

EMPLOYMENT OBSERVATORY

Policies

52

Developments in employment policies in Europe.
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Developments at a Glance

- Belgium:** A medium-term employment plan oriented towards the five points decided at the European Council meeting in Essen aims to promote employment-intensive growth by means of further reductions in indirect wage costs. In addition work redistribution policies are to be intensified, together with a labour market policy oriented towards target groups and job creation in areas in which demand is currently not being met.
- Finland:** The Finnish government is seeking to boost economic and employment growth with the help of the experimental introduction of a new day-shift system consisting of two 6-hour shifts, which raises operating times by 50%.
- France:** The ANPE is introducing a comprehensive monitoring system enabling the means deployed for and the results obtained by its various activities to be closely compared; the system will underpin the policy of administrative deconcentration.
- Spain:** Spain's medium-term employment plan also relates to the five points decided at the Council meeting in Essen and provides for a number of measures in the areas of vocational training, job creation and the activation of labour market policy, together with measures pertaining to labour market target groups. The job placement monopoly held by the public labour market authority (INEM) has been partially lifted by the admission of non-commercial job placement agencies and the introduction of so-called integrative job placement services incorporating a number of service delivery organisations.
- Italy:** The obligation on employers to obtain prior administrative approval for recruitment has been abolished.
- Netherlands:** Employer social insurance contributions have been reduced, particularly for (formerly long-term unemployed) minimum wage earners, with the aim of improving the labour market situation of the low-skilled. Job creation measures are to be extended further and local government is to be given greater scope for more active labour market policies.
- Portugal:** The National Employment Observatory has compiled reports on a number of regions, analysing their labour market and economic structures.
- Austria:** Following Austria's accession to the EU it will receive around AS 7 billion from the European Social Fund over the programme period 1995-1999 for targets 1, 2, 3, 4, and 5b. A considerable proportion of the funds are to be used to cofinance labour market policy measures.
- Sweden:** From now on young unemployed persons (aged 18-24) are being divided into two groups. Local authorities bear labour market policy responsibility for young people until the age of 20; only then is responsibility assumed by the public placement service.
- United Kingdom:** The education and labour ministry has introduced new "Career Development Grants Plus". Repayment of these loans, which are available for those undergoing training, can be postponed for up to 18 months.

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Overall Developments

Belgium

The Medium-term Employment Plan 4

Spain

The Spanish Medium-term Employment Programme 6

Austria

The European Social Fund in Austria 8

Working Time

Finland

The "6+6" or "Day-shift" Model for Employment-intensive Growth 11

Placement and Vocational Guidance

France

A New Function for the ANPE: Monitoring 12

Spain

Regulations on Private Employment Agencies and Integrative Job Placement Services 13

Italy

Abolition of the Preventive Approval Requirement ("Nulla-osta") for New Recruitments 14

Training

United Kingdom

Career Development Loan Scheme 15

Special Categories of Workers

Netherlands

A Government Programme to Promote Employment for the Unskilled 15

Sweden

New Labour Market Policy Strategy for Young People: Unemployment Limited to a Maximum of 100 Days 16

Miscellaneous

Portugal

Employment Analyses at Local Level 18

FOCUS

Short-time Work Schemes in France, Germany, Italy, and Spain: from Cyclical to Structural Intervention 19

Overall Developments

Belgium

The Medium-term Employment Plan

On 3 October the Belgian Prime Minister presented the Medium-term Employment Plan – previously announced in the coalition agreement (iMi 51) – to the lower house of parliament. This plan marks a continuation of the employment-promoting policies pursued by the Belgian federal government in recent years. It is also a response to the decision taken by the European Council at Essen which called on each Member State to draw up a medium-term plan with the aim of creating additional employment, especially permanent jobs.

To this end the government intends to focus on the following:

- strengthening the economic base and encouraging growth, especially with regard to small and medium-sized enterprises;
- specific incentives to raise the employment-intensity of economic growth, notably by reducing labour costs;
- improving the distribution of work, notably by promoting part-time work, career breaks and other dynamic work redistribution formulae;
- special attention for those job-seekers whose situation is particularly precarious (young people, the long-term unemployed, elderly workers);
- improving the opportunities for training and integration into the labour market;
- new social needs which are currently not being adequately met.

Measures to strengthen the economic base and encourage growth

Support measures for SMEs

In order to improve the equity capital base of SMEs, a tax allowance equal to 7.5% of equity capital growth during

the last financial year is to be granted up to a maximum of BFR 800,000. In order, in the interests of employment, to ensure the survival of SMEs, measures are to be developed so as to resolve the problem of family succession in small firms. With the aim of stimulating scientific research in SMEs it is proposed, among other things, to increase the tax exemptions for the recruitment of additional staff linked to scientific research.

Measures to boost construction activity

Additional jobs are to be created in the construction sector by implementing an effective programme to renovate public buildings. The minimum age limit at which renovation work on private housing is subject to the reduced rate of VAT is being cut from 20 to 15 years. In addition, the VAT rate applying to state-subsidised housing is to be reduced from 12% to 6% until 31.12.1997.

Future-oriented economic policy legislation

Employment promotion by strengthening the economic base and encouraging private economic activity must be incorporated within a positive context in which all obstacles and rigidities relating to employment are removed as far as possible. In more general terms, the government is to seek to simplify administrative procedures.

In order to improve relations between enterprises and the public authorities, the government is to designate an official responsible for information in each federal department. Moreover, the requirements on private enterprises to pass on information to the public authorities are to be simplified and rendered more effective. With a view to private sector planning horizons with regard to economic policy legislation, the government will ensure that the necessary decisions are taken as soon as possible.

Within the context of employment promotion and the modernisation of economic policy legislation, the government is to subject the legislation on

occupational access, trade practices, the setting up of new businesses, shop opening hours, the consumer credit system and competition to critical evaluation.

More jobs for more people

The strengthening of the economic base will create a climate which will favour sustained economic growth. Yet this growth must be rendered more employment intensive: the aim must be to enable the maximum number of people to participate in the labour market. To this end the federal government intends to establish a range of instruments in close cooperation and collaboration with the regions, the linguistic communities and the social partners.

Cutting labour costs

The measures aimed at reducing labour costs will both enable existing jobs to be maintained and developed and reduce the threshold for the creation of additional jobs. Given the constraints on resources, the reduction of labour costs is to be implemented in a selective manner.

The Maribel measures (flat-rate reduction in employer social insurance contributions – cf. BIR B-i.3), the plus-one plan (temporary and degressive reduction in employer contributions for the recruitment of an unemployed person as the first recruit – cf. BIR B-i.6) and the springboard jobs (*emplois-tremplin*: the first recruitment of an unemployed person aged less than 30 – cf. BIR B-vi.1) will remain in force.

The cut in employer contributions for low-wage workers (cf. BIR B-ii.3) is to be extended by raising the wage level up to which a 10% reduction applies from BFR 52,811 to BFR 60,676. After this change more than one third of all employees will benefit from this measure.

Redistributing work

The aim of work redistribution is to spread the existing volume of work over a larger number of workers and to give workers greater freedom of choice with regard to their individual

working time, while at the same time increasing the flexibility and reducing the uniformity of work organisation within firms. This will enable more employees to be integrated into the labour market as the working time "freed up" in this way is performed by new recruits.

In order to achieve this aim it appears politic to implement a series of measures to reduce labour costs and to compensate the employer for additional costs incurred, while at the same time introducing measures providing incentives to workers to transfer from full-time to part-time working or to accept a part-time job.

In the first instance, the existing regulations on enterprise plans (cf. BIR B-vii.4) are to be retained. Under this system employers reducing the workload on the existing workforce while recruiting additional labour are entitled to a flat-rate reduction in their social insurance contributions. In order to render these provisions even more effective, it is proposed that for all the enterprise plans submitted and approved after 1.1.1996 the reduction in contributions is to be granted for a period of three years for each effective new recruitment after this date (otherwise the reduction expires on 31.12.1997).

By extending the scope for workers interested in interrupting their working career (cf. BIR B-vii.2) under the existing regime, a greater number of employees will be able to benefit from such measures, enabling more work to be redistributed by means of compulsory replacement by an unemployed person. The extension of the opportunities to interrupt one's career under the existing regime could be achieved in the following ways:

- introducing new forms of "part-time career interruption" (four-day week, 3/4 jobs, etc.);
- extending the right to a career break in the private sector by collective agreement at both sectoral and company level;
- providing incentives to the employer in the form of a reduction in employer social insurance contributions in order to offset the costs incurred by the need to familiarise the replacement workers;

- extending the maximum duration of the career break in the public sector.

Part-time work is to be promoted by establishing:

- a right to part-time work for workers who have exhausted the scope for career breaks, a right that must be accompanied by protection against redundancy;
- a genuine social status for part-time workers, with the aim of avoiding discrimination of any kind linked to the option for this form of employment. As far as unemployment is concerned, this means that more attractive entitlements are to be introduced for unemployed persons opting for part-time work.

For part-time early retirement (cf. BIR B-vii.1) the mode of calculating the level of complementary benefit is to be simplified, the required duration of tenure is to be reduced from 25 to 22 years and employer social insurance contributions are to be reduced for each workers hired to replace a part-time early retiree. The social partners are invited to conclude collective agreements, at sectoral or company level, that establish the right to part-time early retirement.

The law of 10 April 1995 relating to work redistribution within the public sector constitutes the basis for work redistribution within the entire civil service. The two principal measures are part-time early retirement and the voluntary four-day week. These measures are in force until the end of 1997 and may be extended following evaluation. In the light of the results so far these programmes should be extended and additional incentives given, notably by ensuring that they are applied to contractual employees hired for specific tasks or temporarily, and to the armed forces.

Policies for target groups

In order to offer young people the chance to acquire initial work experience and thus improve their chances of labour market integration, young jobseekers unemployed for 9 months or longer are to be offered an initial work experience contract (*PEP - premier expérience de travail*). In the private sector the PEP contract is a six-month practical training contract (on a full-

time or part-time basis). Half of the obligatory practical training periods (cf. BIR B-iv.2) are to be conducted by means of such a contract. A series of measures is to be implemented with the aim of increasing the training opportunities on offer (greater selectivity with regard to exemptions from the obligation to train, tighter controls on adherence to this obligation, etc.). Young people employed under a PEP contract on a part-time basis are to benefit from a flat-rate waiting allowance of BFR 6,000 per month provided by the ONEM. The regulations applying to practical training contracts are also to apply to PEP contracts.

As far as the public sector is concerned the federal authorities are to take on 1% of their new recruits as trainees under the framework of PEP contracts, and negotiations are to be held with the regions and the linguistic communities so as to reach cooperation agreements with the aim of realising this obligation in practice.

With regard to the long-term unemployed, evaluations are to be conducted to determine whether the recruitment promotion plan is to be continued in 1997.

A reduction of 50% of employer social insurance contributions for one year and a fixed-term reduction of 25% from the second year are available for employers recruiting an unemployed person aged over 50 who had been out of work for more than 6 months.

By granting reductions on employer contributions for new recruitments, the recruitment of jobseekers in receipt of minimum social benefit is to be encouraged.

Exploiting existing employment potential

In the non-commercial sector a number of social needs remain unmet. If it were possible to meet such demands, new employment opportunities could be created. Complete exemption from employer social insurance contributions would reduce the cost of such new jobs. To this end agreements are to be reached with the sectors concerned. In the initial phase the agreements will be restricted to the following areas: hospitals, convalescence and care homes and care for the sick in the home.

Overall Developments

In the course of 1996 an evaluation of local employment agencies is to be conducted (cf. BIR B-iii.13). Following this evaluation the possibility is to be examined of creating genuine jobs in community services by initiating appropriate policies, notably regarding labour costs and modes of financing. In the case of the aged requiring care it is also to be examined whether they should be given more generous support in the form of special service-cheques with which they would be able to pay for the care they require in their own home.

