

# Employment Observatory

## MISEP POLICIES No. 59

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Employment & labour market



Employment & social affairs



European Commission

# Developments at a Glance

- Belgium:** The grants available to employees reducing their working hours or taking a career break in the Flanders region have been brought into line with the reintegration policy for the unemployed and made more attractive. With the introduction of the “vocational transition” programmes, the Belgian government aims to create 8,000 jobs for recipients of full unemployment benefit and long-term unemployed minimum social benefit recipients by the end of 1997. The programme of wage-cost subsidies in the form of a reduction of social insurance contributions (MARIBEL) introduced several years ago has been adapted to take account of European regulations on competition. It is expected that the relaxation of the conditions of entitlement to the loans scheme for unemployed persons seeking to set up a small business will increase the take-up of this measure.
- Spain:** The government intends to promote employment under permanent contracts and greater job stability, and has initiated urgent measures in support of the agreement to improve the labour market situation concluded by the social partners in April. A Decree-Law, also passed in May, provides in addition to significant cuts in employer social insurance contributions tax incentives for the creation and maintenance of permanent employment relations.
- France:** While the current programmes for long-term unemployed youth continue to operate, the new Government intends to create an additional 700,000 jobs (of which 350,000 in the public sector) within two years.
- Italy:** Under the reforms known, after the Labour Minister, as the “Treu Package”, which have brought about changes in the areas of working time, apprenticeships, self-employment and measures for young people from the Mezzogiorno, agency work has now been permitted in Italy for the performance of tasks of a provisional nature.
- Luxembourg:** Tax concessions have been introduced in order to offer employers an incentive to reintegrate the unemployed into working life.
- Netherlands:** The government is to provide financial support for employees interrupting their career to care for seriously ill relatives for up to six weeks or to participate in training measures if this raises their chances of placement. On the recommendation of the social partners and following evaluation of a law passed in 1994 aimed at promoting the integration of workers from ethnic minorities into the labour market, the government has now presented to parliament draft legislation aiming to reduce the administrative costs involved. With proposed legislation to extend the period of reduced pay, the Dutch government is seeking to impose the costs of unemployment more directly on the individual economic sectors and thus to ease pressure on the general unemployment insurance fund. Under a new law to liberalise parental leave, workers are in future to be able to take full-time leave for a period of up to three months.
- Austria:** A number of coordinated measures have been introduced, the aim of which is to fight youth unemployment by offering more young people a chance of training and raising the number of training enterprises.
- Portugal:** With the aim of enabling young people to complete a course of basic general education or vocational training, the Ministries of Education and of Qualification and Employment have introduced vocational initial training courses. The Institute for Employment and Vocational Training is to be restructured in order to facilitate realisation of the joint aims of and cooperation between employment offices and vocational training centres. Also in May, the Institute for Innovation in Training was set up; its task will be to observe and evaluate employment and training trends.
- Finland:** Two evaluation studies published in May reveal a growing interest among both employees and employers in the job-rotation programme started as a pilot in 1996 and in the 6+6 working-time model. Under a proposal for a reform of labour market policy, the own initiative of jobseekers is to be promoted and labour market support is to be adapted to take account of the changed economic situation in Finland. Following amendment of the law on employment contracts, workers employed for less than one month are now also entitled to sick pay. From April of next year all employment relations of more than six hours per month will entitle employees to financial compensation for annual holiday entitlement. A fixed-term special programme now offers support for long-term unemployed persons lacking vocational training if they apply for a vocational further training measure on their own initiative. As a means of promoting employment and countering moonlighting, enterprises operating in the area of domestic services will initially be entitled to subsidies on a regional basis. Draft legislation offering tax concessions as an incentive for domestic employment has also been approved.
- United Kingdom:** Within the framework of the government’s New Deal measures to reduce unemployment, the skill level of the labour force is to be raised, steps taken to counter long-term unemployment and social exclusion, and occupational mobility improved.

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# EMPLOYMENT OBSERVATORY Policies



No. 59, Autumn 1997

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# MISEP

# “Policies” and the Five Action Areas of Essen

## *The five areas of action adopted at Essen*

1. More investment in vocational education and training
2. Increasing the employment intensity of economic growth by reorganising working time, moderate wage growth and the opening up of new areas of employment
3. Reducing indirect labour costs
4. Increasing the effectiveness of labour market policy (activation)
5. Intensifying target-group specific measures

All the countries of the European Union are seeking to improve labour supply – and thus facilitate labour market access and reduce unemployment – by means of vocational training. Accordingly, this issue of “Policies” contains reports on a series of vocational training programmes from several Member States. In both Spain and France, the labour market integration of young people – in the case of France, primarily long-term unemployed youth – is to be promoted by means of “alternating” practical/theoretical training. Italy, too, has started an initiative to provide vocational training to a greater number of young people, and in Austria measures have been introduced with respect to this target group that aim to promote both the supply and demand sides of the market for training opportunities.

Within the context of the planned reform of Finnish labour market policy, the on-the-job training elements of job-creation measures are to be reinforced. Long-term unemployed people are to receive grants if they apply for vocational further training measures on their own initiative. Grants for the duration of a career break taken for the purpose of vocational training in order to improve placement or labour market chances have been improved in Flanders and are now available in the Netherlands. The Portuguese government plans to

enable young people to complete a basic educational or vocational training course, and vocational training plays a central role in Great Britain’s “New Deal” employment programme.

The above-mentioned opportunity for a career break constitutes one of the measures to realise the second aim of the employment strategy agreed at the Council meeting in Essen. The recently re-evaluated job-rotation programme and the 6+6 working-time model in Finland also seek to raise the level of employment by rendering working time more flexible.

Labour market flexibilisation is being achieved not only via new working-time regimes, but also by means of flexible employment contracts. In Spain, however, the use of flexible employment relations has clearly gone beyond a reasonable upper limit, and the government has now taken steps to promote the stability of employment contracts. In Italy, by contrast, agency work is to be permitted. In Finland, the social security coverage of short-term employment contracts has been improved. Job creation is also to be promoted there by offering support to enterprises providing domestic services. Both the French programme for long-term unemployed youth and the New Deal programme announced by the British government provide for subsidised employment opportunities in the non-commercial sector, offering, among other things, activities in the so-called new fields of employment (e.g. environmental protection).

Reducing indirect labour costs remains the central aim of the Belgian “MARIBEL” measure, which has now been adapted to take account of European regulations on competition. It also constitutes a means of employment promotion within the framework of the Belgian “vocational transition” programme and is the focus of a Decree issued in May by the Spanish government. By offering tax concessions for the recruitment of the unemployed, the government of Luxembourg is also seeking to re-

duce enterprises’ (indirect) labour costs.

In the final analysis, all the programmes involving government financial support serve to exert a favourable impact on the overall labour costs of recruiting firms; the reductions in labour costs occurring in all the labour market policy measures described here differ less with respect to the policy goals than to the form of implementation: reduction in social security contributions in some countries, wage-cost subsidies of various forms in others.

Finland’s proposed reform of labour market policy draws attention to the underlying question of the existence of a “ceiling” on the volume of active labour market policy measures implemented and to the articulation and coordination of the various measures with one another. The authors of the proposed reform consider that by improving coordination between measures, while at the same time reducing their volume, labour market policy can be rendered more effective. It is also proposed that passive measures be “activated”. While the French and – with a different emphasis – the British programmes aimed at reducing youth unemployment are based on traditional instruments from the labour market policy tool-box, such as wage-cost subsidies and integration programmes, both incorporate the community and non-profit sector to implement measures to a greater extent than has been typical in the past. Another innovation is a greater emphasis on a “follow-up guidance phase” for young people (in Belgium and France) in order to facilitate an effective transition to working life.

The persistently high level of youth unemployment explains why youth measures form a focus for the initiatives described in this issue. Labour market policy measures concentrate heavily on this target group both in France – where, in addition to the measures described here, a major employment initiative for young people involving, among other things, a five-year support measure for 350,000

jobs for young people, has just been started – and in Great Britain. In addition, Austria’s apprenticeship initiative and Italy’s employment initiative

also aim to improve the labour market situation of young people. Other target groups affected by new measures described in this issue of “Policies” are

the long-term unemployed (e.g. in Belgium and the Netherlands) and ethnic minorities (in the Netherlands).

## Overall Developments

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### Belgium

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#### Operation “MARIBEL”

For some years now the word “MARIBEL” has become part of socio-economic jargon in Belgium. It refers to the forms of successive reductions in employer social security contributions. The aim of the “MARIBELs” successively introduced has been to reinforce the competitiveness of Belgian firms and to create employment by transferring some of the employer contributions to the social insurance system to society in general. Specifically this implies a flat-rate reduction in employer social insurance contributions for manual workers. The most recent of these measures is MARIBEL IV (Royal Decree of 17 April 1997 in amendment to Article 25, § 1, of the Law of 29 June 1981 “Determining the general principles of the social insurance of employees – M.B. 30.4.1997). MARIBEL came into force on 1 July 1997 in place of the preceding version (cf. BIR B-i.3), since which point in time it has been in accordance with European regulations governing competition.

#### Employers targeted by the measure

Employers may benefit from the new measure if they:

- employ workers subject to all forms of social insurance cover,
- and pay contributions to the fund for enterprise closures (*Fonds de fermeture des entreprises*). Thus, firms not performing industrial or commercial activities – except rec-

ognised sheltered workshops and family aid services – are excluded.

In addition, MARIBEL does not apply to employers whose enterprise falls under the responsibility of any of the following bipartite commissions:

- petroleum industry and trade;
- health services;
- insurance companies;
- estate agents and insurance agencies;
- building and savings societies;
- stock-brokers;
- banks;
- gas and electricity industry.

#### Categories of employees for which a claim for reduction can be made

The reduction may only be granted for employees who:

- are subject to all the various sections of the social insurance system (pension and survivors’ insurance, health insurance, family supplements, occupational illness and accident at work insurance). This therefore excludes domestic staff, subsidised contractual workers (cf. BIR B-v.1 and B-v.2), apprentices and students in part-time education;
- have not already served as grounds for another reduction in employer social security contributions, except reductions related to low-wage workers (cf. BIR B-ii.3) and enterprise work redistribution plans (cf. BIR B-vii.4);
- effectively perform at least 51% of the maximum number of working hours or days per quarter stipulated by the relevant collective agreement.

The last-mentioned condition need not be met by manual workers who reduce their working hours within the framework of a career break (cf. BIR B-vii.2) and are entitled to a career break allowance.

#### Extent of the reduction in contributions

For each manual worker, the employer benefits from a flat-rate reduction of BEF 5,000 per quarter or 20,000 p.a. In addition to this flat-rate reduction, the employer also benefits from a variable reduction amounting to BEF 5,000 multiplied by the proportion of manual workers in the employer’s overall work force. This percentage is subject to a ceiling of 66%. Thus, the maximum possible reduction in social insurance contributions amounts to BEF 33,200 per worker per year.

For employers employing less than 10 workers, the reduction amounts to 8,500 per quarter or BEF 34,000 per year for the first five manual workers. From the sixth manual worker, the mode of calculation described above applies.

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### Spain

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#### Measures to Improve the Labour Market Situation

The agreements reached in April of this year between the social partners have established a basis for stable labour relations and have contributed towards improving the competitive-



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ness of Spanish firms and reducing the use of fixed-term contracts and excessive labour turnover.

The importance of these agreements results from two factors: firstly, the regulations agreed upon enjoy the support of both of the social partners, which will ensure that they are enforced; secondly, the linkage that has been established between flexibility and social security constitutes a step in the right direction.

Specifically, the Agreement on Employment Security (cf. iMi 58, p. 9) confirms the necessity of promoting employment under permanent contracts, setting out a specific path for doing so. At the same time, within the context of a greater role for collective bargaining in concluding employment contracts, measures are to be initiated with respect to fixed-term contracts that specify and restrict the framework for this form of contract.

In support of the agreements reached between the social partners, on 16 May 1997 the government passed a royal decree-law (Real Decreto Ley 8/1997) setting out urgent measures to improve the labour market situation and to promote permanent forms of employment. At the same time, an additional royal decree-law (Real Decreto Ley 9/1997) was issued establishing the conditions for tax and social insurance allowances to promote permanent employment relations and job stability (see the other Spanish contribution to this issue, p. 12).

The most important regulations set out in Royal Decree-Law 8/1997 are in the following areas.

### Training contracts

Young people are to be supported in their attempts to enter the labour market by the provision of practical and theoretical training and work experience. The reform reinforces the training character formulated in the contracts and ensures greater social security. The apprenticeship contract (*contrato de aprendizaje*) in force until now will be replaced by this new form of training contract (*contrato de formación*). The maximum age of the employee on conclusion of the contract has been reduced to 21 years and the maximum period of training to

two years, although an extension is possible if corresponding agreements are reached. On request, the employee can obtain from the authorities a vocational training certificate on completion of the contract and after passing an examination as formal recognition of the work experience or vocational qualification obtained. The guaranteed wage is oriented towards the national minimum wage pro rata to the working hours performed. Finally, in cases of temporary inability to work, those employed under training contracts are entitled to the same financial support as other employees.

### Fixed-term employment

This type of contract enables firms to recruit employees for a limited period in order to meet an increased demand for labour. Legal guarantees had become necessary in order to prevent abuse of the regulations on fixed-term contracts; this has led to a redefinition of the preconditions for concluding fixed-term contracts and at the same time opened up the option of supplementing and refining the statutory provisions through collective bargaining. Under the new measure to improve the regulation, rationalisation and utilisation of fixed-term employment contracts, the conclusion of a fixed-term contract for "taking up a new activity" (*contrato de lanzamiento de nueva actividad*) is no longer possible. The Mixed Employment Commission (*Comisión Mixta de empleo*) is to examine ongoing fixed-term employment trends and to propose appropriate corrective measures to the government if undesirable effects or disequilibria occur.

### Part-time employment

There has been a substantial increase in the number of part-time employment contracts concluded in recent years. This is due, amongst other things, to the statutory framework, which takes account of certain interests of the employers and needs of the workers, particularly those of certain groups. The new reforms have served to consolidate this legal framework and improve the social security of part-time employees, offering them equal status compared with other employees.

### Support for permanent employment contracts

Both the large number of fixed-term contracts and the high level of labour turnover made it necessary to devise a new contractual form in which the stability created by permanent employment contracts is reconciled with the needs of employers. For the next four years it will therefore be possible to conclude permanent employment contracts under which the costs incurred on redundancy are lower than is the case under the traditional permanent employment contracts. Such contracts can only be concluded with employees from labour market groups facing special difficulties (young people aged between 18 and 29, the long-term unemployed, employees aged over 45 and the disabled) or with employees working under a fixed-term contract when the measure comes into force or in the subsequent year.

The regulation of these contractual provisions is part of a package of measures to promote employment under permanent contracts and the transformation of fixed-term contracts into contracts that are permanent in nature (see the contribution on tax incentives in this issue).

