

Employment Observatory

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Employment & labour market

Employment & social affairs



European Commission

Developments at a Glance

- Belgium:** The Belgian government intends to create new service jobs for the long-term unemployed with a new measure to activate wage compensation benefits.
- Germany:** Within the framework of a complete re-codification of German legislation on employment promotion, and following a number of changes that have been in force since 1 April 1997, the Labour Promotion Reform Act came fully into force at the start of 1998, bringing about numerous changes in the existing range of labour market policy measures and in the laws governing the benefits paid out by the unemployment insurance fund.
- Greece:** Two presidential decrees have been issued with the aim of identifying foreign workers working illegally in Greece and countering illegal economic migration by setting out the procedures for a fixed-term residence card. In implementation of a law already passed, a ministerial decree has set out the conditions for the foundation and operation of offices offering advice to jobseekers and firms.
- Spain:** A labour force survey conducted in the third quarter of 1997 reveals continued employment growth and falling unemployment; the growth of the economically active population has slowed. The reform of the tax regulations for small and medium-sized enterprises enacted in January 1998 within the framework of the Multi-annual Employment Programme aims to help stabilise employment relations, counter fraud, reduce the tax burden and simplify administrative procedures. On the basis of the agreement on improving the labour market situation signed by the government and the social partners in April 1997, the first measures have been taken to reduce the volume of, and to sanction overtime.
- France:** With the aim of lastingly reducing unemployment and of meeting (new) social needs, the government has initiated a new programme for jobless young people and other difficult-to-place target groups that aims to create 350,000 jobs within three years at local level.
- Italy:** A special programme is currently being implemented for young people aged between 21 and 32, resident in the Mezzogiorno and registered in the first class of the jobseeker lists for at least 30 months: the programme involves community work and the provision of so-called "work grants". The "Initiative Sardinia PLC" (IN.SAR), active since 1984, seeks to reintegrate workers registered in the lists of the wage compensation fund into the labour process by encouraging the setting up and development of enterprises. In accordance with the regulations on the registration of temporary employment agencies published in November 1997, a new register has been drawn up for all companies that, on meeting a number of conditions, have been granted permission to supply agency workers to user firms. The Italian trade union confederation CISL has proposed that employment contracts should be reached for 36 hours per week, of which only 30 are to be remunerated; in return the government should implement new employment-promotion measures in disadvantaged regions.
- Netherlands:** Under the new "Regulation on Cleaning Services for Private Consumers" that came into force on 1 January 1998, employers are entitled to a higher wage cost subsidy with the aim of creating jobs for low-skilled jobseekers and extending the market for domestic services. Under a bill on age discrimination presented to parliament in October 1997, the imposition of age limits would be forbidden in job recruitment and selection, and job recruitment procedures would be subject to scrutiny by an anti-discrimination commission. 40,000 jobs are to be created in local government and the health sector by the end of 1998 within the framework of a "Regulation on the Additional Employment of the Long-term Unemployed". The experience of the "Regulation on Experiments for the Activation of Benefit" has been positive, with 15,000 employment contracts reached by June 1997. A report published by the Labour Inspectorate has confirmed the trend towards a decline in the average level of low pay scales fixed in collective agreements. The new "Law on the Employment of Jobseekers (WIW)" aims to activate and promote the reintegration of the unemployed and will serve to rationalise the subsidisation of employment opportunities at local authority level.
- Austria:** In order to develop further Austria's active labour market policy – which has been highly successful to date – three new working time models (training-leave model, sabbatical model, "solidarity-premium" model) are to be implemented from the start of 1998 in order to promote enterprise-level flexibility and to redistribute work in such a way as to benefit the unemployed. By incorporating employees working in "marginal" employment into the social insurance system, the federal government is seeking to promote the increasing flexibility of working patterns and employment relations, while at the same time ensuring that this process remains socially acceptable.
- Portugal:** The aim of the "Regional Employment Networks" set up by ministerial decree in January 1998 is to pool institutional and other resources at local level, in order to solve employment and training-related problems there.
- Finland:** In accordance with the reform of the Finnish labour market policy system, the services offered by the employment offices are in future to improve the matching between the unemployed and the rising number of job opportunities. A study into the effects of a labour market policy reform to activate the unemployed and young people lacking upper secondary education shows that the reform has had a significant positive effect. Legal changes that came into force on 1 January 1998 have raised the wage compensation benefit available to those on job-rotation leave to 70% of former earnings, and the categories of persons eligible for job-rotation leave has been extended. A work group chaired by the Minister of Labour into the reform of working time policy published an intermediate report in November 1997, containing numerous proposals for innovative measures and development projects.
- Sweden:** An evaluation of the "Computer/Activity Centre" Programme initiated in July 1995 has shown that the activities realised under the Programme have both improved the longer-term employment prospects and boosted the self-confidence and willingness to assume responsibility of most participants. Since autumn 1997, jobseekers have been able to access, on a self-service basis, important information on vacancies and employment policy measures at so-called "customer workstations" located in employment offices, with the help of computer programmes developed by the public employment service. In a process of dialogue between the various levels of the employment service, a new set of policy targets has been set for local, county and national levels. Priorities include speeding up placement, reducing long-term unemployment and raising customer satisfaction.
- United Kingdom:** 19,000 people have embarked on a pilot measure to test the New Deal for the unemployed initiated at the start of this year within the "Welfare to Work" Programme.

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“Policies” and the Four Pillars of the Luxembourg Guidelines for 1998

The four pillars of the “employment guidelines” for 1998

1. Improving employability
2. Developing entrepreneurship
3. Encouraging adaptability in businesses and their employees
4. Strengthening the policies for equal opportunities

The extraordinary European Council meeting on employment issues held in Luxembourg on 20 and 21 November 1997 was of great importance for concretising the decisions taken at Amsterdam, in particular regarding the planned inclusion of a new Title on employment in the Treaty of Amsterdam. The Presidency Conclusions of the meeting contain the employment policy “guidelines” for 1998, which are brought together under four action areas (or “pillars”). The four pillars of the guidelines contain a total of 19 specific policy areas in which the Member States are called upon to re-examine their employment policies. The “guidelines” for 1998 cover all the “action areas” agreed at the Essen Council meeting; with respect to a number of areas and to the degree of commitment, however, they go a lot further. In order to take account of this development, in this issue the measures reported by the Member States will be classified not according to the five action areas of Essen, but rather to the four “pillars” of the employment-policy “guideline” for 1998.

The measures reported on in this issue of “Policies” are concentrated in the first three pillars; the fourth (equality of opportunity) is explicitly referred to in only two measures initiated in the Netherlands: child care and a legislative proposal for a ban on age discrimination in recruitment.

Child care is just one of the concerns of a broader new law passed by the Dutch parliament: the “Jobseekers Employment Act (WIW)” draws together the various existing subsidised employment schemes (such as

the Labour Pools and the Youth Work Guarantee Law – JWG); local authorities have been given a “Work fund” of NLG 1.7 billion per annum, enabling them to offer recipients of unemployment benefit, the long-term unemployed and unemployed young people vocational training or work experience opportunities. The central aims of the WIW are clearly oriented towards the first pillar of the “guidelines” for 1998 – improving employability – for they seek to counter youth and long-term unemployment by activating labour market policy measures and intensifying efforts to promote vocational training and work experience. Also in Holland, the new “Regulation on Cleaning Services for Private Consumers” aims to provide subsidised employment opportunities, primarily for the long-term unemployed and the low-skilled.