In response to a number of needs relating to prevention and security in urban areas, district coordinators and prevention and security assistants are to be recruited within the framework of the basic options set out in the regulations governing local employment agencies. 29 district coordinators are to be recruited, the cost of which is to be borne by the federal government. Urban districts interested in hiring prevention and security assistants may lodge a claim with the local employment office. Priority will be given to unemployed persons who, by virtue of a long spell of unemployment and their advanced age, are least likely to find a job on the regular labour market. The prevention and security assistant will retain his/her unemployment benefit entitlement in full and will receive an additional flat-rate monthly payment of BFR 7,875. Half of the costs are to be borne by the local authority, half by federal government.

The system of loans to the unemployed (BR B-v.13) is to be evaluated. A promotion campaign is to be organised to increase awareness of these measures. Training and guidance for unemployed persons setting themselves up in self-employment are to be improved. The period during which those setting up a new business can maintain their claim to unemployment insurance benefits is to be extended from six to nine years.

Vocational training and retraining

Access to an industrial apprenticeship contract is to be facilitated, notably by rendering the administrative procedure more flexible and possibly by es-

tablishing an inter-sectoral bipartite committee for apprenticeship training. In addition, the government intends to prolong beyond 1996 the benefits under the plan promoting the recruitment of apprentices.

The options for the unemployed of re-entering full-time studies while maintaining their benefit entitlement – which are currently very limited – are to be extended in order to enable them to improve their labour market chances. A cooperation agreement is to be reached between the federal government and the relevant federal departments with the aim of optimising vocational training for the unemployed at the workplace.

Greater flexibility of labour market organisation

Employment is to be stimulated by allowing a more creative and flexible form of labour market organisation. This greater flexibility must be responsive to the needs of both employers and employees. In consequence the government is inviting the social partners to conclude collective agreements – at both the inter-sectoral level (i.e. within the National Council of Labour) and sectoral and company level – in order to raise labour market flexibility. Among other things such agreements may deal with nightwork, notice periods and working time flexibility.

Evaluation structures and tools

Firms are to be required to compile a social report, giving details of employment trends, training efforts and the impact of the various employment-promotion measures. This information is to be made available to the workforce, the bipartite commissions, the government and the Higher Employment Council. The task of this Council will be to monitor the medium-term employment plan and to study proposals for employment-promoting measures.

The fight against benefit abuse and moonlighting

The government is to pursue its policies against moonlighting and illegal employment. It has already taken

measures to this end and intends to implement them in full. The plan is to recruit additional staff so as to enable the proceedings pending before the social security court to be completed and a decision taken as soon as possible.

Spain

The Spanish Medium-term Employment Programme

On 15 September the Medium-term Employment Programme (*Programa Plurianual de Empleo en Espana*) was passed by the Spanish government with the approval of the Council of Ministers. This was in line with the recommendations made at the Euro-summit in Essen and Cannes and indicates the path the government intends to take in the fight against unemployment and with regard to job creation in the context of the overall economic and social situation in Spain.

The programme does not introduce any new amendments at the policy level, but rather seeks to structure, systemise and plan over the medium term the activities introduced and developed by the Spanish government in recent years. To this end, objectives and priorities have been set and the expected results have been indicated.

The programme is divided into five sections: analysis and description of the characteristics and features of the Spanish labour market from a contemporary perspective; commentary on the legal package known as the "Labour Market Reform" and on the policies – support, labour market transparency, enterprise adjustment and vocational training – brought together within it; the impact on the employment situation; a presentation of labour market and employment policies applying in the five areas of intervention formulated in Essen; and a presen-

tation of the mechanisms by which these policies are to be realised and evaluated.

The labour market and employment policies set out in the medium-term programme cover the following areas:

a) *Vocational training.* The aims and results of the current National Vocational Training Programme (PNFP) are to be collated and evaluated. During its period in force – from 1993 to 1996 – public investment of 1,800 billion pesetas is envisaged, rising as a share of GDP from 0.66% in 1995 to 0.73% in 1996. Of these funds, 70% are earmarked for initial training and 30% for occupational raining. Participation in the programme is expected to reach 8.3 million persons over the four-year period; 46% of participants will gain initial, 54% occupational training.

The Employment Programme also provides an evaluation of the process of introducing the vocational training reform (cf. iMi 51, pp. 18-20), following the presentation to parliament by the government of a “vocational training map” which contains plans for the newly classified occupational categories. The catalogue of titles for initial training encompasses 150 such titles, of which 140 have already been delineated; the National Register of Occupational Training Certificates (*Repertorio Nacional de Certificados de profesionalidad*) will be completed by 1996-97. The entire reform process should be accomplished by the year 2000-2001.

b) *Job creation.* At this intervention level the Employment Programme analyses the instruments established in recent years under the labour market reform the aim of which has been to increase the flexibility of labour deployment at enterprise level, the short and medium-term development of the reform itself, support for part-time employment and labour market policy with respect to specific regions (cf. iMi 51, pp. 6-7).

c) *Wage costs.* The Employment Programme recognises that a generalised reduction in social security

contributions is not feasible, as it would pose a threat to the entire social and economic system and would thus have a deleterious effect on job creation. Nevertheless, the Programme recommends retaining intervention measures to correct any disequilibrium occurring on the labour market with respect to difficult-to-place groups. These measure, which are future-oriented in nature, include subsidies for permanent employment contracts for the disadvantaged, and training contracts for which the social insurance contributions, at Pts. 4,350 per month, are far below the risk level covered.

d) *Efficiency of labour market policy.* In order to raise the efficiency of labour market policy the government has introduced a number of measures which can be summarised under the following headings:

- reform of unemployment support and closer monitoring of benefit abuse;
- linked to the above, a reorientation away from passive and in favour of active spending policies;
- formulation of policies that take account of job-seekers’ personal integration plans;
- improving the functioning of the integration services;
- the conclusion of a contractual programme with the labour market authority INEM, and
- the admission of temporary employment agencies.

The contractual programme concluded with the INEM for the period 1995-1997 summarises the above-mentioned activities, allocates resources and sets out, among other things, the following commitments and results:

- by 1997 virtually all unemployed job-seekers are to be able to take advantage of personal “integration measures” (training, classification, guidance, personal employment plans, information and counselling, support for initiatives to enter self-employment); 1.9 million users are to be served in 1997;

- the long-term unemployed (more than one year) are to be reduced as a proportion of total unemployment by two percentage points a year;
- the proportion of the unemployed aged over 45 is to be reduced by one percentage point a year for the duration of the contract;
- around 730,000 long-term unemployed and unemployed persons aged over 45 are to be placed in employment each year;
- the placement activity of the INEM on the labour market is to be doubled to a share of 15%;
- by 1997 the maximum period required to process a job offer is to be reduced to four days;
- 98% of the incoming job offers are to be covered.

e) *Groups particularly hard hit by unemployment.* The Spanish government is especially keen to pursue employment policies for particularly disadvantaged groups of persons. This is due both to the greater need for support in the case of disadvantaged groups and to the qualitative extent of their problems as a social group. In the Employment Programme the aim of reducing overall unemployment by means of net job creation is linked to an approach the aim of which is to counter the trends towards labour market segregation and dualisation. In this context support for young people, women, the long-term unemployed, the disabled, the elderly and other disadvantaged social groups is particularly important.

Finally, the Employment Programme provides for an evaluation system in order to systematically analyse employment trends, the profile of unemployment and the efficiency of employment policy, so as to meet the requirements set at Essen in the five intervention areas and to shorten the time required to achieve the desired aims. To this end the employment observatory (*Observatorio de Empleo*) has been set up, the task of which is to collate information, to conduct and publish up-to-date studies, and to set up a data base covering the experiences gained with innovative measures.

Austria

The European Social Fund in Austria

Since the yes-vote in the referendum held in June 1994, all the central and state-level government authorities affected by the EU structural funds have been planning how best to implement them in their potential fields. The division of Austria's governmental responsibilities between central and state government means that a large number of different labour market, regional and economic policy actors, to mention only the most important policy areas, are involved. As far as labour market policy is concerned, which in Austria is a matter for central government, planning activities relating to the European Social Fund have largely been performed by the Federal Ministry for Labour and Social Affairs and the Austrian Labour Market Service, which was separated from the Ministry on 1 June 1994. The regionalised structure of the labour market service has ensured the required communication at state and regional level, particularly with respect to the regional aims of the ESF.

For the programme period 1995-1999 Austria is to receive around AS 7 billion from the European Social Fund for the targets 1, 2, 3, 4 and 5b. Spending will focus on targets 3 and 4; around AS 367.8 million per year are to be spent on labour market and educational/training projects under the regional targets 1, 2 and 5b.

Overview of the targets and ESF resources

Over the last ten years Austrian labour market policy has been remarkable less for the quantity of the resources mobilised than for the quality of their application, in particular the deployment of a broad spectrum of forms of support. Given the relatively limited volume of national spending on active labour market policy (AS 4.77 billion in 1994), the European Social Fund clearly plays an important role in Austria. Consequently, the philosophy underpinning the support provided by

	in AS millions	%-share of the structural fund in question
Target 1	433	20
Target 2	416	30
Target 3	4,373	-
Target 4	798	-
Target 5b	990	18

the European Social Fund will exert an influence on Austrian labour market policy. Currently the following trends can be observed:

- support for the labour market policy reform initiated by the separation of the Labour Market Service from the Federal Ministry of Labour and Social Affairs, e.g. by an increasing regionalisation of labour market policy measures;
- an impulse in the areas of preventive labour market policy measures, e.g. developing training for the employed and the import of successful models from abroad;
- a "return" to group-specific measures (measures for the disabled, specific measures for young people);
- intensification of the cooperation between labour market and regional policy actors.

The Austrian Labour Market Service, together with its regional offices, is the primary body responsible for implementing ESF projects. The Labour Market Service participated in the negotiations with the European Commission on the Single Programming Documents (SPD) and is at the same time responsible for distributing funding. State-level organisations, and, indeed, in some cases the regional offices thus inevitably played a leading role in formulating and orienting the ESF plans. The state-level organisations of the Labour Market Service orient the ESF programmes and budgets in accordance with regional labour market requirements and in agreement with the other structural fund actors involved. This is compatible with both Austria's federal structure and the regionalised structure of the Labour Market Service. The social partners

were involved in the planning stage and, via their participation in the Labour Market Service, in the discussions concerning implementation. The federal office of the Labour Market Service coordinates the strategic approach and implementation, organises further training and is responsible for the directives/regulations for ESF implementation.

Focal points of the Single Programming Documents of targets 3 and 4

With respect to target 3 the existing measures implemented by Austrian labour market policy are to be extended. This is particularly true of training and employment projects for the long-term unemployed. For women, in particular for labour market re-entrants, who constitute a focal point of national labour market policy, a specific programme was drawn up by the Labour Market Service. The implementation of the focus on youth, by contrast, proved much more difficult. Given the fact that - thankfully - youth unemployment in Austria has been only a marginal problem in recent years, the programme needed to be reformulated. The "Focus on Girls" (*Mädchen im Mittelpunkt*) is oriented to young women, as these are the group of young people that faces the greatest problems on the labour market. The programme is to finance measures linked to careers guidance and vocational orientation. Currently under discussion is a so-called "Youth Initiative 1995-1999". An important element of financing under target 3 is the occupational integration of the disabled, where the federal social offices intend to provide an innovative boost to labour market policy measures for the disabled with the help of ESF funding.