### Dismissals for economic or organisational reasons

Dismissals for economic or organisational reasons under the Directive enacted on 17 February 1995 are issued most frequently by small and medium-sized firms in order to adjust their work-force size. This fact makes it an urgent need to define more precisely the preconditions and justifications for these dismissals in order to avoid legal disputes. It has been made clear that dismissals for economic reasons are justified if they help overcome a negative economic situation facing the company. Dismissals based on technical, organisational or production-related grounds must contribute to overcoming the difficulties impeding the efficient functioning of the enterprise, be they related to competitiveness or demand, by means of a better organisation of its resources.

Employees recruited under the new contract to support permanent employment for special groups of per-

sons (Real Decreto Ley 8/1997) and dismissed for "objective reasons" are entitled, if this dismissal is found to be unjustified, to compensation amounting to 33 days' wages per year of service up to a maximum of 24 months' salary, instead of 45 days' and 42 months' as previously. Informational and follow-up procedures are to be developed for objective dismissals (*despidos objetivos*) in collective negotiations in order to ensure the correct application of the new contracts.

### Working time

In the agreement on security of employment signed by the social partners, the two sides of industry have promised to examine during the first year of the agreement's application all aspects relating to working time, such as the duration and redistribution of working hours, in order to promote positive labour market and corporate developments. Maximum working hours and their calculation and distribution are to be set out in national sectoral collective negotiations. Agreements on irregular distributions of working hours and work breaks are to be passed down to lower bargaining levels. In order to promote employment creation, the parties to collective bargaining are called upon, in particular, to seek ways of reducing overtime and to remunerate overtime by leisure (time in lieu) rather than financially. For its part the government is called up to establish application procedures for the legal provisions relating to the avoidance and reduction of the maximum volume of overtime.

Finally, in the context of functional mobility, the criterion of "vocational groups" is to replace that of "categories" in the agreements.

## Italy

### "Treu Package": Agency Work and Active Labour Market Policy

The amendments to the legislation on labour promotion introduced by Law no. 196 of 24 June 1997 (published in the Official Gazette no. 135/L of 4.7.1997 and known as the "Treu Package" after the labour minister who proposed the reforms) involve a large number of changes regarding working time, apprenticeships, measures for young people from the Mezzogiorno and the introduction of agency work. On the basis of this new legislation it will be possible in Italy, as elsewhere, to set up suitable specialised agencies, registered in a list held by the Ministry of Labour, which, as "providers of labour" will play a role as mediator between workers and the "user" companies in order to promote an equilibrium between the demand for and supply of labour.

The agency workers are employed by these agencies under fixed-term or permanent contracts exclusively for those qualifications which do not exist in the firm and can also be recruited in order to replace other workers. The workers employed in this way are then placed at the disposal of the so-called "user enterprises" in order to perform tasks of a fixed-term nature. Any further scope for the employment of agency workers is, where appropriate, to be regulated by means of collective agreements.

In some cases it is explicitly forbidden to make use of agency workers. These include their use to replace striking workers or the recruitment of agency workers to jobs in the lowest skill brackets and in enterprises that have made workers holding the same qualifications as those that are to be recruited as agency workers redundant during the previous twelve months. In addition, the use of agency workers is not permissible by firms that fail to observe the regulations concerning prevention of accidents and health and safety at the workplace (Legislative Decree no. 626,

19.9.1994) and for work processes that require special medical observation or are particularly dangerous. In agriculture and in the construction industry, on the other hand, agency work is to be permitted by way of an experiment given the special nature of activities in these sectors, which often involve moonlighting and unofficial economic activity.

Under the new regulations firms recruiting agency workers are obliged to make a further-training contribution of 5% of the daily wages of the agency workers in order to improve the vocational qualifications of the workers employed. Under the relevant national collective agreement, the number of agency workers employed under these conditions may not exceed the number of employees employed under permanent employment contracts with the user.

The mediation agencies initially require a provisional license issued by the Ministry of Labour for a period of two years. However, the Ministry can subsequently issue an open-ended licence following examination of the firm to ensure that it has performed its activities correctly and following an application by the agency.

In order to obtain an open-ended licence, the agencies must meet the following requirements. An agency must take the form of a corporation or cooperative with a paid-in capital of at least ITL 1 billion and which has both suitable premises and the vocational know-how required to perform a mediation function for agency workers. Their activities are supervised and controlled by the Ministry of Labour. Each employment contract must be concluded in writing, whereby a copy must be given to the employee at the latest five days prior to commencing employment with the user firm.

The employment contract must contain, among other things, the following elements:

1. A justification for the special nature of the work.
2. The details of the agency in question, its registration number, the user firm, the tasks to be performed by the employee, (where appropriate) the probation period and the applicable employment

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category, the location of the place of work, working hours, pay and working conditions, and (where appropriate) safety measures connected with the activity performed.

In the cases specified by collective agreement and for the length of time specified there, the duration of the period during which the employee is "lent" to the user firm may be extended provided written approval is given by the employee.

The collective agreement pertaining to the user firm applies to an employee working there under a fixed-term agency employment contract. This means that he/she is to receive the same pay as the other employees of the user firms. In no cases may this pay level be lower. The agency worker performs the tasks in accordance with the directions issued by the user firm.

In addition, the contract between the employee and the agency may make provision for an income guarantee for periods in which no work is performed (availability bonus). As far as statutory or collectively agreed regulations are concerned – with the exception of health care and health and safety provisions – the agency workers are normally not considered part of the work force of the user firm.

As already mentioned, the agencies must make a contribution of 5% of the remuneration paid to the agency workers for vocational training initiatives. These contributions are paid into a fund set up for this purpose by the Ministry of Labour. The fund will finance – together with the regions – further training measures. The Ministry will issue an ad hoc decree setting out the criteria and formalities involved in using this fund.

Regarding the contract on the provision of labour and its relationship with the mobility lists, it should be noted that employees registered in the mobility lists and recruited by temporary employment agencies retain the legal right of remaining on the list. If the earnings of such an employee from his/her labour services for the user firm or during periods in which he/she receives the above-mentioned availability bonus are lower than the mobil-

ity allowance, the difference must be reimbursed to him/her for the entire period during which he/she is entitled to the mobility allowance.

Under the law, the regional employment agencies are empowered to reach agreements enabling recipients of the mobility allowance performing temporary agency work to be employed in activities aiming to promote the occupational reintegration of workers on mobility. These agreements may involve further training measures, the financing of which was described earlier. If, however, the recipient of the mobility allowance rejects an employment offer from an agency, the provincial Labour Directorate may impose a suspension of benefit for the duration of the employment contract offered.

In addition to the regulations governing agency work, the "Treu Package" plans to implement a number of interesting employment-promotion measures in the fields of work-and-training contracts, apprenticeship, vocational training, training and orientation through work experience, socially useful work, working grants (*borse di lavoro*) for unemployed youth in the Mezzogiorno, etc.

The most important amendments to the work-and-training contracts relate to an extension of the range of institutions proposing such measures: public research institutions have once again been reincorporated. They also relate to the fact that the regional employment committee has been granted the opportunity of initiating targeted measures to reintegrate the disabled into working life by means of a work-and-training contract on the basis of projects set out in national collective agreements.

An additional interesting new reform introduced by the law is that the reductions in employer social insurance contributions under the work-and-training contracts will be granted for a further 12 months if the contracts are converted into permanent employment contracts after the initial two-year period. In addition, workers recruited in this way can be integrated at a lower level than that originally envisaged for the same period (i.e. 12 months). ITL 60 billion for the current

year and ITL 120 billion for 1998 have been earmarked to finance these new provisions.

In the field of apprenticeships, young people aged between 16 and 24 or 26 can be employed under an apprenticeship contract in Objective Areas 1 and 2 of EC Directive no. 2081/1993 adopted by the Council on 20 July 1993, as subsequently amended, subject to certain limitations imposed by the law, which remains in force, on the protection of children and young people at work. The contractual apprenticeship relation may not exceed the duration set out in the collective agreements for the occupational category in question, however, and must in any case last between a minimum of 18 months and a maximum of four years. For disabled young people employed under an apprenticeship contract, the above-mentioned age limit is raised by two years.

Under the new regulations the reduction in social insurance contributions can be granted – although only starting a year after the law comes into force – subject to the condition that the newly recruited trainees take part in the external training measures provided for in collective agreements.

In substantive terms these measures relate to the regulations governing the employment contract, work organisation and preventive health and safety at work measures. On average this theoretical training should last at least 120 hours per year, although this can be reduced if the young trainee has a higher educational level than compulsory education or has a vocational training certificate relevant to the activity to be performed.

The government has committed itself to issuing directives on "extraordinary employment relations with a training content such as apprenticeship and work-and-training contracts in order to harmonise this area" (Article 16). These regulations are to establish a "uniform control system to establish the genuineness of the apprenticeship and the actual relationship between work and training". As far as the implementation of this measure is concerned, the remarkable financial effort being made by the Italian government is to be noted: for the current



year ITL 185 billion, for 1998 ITL 370 billion and from 1999 ITL 550 billion are to be made available.

As far as vocational training and orientation work experience is concerned, the government plans within nine months of the law coming into force to issue directives based on the following principles:

- The measures are to be realised in the area of training and orientation projects, particularly for the framework programmes prepared and to be implemented by the regions and following consultation with the most representative trade unions at national level.
- The promoting institutions are obliged to insure those on work experience against accidents at work by means of an agreement to this end with the national institution responsible (*Istituto Nazionale contro gli infortuni sul lavoro* - INAIL).
- Recognition of a training credit for activities performed within the framework of courses and work experience, which, to the extent that they are certified, will be useful in finding work.

In the case of "socially useful work", a change is envisaged that is to be confirmed by a legislative decree to be issued by the government. Here, too, a number of principles and criteria are to be adhered to regarding the areas in which such work is to be performed (cultural heritage, renewing abandoned industrial sites, protected areas and national parks, plans for socially useful work, etc.).

An additional amendment contained in the "Treu Package" is the new possibility of borrowing from the Employment Fund and the Development Fund in order to realise labour market policy measures to promote the growth of self-employment. To this end, the Treasury is entitled to take out loans with a 15-year maturity with the Deposits and Loans Fund (*Cassa Depositi e prestiti*), which from 1998 will be serviced entirely by the state.

As far as the measures in favour of unemployed young people from the Mezzogiorno are concerned, a legislative decree is to be issued in order to initiate an extraordinary programme for socially useful work and so-called

working grants (*borse di lavoro*). This programme is to be implemented by 31 December in the following regions: Sardinia, Sicily, Calabria, Campania, Basilicata, Apulia, Abruzzi and Molise and in those provinces in which the average unemployment rate is higher than the average for Italy as a whole. The programme is aimed at young people aged between 21 and 32 looking for their first job and registered as a jobseeker for more than 30 months. The resources earmarked for the programme will be divided up between the regions on the basis of the rates of long-term youth unemployment.

The programme itself, whose resources are to be made available equally to socially useful and working grants - unless the regional employment committees (*Commissioni regionali per l'impiego*) decide on a different distribution in order to ensure that the aims are achieved - intends to integrate at least 100,000 young people into the labour market by the end of 1997. The working grants are available for up to 12 months, although the period may vary depending on the size and nature of the enterprise and the level of education of the young person. Seasonal work is excluded from the programme.

The young people recruited under this measure will be paid by the National Social Security Institute (*Istituto nazionale della previdenza sociale* - INPS) on the basis of a monthly certification by the enterprises concerning participation in the planned activity. If a young person is taken on at the end of this period under a permanent contract, the employer is entitled to those grants and benefits for the creation of new jobs available under the legislation prevailing on the date of recruitment. In order to realise these new measures, the Employment Fund is to make available ITL 300 billion for 1997 and ITL 700 billion for 1998.

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## Finland

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### A Comprehensive Proposal on Reforming the Labour Market Policy System

A proposal on reforming the labour market policy system drafted by Government Councillor Harri Skog and Senior Researcher Heikki Räisänen has been completed in the Ministry of Labour. It was handed over to the Minister of Labour on 6 June 1997. Proposals were made for reforming the entire system of unemployment security, labour market support, employment services, subsidised employment and other measures directly promoting employment.

The aim of the reform is to respond to challenges posed by the changing economic situation and to clarify the present complex system. The rights and obligations of the unemployed also need to be defined in a more exact way. The main idea behind the reform is to encourage job-seeking on one's own initiative and to reward such behaviour. It is crucial to get the long-term unemployed back into the sphere of active labour market policy.

The main proposals in reforming the labour market policy system are:

- reform of the employment service process;
- activation of labour market support;
- reform of active programmes;
- measures supporting recruitment;
- definition of the rights and obligations of the unemployed jobseeker.

The reform of the employment service process includes:

- encouraging job-seeking on one's own initiative;
- regular periodical interviews in employment offices;
- drafting of an individual job-seeking plan in an interview;
- a job-seeking booklet for every unemployed person (replaces partly the basic information which is now given orally);

## Overall Developments

- skill mapping after the unemployment period has lasted for two to five months;
- hiring of 330 academic experts for employment offices.

The activation of labour market support will be carried out by the following means:

- by revising the job-seeking plan after the unemployment period has lasted for 500 days and starting a new active period;
- by granting subsistence allowance during trainee work;
- by integrating labour market support into the employment subsidy granted to employers, to be used especially for generating new employment opportunities in the so-called third sector;
- by offering an incentive grant to long-term unemployed persons who have received labour market support and find employment on the open labour market on their own initiative.

The reform of the active programmes includes the following measures:

- the average number of those covered by labour policy measures will be reduced in 1998-1999 by 31,000 persons, depending on the reduction rate of unemployment;
- 200,000 unemployed persons per year will start job-seeking training, the duration of which is two weeks, organised either by means of labour market training or group counselling;
- improving target orientation of non-vocational labour market training;
- in 1998 traditional subsidised employment will be reduced by 10,000 persons and labour market training by 7,000. It is estimated that with the help of the new combination subsidy (labour market support plus employment subsidy) to employers, 10,000 long-term unemployed persons will be employed;
- for the purpose of supporting recruitment, a "light" model of on-the-job training for small and medium-sized enterprises will be created for the system of subsidised employment. This model allows a

wage subsidy to be paid for enterprise-specific training in recruitment situations for a maximum period of two months.

Under the proposal the rights and obligations of the unemployed job-seeker have been defined in relation to labour market policy as a whole. The definition clarifies the status of the unemployed and increases the transparency of the service process.

The authors of the proposal consider that the biggest problems of the present labour market policy system requiring amendment are as follows:

- the obscurity of the system and the unconnectedness of its different components;
- the incompatibility between passive and active measures, active measures becoming passive and the lack of activation on the part of passive measures;
- the lack of any clear target orientation due to an excessive number of priorities;
- the basic task of employment offices, i.e. employment mediation, plays a subordinate role;
- the oversized operations volume of active programmes;
- the vagueness regarding the rights and obligations of the unemployed;
- the underestimation of the wages involved in client service;
- problems regarding the effectiveness of separate measures;
- the sporadic development of the labour market policy system and the continuous waves of changes.