The goal of increasing employability lies behind a whole range of measures implemented by other Member States. In July 1997 the Belgian federal government initiated a measure to activate wage compensation benefits, with the aim of creating as many jobs as possible for the long-term unemployed. In Italy measures have been taken to offer new opportunities to young unemployed people in the Mezzogiorno (community work and work grants). A new programme – “New Services – New Jobs” has been introduced in France, with the aim of reducing unemployment, particularly that of young people. As in the Netherlands, this goal has been linked to the recognition that many social needs remain unmet and the relevant markets underdeveloped. The ultimate goal is the creation of 350,000 new jobs in the French private sector. In Austria a training model has been started to promote the further training of the unemployed. Finally, in the United Kingdom the first major element of the “Welfare to Work” programme, the New Deal for unemployed youth, has been started as a pilot programme. This measure focuses on central elements of the struggle to improve the employability of the

young unemployed by means of training and work experience.

A number of measures implemented by Member States and reported on in this issue can be classified under “developing entrepreneurship”, the second pillar of the “guidelines” for 1998. In Spain, for example, the incentives for setting up small businesses and self-employment have been improved by means of fiscal measures and by activating unemployment benefit entitlements. In France, Belgium and the Netherlands the various initiatives to counter unemployment mentioned above will also provide an impulse for an expansion of employment, particularly for the low-skilled in the area of personal services.

Encouraging the adaptability of businesses and employees – the third pillar – has been taken up in a number of Member States in the form of measures that relate primarily to work organisation and working time regimes. Austria, which has implemented such measures not only with a view to employment-policy goals, but also with social objectives in mind, deserves particular mention in this context. Under the “sabbatical model”, employees are allowed to take an unpaid career break of between six and twelve months. Subject to certain conditions, they are able to claim benefits from the unemployment insurance fund, provided the employer recruits an unemployed person to replace the worker on sabbatical and employs him or her for more than a negligible number of hours. In Finland the experimental job-rotation leave is to be continued, with an increase in the level of wage-compensation benefit for those taking job-rotation leave. Under the “solidarity-premium model” introduced in Austria, firms are able, subject to the approval of all concerned, to reduce working hours and recruit replacement workers. Employees reducing their working hours within the framework of this model are entitled to a “solidarity premium” for up to two years.

Overall Developments

Germany

Law Amending the Labour Promotion Act Now in Force

Germany has undertaken a major reform of its labour promotion legislation. A number of the changes came into force as of 1 April 1997 (iMi 58, p. 7). On 1 January 1998 the Labour Promotion Act (LPA) was replaced by the Third Social Law Code (*Drittes Sozialgesetzbuch – SGB III*). This has brought with it the following important changes.

Labour promotion

Improved protection for part-time workers in case of unemployment

On 1 April 1997 the criteria for inclusion in unemployment insurance were relaxed, thus extending social security protection. Previously, social insurance applied to those working at least 18 hours per week; now it is sufficient to be in more than “marginal” employment: for 1998 the threshold is set at DM 620 (previously DM 610) per month in western Germany and DM 520 (unchanged) in eastern Germany, or at least 15 hours per week. This means that more part-time employees, most of whom are women, have been incorporated into the protection offered by the unemployment insurance scheme. This also implies that, from the start of this year, the definition of “unemployed” applies to those working less than 15 hours (rather than 18 hours) per week as an employee or in self-employment.

Registering unemployed

Persons claiming unemployment benefit must still report in person to the employment office to register unemployed. An unemployed person who informs the employment office of an intervening employment period lasting up to six weeks is automatically entitled to unemployment benefit at the end of this period, without hav-

ing to re-register unemployed. Unlike previously, however, the unemployed must now, irrespective of intermediate periods of employment, report in person to the employment office every three months in order to maintain their benefit entitlement. The aim of this measure is to ensure that the unemployed remain in continuous personal contact with their employment office. In addition it will help prevent abuse of the unemployment insurance system, for instance by restricting benefit claims from unemployed persons illegally spending an extended period abroad or moonlighting.

Qualification period

As before, in order to claim unemployment benefit an unemployed person must have belonged to the so-called “community of the insured”, i.e. must have paid contributions, for a given period. To meet this qualification requirement, claimants must have paid contributions for at least twelve months during the three years – the so-called reference period – prior to the point in time at which the claim to unemployment benefit arises (i.e. usually the date on which he or she registers unemployed).

The changes under the new legislation are as follows:

1. Ten months’ compulsory military or civilian service are sufficient to claim unemployment benefit. This change takes account of the reduction in the duration of basic military service from 12 to 10 months.
2. Periods during which an employee has looked after a dependent relative in need of care automatically extend the three-year reference period; in other words they do not lead to loss of entitlement to benefits. This is subject to the conditions that care services represented at least 14 hours per week, the relative is officially recognised as in need of care (need level I to III) and is drawing care benefits from the statutory or a private care insurance, or comparable benefits from

other sources (e.g. minimum social benefit).

3. Periods spent looking after and raising one’s own children, up to the age of three years, are also not considered when determining the reference period. This means that an employee who has worked for at least one year can, following the birth of a child, remain out of work for up to five years without losing entitlement to unemployment benefit.
4. In future, periods of self-employment will also automatically extend the reference period (up to a maximum of five years). The aim of this measure is to assist those seeking to set up their own business: provided they have paid contributions for at least twelve months in the period prior to setting up their business, entrepreneurs remain entitled to the protection offered by the unemployment insurance fund if they are forced to give up their self-employed activity during the first four years.
5. In future, periods during which a maintenance or transitional allowance is drawn – these benefits are paid to employees participating in vocational training measures – will not be considered in justifying a claim for unemployment benefit. Such periods will, however, extend the reference period to up to five years.

Determining the level of unemployment benefit

The level of unemployment benefit will now be calculated on the basis of average earnings during the last 12 months (instead of six months, as previously) of employment. A further change is that overtime earnings will also be considered in determining the benefit level.

Unemployed persons accepting a job that pays less than the previous employment relation, who subsequently becomes unemployed once more, are to benefit from a new measure that protects them from losing out in terms of their benefit level. Unem-

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ployed persons who, during the three years prior to a renewed claim for benefit, were in receipt of unemployment benefit or assistance are entitled to renewed benefit on the basis of their former earned income – with an allowance for inflation – if this is higher. The level of unemployment benefit may not, however, exceed the net earned income from the last employment relation.

Severance payments taken into account in calculating benefits

The existing regulations governing the account taken of severance payments when calculating unemployment benefits have been modified in two ways:

1. Basic allowance: The basic allowance – i.e. the sum up to the level of which no deduction is made from unemployment benefit – is equal to 25% of the severance payment, a figure rising by five percentage points for each five years of tenure with the company; this applies subject to the following minimum provisions:

- at least 40% for employees between the ages of 50 and 54;
- at least 45% for employees aged 55 and over;
- at least DM 10,000.

2. Tax deduction: The new provisions have clarified the fact that it is the severance payment net of tax that is used as a basis for calculating possible deductions from unemployment benefit entitlements.

Supplementary income

Supplementary earned income of up to 20% of the monthly unemployment benefit, but at most DM 310 (western Germany) and DM 260 (eastern Germany) will in future not lead to any deduction from unemployment benefit entitlements. Any income above this level will, however, be deducted from benefit in full.

Part-time unemployment benefit *(Teilarbeitslosengeld)*

The increasing flexibilisation of working hours means that many workers now perform two or even more part-time jobs in parallel, in order to earn enough to live on. Until the recent

legal changes, such employees often faced inadequate protection from the social insurance system. They were unable, for instance, to claim unemployment benefits if they lost one of their two (or more) jobs, if the job(s) retained were subject to social insurance contributions. The new part-time unemployment benefit closes this gap in employees' social protection. Part-time unemployment benefits can be claimed for a maximum of six months.