A separate focal point in substantive terms is entitled "support for workers affected by structural change". Austria's accession to the European Union had a particularly dramatic effect on the employment situation in the road haulage, and food, drink and tobacco industries. In order to cushion the economic and social impact on the workers affected, so-called "Work foundations" were set up, the aim of which is to provide sup-

Structure of Planning and Implementation			
Federal Ministry for Labour and Social Affairs Coordination of planning Representation vis à vis Brussels Coordination of implementation			
Implementation departments: (co-planning, co-negotiation, department responsible for implementing the relevant ESF targets)			
<i>Austrian Labour Market Service</i>	<i>Federal Social Offices</i>	<i>Other federal departments</i>	<i>State governments</i>
for all labour market policy measures for all targets	for measures "in favour of the disabled" (target 3)	for non-labour market policy measures implemented via ministerial programmes (e.g. technical colleges)	for non-labour market policy measures implemented via state-level programmes (e.g. training within the framework of research and development)

port for those affected over the coming three years by providing vocational orientation, further training, and advice on setting up a small business in order to facilitate their return to gainful employment.

"New impulses for Austrian labour market policy are to be expected from target 4 in particular, within the framework of which, in view of the dynamics of the process of structural change on the labour market, a new focal point for 'strategic' labour market policies is being developed. The overall aim un-

derpinning this approach is support for structural change and the individuals affected by it. To this end problems and opportunities need to be recognised and analysed at an early stage and support provided for training measures appropriate to the new requirements, but also by developing new training structures and models" (Franz Hums, Federal Minister for Labour and Social Affairs, ESF-News, 3/1995).

In developing preventive labour market policy measures under target

4, the Austrian Labour Market Service is pursuing two approaches in parallel:

– *A person-oriented approach:* by promoting training opportunities for older, unskilled and seasonal workers and by linking short-time working and training, those potentially threatened with unemployment are to receive support with occupational mobility and in developing their opportunities. In strategic terms training at an early stage and parallel to work aims to prevent un-

Focal points of the SPD, target 3	Proposed measures according to the SPD	ESF funds for 1995–1999
Support for workers affected by structural change	Work foundations for those made redundant from the road haulage and food, drink and tobacco industries	AS 337 million
Integration of the long-term unemployed, the elderly and those threatened with exclusion	Training and employment measures, counselling	AS 1,490 million
Integration of the disabled	Training and employment measures, extension of counselling measures, e.g. work assistance, developing new measures, especially for those with physical and mental disabilities	AS 1,247 million
Facilitating the vocational integration of young people	Support for career-search processes, expanding the range of advisory services for young people, extending training opportunities for young women	AS 300 million
Promoting sexual equality	Support for labour market re-entry by women by offering orientation and counselling, extending training and employment measures for women, extending supporting assistance in childcare	AS 800 million
Technical assistance	Parallel evaluation, advice in implementing programmes	AS 200 million

Overall Developments

Focal points of the SPD, target 4	Proposed measures according to the SPD	ESF funds for 1995–1999
Anticipating labour market trends	Research, prognosis, needs surveys, round tables, discussion forums, qualification strategy conferences	AS 58 million
Vocational training	Further training for older and unskilled workers, training measures for workers in key positions, further training in place of short-time working, training for seasonal workers Training for those particularly affected by EU-accession (customs personnel)	AS 603 million
Improving and developing vocational training systems	Support for innovative concepts and models to develop vocational further training (projects at the interface between technology and the socially acceptable introduction of technology) Development of training strategies and training counselling (e.g. extension of projects at the interface between personnel development and training advice) Developing new training contents (e.g. models for work-related training, developing computer-supported self-learning programmes, etc.)	AS 110 million
Technical assistance	Evaluation, support for programme implementation structures	AS 27 million

employment and safeguard jobs. Such measures enable workers to be prepared for the introduction of new technology or changes in enterprise structures.

- *An innovation-oriented approach:* by combining research and strategic projects with the development of innovative training approaches, new vocational training measures are to be conceived at the interface between labour market and social policy.

In particular, workplace-related training models are to be linked to learning-on-the-job and external learning opportunities, models linking technological and communicative skills, skill and personnel development models

and projects that combine R&D with concrete training measures are to be developed. In developing model projects attention is to be paid to synergy effects with existing Austrian programmes, for example, in the field of technology with the focal points of the Innovation and Technology Promotion Fund, with the product finding programme, the “Austro-Bund” programme and state-level employee promotion programmes.

In this context it would appear important to pay close attention to regional specificities, in order to reinforce the regional-endogenous economic and skill potential.

It is the employees of small and medium-sized enterprises that are to

benefit most from such support. The inclusion of the development potential of larger firms must be seen in the context of the region and, in the case of restructuring processes, in the light of transregional cooperation (centre-periphery).

The Austrian Labour Market Service is currently monitoring initial experiences with the implementation of the ESF, a process that has to overcome administrative barriers. The Labour Market Service is keen to play an active role in shaping, within the framework of the ESF, the important interface between Austrian and European labour market policies by means of exchange and transfer activities with other Member States.

Working Time

Finland

The "6+6" or "Day-shift" Model for Employment-intensive Growth

Given that economic growth alone is unlikely to reduce unemployment significantly from its record level, the government of Finland decided to seek additional measures. The government programme states that the government "encourages experiments to explore the feasibility of the 6+6 hours working shift model".

Persistently high unemployment – almost 18% in May 1995 – in spite of a sustained rapid growth of exports has compelled Finnish policy-makers to consider innovative new ideas. Increased flexibility through lengthening of the working day does not seem to be an effective answer to the need to create new jobs. Reorganisation of the working day and working processes in ways which increase operating times can be realised more flexibly by reducing the working day and increasing shift work. There is a measure of job-sharing involved. The 6+6 model can be implemented without any new legislation or collective agreements, simply through consensual workplace agreements.

No public subsidies are required, not even to start the experiments.

Some enterprises have volunteered to put the model into practice. An academic research project is following the process closely. Three manufacturing enterprises have joined the project so far. One is a plastic-product firm, the other produces lenses for spectacles and the third radiators. The City of Helsinki intends to apply the model in a few social service units, partly to solve problems relating to inconvenient service hours. Initially at least, the system seems to work well, to the satisfaction of both employers and employees.

Under the "day-shift model" or simply "6+6" as it is called, the standard

eight-hour working day is reorganised into two consecutive six-hour shifts, whenever feasible. The shifts may vary, from 6 to 12 and 12 to 6 o'clock, or 8 to 2 and 2 to 8 o'clock, for example. Shifts may also overlap. The system will not suit every enterprise, but even partial application – transforming one production line, or part of customer services – seems to increase both labour and capital productivity. The system is completely market conditioned. Only those enterprises which believe the project will enhance their competitiveness are expected to join in. Expected advantages accrue from a 50% increase in the operating time of the machinery, buildings etc. The savings include the possibility of dispersing with the lunch break and replacing this with shorter breaks or with a 15-20 minute single break without a disruption of the production process. A more flexible use of personnel in several different positions is also envisaged.

Clearly, the reduction in the working day leads to a rise in labour costs – if daily wages remain unaffected by the change – that must be offset if the costs are not to be passed on to prices, reducing competitiveness. The remuneration for a six-hour shift is determined within the enterprise.

The few practical examples we have observed so far point to such a great increase in labour productivity that it has in fact been possible to pay the same wages for 6-hour work as for the previous 8-hour (or 7.5-hour) day. This is, however, by no means self evident, or pre-determined and depends on the particularities in each case. The key to consensus is an agreement about the division of the gain created by the increased productivity.

An important and desirable consequence of the system is that new jobs are created to fill the second shift. The potential of the day-shift system for job creation is considerable.

Reasons for productivity increases

Extended use of the capital invested and real estate (from 8 to 12 hours, an increase of 50%) have a considerable effect on the cost structure. A 25% pro-

portion of fixed costs per unit of output seems to be large enough to offset a corresponding increase in the hourly wages, if operating time is lengthened by half.

According to Swedish and Austrian studies, the last hour of the working day is on average only half as effective as the previous ones. Other factors remaining the same, the loss of production in a 25% shorter shift is not 25%, but much less, and there may be gains in the quality of work. A six-hour shift is so short that no lunch break is necessary. Agreement has readily been reached on a single 15-20 minute break, or 2-3 shorter breaks, without stopping the production process. The gains in productivity can be readily calculated. The reorganisation of the work in an enterprise in connection with the introduction of the 6+6 model may bring gains in attaining a fuller capacity utilisation in general: opening bottlenecks, smoothing flows of materials, utilising skills more appropriately. These may also show up in the quality of products and services. All this could mean very large potential gains, although they are difficult to predict.

A fuller utilisation of machinery shortens their life span and speeds up their renewal. This raises competitiveness and spurs the development of technology in an ecologically positive way.

There may be gains through a reduction of absenteeism due to the reduced work strain and a more motivating work organisation.

In the long run, the added possibilities for employees to study and develop themselves during the longer leisure they gain is positive in itself and is also conducive to production. The problems encountered in extending standard shift work are related to its inconvenience in the long run. Overtime is unhealthy and in many countries also expensive. Most importantly, there is not enough demand to keep up production 16 or 24 hours every day. The day-shift model is considered to be beneficial to the quality of life. More free-time may be spent with

Working Time

the family, for studies or hobbies. If widely spread, the system disperses traffic jams and makes services avail-

able at such times when people are able to use them. In essence the 6+6 model is a social innovation increasing

flexibility both in production and private lives by allowing machines do more work in a more efficient manner.

Placement and Vocational Guidance

France

A New Function for the ANPE: Monitoring

Monitoring seeks to shed light on the decisions taken by managerial staff. By providing managers with a range of key indicators, monitoring illuminates the decisions taken by the managements of the various ANPE bodies at national or regional level, the ANPE departmental directorates and the directors of local employment offices.

What is monitoring?

Monitoring is thus a "tool-box" and a method by means of which those responsible can steer the measures they have taken. It constantly sets the results and the means used to achieve them in relationship to one another.

It provides all concerned with an objective basis for decision-making. It enables measures to be monitored by taking account of all of their composite elements. It informs those responsible of the degree of success of their actions and the possible consequence of their decisions, and suggests possible adjustments.

In order to perform these tasks, monitoring concerns itself in particular with a number of subjects already well known to the Agency:

- quantitative and qualitative results measurement;
- defining objectives and allocating of budgetary, human and material resources;

- drawing up and analysing enterprise reports.

For many years now these three topics have been addressed with varying degrees of success. What is important now is to bring about a more comprehensive approach, one that aims to integrate means and aims. This, in turn, poses new questions:

- What is the impact of our actions on our users and on the labour market?
- What do our benefits and our services cost with respect to their use value?
- How satisfied are our users with regard to the various measures implemented?

Monitoring will therefore assist decision-makers at all levels to prepare their actions better and to choose the most relevant in a given context. In this sense it is an indispensable tool of deconcentration.

What can be achieved with monitoring?

For the director of a local employment office:

to implement a plan of action, to choose between different possible means in the knowledge of the costs and the results that might be expected. If an agency sets itself the target of reintegrating a group of long-term unemployed, for instance, it is useful to know which measures are the most effective (requirements to report to the office, group information, provision of benefits, incorporation into certain measures), how they are best combined and what resources they will require.

For the director and deputy director of a local employment office:

- To set targets and allocate resources on the basis of objective criteria that are a correct description of reality. Given the current state of the labour market and the internal resources available to the employment office in question, is it a realistic target to collect one thousand additional job offers in 1996? What impact is this expected to have on telephone and postal costs, on staff movements?
- To negotiate an agreement with a partner, to evaluate the cost of ANPE services in terms of human resources, information, processing systems and methods in order to create objective and controllable bases for its or its partners' tasks.

For a regional director or deputy director:

- To estimate the impact of various planned measures and to select the most efficient alternatives.
- To compare the local employment offices in order to achieve a more favourable distribution of human and financial resources.
- To examine regional sub-contracting policy by comparing the cost-benefit relation of services provided by the ANPE itself and those contracted out.

For the director general and the regional directors:

- To define regional objectives on a sounder basis: the recruitment and employment development potential of the region and structural elements of unemployment.

- To estimate the impact of labour market policy measures with the aim of shifting the emphasis towards the most efficient programmes and to suggest amendments to employment policy measures to the authorities.
- To draw up the Agency budget in cooperation with the Treasury on the basis of more accurate measurements of the results and progress achieved and the cost of new measures.