This is the most comprehensive investigation ever conducted into labour market policy in Finland. The aim is that the proposals will be approved in government budget negotiations in August and that the reforms will enter into force at the beginning of 1998. The proposed reforms do not increase government expenditure.

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## United Kingdom

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### New Deal Measures for the Unemployed

The UK government has already commenced efforts to further reduce unemployment and improve the quality of the labour force. The government has allocated GBP 3.9 billion of funding for this purpose. The key elements of this approach are:

- promoting employability and flexibility in the UK labour market through improving skill levels, tackling long-term unemployment and social exclusion and removing obstacles to labour mobility;
- underpinning the new approach to the labour market with an appropriate framework of minimum standards which will balance the rights and responsibilities of both employers and employees.

Measures already taken include:

- a focus on geographical areas where social exclusion is particularly acute, by trying new and innovative approaches to tackle unemployment in designated Employment Zones;
- removing barriers that presently exclude people who want to work from the labour market (e.g. lone parents) by reviewing tax and social security benefit systems to ensure they help people's efforts to find work and do not promote dependency on the welfare state.

There are currently 178,000 young people (18-24) unemployed in the UK. The government has made a public commitment to reduce this number as part of the New Deal measures for the unemployed. Young people who have been unemployed for more than six months will be offered four options:

- a job with an employer, who will receive GBP 60 a week incentive for six months;
- job with a voluntary sector organisation for six months;
- full-time basic skills education or training;
- work with an environmental task force.

Young people will have a responsibility to take up one of these opportuni-

ties. The aim of this programme will be to give young people claiming ben-

efits the experience and skills they need to obtain and stay in employment.

## Job Creation

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### Belgium

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#### Vocational Transition Programmes

On 4 March 1997 the federal government and the regions signed a cooperation agreement, the aim of which is to improve the integration of jobseekers into the labour market. This agreement has established so-called "vocational transition" programmes and will give certain categories of jobseekers the opportunity of gaining work experience and thus of improving their chances of re-entering the labour market.

In principle, 8,000 jobs are to have been created by the end of the year within the framework of vocational transition programmes.

##### Target group

The following categories of jobseekers may participate in a vocational transition programme:

- full-time unemployed persons drawing the waiting allowance (cf. BIR B-iii.5) who have been registered unemployed for at least 12 months;
- full-time unemployed persons drawing unemployment benefits for at least 24 months and those who have performed work within the framework of the "local employment agencies" (*agences locales pour l'emploi*; BIR B-iii.13);
- jobseekers drawing minimum subsistence benefit for at least 12 months.

##### Activities and employers

By means of these vocational transition programmes, such persons will be employed by various public-sector organisations and non-profit organisations linked to them, by local public authorities (local government, public social assistance centres) and other non-profit and non-commercial associations. Their sphere of activities will be focused on the socio-cultural field, sport and environmental protection. Such activities must correspond to collective social needs that cannot be adequately met through the normal labour market. With the exception of programmes in administrative offices and offices of federal authorities, or areas under their auspices, for which the Federal Ministry of Employment is responsible for recognition procedures, the vocational transition programmes must be recognised by the minister responsible for employment issues in the region in question.

##### Additional jobs

The jobs created within the framework of such vocational transition programmes must constitute additional jobs with respect to the number of employees (expressed in full-time equivalents) employed by each of the employers concerned. The employers must produce evidence to the national labour market authority, ONEM (*Office national de l'emploi*), that the employees taken on under a vocational transition programme are in fact "additional" workers.

As far as the regions are concerned, these employment relations must be additional with respect to the number of employees (expressed in full-time

equivalents) participating in the "back to work programmes" (*Programmes de remise au travail*) for which the regions receive drawing rights. The employment volume of those employees employed under these programmes may not be lower than the employment volume in 1995 for the entire period of validity of the cooperation agreement.

##### Employment contract

Employees are employed under a fixed-term contract under which the working-time regime corresponds to at least half normal working hours. Employment under a vocational transition programme is for a maximum of one year. In the case of jobseekers who have previously rendered services within the framework of local employment agencies, the period of employment can be extended for a maximum additional period of one year.

##### Pay

The workers involved are to receive the normal salary for the task performed. This consists of a flat-rate grant paid by the national employment office, ONEM, amounting to BEF 10,000 for a half-time job and 12,000 for employment amounting to three-quarters or more of regular working hours. These figures are increased by BEF 2,000 for those who have previously worked in a local employment agency. An additional grant is paid by the regional or other public authority responsible. The remaining, variable share of earnings is paid by the employer.

As far as employer social security contributions are concerned, the em-

## Job Creation

ployer benefits from the reductions set out in the recruitment plan (*plan avantage à l'embauche*; BIR B-v.7).

### Transition to the regular labour market

The federal government and the regions, within their respective areas of jurisdiction, have committed themselves to taking the necessary steps to ensure that participants in the vocational transition programmes gain access to the local employment agency system and to counter-unemployment programmes following their period of employment, and to continue granting the right to reductions in employer social insurance contributions applying under the recruitment plan.

Within the framework of their placement mission, the regional placement services will ensure that the individual characteristics of the jobseekers are taken into account in such a way that participation in a vocational transition programme will facilitate their entry into normal working life following the initial period of employment. In addition, they will also ensure that accompanying measures, such as advice on training measures, will be offered to further promote labour market integration.

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## Belgium

### Loans for the Unemployed Planning to Enter Self-Employment or Start up a Business

The scheme set up in 1984 for providing loans to the unemployed (cf. BIR B-v.13) has enabled many unemployed people to set up their own business. The measure is applicable to unemployed people on full benefit for more than three months who draw up a project to set up or to purchase a company. If the project has sufficient prospects for success, the unemployed person may obtain a loan from the "Participation Fund" (*Fonds de Par-*

*ticipation*). Recently, the maximum level of this loan was increased from BEF 700,000 to 800,000.

With the aim of redynamising this scheme in order to enable more unemployed people to benefit and to ensure a higher success rate, the modifications described below have been introduced to the scheme.

### Training and guidance for the unemployed person

The Royal Decree of 17 February 1997 modifying Article 74 of the Law of 28 July 1992 on fiscal and financial dispositions, in application of Article 33 of the Law of 26 July 1996 on the modernisation of social security and ensuring the viability of the legal pension scheme (M.B. 25.2.1997), has added to the tasks of the Participation Fund that of helping to finance the training and guidance of those fully insured unemployed people to which it makes a loan and which will thus be enabled to benefit from guidance measures concerning the management of the firms they have set up. Each year in drawing up its budget, the Participation Fund is to earmark a certain sum for training and guidance. A cooperation agreement is to specify certain formalities associated with implementation, notably regarding the content of the training and guidance and the characteristics of the organisations to be charged with providing them.

### Relaxation of the conditions of entitlement

The changes made to Royal Decree of 22 December 1992 (Royal Decree of 17.2.1997 modifying Article 18 of Royal Decree of 22.12.92 on the organisation of the Participation Fund – M.B. 25.2.1997) and to the ministerial decree of 10 September 1993 (Ministerial Decree of 17.2.1997 defining the activities excluded from the granting of a loan – M.B. 25.2.1997) have served to extend the measure to a greater number of unemployed people:

- the applicant for the loan may now have been drawing the waiting allowance (previously: he or she must have been in receipt of unemployment benefits);

- he or she must still produce evidence of having received the waiting allowance or unemployment benefit for at least three months, but this can have been during the six months preceding the application (previously; three months' uninterrupted benefit receipt);
- his or her own capital input now has only to amount to one quarter of the value of the loan (previously, half the value of the loan had to be provided by the applicant);
- he or she is now able to perform an activity in areas previously excluded (agricultural enterprises, the liberal professions, enterprises in the recreational and sporting sectors, animal care, old people's homes and day-care centres for children).

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## Spain

### Reduction in Indirect Labour Costs

The Royal Decree-Law issued on 16 May 1997 (Real Decreto Ley 9/1997) will in future regulate the social insurance and tax allowances made available in order to promote employment under permanent contracts and the conversion of agency and fixed-term contracts into permanent contracts. The incentives created by the decree-law apply both to standard permanent employment contracts and to the new contracts to promote permanent employment (see the other Spanish contribution to this issue, p. 5). Also included are special regulations to take account of the various personal circumstances of workers in target groups with special difficulties in gaining access to the labour market.

The incentives consist of substantial appropriately staged cuts in employer contributions to the social security system. This is to be financed out of the employment service (INEM) budget, so that neither the revenue of the social insurance system nor the budget for active labour market policy will be negatively affected.

### Incentives for permanent initial employment contracts

Under the incentive scheme for permanent initial contracts which came into force on 17 May 1997, firms are entitled to incentives for recruiting under permanent employment contracts unemployed young people (aged less than 30), the long-term unemployed, the unemployed aged over 45, long-term unemployed women from occupations in which they are under-represented and the disabled.

The incentives are as follows:

- for young people and the long-term unemployed a 40% reduction in employer contributions to general social insurance during the first two years of the contract;
- for unemployed persons aged over 45 a 60% reduction during the first two years of the contract and a 50% reduction for the remaining duration of the employment relation;
- for long-term unemployed women from areas in which they are under-represented a 60% reduction during the first two years of the contract;
- for the disabled the current incentives remain in force: grants of up to PTA 150,000 are available for changes at the workplace to render them suitable for disabled persons and to equip them with personal safety devices; PTA 500,000 grant for every employment contract signed; reduction in the employer contribution to the social insurance system of 70% during the entire duration of the employment contract for disabled persons under 45 and of 90% for persons over 45.

In cases in which other public funds are available for the same purpose, all the subsidies available under this measure taken together may amount to no more than 60% of the annual labour costs resulting from the employment contract in question.

### Transformation of fixed-term into permanent contracts

Support is available to firms converting exiting fixed-term contracts and temporary agency contracts into permanent employment contracts when

the decree comes into effect. Irrespective of the time at which the contract was signed, this also applies to apprenticeship and work-experience contracts and to training contracts, and those replacing workers on early or partial retirement.

The incentive consists of a 50% reduction in employer social insurance contributions in the first two years of the contract. If the employees concerned are aged over 45, are women in occupations in which they are underrepresented or disabled workers, the same incentives apply as to permanent initial contracts.

Due to the introduction of this measure, the incentives previously available for fixed-term contracts – with the exception of the support for disabled workers – have been abolished.

### Tax incentives to create and maintain employment

Unemployed young people aged less than 30, the long-term unemployed and the unemployed over 45 recruited under a permanent contract within 24 months of the decree coming into force will not be considered as wage-earners in calculating the net earnings for tax assessment purposes for a period of 24 months following conclusion of the employment contract. The same applies to workers whose fixed-term contracts are converted into permanent contracts within 24 months of the decree coming into force. This offers a direct tax incentive for small and medium-sized enterprises to employ workers from these categories under permanent employment contracts.

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## Luxembourg

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### Income-Tax Concessions for Employers Recruiting the Unemployed

In order to facilitate the reintegration of the unemployed into the labour market, a new regulation has been introduced under which employers are entitled to tax concessions if they recruit unemployed persons;

- in trade, industrial, mining or craft enterprises;
- in profit-making agricultural and forestry enterprises;
- within the framework of exercising a professional activity.

The value of the tax concession amounts to 10% of the gross monthly salary, which is tax deductible as business-related expenditure.

This tax concession is available to the above-mentioned types of employer for recruiting persons registered as unemployed for three months or longer and allocated by the public employment service employment under a permanent contract or a fixed-term contract of at least 24 months for at least 16 hours per week. The tax concession can be claimed for each unemployed person recruited for a maximum of 36 months from the month of recruitment.

Subject to these conditions of entitlement, the tax concessions are only granted for recruitments occurring between 1 July 1996 and 31 December 1999.

# Training

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## Portugal

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### Restructuring of the Institute for Employment and Vocational Training and Regulation of the Institute for Innovation in Training

In May 1997, Decree no. 297/97 set out the details of the restructuring of the central offices of the Institute for Employment and Vocational Training (IEFP). The aim of the reform is to bring the responsibilities of the organs of the central offices into line with the aims of the employment offices and the vocational training centres. The new structure of the IEFP will render compatible the responsibilities of the employment offices and vocational training centres, as the "front line" of the IEFP, in the field of labour market policy with the responsibilities of the regional offices, in order to ensure coordinated action at national level.

The new organisational structure contains alongside advisory councils (*Assessorias*) and a publicity department (*Gabinete de Comunicação*) a number of additional departments, including:

- the Employment Department, consisting of the Directorate for Information and Careers Advice, the Directorate for Employment Promotion, the Directorate for Job Placement and the Directorate for Insertion Programmes;
- the Department of Vocational Training, consisting of the Directorate for Curricular Development, the Directorate for Training Resources and the Directorate for the Coordination of Training Measures;
- the Department of Certification, consisting of the Directorate for the Promotion of Certification Systems and the Directorate for Evaluation and Certification;
- the Department of Strategic Planning, consisting of the Directorate

for Service Studies and the Directorate for Planning and Administrative Control.

In addition to this organisational structure, a National Centre for the Training of Trainers (*Centro Nacional de Formação de Formadores*) is to be set up under the auspices of the Executive Committee of the IEFP.

On 12 May 1997, a decree-law was passed (no. 115/97) regulating the new Institute for Innovation in Training (INOFOR), a new organ the aims of which are promoting the educational and training system and initiating innovative measures in the fields of training, and the organisation and administration of human resources.

INOFOR is responsible for drawing up forecasts of employment trends and on vocational qualifications. To this end, an ongoing series of surveys on short, medium and long-term vocational training requirements will be conducted. This system is to serve the needs both of the bodies participating in the strategic concerted action and in developing vocational training programmes, curricula and the certification and careers advice systems.

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## Portugal

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### Initial Vocational Training Courses

In the wake of the Agreement on a Strategic "Concerted Action" (*Acordo de Concertação Estratégica*) and the Programme for the Integration of Young People into Working Life (*Programa para a Integração dos Jovens na Vida Activa*), initial vocational training courses have been set up by virtue of a joint ministerial decree (Ministry for Education and Ministry for Qualification and Employment) of 7 July 1997.

The courses have two aims:

- to enable young people who are in danger of failing to complete compulsory education because of leaving school too early to complete their basic schooling in conjunction with a Level II vocational training;
- to enable young people who have completed basic education to undertake vocational training for one year giving them a Level II vocational training qualification on completion.

For these initiatives a number of measures are necessary, in particular the creation of local partnerships with training establishments and/or economic agents in order to offer adequate solutions that meet students' needs and to implement successful training programmes.

The courses are developed and organised within the respective ambit of pedagogical autonomy on the initiative of schools and – whenever this is considered desirable – in cooperation with other organisations, in particular with the training centres of the public employment service (IEFP).

The steering committee (*Conseho de Acompanhamento*), consisting of three representatives each of the Ministry for Education and the Ministry for Qualification and Employment and chaired by the Director of the Basic Education Department, is responsible for accompanying the products developed by schools in accordance with the above-mentioned decree. It is also able to initiate cooperation with representatives of branch and employer organisations and with trade unions.