Parental allowance and unemployment assistance

As of 1 January 1998, recipients of the parental allowance (*Erziehungsgeld*) will only be entitled to unemployment assistance if, as applies to all other benefit recipients, they are available for placement by the employment office in an employment relation of at least 15 hours per week. The special provision according to which unemployed persons were able to draw unemployment assistance in addition to the parental allowance even if they were not available for work expired on 1 January 1998. In December 1997 the employment offices requested those unemployed persons affected to provide additional information in order to be in a position to determine whether they continue to fulfil the conditions of entitlement to unemployment assistance following this change in the legislation.

Short-time benefit

The provisions governing the so-called "structural" short-time benefit (*strukturelles Kurzarbeitergeld*) have been extended to the year 2002. Under the legislation previously in force, structural short-time benefit could be claimed in cases where the loss of working hours was due to a major structural deterioration in the situation facing the industry to which the firm belonged, and if the workers affected were grouped into a separate organisational unit within the firm. In order to avoid problems of definition and classification, under the new SBG III the structural deterioration need only be shown to apply to the firm in question.

The statutory period of entitlement to the structural short-term benefit

has been extended from six months to a maximum of 12 months. By virtue of a decree on the "Period of entitlement to short-time benefit in an organisationally independent unit within the firm", issued on 4 November 1997, the maximum period of entitlement for workers claiming benefit between then and 31 December 1999 has been extended to 24 months, in the light of the problems currently prevailing on the labour market.

Under the new provisions, structural short time benefit may only be made available beyond six months if the workers concerned undertake vocational training measures or participate in other schemes to promote their re-integration into the labour market. In this respect transitional regulations have been introduced for claims arising before 1 January 1998, which ensure that existing legislation continues to apply.

Structural adjustment measures

The two so-called "productive" wage subsidy measures for west and east Germany (*produktive Arbeitsförderung West/Ost*) have been brought together under the new title of "Promotion of structural adjustment measures" (*Förderung von Strukturanpassungsmaßnahmen*). The conditions of entitlement to this support are broadly the same as under the previous legislation.

The wage cost subsidy for private sector industrial firms, which was previously restricted to eastern Germany and East Berlin, has been extended to West Berlin.

Job-creation measures

The grants paid to organisations providing job-creation measures may generally not exceed 75% of the remuneration paid to participants. The special provision in force in eastern Germany under which providers could be given a grant of up to 100% of the remuneration entitled to support, provided that the working hours of the workers allocated does not exceed 90% of the working hours of a comparable full-time post, has been extended to the end of 2000.

The conditions of allocation have been relaxed in the case of private

sector companies. Under the new regulations unemployed persons drawing benefit can be allocated to a job-creation measure after just six months of registered unemployment; previously, allocation to a job-creation measure required at least 12 months' registered unemployment.

Employee assistance (*Arbeitnehmerhilfe*)

In order to provide a work incentive, employees taking fixed-term seasonal work lasting up to three months and for more than a marginal number of working hours, who had in the immediate preceding period drawn unemployment assistance (*Arbeitslosenhilfe*), are entitled to a daily wage top-up of DM 25. This so-called "employee assistance" (*Arbeitnehmerhilfe*) is now also available to recipients of unemployment benefit (*Arbeitslosengeld*), provided they have been unemployed for at least six months.

Top-up grants for social plans

Top-up grants are available in support of measures taken within the framework of a social plan* in cases where such measures have a positive employment effect. To a greater extent than in the past, this instrument will give employers and works councils an incentive to deploy social-plan resources for measures, such as training, with a positive employment effect. Top-up grants are available if, in the absence of social-plan measures, it is likely that more than half the employees benefiting would have to claim wage compensation benefits from the employment office.

Support for social-plan measures is not available, however, in cases where individual workers have a choice between severance payments and re-integration measures. (Provisions according to which certain groups of employees receive severance payments, while other groups participate in re-integration measures, on the other hand, do not constitute a barrier to support.)

Support for vocational training

Certain parts of training or career orientation measures taken abroad are also eligible for support. Subject to

certain conditions, cross-border commuters may participate in a vocational training programme based exclusively outside Germany.

Until the legal changes, transitional support (*Übergangshilfe*) for disadvantaged youth could only be granted immediately after a period of education or training outside the enterprise. In future it will be possible to grant this support – once, and for a maximum of six months – to a young person who has broken off his/her training, to cover the period until he or she embarks on a new training scheme.

Moreover, the transitional support is no longer restricted to trainees undergoing training outside the enterprise. Young people who have broken off or successfully completed in-plant training may also claim support to enable them to participate in another training scheme or undergo work familiarisation after completion of a scheme, respectively. However, this is subject to the condition that training support had been provided during the initial training period.

Support for further vocational training

Further vocational training at universities, colleges and similar institutions can receive support to the extent that non-standard courses of study are provided. To a limited extent, support is also available for participation in training measures abroad. Account has also been taken of new developments in the educational and training field (such as modular training concepts), by means of support for so-called "self-learning measures".

Employees lacking a vocational training qualification now have the opportunity of claiming a partial maintenance allowance if they participate in a part-time training scheme that provides them with a vocational qualification, while at the same time working part time.

Provided they have paid social insurance contributions for at least one year, women and men interrupting their career for childcare or to care for relatives are entitled to a maintenance allowance and to participate in further training measures, irrespective of the duration of the career break.

Participants in training courses with family obligations can in exceptional cases apply for the reimbursement of childcare costs up to DM 200 per child and month, compared with the previous maximum of DM 120. The strict one-year waiting period between two measures has been dropped in favour of a more flexible provision that permits a renewed entitlement to support in exceptional cases.

Fighting illegal employment and benefit abuse

The rights of the authorities responsible for fighting illegal employment to make checks and inquiries have been extended, and cooperation between the various authorities improved. The employment offices, head customs offices and those institutions supporting them in their investigations are now obliged to report evidence of benefit abuse to the detriment of the health, accident, pension and social benefits funds, and abuse by asylum seekers to the appropriate benefit office.

For a number of offences the maximum fine has been increased, in some cases substantially. The maximum fine that can be imposed on an employer for the direct and indirect illegal employment of foreigners, for example, has been raised from DM 100,000 to DM 500,000; foreigners found working without a work permit now face a fine of up to DM 10,000 (previously DM 1,000).

Until the legislative changes, large firms making use of subcontractors that either employed foreign workers without the required permit or failed to employ foreign workers according to the minimum standards required by German law only faced punishment if it could be shown that they had acted irresponsibly. Now it is sufficient to prove neglect. The law on moonlighting will continue to be imposed at federal state level. This does not apply, however, where moonlighting takes the form of benefit abuse; in

* Translator's note: The social plan (*Sozialplan*) is a requirement by German law on firms going into liquidation or planning mass redundancies: management and the works council have to draw up a plan on measures to be taken to avoid redundancies or provide compensation or alternative options (training, etc.).

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such cases the benefit institution concerned is responsible.

In the case of the indirect illegal employment of foreign workers – that is when a firm does not itself employ foreigners without the required permit, but makes use of subcontractors – the responsibility of such practices – responsibility passes from the federal state authorities to the employment offices, as they are also responsible for the struggle against the direct illegal employment of foreign workers.

Counselling and placement

Subject to the agreement of the job-seeker or person looking for a training opportunity, the employment office may now incorporate third parties in the task of placement. This provides opportunities for the employment offices to provide additional support for unemployed persons facing particular job search problems. These third parties, who must have received a commission from the employment office, receive DM 2,000 for successfully placing a recipient of unemployment assistance in a job lasting more than six months; in particularly difficult cases this figure may rise to as much as DM 4,000.

In future private individuals and organisations may offer careers advice without the prior approval of the Federal Labour Office. This opens the door to private careers advice on a professional basis, and for additional offers provided by such organisations as Youth Aid, youth social work institutions, and youth careers support. If cases of abuse are identified, the Federal Labour Office may ban individuals or organisations from such activities.

Placement in training schemes has been liberalised, subject to prior approval by the employment office; chambers of trade and industry and similar organisations may offer training placement services without seeking prior approval by the employment office.