The monitoring department set up within the directorate general is responsible for the task of implementing the monitoring function in all ANPE organisations. This task is composed of two main aspects:

- to collate the information required by the directorate general, the regional directors and the central departments in order to define targets and draw up the budget, together with the steering data and the indicators for the results control;
- to support the regional directors in defining responsibilities, means and monitoring procedures within the framework of their own structures and to manage the network of monitoring staff constituted in this way.

The introduction of monitoring also aims to promote the deconcentration process. For this reason it plays a decisive role with respect to managers at local, departmental and regional level.

How are suitable indicators to be chosen?

1. The number of indicators is to be limited: a minimum of indicators in order to achieve maximum clarity. It is not a question of knowing everything, but of monitoring the key factors of Agency activity, in particular so as to counter unfavourable developments. It is important to adopt a realistic attitude and restrain one's ambitions.
2. In defining indicators it is important to establish a close link to each level of administrative responsibility. Each level requires its own key indicators, linked directly to the tasks in question, to the areas in which it is able to operate and assume responsibility. The key indicators are

closely linked to the objectives negotiated with each hierarchical level.

3. Each indicator is to be interpreted in the context of the other indicators. Frequently a single indicator only makes sense in relation to one or several other indicators. An indicator is merely a number that requires interpretation. This interpretation is more effective if it occurs within the appropriate environment.
4. Not all indicators need to be quantitative. Numbers can be processed easily, can be made compatible, and have other advantages, but certain elements cannot adequately be expressed in numerical terms; examples are the "social climate" or the subjective views held by customers. Consequently, some elements of a qualitative nature are to be included.
5. Instead of an absolute figure a trend is frequently a better indicator. Accordingly, a suitable reference variable is to be selected and the direction and extent of the change is to be reported after each measurement.
6. Common rules are to be imposed on all involved: how much time is lost simply in ascertaining the difference between two coefficients which allegedly measure the same elements! The director of the monitoring department will have to "impose" a number of types of data which will be consistently defined in the same way.
7. A set of key indicators is not a static entity. What is important is to maintain suitable analytical instruments appropriate to the targets prevailing at any given time. Far too many sets of indicators consist merely of data series that are irrelevant to current strategy.
8. Key indicators must be presented in an attractive way if they are to be used in practice. The two central requirements of a set of indicators are their ability to attract attention and their ease of interpretation. The data-processing system of the ANPE means that computer programmes can be used that meet these requirements.

Spain

Regulations on Private Employment Agencies and Integrative Job Placement Services

The statutory regulations, confirmed by the government in May 1995, on non-commercial employment agencies and integrative job placement services (*SIPES – servicios integrados para el empleo*) have broken the monopoly previously held by the public employment service as a labour market mediator.

Seen graphically, the public job placement service now takes the form of a triangle, the apex of which is formed by the Ministry of Labour and Social Affairs with the INEM, whose task is to perform ordering, supervision and management functions with respect to employment, the two base vertices by other public and private institutions. Of particular relevance in this context are the social partners and the local authorities, which can and should play an important role by virtue of their proximity to and knowledge of the needs of employers and workers or, in the case of local authorities, their knowledge of local sources of employment and unemployment hot-spots.

Alongside the already existing local development instruments (promotion and development units, employment and local development agents, innovative programmes in the area of local employment initiatives) and special "territorial" programmes (plan for rural employment, plan for economically underdeveloped areas, or programmes in support of the occupational reintegration of the unemployed), the integrative employment services (SIPES) serve as the best example of the binomial "employment-region". The SIPES bring together the totality of active employment policies (positive measures that lead to an increase in employment opportunities) aimed at placing an unemployed person in employment and implemented by the INEM or by organisations coop-

Placement and Vocational Guidance

erating with it in a specific region or for a specific group of people. They fulfil a key function in organising and designing active employment policies as they are responsible for coordinating the management of all the phases through which an unemployed person must proceed before he or she obtains a new job. This covers market analysis, individual and personal guidance, information, job-search techniques, support for employment initiatives and the link between the supply of and the demand for labour.

Non-commercial employment agencies are now allowed to operate, on the basis of a contractual licence, as a mediator on the labour market alongside the INEM. This serves to "widen the placement net" and thus increases the chances for job-seekers of finding a suitable vacancy.

To this end, in May 1995 Royal Decree 735 established the following conditions for employment agencies. They must: be non-profit-making; guarantee the principle of equality with regard to job placement in their field of operation; have established a contractual form of cooperation with the INEM, and restrict their activities to the field of operation specified in the contract. They are not permitted to conclude sub-contracts with third parties for their approved services. The users pay for the services provided by the agencies themselves, whereby the charges may not exceed the costs incurred.

Italy

Abolition of the Preventive Approval Requirement ("Nulla-osta") for New Recruitments

Decree-law no. 326 of 4 August 1995 (published in legal gazette no. 181 of 4 August 1995) on "Provisions regarding work in the public interest, job placement, care, income support and

employment promotion measures" has led to a number of significant amendments to the conditions under which workers are recruited. The employer is now entitled to recruit all workers directly. This means that the right to recruit a worker is not contingent on the "preventive approval" of the district employment office. The abolition of the obligation to seek approval for each recruitment does not, however, affect the ban on placement set out in the law on recruitment (Article 11 of Law no. 264/1949), which remains in force, nor the provision under which the recruit must have been registered in the job placement lists (Article 1, Paragraph 4 of Law no. 56 of 28 February 1987).

Because the above-mentioned decree does not lead to changes in the registration formalities applying to placement, registration itself is not required for direct recruitment under Article 11, Paragraph 3 and 4 and Article 19 of Law no. 264/1949 and subsequent amendments in the case of recruitment by agricultural enterprises for urgent reasons (Article 13, Paragraph 1, Law no. 83/1970) nor in cases termed "direct job change" under the previous system. In this area it is also unnecessary to register managerial staff or workers in firms with up to three employees in the placement lists.

As far as registration is concerned, Decree-law no. 326/1995 stipulates a continued obligation to register fixed-term employment relations, the total duration of which do not exceed six months in the course of a year; under Article 10, paragraph 1, sub-section (a) of Law no. 56/1987, four months had been prescribed. This new provision has a retroactive effect, which means that workers who had been struck off the list because they had worked for more than four months must be re-registered as soon as possible.

A further aspect needs to be mentioned. The abolition of the system of preventive approval ("nulla-osta") does not imply the end of the system of public supervision of new recruitments. Even under the new law this supervision will continue, based on the following three requirements:

1. registration of the new recruit in the workforce list (failure to do so is

now punished more severely than before);

2. transfer to the worker of the certification with the recruitment data from the above-mentioned workforce list kept by the employer (Article 2, Paragraph 3, Decree-law no. 326/1995;

3. report to the district employment office, as mentioned above.

As far as supervision is concerned, the new provisions provide for the creation of special groups – currently being set up – at the district employment offices. The task of the groups is to reinforce the control system and replace the former system based on preventive approval.

These new procedures also apply to recruitment by public economic corporations and by employers in the acting business. The categories of workers covered by the new regulations on recruitment include workers recruited under a work-training contract, an apprenticeship contract or a domestic work contract. By contrast, workers whose recruitment is urgently prescribed on the basis of the relevant special regulations, among others, are excluded from the new provisions.

With regard to the placement of workers in agriculture – which is also covered by the changes introduced by Decree-law no. 326/1995 – the necessity of preventive registration is emphasised as it is of particular importance in this area.

Steps towards the creation of integrated services in job placement

In addition to a number of other new measures relevant to the Italian labour market, Decree-law no. 326/1995 (Article 13, Paragraph 2) enables regional and provincial employment offices to try out integrated services on the territory for which they are responsible. The services are to be planned, realised and implemented in cooperation with the regions, other local authorities, public capital institutions, and bilateral organisations originating from the trade unions, and with the support of the regional employment agency (*Agenzie regionale per l'impiego*). The instrument underpinning this cooperation is the "convention", the aim of which is to enable the various actors

involved to define by agreement the contribution to be made by each in order to achieve a complex goal. In this context the directors of the regional and provincial offices can require the administration to conduct the above-mentioned experiments.

The following steps are likely to be helpful in this context:

1. to prepare typical, model conventions which take account of the experiences already gained in this area, for example by the regional employment agency;
2. to set out a number of minimum standards;
3. to create mechanisms by means of which goal attainment can be verified.

Training

United Kingdom

Career Development Loan Scheme

The UK Department for Education and Employment has launched a pilot scheme, "Career Development Loan Plus", aimed at helping people changing jobs or seeking jobs. The pilot is a refinement of the Career Development

Loan Scheme, and addresses the main concern of many people taking out a loan in order to undergo training, namely that they might be unable to repay it on completing their training. Career Development Loans Plus will enable those who find themselves out of work or on a low wage to defer repayment for up to 18 months after their course has finished.

Loans of between £200 and £8,000 are available to pay up to 80% of fees for courses lasting up to two years.

Applicants who have been unemployed for more than three months may apply for a loan to cover all course fees for applications endorsed by their local Training and Enterprise Council.

Trainees in the pilot area can apply to defer payment for up to 18 months if they are registered unemployed and claiming benefit, are employed and receiving certain benefits, or for reasons beyond their control have to extend training before starting repayments.

Special Categories of Workers

Netherlands

A Government Programme to Promote Employment for the Unskilled

The new governing coalition of Social Democrats and Liberals which took office in mid-1994 has proposed a comprehensive programme to deal with the problems at the so-called "bottom end" of the labour market. The term refers to the situation facing unskilled and semi-skilled workers, who are

particularly hard hit by long-term unemployment. In 1994 50% of the unemployed had been out of work for more than 12 months; the proportion among the unskilled and semi-skilled unemployed, though, was far higher.

The employment programme, parts of which have already been implemented, is set out in detail in the budget proposal for 1996. It is a comprehensive package of measures, the most important elements of which are described below.

1. Reduction of wage costs

An important cause behind the unemployment of the unskilled and semi-skilled is the inadequate productivity

potential of many of the unemployed, and the fact that this cannot be reconciled with the (excessive) wage costs for simple occupational activities. Three approaches have been selected in order to reduce wage costs.

- a) The social insurance contributions paid by employers for each worker are to be reduced for the minimum wage. Currently these contributions amount to about HFL 6,000 a year. Compared with other countries this figure is high, imposing a very heavy burden, particularly on small and medium-sized companies.

In 1996 this contribution will be reduced by HFL 1,500 for workers

Special Categories of Workers

not earning more than 115% of the minimum wage.

An employer recruiting a person who has been unemployed for longer than one year and who earns not more than 130% of the minimum wage is exempted from contributions for four years. Thus for such workers an additional reduction of on average HFL 4,500 applies. In regions suffering high unemployment, this exemption will apply to those unemployed for six months or longer. This measure replaces the law on the promotion of work integration.

Together, these measures have the effect of reducing overall wage costs to the employer by 17.5% for workers on minimum wages. The reduction in contributions of HFL 4,500 will also apply to those – mostly young – workers with whom the employer concludes an apprenticeship/work contract within the framework of a training scheme. This new measure replaces part of the framework regulation on initial training.

- b) A law has been presented to parliament which would enable employers to pay less than the statutory minimum wage for a given period if the person recruited had been long-term unemployed. The aim is to facilitate the integration of the long-term unemployed into paid employment and so to promote the chances of them gaining employment under a regular employment contract.
- c) In many collective agreements the lowest wages are significantly higher than the minimum wage (on average by 13%, but in some cases between 20 and 30% higher). Agreement has already been reached with the social partners to develop new activities whose pay group is to lie between the statutory and the collective minimum wage. These measures have been in force since 1994. The initial results have been very positive. It has since been agreed with the social partners that these measures are to be extended further.