For the academic year 1997/98 courses are to be developed by a maximum of 100 training establishments. The project is to be steadily expanded up to the year 2000.



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## Finland

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### Training Allowances

The Council of State provides long-term unemployed persons with an opportunity to receive training allowance for a maximum period of two years, if they apply on their own initiative for training promoting their occupational skills. During the training period, an allowance will be paid which equals the daily unemployment allowance or the labour market support. The allowance is conditional on at least 12 years' experience of work or entrepreneurship. A government bill on this matter was presented to Parliament on 11 April 1997.

The proposed scheme will give the long-term unemployed better economic possibilities of partaking in long-term training on their own initiative and enhance their possibilities of reintegration. The training allowance for the long-term unemployed constitutes a special fixed-term programme.

The condition for being granted the allowance is that the long-term unemployed person concerned has been engaged in waged employment or

been an entrepreneur for at least 12 years. The work history will be studied by spanning a time period of 18 years prior to the beginning of the training.

The training should be full time, should lead to an examination, and the scope of training should comprise at least 20 study weeks. It will be possible to continue studies which were interrupted before unemployment began and which would lead to an academic degree. Carrying out the syllabus of comprehensive school or finishing upper-secondary school will be possible, if the lack of this education prevents training or employment. Supplementary vocational training comprising at least 30 study weeks as well as equally comprehensive specialised studies arranged by polytechnics and universities will entitle participants to claim an allowance.

Training can be provided by vocational institutions, vocational adult training centres or special educational institutions, polytechnics, universities, upper-secondary schools, music institutes, training centres for physical education, high schools, open colleges, study centres and summer universities.

The allowance will be granted for a maximum period of two years, ter-

minating at the latest at the end of 1999. The benefit will be funded in full by the state. In the budget for 1997, FIM 300 million has been reserved for the funding of benefits and FIM 337 million for the funding of student places.

An Act on the support of training on one's own initiative for long-term unemployed persons and an amendment of the National Student Aid Act are to come into force at the beginning of August 1997. They will be applied to training that will begin in July 1998 at the latest.

The proposal aims essentially at encouraging long-term unemployed persons who are entirely without any specialised vocational training to get a basic vocational examination. For this reason, the labour administration is prepared to provide work opportunities by means of an employment subsidy for such persons without basic vocational training who will take a vocational examination on their own initiative. The employment subsidy may be granted in situations where the person concerned does not otherwise find employment within a reasonable time after the training. The subsidy may on certain conditions also be granted to the applicants themselves, e.g. as a grant for starting a business of their own.

## Social Protection, Unemployment Benefits

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### Netherlands

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#### More Differentiation in Contributions to the Unemployment Act

The Dutch Unemployment Act distinguishes two consecutive stretches of benefit: first a reduced pay period,

then the unemployment benefit period. In April 1997, the cabinet announced a plan to extend the reduced pay period, in which economic sectors have themselves to pay unemployment benefits to their unemployed, from 13 to 26 weeks. The extended reduced pay period is supposed to come into force on 1 January 1998. This can be inferred from a request for consultation to the Social-Economic Council (SER), the government's most

important advisory body for social economic affairs.

The proposal implies that the costs of unemployment will be assigned more strongly to the economic sector which creates the costs. In addition to this, it would reduce the substantial deficit of the General Unemployment Fund which pays unemployment benefits (i.e. after reduced pay). In contrast, spending by the sectoral reduced pay funds will rise. Nevertheless, con-

## Social Protection, Unemployment Benefits

sidering the financial reserves of the sectoral funds, the cabinet considers that any rises in contributions for reduced pay insurances in 1998 will be limited to just a few sectors.

Extending the reduced pay period of the unemployed might create an incentive for sectors with a relatively high number of unemployed to improve this record. If not, in the longer run the perspective could be rising sectoral contributions for reduced pay, culminating in rising labour costs and a deterioration of international competitiveness.

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### Finland

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#### Improvements of Security in Connection with Atypical Employment Relationships

The President of the Republic ratified on 23 May 1997 the amendments of various Acts by which security in con-

nection with atypical employment relationships will be improved. The workers will be entitled to sick pay during employment relationships of less than one month, and holiday compensation in lieu of annual holiday will be earned already for employment relationships based on as little as six hours. The employer should also aim at paying greater attention to the need for breaks, especially in demanding work and work that requires standing or sitting still. The amendments entered into force on 1 June 1997. The amendment of the Act on Annual Holidays will, however, enter into force on 1 April 1998.

The Contracts of Employment Act was amended to the effect that workers are entitled to 50% of their wages during sick leave, the employment relationship having lasted for less than one month. The amendment applies to employment relationships entered into as of the beginning of June.

The amendments of the Act on Annual Holidays entitle the workers, even those in short-term employment relations, to a considerably greater extent to holiday compensation. Holiday compensation will be earned as of

six hours' employment. The compensation is also payable if the worker has been employed by the same employer for at least six hours more than once during the calendar month. The amendment will enter into force on 1 April 1998.

The holiday compensation is 8.5% for short-term employment relationships. If the employment relationship has lasted for more than a year, the compensation is 11% of the wages paid during the qualifying year. The qualifying year begins on 1 April and ends on 31 March.

If necessary, the worker has to be provided with opportunities to take breaks while working so that he/she may leave the workplace for a brief period of time. The amendment of the Labour Protection Act applies especially to work which is demanding or which requires continuous presence. The amendment entered into force on 1 June 1997.

The amendments are part of the measures under the government programme which aim at improving security in connection with atypical work.

## Special Categories of Workers

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### France

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#### The Campaign for the Young Long-Term Unemployed

In the course of the National Conference on Youth Employment held on 10 February 1997, the government that was replaced in June decided to

make the struggle against long-term unemployment among young people – those aged less than 25 and out of work for more than one year – a priority task of the ANPE. It is to perform this task in cooperation with the existing network of structures for young people, the *missions locales* (local missions) and the permanent information and advice centres (*Permanences d'accueil d'information et d'orientation* – PAIO), of which 320 have been entitled “Espaces-jeunes”,

and the other institutions composing the public employment service.

The struggle against long-term unemployment has been accorded the very highest priority.

The aim is, between 1 March and 30 September 1997, to draw up proposals for the occupational integration of the 120,000 young long-term unemployed (registered unemployed for an uninterrupted period of more than 12 months) in metropolitan France and the 7,400 young people in the over-

seas departments, and to ensure that these propositions take on concrete form by means of a follow-up lasting up to three months.

The ANPE has been assigned responsibility for implementing this programme. Thus, the local employment offices and its structures for young people are to serve as contact points for young people, are to make them effective integration proposals and to provide them follow-up guidance in such a way that one of the proposals leads to a concrete measure.

The aim is not merely to invite the young people to interviews and to offer them support, for example by mediating contact with an employer or a training institution. What must be ensured is that following a recruitment interview the employer actually takes on the young person or that he/she is offered a place by the training institution.

Four types of integration solution are to be offered to the young person:

1. Direct access to employment in a firm (whether or not resulting from a measure such as the employment contract initiative (*contrat initiative emploi* – CIE) or practical work experience opening access to employment (*stage d'accès à l'emploi* – SAE);
2. dual training under an employment contract (apprenticeship contract, training, orientation or re-training contract);
3. subsidised employment in the non-market sector under a solidarity employment contract (*contrat emploi solidarité* – CES) or under the urban jobs programme (*emploi de ville*);
4. a training programme following which the young person receives further guidance with the aim of placement.

Such measures cannot be offered directly to certain categories of young people; for these preparatory steps need to be taken. Moreover, some youngsters with particular personal, family-related or social problems may not be suitable for direct occupational integration measures. In such cases, the best solution is to incorporate partner institutions that are better

suited than the employment office to addressing such difficulties.

Within their overall responsibility for employment issues, the Prefects are to organise coordination with partners making insertion offers: the inter-ministerial delegation for the occupational and social integration of young people in difficulty (*Délégation inter-ministérielle à l'insertion professionnelle et sociale des jeunes en difficulté* – DIJ), the *missions locales*, the offices of the PAIO and the *Espaces-jeunes*.

Employers, too, need to be mobilised for this campaign. They should not only register jobs that can be offered to young people and make greater efforts to offer dual training contracts, but also to ensure that some of these young people are invited to interview by the head of the firm or by a member of management, that they are offered job-search assistance or even to take on “guardianships”.

Follow-up is to be taken to mean that the employment office or the institution contacted by the young person maintains regular contact with the young person for a period of up to three months. During this “guidance period” at least one contact per month should take place, more frequently if possible, if the results of the employers’ efforts require it. Moreover, in certain regions an interview with an employer can constitute one of the steps proposed to the young person.

During the summer months this campaign is to be evaluated; the results are to be available by September.

Between March and the end of May 1997, 91,600 young long-term unemployed in metropolitan France participated in these measures. In December 1996, around 120,000 young long-term unemployed were registered. The impact of this campaign has already been felt in the unemployment statistics: in January 1997, 98,000 young long-term unemployed were recorded and at the end of April 1997, 88,000.

The policies implemented by the new government, in power since 3 June 1997, aim to create 700,000 jobs for young people within two years. It intends to give new impetus to this campaign, which is to run to the end of September 1997.

## Netherlands

### Revised Act to Stimulate the Labour Market Participation of Ethnic Minorities

On 1 July 1994, Parliament adopted an Act to promote proportional access to employment by ethnic minorities. The aim was to influence the demand side of the labour market. This Act was evaluated in October 1996. In November 1996, the social partners drew up a new agreement (1998–2000) to stimulate the access of ethnic minorities to jobs. Subsequently, the social partners advised the government to change the 1994 Act. Based on the results of the evaluation and on the recommendations of the social partners, the government proposed to Parliament (in May 1997) changes in the Act, in order to make it more conducive to the effectuation of the new agreement between the social partners, as well as more effective by reducing the administrative burden on employers. The proposed amendments have yet to be voted on by Parliament.

The most important proposed changes in the Act are:

1. Instead of two documents (an annual public report on the past year and an internal annual plan about the measures the employer intends to implement the following year to stimulate the employment of ethnic minorities), the employer has to make one public document with figures on the participation rate in his organisation more in accordance with their participation rate in the general work force.
2. The annual report is to be submitted to the Regional Employment Board instead of the Chamber of Commerce.
3. The enforcement of the Act will be based on civil law instead of criminal law. The Labour Inspection will supervise the observation of the Act by employers.

## Special Categories of Workers

The amended Act (*Wet Stimuleren Arbeidsdeelname Minderheden – Wet Samen*), which is expected to come into effect on 1 January 1998 and to expire on 1 January 2002, will be provisional in nature, as was the former Act.

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## Austria

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### “Giving Youth a Chance”

In June 1997, the federal government and the social partners agreed on a package of measures to counter youth unemployment under the title “Giving Youth a Chance”. Essentially it consists of three components:

1. a package of measures to reform apprenticeship training;
2. the support package of the Austrian Labour Market Service (LMS); and
3. the special programme.

#### Package of measures to reform apprenticeship training

The federal government and the social partners have agreed on a package of measures the aim of which is both to increase the number of young people in dual training (apprenticeship) in the coming years and to raise the number of enterprises offering training, while maintaining Austria's high training quality.

More specifically, the aim of the package of measures is to:

- maintain the quality of vocational training and to increase the number of training opportunities over the medium term;
- facilitate access to apprenticeships both for young people and enterprises while maintaining quality standards;
- increase permeability with respect to other education/training systems;
- adjust the regulations on the protection of children and youth in ac-

cordance with current workplace realities while maintaining the protective elements;

- ease the financial pressure on training enterprises.

Commissioned by the federal government, the implementation of this agreement will be coordinated by the Federal Ministry of Labour, Health and Social Security and the Federal Ministry of Economic Affairs.

The government has put its proposals for amendments of the laws on vocational training (BAG), general social insurance (ASVG), child and youth employment (KJBG) and on the introduction of a vocational training certificate to parliament. The amendment to the decree on employment bans and restrictions came into force on 1 July 1997.

The implementation of the group apprenticeship occupations – in order to broaden basic qualifications and to increase labour market opportunities – is to occur in two stages (academic years 1997/98 and 1998/99).

Agreement was also reached on changes in the tasks of the apprenticeship offices, on the creation of bipartite bodies and on the creation of an inter-departmental coordinating body covering the entire field of training. These projects are to be pursued at the political level.

#### The LMS support package: A summary of LMS activities aimed at solving the training problems of young people

In 1997, the LMS is to spend around ATS 1.4 billion out of its national budget on young people. This represents around 20% of the overall LMS budget for support measures. This has been achieved by restructuring spending priorities based on the targets set by the Federal Minister for Labour, Health and Social Security.

A total of ATS 1 billion is to be devoted to measures in the field of preparing for the labour market, careers advice, counselling, employment and training. The remaining ATS 400 million will go to finance apprenticeships within enterprises, apprenticeship workshops and similar institutions.

The following activities will be realised by the LMS in 1997:

- nationwide activities to acquire apprenticeship opportunities, including mailings to employers, particularly those who have not so far taken on apprentices, telephone and personal contacts in particular via the service for firms for the permanent acquisition and guidance of apprenticeship offers;
- nationwide interviews with state and local governments and the social partners on questions of joint activities; joint apprenticeship promotion programmes; opportunities for apprentices with state and local government and local public bodies;
- information events together with the social partners (joint acquisition efforts);
- permanent publicity work, advertising, promotion of the apprenticeship promotion programme;
- special programme to promote additional apprenticeship places in apprentice workshops;
- grants to promote apprentice training;
- extending preparatory courses with work experience with the aim of ensuring a direct transition from those on work experience to apprenticeships in the same workplace;
- continuation of bridging, training and employment measures for young people.

#### The special programme

For the event that the reform package for apprenticeship training and the activities of the LMS prove insufficient, a special programme is being prepared in order to be in a position to offer every willing 15-year-old a training opportunity. The success of the special programme depends largely on whether – depending on the specific regional and local situation on the market for youth employment and training – the various instruments can be deployed quickly and flexibly.

These include, among others:

- the supply of additional training opportunities in the upper-secondary school system;
- setting up or extending teams of advisors to acquire apprenticeship places in those firms that have re-

- duced or stopped completely their training activities or have never trained;
- an offensive to acquire apprenticeship opportunities in the new areas of the future, such as the free professions;
- to implement an apprenticeship foundation in cooperation between school and enterprise;
- to develop a model project for young school-leavers, those leaving academies and graduates who have

been unemployed for more than six months. On top of this comes a specific institution, set up as a charitable body, that can perform the functions of a training enterprise for those young people for whom the public sector – federal states, city and local governments – can offer training but with whom they are unable or unwilling to conclude an apprenticeship contract.

With this very comprehensive initiative the federal government has

underlined just how important it considers the fight against youth unemployment to be, in order, in the interests both of the young people themselves and the economy as a whole, to maintain and where possible improve the labour market situation, which remains relatively favourable in European terms. To this end, the federal government has realised at the right moment an important, long-awaited reform goal in a central social area.