Decentralisation of the Federal Labour Office

The Federal Labour Office has been decentralised with the aim of granting individual employment offices greater

scope with regard to both tasks and budgeting. For instance, they are now to receive an “integration budget” containing, with just a few exceptions, all the funds available for discretionary benefits and active labour market policy measures. Within the framework of a budget granted to them on the basis of a labour market indicator, each employment office can then itself decide on the distribution of resources between various instruments (job creation, vocational training, integration subsidies, etc.).

Each employment office will receive up to 10% of the funds in the integration budget for disposal at its discretion (innovation fund). By these means, each employment office can, to a greater extent than before, adjust resource deployment to the conditions and requirements of the regional labour market and the need for effective and efficient support. Once a year, each employment office is to publish a report on its integration activities; this will help to monitor activities and at the same time serves to stimulate competition between the employment offices.

Spain

The Spanish Labour Market in the Third Quarter of 1997

The following main trends on the Spanish labour market were revealed by the Survey of the Active Population (*Encuesta de Población Activa*) for the third quarter of 1997. Firstly, employment growth continued, albeit at a slightly lower rate (2.7%) than during the two previous quarters; the level of employment was 336,300 above that in the third quarter of 1996. Secondly, there was a fall of 189,200 in unemployment during the same period, representing a decrease of 5.4%. The greater unemployment-reducing effects of employment growth in the third quarter compared

with the previous quarters was due to a reduced rate of growth of the active population; the increase on the third quarter of 1996 amounted to 147,100 or 0.9%.

The data for the three central labour market variables are as follows:

- The active population reached a record high at 16,186,600, as a result of which the activity rate rose to 50% with respect to the population of working age (16 years and above);
- The level of employment amounted to 12,860,800, implying an employment rate of 39.7% with respect to the population of working age (16 years and above); of the former less than 13% were young people, who accounted for 16.3% of the active population;
- Registered unemployment totalled 3,325,800 (20.6% of the active population), among which 1,818,700 were long-term unemployed.

Although in recent years the employment rate has gradually risen, it is still considerably below its peak of 41.3% (of the population aged over 16), reached in 1990. The employment figure of 12,860,800 is 448,400 higher than in the third quarter of 1992, the year in which the sharp contraction of employment that lasted until 1994/95 began.

Analysis of job creation in the various sectors of the Spanish economy reveals that the favourable overall economic situation has had a particularly pronounced job-creating effect in the service sector, with 215,000 more employees than in the previous year; thus, as in all EU countries, the service sector is a genuine motor for employment growth in Spain. Yet economic growth has also left its mark on industry, in the form of an increase of 86,000 industrial jobs. Indeed, employment growth in construction, at 52,000 on the previous year, was even greater in relative terms than in the tertiary sector.

In terms of educational level, employment growth during the year to the third quarter of 1997 was strongest, at 7.0%, among workers with medium or higher-level technical vo-

cational training, and amongst graduates (5.2%); in absolute terms employment growth in these two groups was 114,700 and 107,600, respectively.

Dependent employment increased in the third quarter by 173,000, bringing the four-quarter increase to 407,000. This is equal to a rate of job creation of 4.3%, implying highly employment-intensive growth given the current rates of GDP growth. The annual rate of growth of dependent employment under permanent contracts is slightly higher still, at 4.8%, whereas the number working under fixed-term contracts rose by 3.2%. Even so, at 33.7%, the incidence of fixed-term contracts remains very high on the Spanish labour market, although recently employment growth has been faster among permanent than fixed-term contracts.

Part-time employment accounted for 7.8% of all jobs in the third quarter of 1997; considering wage and salary employment only, the proportion under part-time contracts was slightly lower at 7.65%. The figures are less than half the European average, indicating a substantial potential for development of this mode of employment in Spain.

Having said that, the expansion of part-time employment during the third quarter was very significant. It should be emphasised that the great majority of new part-time contracts are permanent. This is shown by the fact that, compared with the previous year, the number of new part-time contracts increased by 23.3%, whereas the number of part-time contracts on a fixed-term basis rose by just 3.2%; compared with the previous quarter the number working under fixed-term part-time contracts actually declined. The increase in part-time employment under permanent contracts was due in large measure to the expansion of female employment of this type, which recorded an annual growth rate of 24.8%.

The unemployment rate continued to decline slowly, reaching 20.6% of the active population in the third quarter, 1.3 percentage points down on the same quarter of the previous year.

Youth unemployment also fell perceptibly during the year. In the third quarter of 1997, 38.2% of the young active population were affected by unemployment, down 3.2 percentage points on the same quarter of 1996. This decline was due both to a four-quarter increase in youth employment by 51,600, and a decline in the young active population of 61,300; the latter fact also explains the slight decline in participation rates among younger people aged less than 25, from 45.4% in 1996 to 45% in 1997.

There was also a slight decline in the number of long-term unemployed, whose share of total unemployment in the third quarter of 1997 amounted to 54.7%, compared with 55.3% a year earlier. On the other hand, there was an increase in the proportion of the long-term unemployed who had remained out of work for more than two years – from 66.1% in 1996 to 67.3% in 1997. The economic recovery has had scarcely any impact on unemployment among women. The continued process of integration of women into the labour market, associated with a steady rise in the participation rate – which of itself is to be seen positively – has prevented the rising employment rate from reducing female unemployment, as had been hoped. The overall active population increased by a total of 0.9%. The annual increase among women, however, was 2.3%. This led to an increase of 19,400 (1.6%) in the number of women registered unemployed, despite the fact that during the year employment growth had been stronger amongst women than men: during the year to the third quarter of 1997 the number of female employees rose by 172,800 (4%), that of male employees by 163,500 (2%).

From a regional perspective, particularly with a view to the Autonomous Areas, employment trends were particularly positive in Catalonia. Between the third quarters of 1996 and of 1997 one in four of the new jobs created in Spain were generated here. There was an absolute fall of 63,300 in the number unemployed in Catalonia. Unemployment also fell in the other Autonomous Areas, with the exception of Andalusia, where there was a slight increase.

Italy

New Register of Temporary Employment Agencies

On 4 November 1997 the new legal provisions on the registration of temporary employment agencies (no. 381) and the formalities for submitting an application for provisional approval for hiring out agency workers to user firms (no. 382) were published in issue no. 257 of the official gazette. Under these provisions, companies (incorporated companies or partnerships and cooperatives) that meet certain conditions, and have submitted a specific application for the right to lend out agency workers for which approval has been given (see iMi 59, p. 7) are to be listed in a register. The register contains the following details of each company: date of foundation; registration in the trade register; duration (if fixed-term); amount of paid-in capital according to the last accounts; the bank (address of headquarters and branch in Italy) with which the sum of ITL 700 million required by Law 196/1997 has been deposited; and the name and address of the administrators and representatives of the company.

The Director-General of the Employment Office verifies that the legal requirements have been met and then records the firm in the register. Equally, he may order the name of a company to be removed from the register or rescind approval for those companies that cannot produce evidence that they have performed the placement activities envisaged.

The temporary employment agencies must be Italian companies or belong to another EU Member State. In the latter case, precise details of the Italian subsidiary of the foreign company must be made. In addition, the company must have paid-in capital of at least ITL 1 billion; this is to be seen as an indispensable technical precondition of the level of organisation required of temporary employment agencies.

Overall Developments

The staff employed by such firms must meet at least minimum professional standards: proof of several years' experience (at least two, up to a maximum of four) in the field of personnel management, employment or vocational training services and trade union relations. During this first phase of the application of the provisions, a provisional licence for a period of two years is given. After this period, the agency may apply personally to the Director-General of the Employment Committee for a permanent license.