2. Expansion of direct job creation measures

The existing job creation instruments are being significantly expanded. In addition to the jobs already being created within the framework of the youth work guarantee law, the job pool regulation and the law on social job creation, the following additional initiatives have been implemented.

- a) Between now and 1998 an additional 40,000 jobs are to be created in the private sector for the long-term unemployed. The provisions have been made to ensure the long-term financing of these jobs. By the end of 1996 half of the jobs are to have been filled, largely in the following areas: public order, child care, preservation of ancient monuments, environmental protection, care for the elderly and the health service.
- b) A number of local authorities, associations and other social organisations are to create jobs for the long-term unemployed on an experimental basis. The jobs are to be financed out of social insurance contributions. A total of 57 such projects have already been approved in which 20,000 people will be employed over the coming years. Most of these jobs will be created in the private sector. The government has earmarked HFL 720 million for this purpose.
- c) On the introduction of the new Social Assistance law on 1 January 1996, local authorities will be able to allow minimum social assistance recipients to perform unpaid work, and indeed may require them to do so.

3. Proposal for a New Employment Law

In October 1995 a proposal for a new employment law was presented to parliament. The draft legislation is to replace the 1990 law. The proposal contains recommendations made by a commission charged with evaluating the effectiveness of the existing legislation (cf. iMi 50). This proposal will be discussed in detail in a later edition of this journal.

In connection with the measures for unskilled and semi-skilled workers

mentioned above it is possible to state at this juncture that the core tasks for the labour market authority under the proposal are to be the placement, counselling, guidance and training of the difficult-to-place unemployed. In order to perform such tasks, closer co-operation between the labour market authority and the institutions that pay out unemployment and social assistance is required. In this sense the new law constitutes an instrument within the framework of measures against long-term unemployment.

4. The introduction of work incentives for social benefit recipients

In view of the fact that the level of the minimum wages and of minimum social benefits are such that large sections of the population have few financial incentives to work, attempts have been made in recent years to steadily widen the gap between the net minimum wage and net social security benefits. In line with this, in 1996 the work-related tax allowance for employees is to be increased by HFL 320. In addition, local authorities are to be given greater scope – within the context of the new social benefit law – to implement “activating” policies with regard to unemployed social benefit recipients.

Sweden

New Labour Market Policy Strategy for Young People: Unemployment Limited to a Maximum of 100 Days

From now on young unemployed persons aged between 18 and 24 are to be offered a regular job, a place on a labour market policy measure or on an education or training scheme within 100 days of registering unemployed. This is one of the targets the government set for the Employment Service in the financial year 1995/1996. It is the

age of the young person that determines whether the offer is to be made by central or by local government: until the age of 20 it is local government that bears prime responsibility for providing the offer, subsequently central government via the public placement service.

Responsibilities of local government for young people aged up to 20

As of 1 October 1995 local authorities are able to take up central government labour market policy measures for young people aged up to 20. For several years now local government has been obliged to provide all young people in this age category with a three-year education period in an upper secondary school. During this period young people received a monthly grant of SEK 640. Young people aged at least 18 – and frequently even below this age – were able to register as jobseekers with the public placement service. As registered unemployed they were then able to participate in a labour market policy measure, which was financially far more attractive than continuing on at school, because by virtue of participating in a measure they were able to earn at least SEK 245 per day, and could thus earn a monthly income in excess of SEK 5,000.

Yet all the statistical evidence shows that it is those with the lowest levels of training and education that face the highest risk of unemployment and are most likely to suffer long-term unemployment. Consequently, central and local government were sending out contradictory signals to young people. For this reason local government is now assuming overall responsibility for all young people under 20. The labour market authority has instructed the regional employment offices to enter into negotiations with local authorities in order to draw up agreements that reflect the aims of the reform. By December 1995, 266 of the 288 local authorities had already reached agreement with the regional employment offices, and most of those authorities that have not yet done so will reach such agreements in the near future. Local authorities assuming labour market responsibility for young people receive compensatory benefits: the resources saved on the labour mar-

ket policy measures provided by the placement service can now be offered to the young people under 20.

The level of benefits provided can be set by the local authorities themselves. They are, however, to be set in such a way that they do not discourage young people from actively looking for work or from continuing school education.

Local government assumes responsibility within 100 days of the young person registering unemployed with the local employment office. The young person in question is then entitled to placement services. Those who have completed three years of upper secondary school education are also entitled to state measures, such as careers guidance, recruitment subsidies, support for geographical mobility and subsidies for commuters.

The contracts between local authorities and regional employment offices may provide for additional services by the job placement service in individual cases, the costs of which are then deducted from the local government's employment policy funds. Local authorities, too, may receive subsidies from the labour market authority for additional services, such as planning labour market policy projects.

Young people living in local authority area which do not assume labour market responsibility are entitled to job placement and may apply for certain measures, such as practical training (*utbildningsvikariat*), wage cost subsidies or work experience (*arbetslivsutveckling*). However, in the case of such measures young people receive no direct financial benefit from the job placement service.

Placement service action plan for young people aged over 20

During the 100-day period a plan of action is drawn up for unemployed youngster aged over 20 in line with their labour market requirements and profile. In order to ensure that the young person in question assumes responsibility and does not remain passive, leaving everything to the placement service, the plan of action contains a strict division of responsibilities between the young person and the placement service.

First, the possibility of obtaining a regular job is closely examined. Usually this requires intensive job search activity. The careers advisor/ placement office may, however, propose further vocational training as a better alternative to direct entry into paid employment.

New and old measures

The measures aimed directly at unemployed youngsters aged over 20 come under "Introductory Measures for Young People" (*ungdomsintroduktion*). These measures are not entirely new, but a number of entitlement conditions were changed as of 1 July 1995, and they have been brought under a more comprehensive measures known as "Work Introduction" (*arbetsplatsintroduktion*), which are oriented to several different groups of unemployed. In the case of those aged between 20 and 24, employers must commit themselves to employ the young person for at least six months following a period of practical training lasting up to six months. During the period of practical training the young person receives at least SEK 245 per day (as of 1.1.1996: SEK 230) or the relevant daily rate provided by the unemployment insurance fund, up to a maximum of SEK 564. The obligation to recruit the young person is waived in the case of local authorities and non-profit organisations, although here, too, the period of practical training may not exceed six months.

Other measures

Under the "European traineeship" (*Europapraktik*) scheme a grant of SEK 11,000 is available for young people, particularly those who have completed a period of vocational training, to enable them to undergo six months' practical training abroad. "Datortek" is a new measure providing computer training, and was described in iMi 50. This training measure consists in equal parts of computer training and job search techniques together with careers advice. In addition most of the other labour market policy measures can also be deployed: vocational training, work experience, practical training and job creation measures.

Miscellaneous

Portugal

Employment Analyses at Local Level

The Employment and Vocational Training Observatory, a tripartite organ responsible for observing quantitative and qualitative employment developments in Portugal, has conducted local-level employment analyses based on observations in five rural districts with differing geographical characteristics in the northern, central and Alentejo regions.

The aim was to analyse the labour market situation and labour market movements in these areas. To this end, populations and corporate structures were studied, together with the structure of registered unemployment. During the study permanent contact was maintained to the directors of the IEFP employment offices, the local authorities and other relevant interview partners in the regions concerned. The results can be summarised as follows.

Northern Region (Vila Nova de Famalicão and Santo Tirso)

The rural districts of Vila Nova de Famalicão and Santo Tirso belong to the Ave Valley region, which faces a difficult economic situation as economic development is dependent on the state of the textile and clothing industry.

Decree no. 365/94 (24.5.1994) was issued in order to ensure continuous support for the development of the Ave valley, the aim being to pay greater attention to productive activity and corporate capacity in rural districts. Innovation and diversification are to be promoted and the conditions set in place for the promotion of new, alternative forms of economic activity.

Although both rural districts are heavily dependent on the textile and clothing industry, the corporate structure of Vila Nova de Famalicão is more highly diversified. The sectors making a significant contribution to the level of employment in this dis-

trict are metal-working, the rubber industry and various branches of the food and agricultural product-processing industry.

Central Region (Águeda)

The production system in the Águeda district is more highly diversified than in both the districts mentioned above. The spinning, ready-made clothes, bicycle, iron goods and building ceramics industries all face economic difficulties. The metal-working, wholesale trade and consumer ceramics branches, on the other hand, are expanding dynamically.

Alentejo (Ourique and Almodôvar)

The rural districts Ourique and Almodôvar form part of the Baixo Alentejo which has experienced a 10% fall in its population since 1981. Agriculture and animal husbandry are the

most important areas of employment in both rural districts, despite the poor soil quality. The largest employer is the public administration.

The secondary sector is practically non-existent. Trade occurs only on a small scale and plays no significant role in employment creation.

Mining occurs in the neighbouring district of Castro Verde. This has proved a central factor for the improvement in the labour market situation that has extended to Almodovar and, to a lesser extent, to Ourique.

The lack of natural resources and of initiatives make it difficult to implement economic activities that have a chance of growth. Fixed-term employment programmes have been implemented, which, in view of the lack of employment opportunities, have been readily accepted by the local population.

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (3 January 1996):

Belgium	BFR	37.90
Denmark	DKR	7.13
Germany	DM	1.84
Greece	DRA	303.26
Spain	PTA	155.50
Finland	FIM	5.55
France	FF	6.30
Ireland	IRL	0.80
Italy	LIT	2,011.50
Luxembourg	LFR	37.90
Netherlands	HFL	2.06
Austria	AS	12.97
Portugal	ESC	191.85
Sweden	SEK	8.46
United Kingdom	UKL	0.83

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Short-time Work Schemes in France, Germany, Italy, and Spain: from Cyclical to Structural Intervention¹

Hugh Mosley*

Introduction

Reductions in working time, especially short-time work, are an important alternative to layoffs in coping with cyclical declines in labour demand. Short-time work may also play an important role in structural adjustment by slowing the pace of work force reductions, thereby facilitating the use of natural attrition and other "soft" modes of adjustment.

Many European countries have explicit schemes to promote such temporary reductions in working time, providing wage replacement benefits for employees who work less than their normal working time due to slack work. For example, Austria, Belgium, France, Germany, Italy, Portugal, and Spain have special short-time work programmes. Even in countries without special labour market schemes, more limited assistance may be available in the form of temporary layoffs or partial benefits under unemployment insurance (e.g. in Ireland and the United Kingdom).

This paper examines European experience with short-time work in the four largest European employment systems that have special programmes: France, Germany, Italy and Spain.² The principal sections of this article discuss the incentives for work sharing through short time (section 1);

compare short-time work schemes in the four countries and analyse trends in uptake of short-time work (section 2); examine experience with short-time work as an instrument of structural adjustment (section 3); and discuss policies to link short-time with training (section 4).

1. Incentives for short-time work and interests of different social actors

Employers

For management short-time work and other forms of work sharing represent in the first instance a form of internal flexibility. Work sharing enables enterprises to quickly adjust labour inputs and costs to changed business conditions by reducing working time for the existing work force rather than resorting to forced redundancies. Whether firms make use of work sharing under such circumstances depends, however, on a number of other factors that determine the relative attractiveness of such an adjustment strategy:

- *Hiring costs.* The classical rationale for short-time work, even in the absence of a public scheme, is based on the inherent advantages to the firm in preserving the employment relationship with its experienced workers even during an economic downturn.
- *Firing costs.* Employment protection limits "hiring and firing" by imposing constraints and costs on dismissals. Firing costs typically include the costs of notice periods, severance payments, early retirement provisions and other elements of the "social plans" usual or required in all EU-states. The level of these costs are highly specific to the national institutional setting es-

pecially employment protection regulations.