# Working Time

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## Belgium

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### The Flanders Region: Work Redistribution – Incentive Grant

In 1994, the Flemish government introduced an incentive grant for employees working in the Flanders region who move from a full-time to a part-time job or who take a career break in order to undergo vocational training or to care for dependent children up to the age of three years. In 1995, this system was improved further by introducing new options and by raising the value of the grant in certain cases (cf. BIR B-vii.5). The system of incentive grants has now been changed further in order to make it still more attractive. This is due to the Flemish government Decree of 22 October 1996 on changes in the provisions governing the return to work of unemployed persons entitled to full benefit or persons of equal status by means of work redistribution (M.B. 15.2.1997), as modified by the Flemish government decree of 18 March 1997 (M.B. 4.4.1997).

#### Incentive grants for reduced working hours

Workers reducing their full-time hours by at least 20% and up to 50% are entitled to an incentive grant. The value of the grant, which varies according to the extent of the reduction in working hours, remains unchanged at:

- BEF 5,000 for a reduction of 50% of full-time hours;
- BEF 3,000 in other cases.

The grant may only be granted if the employee has been employed under a written employment contract without interruption for the six months immediately preceding the start of the period of reduced hours, which must be:

- in the same enterprise,
- under the same working regime.

The reduction in working hours must take place within the following framework:

- either an enterprise work redistribution plan approved by the Federal Minister of Employment and Labour and containing specific measures relating to voluntary reductions in working hours;
- or under a collective agreement regulating voluntary working-time reduction and whose central provi-

sions are recognised by the Flemish government;

- or under a plan, the details of which have been sent to the government, relating to voluntary working-time reduction agreed with the work force in an enterprise employing less than 50 workers and in which there is no trade union representation.

An employee who has exhausted all the legal means of reducing working hours within the framework of a career break has the right, during the period immediately following the break, to work under a part-time contract under the same regulations as applied during his/her career break. Such workers retain the right to an incentive grant for reduced working hours.

The period of reduced working hours must commence by 31 December 1997 at the latest. The incentive grant is available for maximum two years. In determining the maximum period of two years, the earliest possible starting date is 1 March 1994, the latest 31 December 1997.

The incentive grant for reduced working hours may not be claimed by employees who simultaneously:

- are performing a second part-time or full-time job;

## Working Time

- perform any form of paid employment unless this had already been performed before the reduced working hours commenced;
- are in receipt of a benefit under the unemployment insurance system;
- are in receipt of an incentive grant for a career break.

### Incentive grant for a career break

An incentive grant is also available for those taking a complete or partial break from their vocational career. The levels of the grant have recently been adapted with regard to the new opportunities for reducing working time introduced by the law implementing the multi-annual employment plan (cf. iMi 52). For each calendar month the grant amounts to:

- BEF 5,000 for employees employed for at least 75% of full working hours and taking a complete break from their career;
- BEF 3,000 for employees employed for at least 50% of full working hours and taking a complete break from their career;
- BEF 3,000 for employees taking a partial career break and reducing their working hours by one- or two-thirds of full-time working hours;
- BEF 2,000 for employees taking a partial career break and reducing their working hours by one quarter or one-fifth of full-time working hours;

The grant may only be granted if the employee has been employed under a written employment contract without interruption for the six months immediately preceding the start of the period of reduced hours, which must be:

- in the same enterprise,
- under the same working regime.

The application for the career break must be for one of the following reasons:

- vocational training
- caring for dependent children up to the age of eight years;
- emergency care
- starting up a small business (self-employment);
- voluntary work;
- socio-cultural work.

The career break must commence on 31 December 1997 at the latest. The incentive grant is available for up to two years. In determining the maxi-

imum period of two years, the earliest possible starting date is 1 March 1994, the latest 31 December 1997.

In the case of a career break in order to undergo vocational training, the grant is available for the duration of the training period and at least for one quarter.

In the case of a career break in order to care for dependent children, payment of the grant ends on the child's eighth birthday, the minimum period of payment being one quarter and the maximum two years.

In the case of a career break for emergency care, the grant is only available for the duration of the career break, which in this case is restricted to one month, extendable by one further month.

In the case of a career break in order to set up a small business, the period for which the grant is available is restricted to the period during which the "interruption benefit" (Allocation d'interruption) is granted, i.e. for a maximum of one year after commencing self-employed activity.

The incentive grant for a career break may not be claimed by employees who simultaneously:

- are performing a second part-time or full-time job;
- perform any form of paid employment unless this had already been performed before the reduced working hours commenced;
- are in receipt of a benefit under the unemployment insurance system;
- are in receipt of an incentive grant for reduced working hours.

work. Since work organisation is seen as a primary responsibility of the social partners, the Minister of Social Affairs and Employment only wants to provide opportunities for leave and career breaks if the social partners agree.

The Cabinet has decided to draw up a regulation for offering financial support to employees who want to interrupt their careers for a period of two to six months. An important condition is that the employer recruits for the same or another function in the enterprise a long-term unemployed person or someone drawing social benefit. In order to take account of the special needs of small and medium-sized enterprises, a pool construction is possible. In that case the employee will be replaced by someone who is in the service of a pool organisation. This person will be placed successively in different functions or enterprises. This special arrangement aims to enhance the participation of small and medium-sized enterprises by overcoming the obstacle of an inability to find experienced substitutes.

Another condition is that the career break must be used for care tasks or training. In the case of palliative leave (to care for severely ill relatives for at most two months), replacement is not obligatory.

The regulation on career breaks is to be presented to the Council of State for consultation. Meanwhile, the Cabinet is considering ways of stimulating other forms of leave (e.g. adoption leave, leave for partners in the case of childbirth), in addition to the responsibility of employer and employees and with regard to opportunities which exist already.

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## Netherlands

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### Financial Support for Career Break

The Cabinet has decided to offer financial support to workers taking a career break. This decision can count on the approval of the social partners. Opportunities for leave and career break imply a new organisation of

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## Finland

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### Positive Results of Job Rotation and 6+6 Hours Working-Time Model

The interest of wage-earners in the job-rotation scheme (iMi 54, p. 17) is



quite widespread. According to a monitoring study undertaken by researchers Jouko Nätti, Sauli Ruuskanen and Ilkka Virmasalo and published by the Ministry of Labour in May 1997, approximately 11% (200,000 persons) of wage-earners were planning to utilise the possibility of leave through job rotation within the next three years. Thirty-nine per cent of the employers were ready to agree on job rotation within the next year. The wage-replacement rate of the person on leave – which for average income is around 30 to 35% – poses a problem, however. On average, wage-earners consider 68% of the gross wage to be the appropriate rate, whereas in employers' view, 61% would be suitable.

In 1996, the opportunity to take leave through job rotation was utilised by 5,500 persons. Some of the leaves ended already within the same year. At the end of April 1997, altogether 3,509 persons were on leave. A majority of those on job-rotation leave are women (71%). The average age is 43 years, and the substitutes are on average 33 years old. In this regard, job rotation brings new impulses to workplaces. Most of those utilising the possibility of job rotation come from the fields of health and social services, public administration, industry, education and communication.

The most common reason for taking job rotation leave is the need to have more time for the family or care work. In addition, stress and bad atmosphere at the workplace, hobbies and the need for rehabilitation or rest are important reasons. The possibility of job rotation has been very welcome. According to nine out of ten respondents, the leave had corresponded to their expectations, and the same share announced that they will utilise the possibility of taking leave again, if it is possible. The biggest cause of concern has been the decline in income. In practice, the disposable monthly remuneration has usually been less than FIM 3,000.

The earlier work history of the substitutes is characterised by fixed-term employment relationships and fairly short periods of unemployment. More than half of the substitutes have

worked for the same employer before. The substitutes usually have the same tasks as those of the person on leave. The positive aspects of working as a substitute are the possibilities of entry into employment, of gaining working experience and maintaining occupational skills as well as better income and increasing self-respect. Approximately 80% of the substitutes thought that they have better possibilities of finding work in the future. Negative aspects mentioned were the temporary and short-term nature of the work.

Usually only one person per workplace takes job-rotation leave. Employers consider job rotation to be best suited to workers and lower-level functionaries. Employers are not ready to let the "key persons" of the organisation on leave. For employers, the positive aspects of job rotation are increased working ability and the scope for training as well as the new ideas and impulses brought to the workplace by the substitutes. Drawbacks mentioned were shrinking subsistence of the workers and the extra work caused by looking for and training the substitutes.

A monitoring study into the 6+6 hours working-time model (cf. iMi 52, p. 11), also published in May 1997, showed that the wage level of the workers has been safeguarded due to increased productivity. The study covered four enterprises where the model has been tried out. The enter-

prises have all experienced the benefits of the 6+6 hours model: increased operational time and better capital utilisation levels. Workers have been reluctant to accept lower wages, though.

The aim of the management of the enterprise is to reduce production costs per product. Productivity is increased by condensing the working day and reorganising the work. For instance, team work is increasingly encouraged. Productivity is increased also by the more efficient use of capital.

The 6+6 hours model is not sharing of work but a working-time solution that has an employment-promoting effect. Through implementation of the model, the amount of overtime work has decreased and the number of workers increased. Whether new workers are actually hired depends on whether the enterprise is seeking to raise the level of output.

Shortened working time means a more condensed working day for the workers. On the other hand, considerably increased leisure time and the end of the vicious cycle of overtime work have helped maintain working capacity. The study that was carried out at the University of Jyväskylä by researcher Timo Anttila and published by the Ministry of Labour also includes consideration of the possibilities of and obstacles to shortened working time and longer service hours in municipalities.

### Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (24 September 1997):

Belgium	BEF	40.42
Denmark	DKK	7.46
Germany	DM	1.96
Greece	GRD	309.64
Spain	ESP	165.41
France	FRF	6.58
Ireland	IEP	0.76
Italy	ITL	1,916.52
Luxembourg	LFR	40.42
Netherlands	NLG	2.21
Austria	ATS	13.78
Portugal	PTE	199.46
Finland	FIM	5.85
Sweden	SEK	8.44
United Kingdom	GBP	0.69

# Miscellaneous

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## Netherlands

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### Liberalisation of Parental Leave

From 1 July 1997 the parental leave regulation will be liberalised. Then, instead of the present part-time leave arrangement for six months it will be possible – for instance – to take a three-month full-time leave period. The leave period may also be stretched out over a longer period than six months. In addition, employees working less than 20 hours per week will also obtain the right to parental leave.

Recently, the “Ferste kamer” (Upper Chamber of Parliament) has agreed to the bill concerning a flexibilisation of parental leave. The law on parental leave (till 1 July) only offered the possibility of unpaid leave for a maximum period of six months. During leave an employee had to work at least 20 hours per week. The new legislation offers employers and employees (both under collective agreements and in specific cases) opportunities for flexibility and individualisation.

The number of years for which an employee has the right to take unpaid parental leave has also been extended. Since July 1997 he/she can do so until the child has reached the age of 8 (previously 4). Also employees working abroad for a Dutch company have now in principle received a right to parental leave.

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## Finland

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### Temporary System of Financial Support for Domestic Work

A Government bill with a proposal for an Act on a temporary system of fi-

ancial support for domestic work was passed in Parliament on 16 June 1997. By virtue of the Act, it will be possible, on a regional basis, to try out a system of financial support for domestic work. The support will be granted to enterprises producing services for households. The support will promote the activities of service enterprises by cutting the prices of services produced for households; the demand for services is thus expected to increase. At the same time, the support will have an employment-promoting effect. It will enhance the possibilities of old people and the disabled to manage at home for as long as possible, and make it easier for gainfully employed persons to manage the work in the household. The aim is also to reduce moonlighting.

Domestic, nursing or care work performed for a private household in a residence or secondary residence in the experimental area will constitute the ground for granting support for domestic work. Domestic work refers to work related to living and to daily life. Thus, for instance, looking after the yard and garden, cooking, cleaning, laundering, and doing shopping will entitle participants to financial support. Nursing and care work refers to the care of a person, such as washing, dressing and feeding. The definition includes the nursing and care of children, old people and disabled persons.

The financial support can also be granted for maintenance or renovation of residences or secondary residences. The installation or service of household appliances and devices will not be regarded as maintenance of residences. Financial support will not be granted insofar as the same work would entitle participants to other societal aid, such as child home-care allowance, allowance referred to in the Act on private care allowance, or an employment subsidy intended for the hiring of employees. The aim is also that financial support may be granted only for conventional domestic, nursing and care work. For this reason, health and nursing services which do

not require value added tax will not be entitled to support.

The financial support will amount to 40% of the remuneration paid for the work, yet no more than FIM 33 per hour. The support will be granted for a maximum of 150 hours per household and calendar year. A separate decision was made on the areas where the support system will be tried out.

The Act will enter into force on 1 October 1997, and it will be applied in 1997–99. In 1997, support will be granted for work of a maximum of 40 hours per household.

In the state budget for 1997, FIM 25 million has been granted for supporting the employment possibilities of households. The grant may be used for the remuneration of enhancing the employment possibilities of households, for the administrative costs of the experimental system and for expenses caused by the monitoring of the experiment. The assessment of the financial effects of the support system is, however, not easy on the basis of the present situation, since there is no corresponding system. If a household were to use services so as to claim a maximum amount of financial support per year, the costs per household would amount to FIM 4,950.

The matter was under preparation in, for example, working groups debating the encouragement of the employment possibilities of households. The preparations were based on the so-called Danish model. Simultaneously with this Government bill, a Government bill with a proposal for an Act on a temporary tax incentive for domestic work (tax deduction) was passed. This Act will also be applied in 1997–99 on a regional basis. The aim is to compare the two different systems and their impact on, for instance, employment, prices and administrative expenses.

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## The Dutch Employment Miracle?

### A Comparison of the Employment Systems in the Netherlands and Germany

Günther Schmid<sup>1</sup>

In the 1980s, the unemployment rate in the Netherlands was still one of the highest in the European Community, while Germany had one of the lowest. Today, the positions are reversed. Why is this so? Is there such a thing as a "Dutch employment miracle"? What contribution has labour market policy made to this state of affairs?

What can other countries learn from the Netherlands, or does the German model, once so highly praised, still retain a certain charm?

The following attempt to answer these questions starts by comparing the labour market performance of the two countries. In assessing their macro-economic performance, the USA and Japan are chosen as additional reference countries. The study then investigates the role of labour market policy and other institutional factors determining the way the economy has adjusted to structural change. Comparative assessment of the two employment systems shows that a new employment regime in the Netherlands seems to have emerged in which flexibility and security are combined in an efficient way.