Currently the responsible departments of the Ministry of Labour and

Social Affairs are preparing a number of guidelines for monitoring and supervising these companies. The agencies must respect the limits set out in collective agreements, particularly with respect to the proportion of workers recruited under a fixed-term contract vis-à-vis those recruited under permanent contracts. In addition they must ascertain the level of vocational qualifications in each case, because agency work is forbidden for low-skill activities.

Firms that have shed labour or are currently making workers redundant are expressly forbidden from recruiting agency workers (in the same spirit

as the prevailing legislation on the exclusion of such firms from the benefits available in the context of work/training contracts).

In order to oversee the procedure, the responsible offices of the labour ministry will send the companies working on the basis of a provisional licence a statistical form prepared by the Directorate General of the Labour Market Observatory on the timeframe for supplying agency workers to user firms; this form must be completed and returned at regular intervals.

Placement and Vocational Guidance

Greece

Advisory and Placement Centres for Jobseekers and Employers

The Minister of Labour and Social Insurance has issued a decree implementing Article 15 of Law no. 2434/96 which sets out the procedures and conditions for setting up and running advisory and placement centres for jobseekers or employers.

The task of offices offering advice to jobseekers is to develop activities and services offered free of charge to the unemployed and which provide support and encouragement with job search.

The task of offices advising employers is to provide information on the training and employment programmes offered by the public employment service (OAED) or by other public or private-sector organisations.

Finland

Reforming Employment Office Services

Encouraging Jobseekers to be More Active

Along with the reform of the Finnish labour market policy delivery system (cf. iMi 59), the services provided by employment offices have also been reformed. Since 1 January 1998, jobseekers have been encouraged to active job-seeking and their own contributions in services will be increased. The "mass" approach made necessary by the economic recession period is to be replaced by one oriented towards providing individual services for jobseekers and employers.

The employment offices will call on jobseekers to attend periodic interviews, which will include job-seeking plans and skill-mapping. For the first time, the rights and obligations of the

unemployed will be specified in detail. Radical new measures will be taken to prevent exclusion of the unemployed.

The reform aims at improving the match of unemployed and the increasing number of jobs. One way of achieving this is to stimulate employers to notify all new vacancies to the employment service.

Subsidised employment will be focused more closely on the long-term unemployed. The labour market support has been activated by introducing a combined support consisting of labour market support and employment subsidy. The combined support is intended to cover labour costs and it is payable to employers recruiting persons who have been unemployed for more than two years in an employment relationship or as apprentices. The support is payable for a maximum period of 12 months. Combined support is payable to associations, households, local governments and enterprises. The support is intended especially to promote employment opportunities in the tertiary sector.

The job-seeking qualifications of the unemployed will be enhanced by introducing a job-seeking booklet. It will help the jobseeker to follow his/her jobsearch progress and to evaluate his/her current situation. On the basis of the regular interviews, a skill-map and a job-seeking plan will be drawn up.

Instead of the former open-ended labour market support or unemployment allowance, a new "active period" will start for the long-term unemployed after having drawn support for more than 500 days. Then a new job-seeking plan will be made with the aim of enhancing the chances of the jobseeker to return to work.

By the end of June 1998, all employment offices will have introduced a new information system for employment services, offering better opportunities to provide employment and training guidance. The system will help pay greater attention to the skills of the jobseeker, and will increase his/her mobility both geographically and occupationally.

All the measures presented above are linked to the comprehensive reform of the Finnish labour market policy system reported on in "Policies 59".

- the Jobseeker Bank (where applicants can introduce themselves, their skills and experience and then be matched against the requirements quoted by employers reporting job vacancies),
- the Temporary Replacement Bank (programmes with which persons looking for short-term jobs can introduce themselves to employers),
- the Vacancy Bank (describing job vacancies) and
- the Occupational Guide (a programme containing facts about 500 occupations, partly in multimedia form, together with a test in which applicants can be put on the track of possible jobs to match their interests and preferences). These self-service programmes (with the exception of the Occupational Guide) are also available on the Internet.

In addition, jobseekers will be able to access job vacancies outside Sweden, e.g. in the Nordic countries, in the EU Member States (EURES) and in the USA and Canada.

The customer workstations will also provide an Internet connection, but the degree of Internet access will be decided by the office manager, using a flexible menu system.

A customer workstation is more than just a computer with special self-service programmes. The customer workstation is an article of furniture with an in-built PC, display screen, keyboard and trackball and does not look like a computer. In other words, jobseekers who are unfamiliar with computers will not be put off by it.

Pilot activities have shown that, in order to offer a reasonable degree of availability, an employment office must have several workstations. The actual number per employment office at present varies from one to twenty. A customer workstation can serve between about ten and 15 persons every day. One problem may be that customers sit at the workstations for a very long time. Those enrolling in the Jobseeker Bank, for example, may take 45 minutes to do so.

The target group for the customer workstations comprises the majority of jobseekers at the employment office. The information, therefore, has to be well-structured and adapted to

its target group, so that it will also be available to those who are not familiar with PC operations.

Customer workstations have the effect of relieving the placement officers of certain duties, thereby enabling them to concentrate on, and improve the quality of, tasks requiring more personal service. The individual jobseeker will find an advantage in being able to influence the information given and searched for in connection with placement.

The customer workstation system means that, thanks to the unique system of software used, one can both utilise the Internet's great benefits of access to virtually all available information and, at the same time, have a chance of preventing access to unwanted information. Economically speaking, the customer workstation is definitely cheaper than a free-standing computer with an Internet connection, because the customer workplace is connected with the Labour Market Administration's internal network. The cost of a customer workstation is SEK 1,950 per month, no matter how many hours it is used in the course of a day.

Sweden

Customer Workstations – Self-service for Jobseekers

A specially designed computer workstation, intended for use by jobseekers themselves, was installed at employment offices during the autumn. From these "customer workstations", a jobseeker is able, unaided, to search job vacancies and enrol as a jobseeker, etc., using the labour market administration's various self-service computer programmes. In addition, jobseekers will be able to find out about various labour market policy programmes, etc.

The programmes which will be available at the customer workstations are

Sweden

Work Planning and Results Control in the Public Employment Service (AMS) in 1998

During the last ten to fifteen years, Sweden has been an important pioneer in the trend towards greater decentralisation, delegation, and the local adjustment of labour market policy. Management by targets and results has been introduced and new forms and systems created for follow-up and evaluation.

Job placement committees (*arbetsförmedlingsnämnder*)

A further step towards ensuring the local adjustment of labour market pol-

Placement and Vocational Guidance

icy was taken in the autumn of 1996. Local government was given a majority on the local job placement committees. Also represented on the committees are local trade union representatives and employers.

As a local "cooperation office", the job placement committee plays an important role in the following areas:

- moulding and developing labour market policy activities with regard to local conditions and needs;
- making effective use of focused local resources;
- creating a well-functioning local labour market and solving prevailing labour market problems on the basis of cooperation;

- implementing measures to meet labour market policy targets and to follow up and analyse the results at regular intervals.

Alongside increased local adjustment of labour market policy to local needs, even greater emphasis has been placed on national targets, on which on-going monitoring of results is based, as a joint foundation for work at local level.

Priorities

For 1998 the management of the AMS has set the following priorities for the work of the office at national level:

- placing jobseekers in employment opportunities and winning new job

offers by means of active contacts to firms;

- all counties meet the targets;
- action plans are drawn up for young unemployed and the long-term unemployed;
- all staff and management take part in further training measures in connection with the AMS Jubilee year.

The planning of each government district is to be based both on the joint targets for the AMS as a whole and on the conditions prevailing on regional and local labour markets.