- *Employee relations costs.* In addition to the out of pocket costs of termination, the less tangible human resources costs of a policy of "hiring and firing", e.g. demotivation, alienation, and even industrial conflict are a major consideration in firms' personnel policies.
- *Short-time scheme subsidy.* The attractiveness of short-time work for employers is also affected by the existence of a public short-time work scheme and the actual reduction in labour costs realised.
- *Cyclical versus structural adjustment.* Employers' incentives for the utilisation of worksharing differ depending on whether a cyclical or structural decline in labour demand is anticipated. In the former case it allows employers to retain qualified and experienced workers and avoid firing and subsequent hiring costs. In the case of structural change, however, the incentives for employers to resort to work-sharing are less evident. Rehiring costs will no longer play any role, and termination costs must be incurred in any case. The extended use of short-time work may actually pro-

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1 This contribution is based on Hugh Mosley, Thomas Kruppe, and Stefan Speckesser, "Flexible Adjustment Through Short-Time Work: A Comparison of France, Germany, Italy, and Spain", Report prepared for the European Commission, Directorate-General for Employment, Industrial Relations and Social Affairs. Berlin: WZB, 1995.

2 A short-time work programme, the "Temporary Short-Time Work Compensation Scheme", was introduced in 1979 in the UK but was allowed to expire in 1984.

Table 1: Short-time Schemes in France, Germany, Italy, and Spain

Country	France	Germany
Cyclical programme	<i>Chômage partiel</i> (Partial unemployment)	<i>Kurzarbeitergeld</i> (Short-time compensation)
Eligibility	For companies reducing working time or interrupting operations temporarily due to: economic or other circumstances of exceptional nature, excluding seasonal fluctuations	Firms experiencing temporary reduction in working time due to economic and other unforeseeable reasons, excluding seasonal fluctuations.
Special conditions	None	The reduction of working time must be at least 10% of the normal working time and affect at least one third of all employees for at least four weeks
Benefit	50% of previous gross hourly wages. There is a flat-rate minimum hourly benefit (29 FF as of July 1994), which is fixed as a percentage of the social minimum wage (SMIC) ¹	Same as unemployment benefit: 67% (without child 60%)
Structural intervention	Temps réduit indemnisé de longue durée (TRILD; (Long-term short-time compensation) to assist firms undergoing prolonged restructuring	Special regulations allow use of short time to avoid mass redundancies in industries undergoing structural change
Duration of benefits	700 hours a year or 1,200 hours over period of 12 to 18 months in structural intervention (TRILD)	6 (24) months ² and 24 months in case of structural intervention
Administration	Application must normally be made to departmental director of labor ministry. TRILD requires the conclusion of a special agreement between the employer and the <i>Fond National de l'Emploi (F.N.E.)</i>	Short-time work must be approved by the local employment office ³ or, in the case of structural intervention, the regional employment office.
Impact of collective agreements	A national collective agreement first concluded in 1968 regulates many aspects of <i>chômage partiel</i> , including the wage replacement rate (50%) and the minimum benefit. Local collective agreements sometimes provide for levels of compensation above 50%, but this is infrequent ⁴	Collective agreements in some sectors require that the public benefit level be topped up to 70–90% of wages by the employer. ⁵
Short-time & labour market training	Permitted. No data, but appears to be exceptional. Special program available to subsidise employers' training costs for employees on short time ⁶	Labor market further training is permitted. In case of structural intervention employer is obliged to enable employees to participate in training under Labour Promotion Act (AFG) since 1.1.1990. ⁷

1 Hence low paid workers may actually receive more than a 50% of previous wages.

2 Temporary extension to 24 months during the current recession. Benefit renewable after 3 months of normal working time for another period of 6 months.

3 Employer must give details of the company's economic situation.

4 Such agreements are found, for example, in the chemical, paper, and shoe industries.

5 For example, the VW collective agreement requires that short-time pay be topped up to 90% of wages for periods on short-time. No systematic data are available on such provisions in German collective agreements. They were frequent up until the early 1990s, but we have the impression that many such provisions were dropped or made a local option (*Kann-Bestimmung*) in the most recent round of agreements negotiated during the recent recession.

6 Administered by F.N.E.

7 Alternatively, the training can be financed through public further training program (§ 65, 2 AFG), in which case the participants receive a training stipend instead of short-time compensation.

long the adjustment process, not only for the affected employees, but also for firms undergoing restructuring.

Employees

Whereas for employers short-time work is primarily important as a form

of labour force flexibility, especially in the face of temporary declines in labour demand, for employees it is primarily an instrument for enhancing job security, albeit with loss of income.

The most fundamental effect of short-time work for employees as a

group is that – for a given reduction in the volume of labour inputs – the burden of adjustment is shifted from a narrower to a wider group, e.g. instead of making 10% of the workers in a firm's work force redundant, the working time of all is reduced by 10%. Since it is usually younger and other

Table 1 (cont.)		
Country	Italy	Spain
Cyclical programme	<i>Cassa Integrazione Guadagni Interventi ordinari</i> (Wage Compensation Fund; CIG-O)	<i>El expediente de regulación de empleo (ERE)</i> : Suspension temporal y desempleo parcial (Application for employment regulation: Temporary suspension and short-time work)
Eligibility	Temporary interruption or decline in economic activity, including seasonal fluctuations. ¹	Enterprises undergoing crisis, restructuring, and introduction of new technologies
Special conditions	Firms with more than fifteen employees ²	Working time reduction by at least 1/3 of the normal working time. Minimum of workers affected: 10% (in enterprises with less than 100 employees at least 10 workers)
Benefit	80% of gross earning with a monthly maximum of 1,248,021 L ³	70% of previous earnings for the first 180 days and 60% thereafter ⁴
Structural intervention	<i>Cassa Integrazione Guadagni Interventi straordinari</i> (Extraordinary intervention; CIG-S). Prolonged assistance in firms and sectors undergoing restructuring. Limited to industrial companies with at least 15 employees and trade firms with at least 200 employees (since 1991) ⁵	Same as above: no special regulation for structural intervention
Duration of benefits	Maximum of three consecutive months. ⁶ In cases of restructuring (CIG-S) a maximum of 2 years, which can be extended for a maximum of four years ⁷	Maximum two years
Administration	Application to local INPS for CIG-O ⁸ and to regional office of labour ministry for CIG-S. ⁹	Application to the provincial director of labour and social security has to decide about enterprises up to 500 employees of which less than 200 are affected by the measure and to the general director of labour if more than 200 employees are affected by the measure, in cases of national interest or if important regional industrial zones are threatened
Collective agreements	Supplements based on collective agreement not important	Supplements based on collective agreement not important
Short-time & labour market training	Training permitted. Workers in CIG-S obliged to accept a suitable training offer	Training permitted

1 Including seasonal employment.

2 Temporary extension to firms with 5 to 15 employees until end of 1995.

3 In 1993. This ceiling is equivalent to about 65% of average earnings in Italy.

4 Unemployment insurance benefits subject to a maximum of 220% of the national minimum wage. Prior to 1993 benefits were 80% in first six months, 70% in second half year and 60% in second year.

5 Temporary extension to firms with 50 to 200 employees until end of 1995.

6 In exceptional cases benefit period can be extended up to one year. Firms which received benefits out of the CIG-fund for 12 months have a new claim after at least 52 days of normal activity.

7 New intervention only possible after a period lasting two-thirds of the first intervention period and duration limited to 36 months within five years.

8 Decision about short-time working compensation by local tripartite commission. Extension of duration of short-time working is also decided by this committee.

9 Firms claiming compensation must describe their restructuring project.

less senior employees who have the highest risk of being selected for redundancy, a strategy of work sharing affects the interests of individual workers differently and presupposes a significant degree of group solidarity.

The State

For public policy short-time work serves goals of social as well as economic policy. It is important both as a means of avoiding open unemployment and as assistance for firms' in economic difficulty. Short-time work

also has financial consequences for the public sector, which depend on the relative costs of short-time work in comparison with the costs of unemployment. The actual net costs depend a great deal on the particular characteristics of national short-time

schemes in contrast to unemployment insurance (eligibility, covered earnings, financing).³

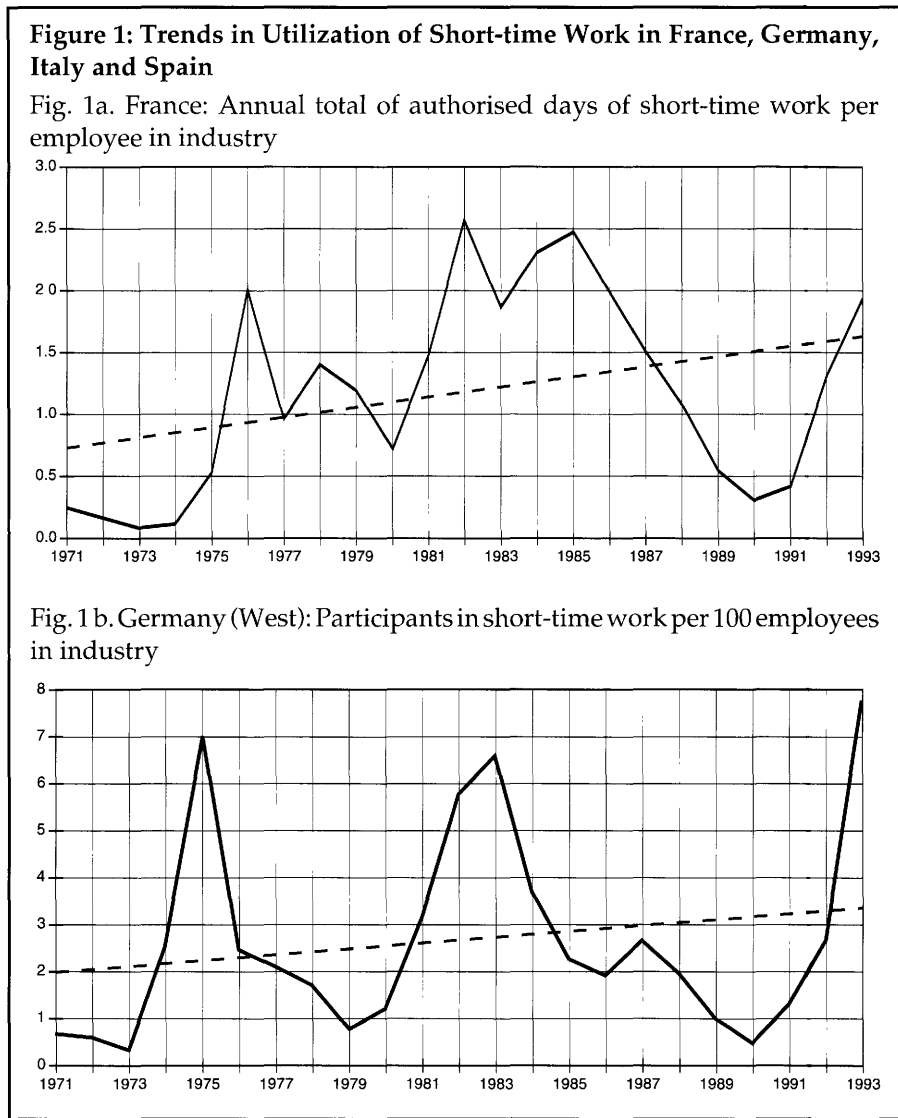
2. Short-time work schemes and trends in uptake

The goals of the short-time work schemes in the four countries examined are broadly similar: to stabilise employment during temporary economic downturns through reductions in working time and to assist firms in economic difficulty (Table 1). Moreover, short-time work is also used in all four countries as an instrument for coping with structural change in firms and industries experiencing large-scale redundancies, although this development is recent in France.⁴ There are, however, major differences with regard to the level and duration of benefits.