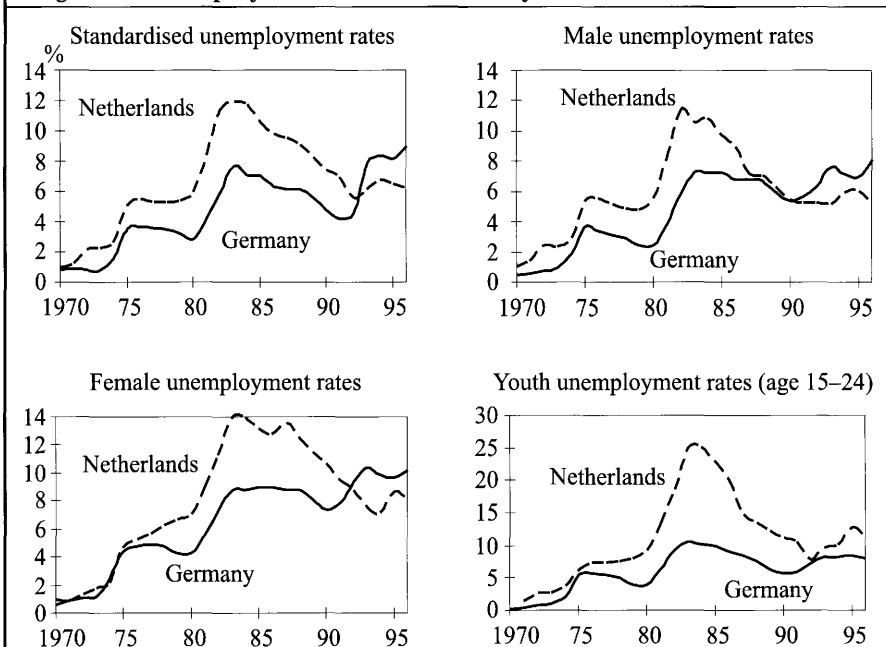
#### Labour market performance

In 1970, the *unemployment rate* in both countries was about 1%, a situation of "full employment" of which we dare not even dream today. Subsequently, a gap opened up in favour of Germany. The two recessions of 1974/75 and 1980/81 were a considerably greater shock to the Netherlands than to the former West Germany. In the mid-1980s (i.e., it should be noted, before German unification), however, the figures began to turn. The gap began to close, initially among men, then among women as well, and since the beginning of the 1990s, the gap has been widening again, this time in favour of the Netherlands (Figure 1).

The labour market situation in the Netherlands has improved, particularly for older and younger workers, while unemployment rates among ethnic minorities and low-skilled workers remained almost unchanged. The deterioration in the labour market situation in Germany has been mainly at the expense of low-skilled and older workers. In both countries, long-term unemployment is unacceptably high. In the Netherlands, the relation of long-term unemployment to overall unemployment did not improve, while in Germany it deteriorated further (Table 1).

What initiated the turn-around in the Netherlands in the mid-1980s? The first (and often the only) explanation

Figure 1: Unemployment Rates in Germany and the Netherlands



Sources: OECD Labour Force Statistics, 1974-94; OECD 1997b, Annex, Table A.

<sup>1</sup> Director of the Research Department Labour Market Policy and Employment at the Social Science Research Centre Berlin (WZB) and Professor of Political Economy at the Free University of Berlin. Address: Reichpietschufer 50, D-10785 Berlin, Tel. +49-30-25491-130; Fax 49-30-25491-222; email:gues@medea.wz-berlin.de. - Special thanks go to Maja Helmer and Holger Schütz who assisted in the production of the figures and tables.

**Table 1: Structure of Unemployment in Germany and the Netherlands**

	Germany			Netherlands		
	1983	1991	1996	1983	1991	1996
Overall unemployment rates <sup>1</sup>	7.7	4.2	9.0	12.0	9.7	6.3
- older workers (55-64)	8.9	13.4	17.9	13.4	3.4	4.0
- young workers (15-24)	11.0	5.4	8.0	24.9	10.0	11.4
- women	8.8	7.0	10.2	14.0	9.7	8.1
- low-skilled <sup>2</sup>	14.0	13.1	19.7	n.a.	9.6	10.8
- foreigners <sup>3</sup>	14.7	10.7	18.9	20.0 <sup>a</sup>	17.0	17.9
Long-term unemployed <sup>4</sup>	41.6	31.5	48.3 <sup>b</sup>	47.8	45.5	49.0

Notes: With the exception of unemployment rates, data are not strictly comparable due to different national sources and definitions. 1996 data include eastern Germany.

1 = standardised; 2 = without vocational qualification; 3 = ethnic minorities in the Netherlands; 4 = as a share of all unemployed, survey-based data; a = 1987; b = 1995; n.a. = not available.

Sources: OECD 1997a and 1996a; Labour Force Statistics 1974-94; ANBA-Jahreszahlen, various years; ANBA-Strukturanalyse 1996; ANBA-Sonderheft Arbeitsmarkt 1996; Social Memorandum Netherlands 1998 (forthcoming); author's calculations.

tion that occurs to economists is wages. It is indeed the case that *unit labour costs* have been rising less rapidly in the Netherlands than in Germany since the beginning of the 1980s. This is due in large measure to a strategic change in Dutch industrial relations. In 1982, the social partners in the Foundation of Labour (*Stichting van de Arbeid* - STAR) concluded an agreement that gave employment priority over income growth. This so-called *Wassenaar Agreement* is considered the blueprint of the current Dutch socio-economic model. As one result of this agreement, unit labour costs have fallen more sharply after recessions and increased less drastically during economic upswings than in Germany. The overall impact was an increase in unit labour costs of "only" 27%, compared to 48% in West Germany from 1979 to 1996, which corresponds to a decline in the real external value of the Dutch guilder against the Deutschmark of one-sixth (DIW 1997).<sup>2</sup> However, this marked difference in wage trends seems have come to a halt in 1994, and the most recent figures even suggest a reversal in this relationship (Figure 2).

Thus, the key to the Dutch employment miracle cannot be found in wage trends alone. Are there perhaps differences in wage structures? Wage

differentials are comparatively low in both countries and have scarcely changed in recent years. In Germany, however, there has been an above-average increase in the real wages of low-paid workers. The consequences can be seen in the dispersion of wages in the low-pay sector. Whereas the ratio of the middle (D5) to the lowest income decile (D1) in the Netherlands has remained more or less constant at 1.6, it fell in the former Federal Republic from 1.6 to 1.4 between 1983 and 1993.<sup>3</sup> Neo-classical economists claim that this will have negative consequences for the *growth of employment*.

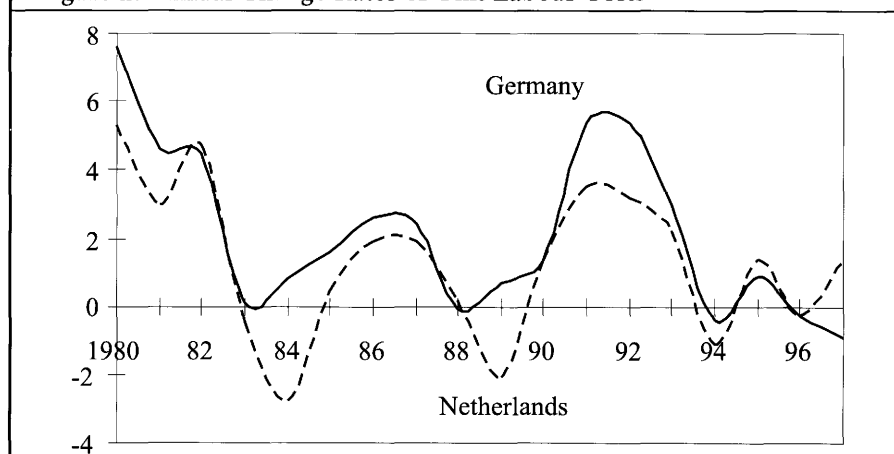
Yet this is clearly not the case in the Netherlands, at least not at first sight. Between 1971 and 1991, the number of employees rose from 4.8 to 6.5 million, or by no less than 36%, even more than in the USA (33%), and far higher than in West Germany (8%) (Werner 1994). The Dutch employment miracle is also reflected in the high level of *employment elasticity*. Between 1974 and 1995, one percentage point of economic growth in the Netherlands produced an increase in employment of 0.41%; the corresponding figure for the USA was 0.75%, but for West Germany it was only 0.23%.

However, more detailed analysis reveals a somewhat different picture. By far the greatest share of the Dutch job miracle is attributable to the creation of *part-time jobs*. No other OECD country currently has such a high level of part-time employment as the Netherlands. Over a period of 25 years, and particularly in the 1980s, the overall

2 From a macro-economic point of view, it must be noted that an adjustment strategy of increasing international competition through "real devaluation" is an option only for small countries. The adoption of this strategy by a large country like Germany would induce a "devaluation spiral" at the end of which all countries would be worse off than at the beginning (DIW 1997). This illustrates the urgent need for international coordination of monetary and fiscal policy.

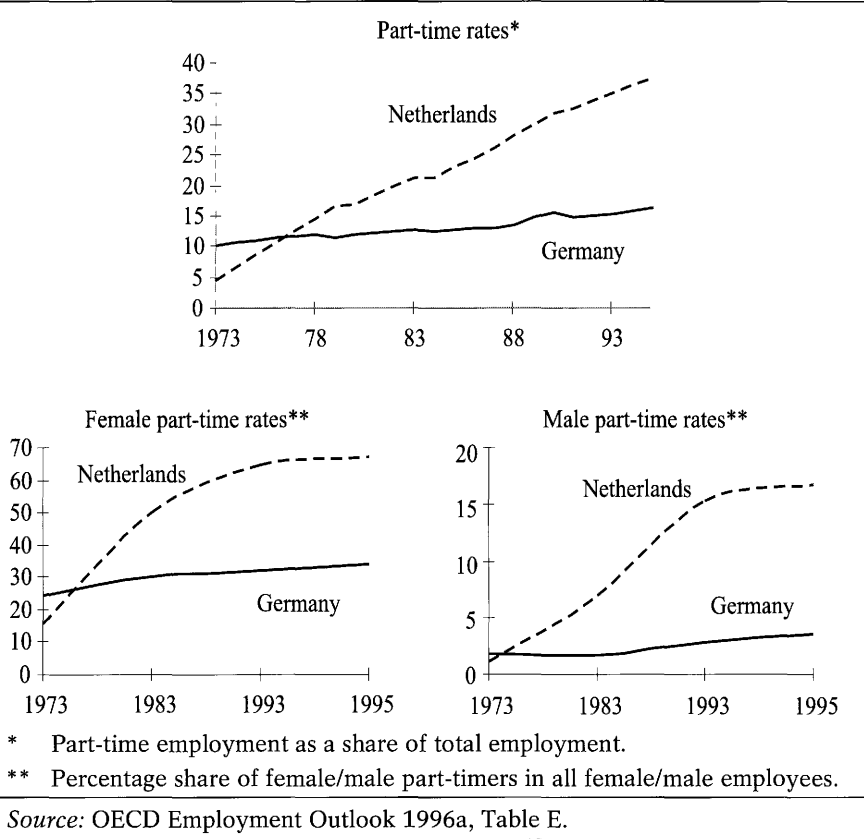
3 Wage dispersion in the low-pay sector fell particularly sharply among women; among men, the drop was only slight (cf. OECD 1996b, Table 3.1, pp. 61-2).

**Figure 2: Annual Change Rates of Unit Labour Costs**



Sources: OECD 1997b, Annex, Table 13; 1997 projected data.

**Figure 3: Part-time Rates in Germany and the Netherlands**



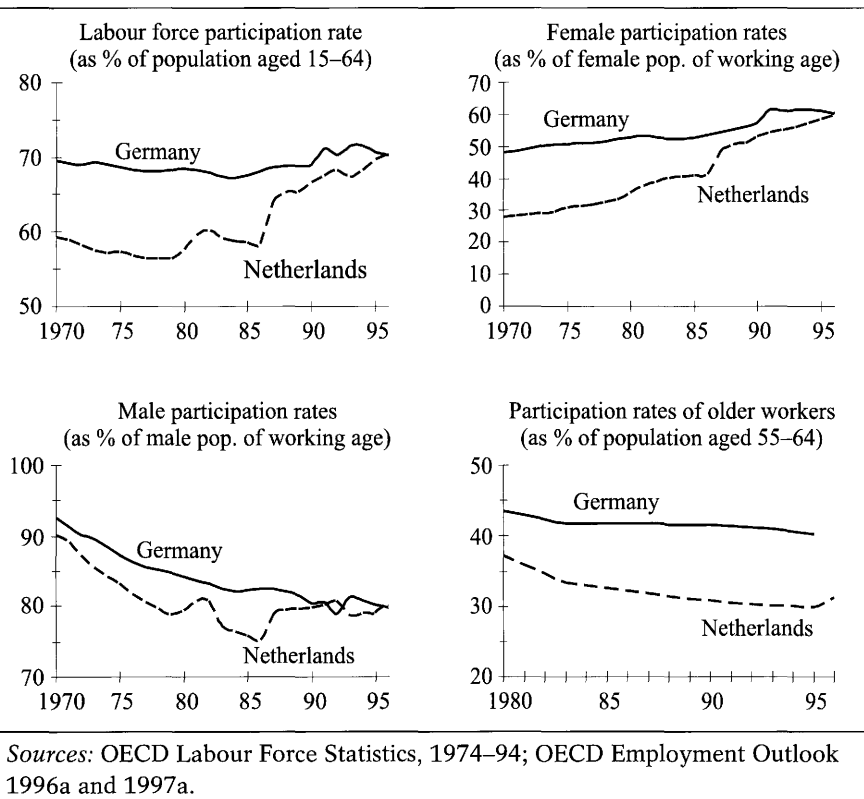
lower, and has now reached an overall level of 18%; the figure for women is about 33%, that for men only 3.3% (Figure 3).

Further illuminating information can be gleaned from a comparison of participation rates. For many years *participation rates* among men ran almost parallel to each other, at a slightly lower level for Dutch men; more recently, however, the trend downwards slowed and was even reversed in Holland, so that the levels in the two countries are now the same. Participation rates among women in Holland used to lag far behind those in Germany, which are themselves low by international standards. As can be seen from Figure 4, Dutch women have now caught up with, but yet not overtaken, their German counterparts. The same trends apply to *employment rates* (not shown here).

Four positive aspects of Dutch part-time employment trends are worthy of particular note. The vast majority of part-time work is voluntary and obviously reflects the preferences of the employees concerned. Two-thirds of part-timers have high levels of education, which would suggest that most part-time jobs make high demands on those holding them. Part-timers in the Netherlands also enjoy better social security cover than those in Germany since the entitlement thresholds have been reduced.<sup>4</sup> Finally, 17% of men are in part-time employment, compared with an EU15 average of only 5%, which is indicative of a highly developed sense of equality in the Netherlands.