The long-term joint goals of the AMS are set out in the framework document "Joint Points of Departure

| National Targets and Quality Requirements for 1998 | |
|---|---|
| Target | Indicator |
| 1. Suitable applicants are allocated to at least 90% of vacancies reported to the employment service. | Proportion of reported vacancies to which jobseekers are allocated. LEDA. |
| 2. The number of long-term unemployed remains below 73,000 on monthly averages. | Number of long-term unemployed. LEDA. |
| 3. All unemployed young people aged less than 25 are offered a job, suitable training, practical training or a job-creation scheme after 100 days' unemployment at the latest. | Number of long-term unemployed young people and the proportion of them with confirmation of an offer of employment or a measure. LEDA. |
| 4. The number of registered long-term unemployed lacking regular employment during the last two years amounts to no more than 100,000 on monthly averages. | Number of registered long-term unemployed. LEDA. |
| 5. On average, 182,000 people per month are to participate in labour market policy measures and vocational rehabilitation under budget A2. Deployment of labour market policy measures including the Target 3 programmes of the European Social Fund and job-search activities and work with existing resources. | Number of persons in regularly conducted measures according to AF 90. LEDA. The number of persons in job-search and other measures not included in AF 90 is reported quarterly by the county employment offices. |
| 6. On monthly averages, of the participants in measures at least 24,000 should be occupationally disabled people. | Number of occupationally disabled in AF 90 current measures. LEDA. |
| 7. At least 53,000 people per month receive suitable employment under the "Special measures for the occupationally disabled" fund. | Number of persons in special measures for the occupationally disabled (AF 90). LEDA. |
| 8. The average level of wage cost subsidies to employers that are not non-profit organisations does not exceed 58%. | Using figures from the system of measures, this is determined by the county employment offices. |
| 9. Labour market policy measures are to be deployed in such a way that they - alongside the allocation of suitable jobseekers to vacancies - help to break down the prevailing gender-based segmentation on the labour market. | The AMS will collate the necessary data prior to the discussions with the counties and the Ministry. |
| <i>Internal quality requirements</i> | |
| The proportion of satisfied customers when the Service is evaluated by the AMS is to be raised. | |
| 10. Satisfied jobseekers to be raised from 41% to (provisionally) 52%. | Customers who are satisfied or dissatisfied with the job placement service as revealed by a survey of the service. The survey is conducted annually. |
| 11. Satisfied employers from 60% to (provisionally) 68%. | |
| 12. Action plans based on agreements are to be drawn up for young people and other jobseeker groups (the long-term unemployed and those threatened with long-term unemployment). | Proportion of people from the targets groups with an action plan registered in AF 90. LEDA. |

for Work" ("Gemensamma utgångspunkter för arbetet") published in 1996.

The short-term targets and the allocation of resources for 1998 have been set by the management of the AMS Board following the parliamentary vote on the budget proposal and the "regulatory letter" sent by the government.

Joint goals, quality and performance requirements

Three of the joint goals for 1997 have again been set by parliament and the government for 1998:

- filling job vacancies as quickly as possible;
- avoiding long-term unemployment;
- preventing extended phases of unemployment.

Within the framework marked out by these overriding goals, the government has set a number of specific, measurable targets. In addition, the AMS has itself set internal quality standards, based on its quality-oriented policy in terms of greater customer orientation and continuous optimisation.

Dialogue on the various target levels

The national targets apply to the county employment offices, local employment offices and labour market insti-

tutes. In most cases the target levels and quality requirements will be adapted in the light of local conditions. Decisions on the various levels of the targets were taken at the end of a dialogue conducted within the entire employment service during a planning period held last autumn. The dialogue takes the form of offers (proposals) put forward by the operative levels. The county employment offices – one is located in each of the 24 administrative counties – then discuss with the local offices just how high expectations can be put. The AMS, in turn, conducts such a dialogue with each state-level office. Once the government has made decisions on the various target levels at national level, the AMS sets the target for each county.

Monthly monitoring

The on-going monitoring of the results is performed with the help of the LEDA computer system. All staff members in the employment offices have access to this system via their PC. It contains statistical information and diagrams comparing the results obtained with the targets set. Results can be presented for the country as a whole or for individual counties, employment office areas or labour market institutes. If the results prove less favourable than targeted, this is indicated in red. Results that are equal to

or better than the targets are marked in green. Certain targets are monitored in other ways.

Analysing the results and corrective action

Four times a year the county employment offices produce a written report containing the results achieved, the economic effects and forecasts. The report also includes an analysis of any deviations that have occurred, and a plan containing corrective measures in order to ensure that the targets are met. Shortly after the report is submitted to the AMS, the directors of the county employment offices and the central office enter into a dialogue via telephone conferences. The quarterly reports are also studied and commented on by the AMS. In addition the reports serve as an important basis for the quarterly reports compiled by the AMS on the results at national level that is submitted to the Ministry of Labour.

In-depth monitoring

Parallel to the above, in-depth analyses and evaluations are conducted in specific functional areas. At intervals of 15 months, the work of each county is analysed, focusing on the activities of the employment offices as a whole and longer-term strategic questions.

Job Creation

Belgium

Service Jobs

In July 1997 the Belgian federal government initiated a new measure to activate wage compensation benefits.

This programme, entitled "Service Jobs" (*emploi-service*), aims to create as many jobs as possible for the long-term unemployed. Unemployed persons recruited within the framework of the programme receive a regular employment contract. The new jobs envisaged generally involve functions that are not – or no longer – otherwise performed.

Having consulted the management committee of the public employment service (ONEM) and the Council of State, the provisions regulating this new measure were published in the official gazette on 9 September 1997 (Royal Decree of 8.8.1997 on the implementation of Article 7, § 1 (3 m) of the decree-law of 28.12.1944 on the social insurance of employees with

Job Creation

regard to the vocational re-integration of the long-term unemployed; Royal Decree of 8.8.1997 amending Royal Decree of 25.11.1991 on unemployment regulations, and the ministerial decree of 26.11.1991 on the application of the unemployment regulations).

Employers entitled to participate

All private-sector companies – including non-profit organisations – and certain public-sector companies, local authorities, public social support centres, the provinces, and educational establishments may participate in this new measure. Temporary employment agencies, by contrast, may not benefit from the measure with respect to the agency workers placed at the disposal of user firms.

Employees concerned

For a worker to meet the conditions of entitlement to the benefits envisaged under this measure, he or she must be long-term unemployed; the long-term unemployed are defined as follows:

- unemployed persons drawing full benefit who on recruitment had received wage compensation benefits or the waiting allowance for an uninterrupted period of at least 60 months;
- unemployed persons drawing full benefit who on recruitment had received wage compensation benefits or the waiting allowance for an uninterrupted period of at least 24 months, and who do not hold an upper secondary-level school certificate;
- jobseekers who on recruitment had been in receipt of minimum social benefit for at least two years and who do not hold an upper secondary-level school certificate.

The target group encompasses around 190,000 persons.

Permissible types of employment

There is neither a strict definition nor an exhaustive list of the permissible types of employment. Rather, the aim is to encourage flexibility and creativity in the interests of employment creation. The jobs must, however, meet three criteria, with re-

spect to which each individual firm will be examined.

Firstly, the jobs in the enterprise must be new jobs. In other words, the employer must create new functions or functions which no longer exist in the enterprise. This means, for example, that it is not possible for a department store that already employs 10 cashiers to recruit an additional two cashiers under this measure. On the other hand, new staff may be recruited with support from the measure in order to provide a new service for customers (e.g. help in packing the goods purchased).

Secondly, the jobs must provide genuine services. The functions created must either improve the quality of the services rendered to customers (reception staff, bus conductors, petrol station attendance, etc.), improve the working conditions of staff (drivers, document copiers and distributors, etc.), or consist of services relating to the immediate environment of the enterprise (park attendants, outdoor cleaning staff, car park supervisors, etc.).

Thirdly, functions may not be considered if they are performed generally and are necessary to realise the social purpose of the enterprise; the same applies to tasks that are only performed once.