Both the level and duration of short-time benefits are greatest in Italy where workers on short-time receive 80% of their previous gross earnings and, in the case of the CIG-S, short-time compensation may last up to four years.⁵ Employees on short-time in Spain receive a degressive benefit for a maximum period of two years. Employees receive 70% of previous earnings for the first 180 days and 60% thereafter.⁶ In Germany benefits are only slightly lower at 67% (60% without children) of previous net earnings and may last up to a maximum of two years. In France benefit payments are normally only 50% of previous earnings, and the maximum duration is 700 hours (about nine months at 50% of normal working time). Benefits remain limited even under a new regulation for structural intervention, *Temps réduit indemnisé de longue durée* (TRILD), adopted in December 1993.⁷

Trends

National differences in the type of programme data collected make it difficult to compare levels of short-time work. In France official data are published on the annual total number of authorised days on short time. In Italy data are available only for the total



annual number of authorised hours, and in Germany only on the average annual number of participants. In Spain short time is reported in either authorised whole days or authorised hours.⁸

While there has been a strong upward trend in short-time work since 1970 in both Italy and France, only a weak trend is evident in West Germany (Figure 1). It was the heavy reliance on short-time work as a social shock absorber in East Germany that pushed short-time work to unprecedented levels in Germany. The Spanish data show what appears to be an underlying downward trend, although the time series is too short to draw any firm conclusions. This trend is consistent with the liberalisation of temporary employment since 1984,

which may be a partial substitute for short-time work.

The upward trends in short-time work in France, Germany, and Italy as

- 3 Moreover, the public sector is itself internally diverse and different types of benefits may have differential effects on different public budgets (e.g. social insurance carriers, state and municipal governments; Schmid/Reissert/Bruche 1994).
- 4 While the French and German programmes exclude seasonal adjustment, this situation is also covered by the CIG-O in Italy.
- 5 Subject to a monthly ceiling that is currently equivalent to ca. 2/3 of average earnings in industry. Thus, even workers with average earnings may not receive an 80% wage-replacement rate if they are working zero hours.
- 6 Subject to a monthly ceiling equal to 220% of the national minimum wage.
- 7 1,200 hours per employee over 18 months.
- 8 Depending on the form of short-time work used.

Figure 1: Trends in Utilization of Short-time Work in France, Germany, Italy and Spain (continued)

Fig. 1c. Italy: Annual total of authorised CIG hours per employee in industry

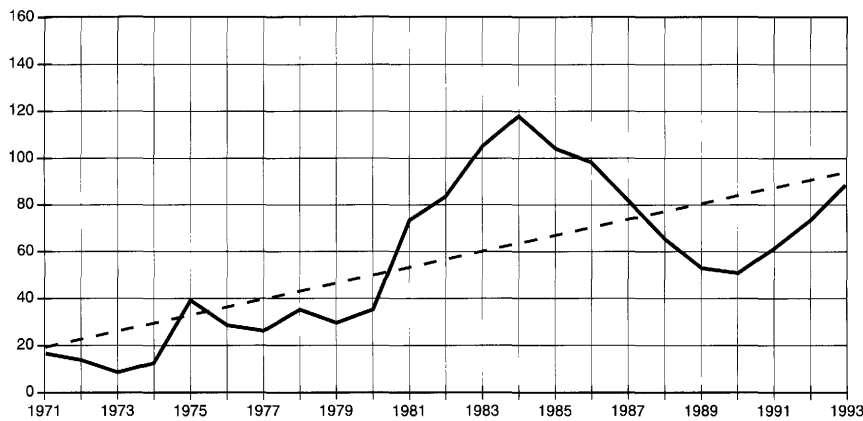
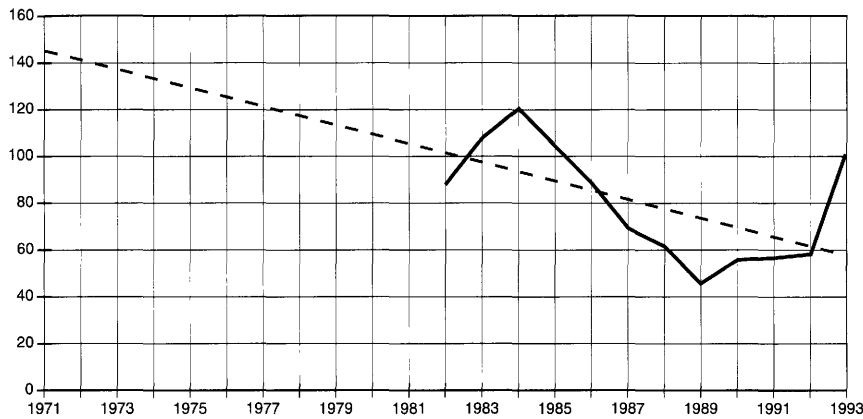


Fig. 1 d. Spain: Annual total of authorised hours* per employee in industry



* temporary lay-offs and temporary reduction of working time

Sources: 1. Employment in Industry: OECD Labour Force Statistics; ISIC 2-5; 2. National Program Data: France: Ministère du Travail, de l'Emploi et de la Formation Professionnelle, Bulletin Mensuel de Statistiques du Travail; Germany: Bundesanstalt für Arbeit, Amtliche Nachrichten der Bundesanstalt für Arbeit, Jahreszahlen; Italy: Istituto Nazionale della Previdenza sociale (INPS); Spain: Ministerio de Trabajo y Seguridad Social; Anuario de estadísticas laborales and own calculations.

well as the apparent declining trend in Spain are overlaid by more or less strong cyclical patterns. The uptake of short-time work is highly responsive to changes in industrial production.

Given the limited comparability of national programme data, we estimated full-time equivalent persons working short time.⁹ Short-time work in Italy and Spain never falls below 2% of dependent employment in industry and surpassed 5% at its cyclical peaks in 1984 and 1993. By contrast participation in West Germany peaked at only about 2% of dependent employment in 1983 and 1993, followed, at an even lower level, by

France, where short-time work never rises above 1% of dependent employment in industry. However, utilisation of short-time work in united Germany exceeded even that in Italy in 1991-92 due to the importance of this programme in the new German Länder.

3. From cyclical to structural intervention

Initially introduced as a flanking measure for firms experiencing temporary difficulties, short-time work programmes are increasingly used as an instrument for assisting firms and their employees in coping with struc-

tural change. The case for short-time work is, however, much less clear cut in enterprises or industries undergoing structural change in which a large portion of the workforce will eventually be made redundant. From the employer's perspective there is, under these circumstances, little incentive to hoard even skilled labour and termination costs will be incurred in any case. Moreover, extended short-time work may entail significant opportunity costs for firms by prolonging the restructuring process. For employees who will eventually lose their jobs the lack of a clear signal may encourage false hopes and hence retard individual reorientation and reintegration in new employment. Moreover, the firm runs the risk of losing employees it intends to retain, and hence of losing control of the labour shedding process, because they may seek alternative employment due to fear of job loss, with possible negative effects for the firm's survival chances.

To what extent are short-time programmes focused on structural rather than cyclical adjustment situations? Since the inception of the CIG-S in the late 1960s, Italy has had an explicit programme for structural short-time work (see Table 1 above). At least since the 1970s Germany has also used short-time work as a structural instrument, if initially on an *ad hoc* basis. Until the recent introduction of the TRILD programme in 1994, *chômage partiel* in France has been least receptive to using short-time work in situations of longer-term structural adjustment. Although there is no special regulation for structural intervention in Spain, the regular programme has been used flexibly in structural adjustment.

Experience with short-time compensation in structural adjustment

In Italy the heavy reliance on the CIG as an instrument of adjustment, especially short-time at zero hours in the CIG-S, came under increasing criti-

⁹ For a detailed discussion of the full-time equivalent estimates see Mosley/Kruppe/Speckesser (1995).

cism in the late 1980s. It was criticised in particular for carrying job security to the point of preserving purely fictitious jobs without any economic sense and for being a source of labour market rigidity. Moreover, the CIG was regarded by many as a further example of a pattern of a "Balkanisation" of social benefits, i.e. providing special benefits for specific groups, regions or industries. While relatively privileged workers in industry enjoy a high degree of job security through CIG benefits, most Italian workers lack even minimal unemployment benefits.¹⁰ Finally, the rapid expansion of the CIG programme led to a great deal of administrative discretion – even arbitrariness – in the granting of short-time benefits and blurred the distinction between the "ordinary" and the "extraordinary", i.e. structural, forms of intervention.

Legislative changes in 1991 in Italy aimed at curtailing the use of short-time benefits as a social buffer for redundant workers with little hope of further employment. This was to be accomplished by limiting the duration of benefits (to a maximum of 2 years), shifting a greater burden of the financing of the programme to employers using the programme and providing, for the first time, clear procedures for making workers in the CIG redundant. The intention of the reform was to return the CIG to its classical function as a programme for workers in firms experiencing temporary difficulties and away from providing income maintenance in situations of prolonged structural decline.

Redundant workers are now entitled to a "mobility" benefit equal to 80% of their previous earnings for a maximum period of 12 to 48 months, depending on age and region.¹¹ Previously, workers who lost their job due to collective dismissals were entitled to benefits for a maximum of only six months. Workers made redundant through the new mobility procedure enjoy recall rights if their former employer hires new staff. Moreover, they are placed on special "mobility" lists in the public employment service

from which companies with more than ten employees are required to recruit 12% of their staff.¹² In effect, external mobility is supposed to be facilitated by providing special accompanying measures for displaced workers as an alternative to the CIG as well as adequate income maintenance benefits.

Moreover, firms are now required in principle to use the CIG-S on a rotating basis instead of the widespread practice of putting part of the workforce on zero hours for an indefinite period. Rotation conflicts with the prevailing practice of using structural short-time work as an instrument of de facto exclusion of redundant workers rather than to support work sharing, which the rotation principle presupposes.¹³ Although the actual frequency of the practice of rotation is unknown, we had the impression from expert interviews that most firms have successfully resisted this requirement, preferring to pay the financial penalty for not doing so.¹⁴

In Germany experience with structural short-time work, first in special regulations for the coal and steel industries and then in East Germany led to a number of changes in the design of the instrument. As in Italy, the short-time work programme has been shaped by conflicting goals, which are by no means consistent. Thus, recent changes have extended the duration of cyclical short-time work to a maximum of 24 months (the same as for structural short-time work!) in response to the labour market crisis¹⁵, while at the same time the cost of short-time work for employers has been increased substantially by requiring them to bear the costs of health and pension contributions for short time.¹⁶ Evidently labour market policy considerations are being overridden by budgetary restraints.

Although there is a great deal of flexibility in the German short-time work programme, the usual practice has been work sharing, i.e. distribution of the reduction in working time among a broad group of employees, rather than laying off part of the

workforce. In case of structural short-time work, which expressly serves the purpose of avoiding mass dismissals¹⁷, the affected employees are to be organised in independent units so that the remaining part of the company can continue to function normally. The role of the short-time unit might be, for example, to perform repair work, to have employees ready for work on short-term notice, or to carry out training measures.

Links to the former employer must be maintained but independent legal entities are also permissible, for example, *Arbeitsförderbetriebe* (employment companies) and *Beschäftigung- und Qualifizierungsgesellschaften* (employ-

10 This criticism is not wrong but fails to recognise the real cause, which is not the CIG but the lack of a general system of unemployment insurance. If unemployment benefits reach an adequate level, the utilisation of the CIG-S will decline. New legislation in 1991 and 1993 is a step in the right direction. It raised benefits to 30% (until 31 December 1994) and thereafter to 40% of previous earnings.

11 The maximum duration of benefits are as follows: 12 months for workers under 40 years of age; 24 months for those over 40 years of age, 36 months for those over 50 years of age. These limits are increased by 12 months in the South (Mezzogiorno).

12 The priority placement lists also include the long-term unemployed. As an additional incentive, employers who hire workers displaced via this procedure on fixed-term contracts receive a wage subsidy in the form of a rebate of social security contributions and a subsidy equal to 50% of the displaced worker's remaining "mobility benefit" if hired on an unlimited contract.

13 Another feature of the 1991 reform is that it provides an incentive for employers to assist dismissed workers to find alternative employment. Companies can reduce the level of the redundancy payment they make to INPS if they are successful in placing redundant workers assigned to the mobility rolls in alternative employment. The reduction is equal to the amount of mobility allowance benefits that the company's action saves INPS (Liso 1992).