On the other hand, the significant proportion of people working short hours ("marginal" part-time work) seems to be a cause for concern: 31.5% of part-timers in the Netherlands (38.4% of men and 29.1% of women) worked fewer than 10 hours per week in 1995. The corresponding figures for Germany are 19.2% of all, 27% of male and 18% of female part-timers (Eurostat 1996, pp. 178-9). Because of the low working hours, and

**Figure 4: Labour Force Participation Rates in Germany and the Netherlands**



rate of part-time work rose from about 5 to 35%, and for women from 15 to no less than 65%. The rise in part-time work in Germany was considerably

<sup>4</sup> Cf. den Broeder (1995, p. 301) and the bibliographical references listed there.

the low wages inevitable associated with them, most of these workers presumably derive their subsistence from other sources. The share of part-timers who wish to work full time rose from 5.1% (1993) to 7.3% (1995) in the Netherlands, although this is less than in Germany (6.8 and 9.8%, respectively). Due to the high overall proportion of part-timers, the involuntary part-time rate (as a share of involuntary part-timers in the working-age population) in the Netherlands is three times as high as in the Federal Republic; the OECD calculated a figure of 5.6% (1991) versus 1.5% (1993) in Germany (OECD 1995, p. 179).

Another cause for concern is the restricted legal protection enjoyed by those working short hours (Delsen 1995). Flexible work enables firms to react to fluctuations in demand by hiring and firing those on short-hour contracts, but equally it could hinder the sustainable integration of young people, female returnees or workers on fixed-term contracts into the regular labour market<sup>5</sup>. It is also interesting to note that many part-timers in the Netherlands work only part-time because they are also in education or training: in 1995 the figures were 17.1% (men 33.4%, women 11.2%), compared to only 7.4% (men 22.8%, women 5.2%) in Germany (Eurostat 1996, pp. 138-9).

Admiration for the Dutch job miracle is diminished by the fact that total working hours declined in the 1980s, despite the growth in the number of people in work, and did not return to the 1970 level until 1993 (Werner 1994). Rising numbers of people in work with static or even declining total working hours can mean only one thing: there has been a massive redistribution of work, with a corresponding redistribution of earnings. I will return later to the question of how such a redistribution of work is to be judged in economic terms.

However, part-time work (in newly created jobs) is only one of the elements in the Dutch model of employment redistribution. The second element is (or was until recently) labour supply reduction in the form of the early retirement of large numbers

of older or handicapped workers. As a result, participation rates among older people in the Netherlands are the lowest in the world (see Figure 4). The latest OECD report on the Netherlands puts the so-called "broad unemployment rate", i.e. all forms of exclusion from the labour market, together with participation in labour market programmes and highly subsidised types of employment, at 27.1%. This is far higher than in western and almost as high as in eastern Germany. The exclusion strategy has also been adopted in Germany, albeit in a moderated form, and the "broad unemployment rate" in Germany, at about 22%, is considerably lower (Figure 5), despite the greater numbers involved in active labour market policy measures (cf. below).

Sceptics may object that such a strategy impairs economic efficiency and competitiveness. Whether such scepticism is justified will be examined in the next section.

**Macro-economic performance**

The economic effect of the different institutional economic filters used in the two countries can be seen in the level and dynamics of national income and in the contribution made by the individual components that make up value added. This can be revealed by disaggregating the various components of per capita GDP into separate figures for labour productivity, work-

ing hours per person employed and participation rate. Whereas labour productivity can be used as an indicator of labour market efficiency, working time per person employed can be interpreted as an indicator for the degree of employment and income redistribution; the participation rate, for its part, serves as an indicator for the degree of social integration.

Table 2 shows that, measured in terms of *GDP per capita* (in purchasing power parities), of the four countries considered here the USA enjoyed the highest level of economic well-being, followed by Japan and Germany, with the Netherlands trailing all three countries in this respect.<sup>6</sup> As far

5 However, deregulation of this kind can also lead to higher turnover rates, thereby increasing the chances of integration for those workers with a competitive advantage in the labour market. The actual impact of such deregulation can be determined only by detailed studies of work histories and income distribution. Thus, a recent study found that 50% of those in "flexible jobs" in 1988 (fixed-term contracts, temporary work, short hours) were in "regular employment" three years later. On the other hand, only 4.5% of those in "regular jobs" were in non-standard employment three years later. The Netherlands have the highest rate of part-time work among young people in Europe (25%), which would suggest that entry into the labour market is commonly effected through part-time jobs (Muffels et al. 1996).

6 The validity of GDP per capita as an indicator of wealth can, of course, be criticised; see for some aspects of this discussion Schmid (1997a, b).

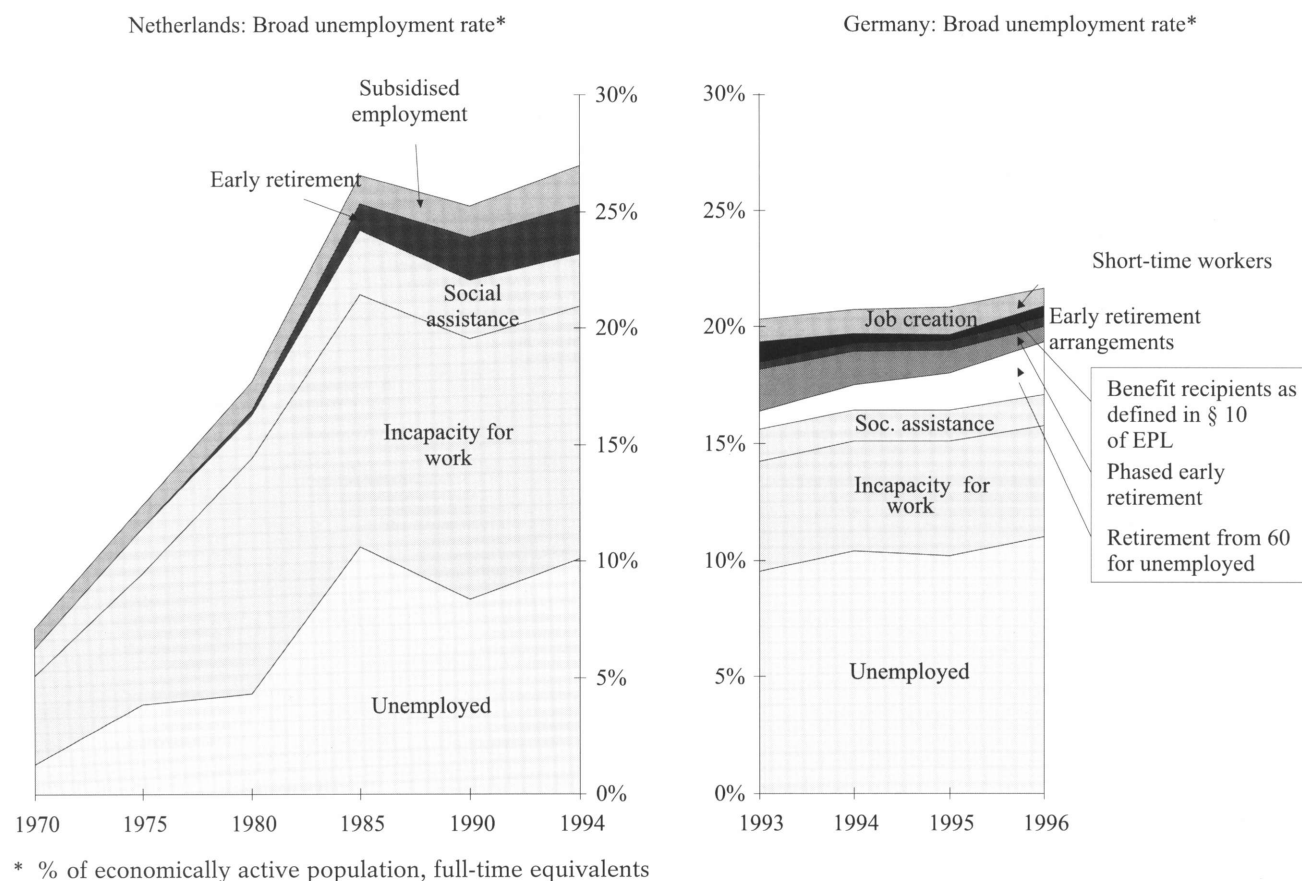
	GDP/POP	=	GDP/h	*	h/E	*	E/POP
USA	19,364	=	21.09	*	1,945	*	0.47
Japan	15,735	=	16.07	*	1,898	*	0.52
Germany	14,933	=	21.50	*	1,575	*	0.44
Netherlands	14,109	=	23.43	*	1,397	*	0.43

GDP/POP = Gross domestic product per capita.  
h = Total working hours per year.  
E = Economically active employed person.  
h/E = Actual hours worked per year per person.  
E/POP = Employed persons/total population (i.e. employment participation rate).

Sources: Author's calculations; data on GDP from OECD 1996c (Basic Statistics, International Comparison) and conversion of data given there in US\$ into ECU at a rate of 0.759; data on hours worked from OECD 1996a (Table C, p. 190); data on economically active population from OECD 1996c (Basic Statistics, Total Civilian Employment).



**Figure 5: Broad Unemployment Rates in Germany and the Netherlands**



Sources: OECD 1996c, Statistisches Jahrbuch Deutschland 96; VDR-Rentenstatistik; IAB-Kurzberichte; Arbeit + Beruf 2/1996; Schmid (1996).

as the indicator of efficiency (i.e. hourly productivity) is concerned, however, the ranking order is quite different. The Netherlands heads the table, followed (at some distance) by Germany, the USA and Japan. The Netherlands also leads the field when it comes to the indicator of *employment redistribution*: the Dutch have the lowest average working time per person em-

ployed, followed by Germany, with Japan and, surprisingly, the USA, bringing up the rear.

It comes as no great surprise to find that the ranking order for the indicator of the degree of *social integration* in the labour market is different again. Japan has the highest degree of integration, followed by the USA, with the Netherlands trailing behind Ger-

many. This breakdown of GDP into its various components reveals more clearly the reason why the Netherlands has a relatively low GDP per capita, despite having the highest ranking for efficiency. It is due mainly to the low employment rate, which is the result of the early retirement strategy pursued over a long period and which has not been fully redressed by the creation of large numbers of part-time jobs. If the Dutch are to stick to the strategy of redistributing work and reducing average working time (over the working life), then ways have to be sought to raise the general employment level further. Germany is faced with a similar problem, although with a somewhat different emphasis: there is still scope for a further redistribution of work in the interests of job creation, and the degree of labour market integration could also be improved.

However, before we bid a precipitate farewell to the Dutch model, we

**Table 3: Disaggregation of Economic Growth into Indicators of Efficiency, Employment Redistribution and Integration (1983-94)**

	Annual average growth rates			
	$\Delta\text{GDP}/\text{POP}$	$= \Delta\text{GDP}/h$	$+ \Delta h/E$	$+ \Delta E/\text{POP}$
USA	2.0	0.8	0.3	0.9
Japan	3.0	3.2	-0.9	0.7
Germany (West)	1.8	0.3	-0.9	2.4
Netherlands	2.0	0.8	-0.8	2.1

Sources: OECD Employment Outlook; OECD National Accounts; OECD Economic Outlook; Statistisches Jahrbuch Deutschland; UN Demographic Yearbook; author's calculations. - Because of "noise" in the basic data and rounding errors, the sum of the components does not always produce the exact figure for GDP/POP.

should take a quick look at the dynamics of economic well-being. Has the dynamics of growth in the Netherlands deteriorated in relative terms as a result of the massive redistribution of work and income, as the received wisdom of neo-classical economists and of classical Keynesians would lead us to suppose? Far from it. A breakdown of annual average rates of growth of per capita GDP between 1983 and 1994 into separate figures for labour productivity, work redistribution and labour market integration enables us to reject this assumption (Table 3).

A breakdown of the increase in national income per capita over the last decade reveals an astonishing picture. The dynamics of growth in the Netherlands is the same as in the USA, while western Germany even comes out slightly worse. Only Japan performed better. The relatively low rate of growth in the (former) Federal Republic is probably attributable to the enormous transfer payments made to the new *Länder* of former East Germany in the years following unification.

However, the composition of this growth differs enormously. Just about half of the growth in the USA is derived from labour productivity and from the increase in labour market participation. If the increase in average working time per person employed is taken into account, then the employment regime in the USA can be described as one of extensive growth. Japan, on the other hand, is the high-productivity regime par excellence: labour productivity exceeds growth, and the relative employment rate could be increased only by reducing individual working time (albeit from a very high starting level).

What is surprising is the extent of the contribution made by the integration factor in Germany and the Netherlands. At first glance, this result completely contradicts what might have been expected on the basis of other indicators, which suggest that labour market exclusion is rising and that economic growth is producing little in the way of new jobs. However, the contradiction is resolved if account is taken of the drastic reduction

in individual working time relative to growth. True, this has reduced the potential growth rate by almost 50%, but the effect in both cases on job creation and work redistribution has apparently been positive. In the Netherlands, this effect was achieved by the creation of part-time jobs and the early retirement policy, as already outlined above; in Germany, it was achieved largely by reducing weekly working time and through early retirement programmes.<sup>7</sup>

If it is assumed that the early retirement policy can no longer be sustained and that considerable scope for a policy of employment redistribution through increased part-time working still exists only in Germany,<sup>8</sup> then the question is what policy is capable of encouraging employment-intensive growth. The employment level depends primarily on decisions taken in the production system, i.e. on monetary and fiscal policy and on the extent to which structural policy is conducive to innovation. However, it is labour market institutions – private households, education, industrial relations and social security systems – that determine whether production decisions are converted into jobs. Labour market policy is an important intermediary factor, having catalytic and coordinating functions in improving the interfaces between the various labour market institutions. So let us pursue our comparative study by investigating the role of labour market policy in the Dutch and German employment systems.<sup>9</sup>

#### Labour market policy

The Netherlands spent a higher share of GDP on *passive labour market policy* than Germany in 1996; this was true in absolute as well as in relative terms. Whereas the Dutch spent 3.4% of GDP on providing for the unemployed, the corresponding figure in Germany was “only” 2%. In other words, for each unemployed person, the Dutch paid out an average of ECU 20,937 in 1996, compared with “only” ECU 11,079 in Germany (Figure 6).