Benefits to the employer

In order to promote job creation, unemployment benefits and minimum social benefits are partially activated under the measure.

For a period of up to three years, the public employment service (ONEM) pays the employee a monthly allowance of BEF 17,500 for a job of at least half of standard working hours, and of BEF 22,000 for a job with at least 4/5 of regular working hours. The employer may subtract the sum from the net wages to be paid to the employee.

In addition, the employer is entitled to the reductions in employer contributions to the social insurance system granted within the framework of the employment promotion plan (see BIR B-v.7).

Status of the employee

The employee is recruited under a normal, fixed-term or open-end employment contract for at least half of standard working hours. The employee receives the normal rate of pay applying in the sector concerned, up to a ceiling of 120% of the guaranteed average monthly minimum income.

In addition, for the duration of the employment relation the employee receives guidance from the employment and vocational training office of the region concerned (FOREM, ORBEM or VDAB), with the aim of improving his or her qualifications and promoting future re-integration.

Procedure

In order to benefit from this new support, the employer must draw up a dossier containing information on the following points:

- a project description containing, amongst other things, a precise description of the activities that the employer wishes to have performed within the framework of the project;
- the likely duration of the project;
- the number of employees envisaged for the project and the length of their working hours;
- the number of employees already working outside of the project and their working-time regime;
- a commitment by the employer not to replace existing workers with employees recruited under the project;
- a commitment by the employer to deploy the employees recruited exclusively for the activities authorised in the official letter of approval;
- a statement by the works council, or (if there is no works council in the enterprise) the trade union representative, or (if there is no trade union representative) the committee for accident prevention and safety at work, or (if there is no such committee) the workforce.

The dossier drawn up by the employer is to be submitted to the local employment agency (ALE – see BIR B-iii.13) of the local authority in which the

service activities are to be performed. The ALE passes on the dossier to the regional office of the ONEM. The dossier is examined by an approval board consisting of the director of the regional ONEM office responsible and the director of the responsible local office of the regional office for employment and vocational training (FOREM, ORBEM or VDAB). The decision is taken in consensus within 45 days, and the employer is informed immediately. The official letter of approval stipulates the permissible activities, the duration of the validity of the approval (up to three years, a period that can be extended under certain conditions), the number of employees that may be recruited and the working-time regime applicable to them. As soon as the employer receives the letter of approval, he or she may begin recruiting unemployed persons meeting the required conditions.

part of the measures of the Multi-annual Employment Programme. The aim is to support the creation of stable jobs, help combat fraud, reduce the burden of taxation on small and medium-sized enterprises and reduce the obligations to register with the authorities.

General income tax reform for employees, the self-employed and artists (*Impuesto sobre la renta de las personas físicas – IRPF*)

1. In order to promote self-employment, the tax-free allowance on one-off payments of unemployment benefit entitlements has been raised from ESP 500,000 to ESP 1,000,000.
2. Changes have been made to the mode of determining the tax calculation base on the basis of average rates (*sistema de estimación objetiva*):
 - Because of the difficulties encountered in practice of measuring tax dues by means of coefficients, it has been decided to replace it with one based on tax declarations and the firms' accounts. For firms whose turnover exceeds ESP 100 million, the tax-determination system applying to companies is to be used. For firms with a turnover of less than ESP 100 million, net income is to be calculated, whereby the firm's total costs, including depreciation – where the required documentary evidence has been provided – are to be subtracted from the revenues.
 - The reform of the system of tax assessment by modules permits value-added tax to be deducted from the inputs (goods, services and investment goods) necessary for the activities of the firm. In addition, the correction coefficients of the modules have been revised in order to promote employment, in particular in the case of a company taking on its first salaried employee.

Thanks to the reform, the recruitment of additional staff does not automatically lead to a presumption of higher tax dues. Moreover, tax incentives have been granted for new employ-

ment contracts signed in the context of the labour market reform and for the conversion of fixed-term into permanent contracts.

Also envisaged is a simplification of administrative procedures for the (more than two million) small companies and the self-employed using this system; the fiscal authorities can be asked to fill in the tax declaration forms.

Additional measures

Reform of company and corporation tax

- The tax rate has been reduced for companies and corporations with a turnover of less than ESP 250 million. A tax rate of 30% applies to the first ESP 15 million of taxable income.
- Tax allowances have been introduced for firms creating jobs for the disabled.

Improvements to the tax regime for family firms

- The joint assets of both married partners used for entrepreneurial activity are exempt from property tax.
- Tax exemption has been increased to 95% if the firm is donated or bequeathed.

*Reform of the tax on economic activities (*impuesto de actividades económicas*)*

- The tax on economic activities has been reformed in such a way that companies making losses do not pay any tax. In addition this tax has been coordinated with the other taxes to be paid by small and medium-sized enterprises.

Together, these measures are expected not only to ease the tax burden on small and medium-sized enterprises, but also to exert a positive impact on job creation, particularly in the case of the recruitment of the first salaried employee by one-person firms. The support offered for investment is also expected to exert an indirect positive effect on the creation of new jobs.

Spain

Reform of the Taxation Legislation for Small and Medium-Sized Enterprises

One of the aims of the Multi-annual Employment Programme implemented by the government in September 1997 is to promote employment by supporting small and medium-sized enterprises as a means of developing the entrepreneurial framework.

Small and medium-sized enterprises are of great importance for the growth of the Spanish economy and job creation. It is important to recognise that 99.7% of the firms employing salaried workers in Spain consist of small and medium-sized enterprises, and that they employ 74.2% of the labour force.

The reform of the taxation legislation applying to small and medium-sized enterprises enacted by the government on 17 January 1998 forms

France

The “Nouveaux services – nouveaux emplois” Programme

With the aim of bringing about a lasting reduction in unemployment, the government plans to introduce a new model – “Nouveaux services – nouveaux emplois” (New Services – New Jobs) for more employment-intensive growth (Law no. 97-940 of 16.10.1997; implementation decree no. 97-954, 17.10.1997).

Currently there exist in France social needs that are not being met, or only to an insufficient degree alongside mass unemployment, affecting, in particular, young people.

The rapid increase in the number of the elderly and rising life expectancy are creating new needs in the areas of health services, leisure activities, culture and support in daily life; the maintenance of social ties in urban areas, in schools, calls for the development of new activities in mediation, guidance and prevention; environmental protection and waste disposal measures are urgently required in order to preserve the basis for life in a society in which consumption is steadily rising; coping with an increasingly complex world requires the development of life-long access to information, to education and to culture.

It is therefore necessary to identify those activities and occupational fields in which new, as yet unsatisfied needs are emerging.

The core idea behind the measure is to achieve a “professionalisation” of emerging sectors in which the financial basis does not yet exist. This is based on the assumption that areas such as the environment and multimedia will, at some point, be so well developed that they can be integrated within a market logic.

The employment-policy goal is to create 350,000 permanent jobs within three years. The measure is directed to all unemployed young people – aged between 18 and 26 – that have the

required skills, without excluding the low-skilled, the difficult-to-place or those living in urban “problem areas” or under-developed rural areas. The employment opportunities are also open to certain young people aged between 26 and 29 who are not drawing benefits, and to disabled employees aged less than 30.

The employment contract reached with the young workers is a private-law contract to which the normal requirements of labour law apply. A permanent contract is to be preferred and is to constitute the general rule. If a contract is concluded for a fixed term, the period must be five years (60 months), and cannot be renewed.

The annual government grant for each full-time job (i.e. between 35 and 39 hours per week) amounts to FRF 92,000, which is equivalent to 80% of the statutory guaranteed minimum wage (*Salaires Minimum Interprofessionnel de Croissance* – SMIC). The grant is available for a period of 60 months.