14 Firms not practising rotation must pay a penalty of twice the normal contribution (i.e. 9% instead of 4.5%) on the amount paid out to their employees under the programme.

15 Until June 1995 and, thereafter, declining degressively to 12 months.

16 These costs, which constitute an additional ca. 15% of wages since January 1995 and ca. 30% since 1990, were previously reimbursed by the *Bundesanstalt für Arbeit*.

17 This automatically excludes companies with less than 20 employees.

ment and training companies), so long as ties continue to exist to the former employer. These ties may consist, for example, of an agreement to rotate employees between the short time unit and the company, the possibility of recalling workers from the unit, or the financing of vacation and holiday pay, which is not covered by short-time compensation.

Innovative approaches should also be noted. For example, it is possible to operate the short time unit as a licensed temporary employment agency or to carry out on-the-job training and re-orientation measures in craft businesses by loaning out workers from industrial companies. For example, an innovative experiment in Northrhine-Westfalia allowed workers on structural short-time work at zero hours in the steel industry to work temporarily (up to 6 months) in craft enterprises (in which there was a shortage of skilled labour) in so-called "taster"-courses while remaining employees of their firm. Although many such placements were offered by craft enterprises, the steel industry employees showed little interest. They had good reasons for not accepting these offers: the costs of geographical mobility, a high wage gap between industry and craft sectors (after expiration of the 6-month subsidy), and the job guarantee given by the steel industry before implementing short-time work (Kruppe 1996).

The effectiveness of the specific design features for the implementation of structural short-time work in Germany is undermined by the fact that they apply only to the small fraction of short-time compensation that is officially designated as being for structural reasons. In fact, the boundaries between cyclical and structural application of the programme are fluid, and the temporary extension of the duration for cyclical short-time work to 24 months practically eliminated the difference between the two regulations. Whether short-time work is used to overcome a cyclical or structural problem usually can only be distinguished in hindsight.

While French labour market policy has devoted a large share of its resources to special programmes targeted on enterprises in economic difficulty, short-time work has played only a minor role. French accompanying measures have above all promoted forms of external mobility in adjustment situations, especially measures directed at older employees.¹⁸ France has also developed a unique set of special training schemes (*mesures de conversion*) designed not for internal redeployment but to promote external mobility and acceptance of restructuring. First introduced in the early 1980s to deal with crises in the steel and shipbuilding industries, conversion leave (*congé de conversion*) was subsequently extended to larger firms undergoing collective dismissals and finally to all other firms and even to individual redundancies (*convention de conversion*).

In the French policy environment short-time work has been used as a temporary measure, but not to provide long-term benefits for employees in industries in structural decline. In 1993, in response to rising unemployment, the maximum duration of benefits was raised (from 500 to 700 hours) and the state subsidy increased for employees on short-time. Nevertheless, there is a clear drift in policy toward use of short-time work in situations of structural adjustment (Lefèvre/Béraud/Sidhoum 1994). This trend is exemplified by the introduction of the new TRILD programme for prolonged intervention, which extends the application of short-time work to situations of prolonged restructuring. Nevertheless, French policy still rejects the use of short-time work as an alternative to mass dismissals in enterprises undergoing structural decline.

How does labour market policy in France respond in similar situations without resorting to structural short-time work? Comparison of French and German experience with structural adjustment in the steel industry in the 1980s indicates that age measures and, especially after 1984, external training were most important in

France, whereas redundancy payments (including voluntary agreements) and reductions in working time were more important in Germany, in addition to early retirement (Auer 1992; Houseman 1992). The reductions in working time were the result of short-time work, which was available for up to 36 months in the steel industry, but also of reductions in contractual working time, which was already at 36.5 hours in 1988. In Germany it was especially older workers who were put on structural short-time work for extended periods prior to becoming eligible for early retirement. While this was not possible in France, there was a "waiting allowance" (*dispense d'activité*) in which the older employees remain employees of their firm but do not work and get wage compensation payments from the state until they reach early retirement age. Although not part of the short-time work programme, this measure is evidently a close functional equivalent for short-time work at zero hours for older workers in Germany and Italy.

4. Short-time work and training

In Italy participation in training activities while receiving short-time benefits is permitted in both the CIG-O and the CIG-S, and workers in the CIG-S can in principle lose their benefit if they refuse an offer of training. Public further training programmes are, however, little developed in Italy – with the exception of some regions – and the possibility of using publicly supported periods on short time for internal training is seldom used in small and middle-sized firms.

There are, however, many examples of larger enterprises using periods in the CIG for training purposes, sometimes with the assistance of the European Social Fund or regional governments. For example, the 1995

¹⁸ Reduction in the retirement age, diverse early retirement programmes; special regulations in the unemployment insurance system that permit older displaced workers to receive benefits until they reach retirement age without the usual obligation to actively seek work.

plan for cutting 2,000 jobs at Olivetti contains a combination of measures. In addition to transferring 425 older employees to the CIG-S to finance the transition period until they become eligible for early retirement, 425 mainly younger employees, which the company would like to retain, were to receive short-time benefits in combination with re-training. The training agreement foresees, after a training period of eight months, either recall and a new job at Olivetti or placement on the external labour market. The training programme is being financed by the European Commission with state and regional support within the framework of Target 4 of the ESF and Article 9 of Law No. 263/93 (Goldin 1995).

In *West Germany* structural short-time work was originally used in the steel and mining industries mainly as a smooth transition to early retirement, and there was, therefore, little interest in linking it with training. It was not until the East German transformation process that increased efforts were made to combine short-time work with training, especially short time with zero working hours. This use of short-time was, however, never obligatory. Participation in training at its peak averaged only about 15% of all employees on short time in the eastern region, although an even higher percentage participated at some point in training. Training programmes were usually initiated by the employees and their representatives, took place in large corporations and targeted the external labour market (Seifert et al. 1993; Auer et al. 1992).

The possibility of linking short-time work with training was also incorporated in the new regulation for structural short-time work but employers are not obliged to offer training. For cyclical short-time work, access to training measures was first made possible by decree at the end of 1993.

Although now permitted, several factors make it in practice difficult to combine training measures with short-time work in Germany:

1. The training may not only be relevant to the company's training needs, but must also provide employees with qualifications that will increase their employment prospects on the external labour market.
2. Eligibility for training and training allowances are decided on an individual basis in Germany, and financing of training measures for affected employees in an enterprise as a group is not possible.
3. It is difficult to conduct more than short training measures for employees on short time because, on the one hand, the actual duration of short-time work is difficult to foresee and, on the other hand, according to the newest regulation employees have to be available for placement on the external labour market after 6 months on short-time work.¹⁹
4. Only "necessary training" to avoid imminent unemployment is being subsidised and no longer training that is simply "useful". Except for structural short-time work, training measures may not last longer than six months, because it is assumed that cyclical short-time work during longer training measures is only being used for training purposes (Kruppe 1996).

In *France* companies may use periods on short-time work for training purposes, however, this possibility is in fact seldom used. A new programme introduced in 1991 provides for a public subsidy for training during phases of low capacity utilisation as an alternative to traditional short-time work.²⁰ Prerequisite is an agreement between the company and the National Employment Fund (*Fond national de l'Emploi - FNE*). Such agreements are part of the FNE's programme for further training and re-training. This regulation, which was introduced in 1991, is not a supplement to normal short-time work but rather an alternative: a combination of benefits from regular short-time work and the training programme is not possible.²¹

One condition for the state training subsidy is that a homogenous group

of employees (all from one department, one category of employees) must take part in the training measure. The company may also bring forward training measures already foreseen in its annual plan (i.e. training in the interest of the firm) or conduct other training that conforms to FNE guidelines.

Training measures supported by the FNE under the programme may deviate from two otherwise binding regulations: a) the duration of the training may be less than usual minimum (50 hours for training measures, 120 hours for re-training); b) categories of persons may take part who are not otherwise eligible for FNE-subsidised training (e.g. secretarial personnel, higher technicians, managers, engineers).

Even if the FNE pays part of the wages during the training, the participants remain employees of their firm. The wage subsidy is usually 50% and otherwise conforms to normal FNE guidelines.²² The costs for the measures are financed by the FNE.²³

The new programme can be traced back to experience between 1988 and 1989 with a local pilot programme in the textile sector.²⁴ As in the current programme, training was binding for those affected and replaced the otherwise normal short-time work routine. Managers in the participating enterprises regarded the experiment as a relative success, although in some

19 The placement office has to be informed of name, age, profession, etc. Whether this requirement will be important in practice is uncertain.

20 The regulations in the Circulaire of 8 March 1991 was originally limited to a year.

21 The regulations for training programmes are detailed in the Circulaire of 8 March 1991 and were originally limited to a year.

22 See Circulaire of 23 September 1986.

23 The cost of training may be paid by the FNE if there are grounds for an exception, if the measure to be conducted has not been scheduled in the company's annual plan, and if it does not claim any of the above mentioned exceptional regulations (duration, category of persons).

24 See the report by Françoise Daulty, "Se former pendant les périodes de chômage partiel", 1992.

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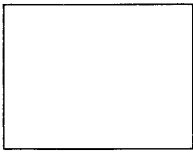
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cases there were complaints about the lack of specialisation of the courses offered. By contrast, the reaction of employees was equivocal. On the one hand, many employees were motivated and actively prepared for changes in their working environment, which was judged positively; on the other hand, many – especially older – employees wondered about the relevance of the training. The training offered was also criticised because it did not lead to recognised certificates (Daulty 1992).

5. Conclusions

The classical rationale for public short-time work programmes in Germany and elsewhere is that they permit employers to retain human capital, especially skilled workers, over the trough of the business cycle, realising significant savings in turnover costs and enabling the firm to expand output more rapidly when market conditions improve. For employees, employment relationships are stabilised in comparison with a temporary layoff or (even worse) a hire and fire system. From the point of view of public labour market policy this type of work sharing prevents unemployment at little net cost to the public because, in most cases, the affected employees would otherwise have been entitled to unemployment benefits. There is thus a strong case for short-time work as a co-ordination mechanism of public labour market policy that advances both equity and efficiency in comparison with what would have been the outcome of decisions by market actors without public intervention.

The use of short-time work as an instrument for structural adjustment is particularly strong in Italy and Spain but has also been widely practiced in Germany since the early 1970s. In particular, the economic crisis in East Germany pushed the use of short-time in Germany to unprec-

edented levels and ahead of Italy and Spain, at least temporarily.

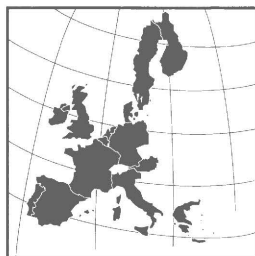
As long as short-time work serves as an instrument of active labour market policy in the sense of work sharing, i.e. actually saves jobs, it fulfils an important function. However, the (unproductive) preservation of a pro forma employment relationship with employees who are to be ultimately separated not only sends out the wrong signals to individuals but represents a distortion of the programme: Instead of actively promoting employment through work sharing it is transformed into a vehicle for social exclusion, albeit with a special form of income maintenance.

Combining short-time time work with training is an appealing strategy for using periods of slack work productively. There are, however, considerable practicable problems in planning courses and scheduling training for persons who are active employees, and successful linkage of short time with training is infrequent, even where it is permitted. Combining training with structural short-time work, i.e. as an alternative to mass dismissals, is beset by special problems. Enterprises are primarily interested in training employees they want to keep. For older employees structural short-time work is frequently a prelude to early retirement, and there is little interest in training. For less senior workers, training (or other active measures) are indispensable, but it is difficult to see why it should take place under an employment status. It is hard to resist the conclusion that the affected workers, their employers and society would be better off if these redundant workers received the same benefit in the form of unemployment insurance payments, or a redundancy payment, in combination with active measures.

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