The costs of the unemployment allowance system are met jointly by employers and employees. Employers are required to pay an unemployment insurance premium, which is currently 2% of total payroll up to the first five million marks and 6,1% thereafter. The employees' contribution is currently 1.87% of pay.

Labour market subsidy

A labour market subsidy is paid to an unemployed persons not entitled to regular unemployment benefit to maintain a basic livelihood while he or she is seeking work and during various employment programmes. The system aims to promote and enhance the recipient's opportunities for returning to the labour market.

All unemployed persons resident in Finland, entering the labour market for the first time, or no longer receiving the daily unemployment allowance because of the 500-day limit qualify for the labour market subsidy. To receive the subsidy, the person must be fit for work, at the disposal of the labour market and searching for a full-time job.

The labour market authorities can arrange practical work, training, vocational guidance and rehabilitation for recipients of the labour market subsidy under the relevant government employment programmes. The value of the full labour market subsidy is the same as the basic unemployment allowance. The subsidy paid to a person living in the same household as his parents is 60% of the basic sum. "A means test" can be conducted according to instructions issued by the Council of State.

Allowances and subsidies are paid for five days a week, and where appropriate are topped up with child supplements (for children under 18).

● *Prevention of exclusion.* Systems to facilitate labour market entry must be created in order to reduce long-term unemployment, especially for those threatened with exclusion and for young people. Even for these target groups the development of occupational skills, qualifications and labour market capabilities is the core strategy. Instead of relying on "passive" unemployment benefit payments, active labour market policy measures in the field of job creation

and training are to be emphasised, as are customer-oriented services and the intensification of cooperation between various authorities.

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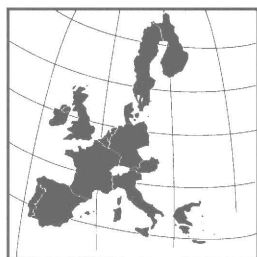
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EMPLOYMENT OBSERVATORY



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