Thus social security provision for unemployed people in the Nether-

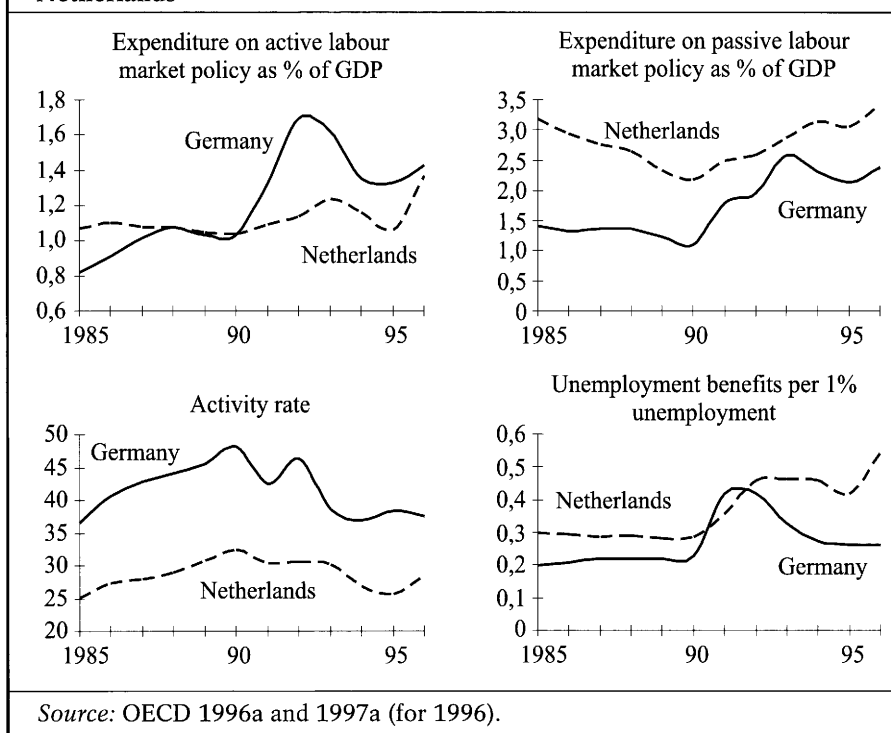
lands is considerably more generous than in Germany. This can also be seen in the wage-replacement rates. The wage-replacement rate (before tax) in the Netherlands for a single person on average pay is 70% in the first month of unemployment, compared with 37% in Germany. The net wage-replacement rate (after tax, including transfer payments) is 77% for a married couple without children, compared with 60% in Germany; the corresponding figures for a married couple with two children are 84 and 78%. Moreover, the maximum period of entitlement, which mainly applies to older employees with a long employment history, is considerably longer in the Netherlands than in Germany – 54 months compared with 32. Once the period of entitlement has expired, unemployment benefit is replaced by means-tested unemployment or social

7 Furthermore, the growth in employment in the USA is due, to a much greater extent than in the Netherlands or in Germany, to the increase in the population of working age. In other words, the American jobs miracle has less to do with the soundness of the employment regime than with demographics: 75 to 80% of the growth in employment can be explained by the increase in the number of people of working age (Houseman 1995). It may be that the declining ratio of the population of working age to total population in the USA additionally relieved the strain on the labour market (1983: 66.3; 1994: 65.2), whereas the same ratio increased slightly in Germany and the Netherlands, and is considerably higher than in the USA (West Germany 1980: 65.9; 1994: 67.2; Netherlands 1983: 67.5; 1994: 68.6).

8 There is still scope in the Netherlands for a redistribution of employment between men and women, although this would of course be employment-neutral in overall terms.

9 I cannot do justice within the constraints of this article to other important interrelationships in employment systems, especially the links between social security and the functioning of labour markets; for an excellent overview see Blomsma & Jansweijer (1997) and also de Jager (1997). The most important lesson to learn from Holland is, in my view, the fact that a relatively generous basic pension scheme (which is independent of the employment career) allows people to move flexibly from one employment status to another without losing too much in terms of pension entitlements. In comparison with other countries, the overall social security system was also relatively “friendly” towards part-time workers from the onset, and since the mid-eighties remaining thresholds unfavourable to part-time employment were removed by law.

**Figure 6: Expenditure on Labour Market Policy in Germany and the Netherlands**



Source: OECD 1996a and 1997a (for 1996).

assistance. In the case of a person who has been unemployed for 60 months, who is entitled to claim, is married and

has two children, the net wage-replacement rate in the Netherlands is still 80%, compared with 71% in Ger-

many; these figures are even higher for low earners.<sup>10</sup>

On the other hand, *active labour market policy* has traditionally had a higher profile in Germany than in the Netherlands, although the gap has declined recently. In 1996, Germany spent a total of 1.43% of GDP on employment-promotion measures, the Netherlands 1.37%. However, activity in this field in Germany is still distorted by the extraordinary situation in eastern Germany, where many labour market programmes are still running, since there is virtually no other alternative to high unemployment. The structure of the measures is also very different. The main focus in Germany is on further training and job-creation programmes, while 40% of expenditure in the Netherlands goes on employment-promotion schemes for the disabled, and an increasing part on placement services. One striking difference is in the use of labour market policy as an instrument for smoothing out cyclical fluctuations in demand: short-time compensation plays a considerably smaller role in the Netherlands than in Germany. And the option of using the short-time compensation for structural adjustments, introduced in Germany at the beginning of the 1990s, is not available in the Netherlands (den Broeder 1995). It is also noticeable that no expenditure on occupational rehabilitation is listed in the Netherlands, whereas it plays an important role in Germany. Finally, German labour market policy seeks to provide support for those unemployed setting up their own businesses, a programme that seems not to exist in the Netherlands (Table 4).

The structure of expenditure is also reflected in the numbers of *participants in labour market programmes*: in 1996, 4.2% of the economically active population in Germany was involved in such programmes, almost twice as many as in the Netherlands (2.5%). Once again, however, this difference is largely a result of the extraordinary situation in the new

**Table 4: Expenditure on (as % of GDP) and Participants in (as % of Total Labour Force) Labour Market Policy Measures in 1992 and 1996**

	Germany		Netherlands	
	1992	1996	1992	1996
<b>Expenditure on passive labour market policy</b>	<b>1.96</b>	<b>2.37</b>	<b>2.58</b>	<b>3.41</b>
<b>Expenditure on active labour market policy</b>	<b>1.69</b>	<b>1.43</b>	<b>1.14</b>	<b>1.37</b>
– employment service	0.24	0.24	0.16	0.36
– training and further training	0.65	0.45	0.23	0.12
– youth programmes	0.06	0.07	0.06	0.09
– wage subsidies	0.07	0.07	0.03	0.13
– business start-ups	–	0.03	–	–
– job-creation schemes	0.43	0.30	0.05	0.13
– occupational rehabilitation	0.14	0.14	–	–
– programmes for the disabled	0.11	0.14	0.61	0.54
<b>Entries into</b>	<b>6.3</b>	<b>4.0</b>	<b>2.9</b>	<b>2.5</b>
– training and further training	4.1	1.6	1.6	1.2
– youth programmes	0.6	0.7	0.8	0.7
– subsidised employment	0.2	0.2	0.2	0.2
– new business start-ups	0.1	0.2	–	–
– job-creation schemes	1.0	1.0	0.2	0.2
– occupational rehabilitation	0.3	0.3	–	–
– workshops for the disabled	n. d.	n. d.	0.1	0.2

Sources: OECD 1997a (Table K) and 1996a (Table T). Due to a lack of data for 1996, entries for the Netherlands refer to 1995.

<sup>10</sup> All figures relate to 1995 and are taken from OECD (1996a, Table 2.1, pp. 31-32).

*Länder* of eastern Germany. The greatest differences are in the further-training and job-creation programmes that were initially more an element of social than of labour market policy in eastern Germany. These differences are diminishing over time, as a result both of cuts in funding and the gradual process of normalisation taking place in Germany. Unfortunately, the data do not allow any judgement on whether the resources allocated per person are used more effectively in the Netherlands than in Germany.<sup>11</sup>

The *activity rate*, which measures the share of expenditure on active labour market policy in the total labour market budget, is much lower in the Netherlands than in Germany; only about a quarter of the Dutch budget is devoted to employment-promotion measures, compared with a good third in Germany. Apart from cyclical movements and the special impact of German unification, these shares have remained virtually unchanged over the past ten years (Figure 6). What is to be concluded from this?

First, a high activity rate is better than a low one, provided that the outcomes of these employment-promotion programmes are not wholly negative. Even if the marginal productivity of German labour market policy is declining, most programmes can still be given a positive assessment. This applies at least to a high proportion of the further-training programmes, to the assistance given to unemployed people seeking to establish their own businesses, to the short-time compensation and to the wage subsidies that form part of structural policy. In these respects, the Netherlands could learn something from Germany. This is particularly true in the sphere of training in which the gap between Dutch and German labour market policy is greatest in quantitative terms. This statement is supported by a comparative analysis of human capital endowments, which reveals the Netherlands' relative disadvantage compared with Germany in the sphere of medium-level skills (de Jager 1995).

On the other hand, Germany can learn something from the modernisa-

tion of the Dutch employment service. Of particular interest here is the placement service for the long-term unemployed, who under normal conditions have virtually no chance of finding employment again. Some new ideas have already been introduced, for example the START and MAATWERK concepts.<sup>12</sup> Other innovative measures include cooperation agreements between employment offices and key actors at regional level, and attempts to allocate resources to programmes with a proven record of success.<sup>13</sup> However, the low level of the activity rate in both countries would suggest that there are still considerable untapped resources that could be used for productive employment-promotion measures.<sup>14</sup>

### Summary conclusions and outlook

One cause of the "European disease" is obviously the inability to transform production decisions into employment decisions. The Netherlands seems to be an exception. However, the country's success in increasing employment in quantitative terms must be subjected to a qualitative test. A more complex diagnosis of this kind does indeed take some of the shine out of the Dutch model. This refers especially to the precarious status of many of the flexible employment relationships that constitute a significant proportion of the jobs created. Nevertheless, the Dutch employment strategy of redistributing work and income on a massive scale must, provisionally at least, be judged a success. Sceptics may object that a strategy of this kind impairs economic efficiency. It is indeed true that GDP per capita in the Netherlands is lower than in comparable countries, but there are no signs that the dynamics of growth is flagging. Most recent statistics (not shown here) indicate that the Netherlands is even closing the gap that had opened up in the 1980s.

Nevertheless, it must be asked whether the "Malthusian" approach to work redistribution, namely the exclusion of older but not necessarily less efficient workers from the labour market, can be sustained. Another disappointing fact is that even the sub-

stantial rise in employment could not contribute much to bringing down the high share of the long-term unemployed. In this respect, Dutch labour market policy, which until the end of the 1980s had done little to enlarge the economically active population, has to change direction. However, this also applies to Germany's labour market policy, which is only a few lengths ahead of the Netherlands in terms of the activity rate and which also faces the challenge of an unacceptably high level of long-term unemployment.

Since the beginning of the 1990s, the Dutch governments and social partners have reacted to these challenges and effectively taken steps to

- 11 Comparison of the annual average numbers of participants has not been possible to date, although it would be essential for any attempt to make a rough comparison of cost effectiveness. For more detailed comparisons, the rate of success in placing participants in permanent work would also have to be taken into account; unfortunately, there are no data on this either. Increasing expenditure on wage subsidies and job-creation measures are not reflected in the figures in Table 4 due to the lack of current data.
- 12 START is the name given to non-profit-making employment agencies whose main task is to find work for the long-term unemployed who are otherwise difficult to place. This model, Dutch in origin, is currently being adapted for use throughout the German Land of North Rhine-Westphalia. MAATWERK, which literally means "tailor-made work", is a similar model and is now also being tested in Hamburg, for example. Employment agencies located in the immediate vicinity of social assistance offices send applicants capable of work, among other things, immediately to "Maatwerk", on the assumption that a high proportion of vacancies (estimated at about 70% in the Netherlands) are neither notified to employment offices nor advertised in the press. Such vacancies are tracked down by contacting employers directly. If a benefit recipient stays in the new job for longer than six months, the benefit office pays Maatwerk DM 4,000 per person placed in work. The Department of Social Security in Hamburg estimates that, for every 300 claimants placed in work in this way, savings of DM 3.8 million can be made in the benefits budget. This model is also attractive for the long-term unemployed.
- 13 For an assessment of Dutch labour market policy cf. Dercksen & de Koning (1996) and Moraal (1994); for a comparative view see Schmid (1996).
- 14 For a more extensive comparison of the Dutch and German employment system see Delsen & de Jong (1997) and Schmid (1997a, b).

activate labour market policy. These reforms emphasise intensive placement activities by the public employment service and intermediary organisations, while decentralisation of policy implementation, sharp monitoring and budgeting by results enhance their effectiveness. Important decisions have also been made concerning social security in order to reduce excessive claims for disability pensions, and remaining barriers to taking up part-time work have been removed. Since 1996 the Dutch government grants tax deductions and reduced employer contributions to social security for employers who recruit (long-term) unemployed persons within a low wage scale. Moreover, the government is expanding on a permanent basis jobs in the public sector which should be mainly filled by long-term unemployed. The rationale of this concept is to create transitional jobs that facilitate the change to permanent and regular employment of this target group. This policy is to be maintained for several years.

And, finally, there is no sign that the Dutch zeal for reform is losing momentum! New laws are on the way to improve the legal situation of "flexible workers" and to come closer to the ideal of a labour market which optimises both "flexibility and security".<sup>15</sup> A special feature of all these activities is the intensive communication between the government and the social partners, which is probably the most important explanation for the Dutch success story. The result of the most recent efforts is not only reflected in the substantial reduction of the

standardised unemployment rate – which is now (summer 1997) effectively at a level of 5.5% compared to 9.6% in Germany – but also a slow reduction in the "broad unemployment rate", for which the most recent figures (see Figure 5) are not yet available.

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15 On 7 March 1997, the Dutch Lower House introduced the "Flexibility and Security" bill, which relates to a package of measures focusing on achieving a balance between stable and flexible employment relations; it is expected that this law will come into force at the beginning of 1998.



# European Employment Observatory



The aim of the European Employment Observatory is to promote the multilateral exchange of information on labour markets and labour market policies between EU Member States and to produce and disseminate quality analyses and research on relevant issues for employment and labour market policy.

The European employment strategy adopted by the European Council in Essen in December 1994 imposed new demands on the Observatory. In particular, it is expected to contribute effectively to the task of monitoring the progress of labour market reforms that are in line with the common strategic goals.

Following the changes introduced in 1996 to cope with these new challenges and tasks, the Observatory now consists of two networks – MISEP (Mutual Information System on Employment Policies) and SYSDÉM (System of Documentation, Evaluation and Monitoring of Employment Policies) – and a new RESEARCH advisory group.

The main products of the networks, which consist of members of the national labour market administrations (MISEP) and independent researchers (SYSDÉM, RESEARCH) and are administered by a common secretariat, are the following:

## **inforMISEP Policies**

This series reports four times a year on recent labour market policy developments in Member States. Following a summary drawing on the five recommendations for an integrated European employment strategy, the main section of "Policies" consists of the national reports supplied by the correspondents. Since 1993 "Policies" has also included a longer article ("Focus"), which is the responsibility of the Secretariat; "Focus" discusses a labour market or employment policy-related topic and often extends to non-Member States.

## **Basic Information Reports**

These are comprehensive national reports on all EU member countries. They are updated every two years and report on public labour market institutions (ministries and employment services), the statutory bases for labour, labour market and employment policies and, in particular, "active" and "passive" labour market policy measures; details on information and research institutions dealing with employment policy are also provided.

## **Tableau de bord**

The "Tableau de bord" is a synoptic overview of the labour market and employment policy measures implemented by the Member States, classified according to the five policy areas recommended at Essen.

## **Trends**

This main product of the SYSDÉM network appears twice a year and provides a comparative and indepth overview of selected policies and developments in the labour markets of the Member States.

## **RESEARCH report**

The RESEARCH network publishes annually a study of a selected labour market or employment policy topic.

## **Electronic Documentation System**

Large parts of the information contained in the publications are also available on CD-ROM, the ERSEP (Electronic Retrieval System on Employment Policies) database, and are accessible via Internet (address: <http://www.ias-berlin.de>).