The aim of the extended duration of the contracts is to provide solid work experience, so that the young people, under whatever commercial or non-commercial sector their activity comes, can present to a potential employer an extended period of stable work experience – rather than a succession of short-term jobs – thus strengthening their bargaining position. To put it in a nutshell: the extended duration of the contracts aims to consolidate work experience in order to ensure that it is recognised.

The operational implementation of the programme to develop activities for the employment of young people is to be organised at local level under conditions such as promote the initiation of projects that are supported by local actors and respond to the needs identified.

In order to ensure the implementation of the measure at local level, the Prefect of each département will nominate a “pilot”, whose task will be to stimulate, mobilise and facilitate: in short, a person who is able to put together partnerships. Depending on the circumstances prevailing, this function can be performed by a mayor, an elected representative, a civil

servant, or any other suitably qualified person who has shown that he or she possesses a good knowledge of the issues of local development and the creation of such employment opportunities.

The following actors and networks work together with the pilot to operationalise the measure:

- the employment offices, the Departmental Directorate for Labour, Employment and Vocational Training (*Direction Départementale du Travail, de l'Emploi et de la Formation Professionnelle* – DDTEFP) and the corresponding local offices, the Permanent Guidance, Insertion and Orientation Services (*Permanence d'Accueil, d'Insertion et de l'Orientation* – PAIO) and the structured centres of the public network for the integration of young people;
- employers, public-sector legal entities outside the central government administration (public-sector employers in the local administration, or industry and commerce, such as schools and hospitals);
- private non-profit organisations (numerous area authorities, works councils, professional bodies, foundations, mutual societies, etc.);
- private legal entities entrusted with providing public services (social insurance funds, associations, private companies commissioned to provide public services, new jobs set up to meet previously unmet social needs, semi-public enterprises, housing associations).

The public employment service (ANPE) will participate in implementation at local level:

In certain cases, the pilot may be an executive staff member of the ANPE. He or she will be responsible for the diffusion of information and for advising project carriers with regard to job profiles and recruitment criteria.

All the ANPE offices are to contribute, in collaboration with the pilot, to the initiation of projects with the help of their links to public employers, associations and various local partner organisations. The ANPE's activities in this phase are oriented towards local development on the basis of an analysis of both needs and resources.

The ANPE will participate in drawing up the agreements and in the process of job professionalisation:

The model agreements signed by the Prefect set out the level of the grants and the conditions under which they are made available, and describe the jobs created and the recruitment time-table; they specify that all job offers are to be made available to the ANPE.

The measure is focused on ensuring that the jobs created are stable and recognised, and that the young people taking such jobs will in fact be able to subsequently pursue their occupational careers.

In this regard the ANPE plays a dual role. On the one hand it helps to define the jobs offered by providing a precise description of activities and skills; this it does by means of its register of occupations (ROME – *Répertoire Opérationnel des Métiers*). Secondly, towards the end of the measure it will be called upon to offer advice to the young people and to employers regarding the forms of employment towards which they should direct their attention in the light of the experience gained in the new activities.

Processing job offers

Within the framework of the strategy of reaching agreements with large-scale employers, the Directorate-General of the ANPE will also reach agreements – or will supplement existing national framework agreements – with the employers concerned for negotiation at local level. Negotiations have already begun with the postal service, the public railway company (SNCF), and the federation of tourist offices.

In order to facilitate the diffusion of information on the jobs created within the framework of this measure, the ANPE has committed itself to making all job offers accessible via the French videotext service (Minitel – under 3614 ANPE). Its Minitel pages have already been developed accordingly.

In collating and processing the job offers, the ANPE's partnership with the PAIO will contribute to the success of the measure.

350,000 jobs are to be created in the private sector. Currently, the

number of potential new jobs in the various occupational areas is being determined; the first synoptic results are expected in the spring of 1998. The additional costs incurred in recruiting and training the young people in the enterprise will be assumed by the government.

Italy

Initiatives to Re-employ Workers Drawing Wage Compensation Benefits

The *Iniziativa Sardegna* S.p.A. (Initiative Sardinia PLC) has the task of financing the setting up and development of enterprises in the industrial, trade and craft sectors with the aim of promoting the reintegration of workers temporarily excluded from the production process.

The company cooperates with employers in a number of areas, for example in defining projects and drawing up a business plan. Once the project has been approved, it provides subsidised loans, and other forms of finance (primarily for further training courses) and takes an equity capital stake in a wide variety of initiatives. It also attends to the necessary formalities for gaining access to regional, national and European financial support. It has at its "disposal" around 4,000 workers of various ages and skills, all of whom are registered in the lists of the wage compensation fund.

The company has been active in Sardinia since 1984, where it has started a total of 215 initiatives, of which 180 are still active. It is responsible for analysing the appropriateness of a project put forward by a company with respect to the specific market situation prevailing at a given point in time, the number of employees envisaged, the volume of investment planned, etc. If the initiative submitted by the company is considered likely to be effective, trustees are nominated for the administrative and su-

pervisory council, and the firm's accounts are audited.

To some extent the achievements of IN.SAR. are due to the relationship the company has with other promotion agencies active in Sardinia, to a number of regional structures and to the employers' organisations that were set up with a view to stable employment. In order to develop a new entrepreneurial base in Sardinia, the company has attempted to focus support on small and medium-sized enterprises. For its part, the firms receiving support must guarantee that the agreed employment level will be maintained within the firm for the duration of the support provided by IN.SAR. Working conditions and pay rates are determined in accordance with the prevailing national collective agreements.

IN.SAR's participation in each initiative is limited, as after three years it can sell back its equity stake, without interest to the company. The financial stake taken depends on the number of jobs created within the "Re-employment Action IN.SAR.". The private firm remains responsible for actual implementation of the project, while IN.SAR. retains a supportive and monitoring function.

The financial involvement is usually as follows: (1) (minority) stake in the firm's equity capital; (2) financial support for planned investment in plant and equipment in the form of a subsidised loan (interest rate between 4% and 7%) for a period of up to seven years. Between 1984 and 1990, the total volume of investment (including equity stakes) amounted to ITL 90 billion.

Italy

Employment Promotion in Italy: Proposals Made by a Leading Trade Union Confederation

In January 1998, the Confederation of Italian Trade Unions (*Confederazione*

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italiana sindacati lavoratori – CISL, one of the most important trade union umbrella organisations in Italy) proposed that employment contracts should be concluded with a weekly working time of 36 hours, of which only 30 should be paid working time; the remaining six hours should be devoted to further training. This would mark the end of an “institution” that the Italian unions have always sought to defend: the collectively agreed, standard minimum wage. In return, the CISL has called on the government to initiate specific new employment measures in disadvantaged areas. These areas include in particular those that have tested the “territorial pacts” (12 areas; see iMi 54, p. 7; iMi 57, p. 8) and the two areas that have reached territorial agreements.

Netherlands

New Regulations on Cleaning Services for Private Consumers

Employers in the cleaning industry can receive a wage cost subsidy if they hire an unemployed person and at the same time conclude a cleaning services contract with private consumers. The new “Regulation on cleaning services for private consumers” came into force on 1 January 1998. The regulation intends to broaden the market for domestic services and to stimulate the integration of low-skilled unemployed into paid employment. In contrast to earlier experiments in the field, the target group has been extended, the level of subsidy increased, and the regulation will be of a structural nature.

The wage cost subsidy amounts to a maximum of NLG 19,000 per year for each employee with a contract of 32 hours (or more) per week. The actual level of the wage cost subsidy depends on the duration of the contract and the number of hours worked per week.

The employer qualifies for the wage cost subsidy if he hires a person for at least 15 hours per week who normally has been registered as unemployed at the Employment Service for more than a year; in some municipalities the period of unemployment has been scaled down to half a year because of the high level of local unemployment. This applies to the big cities in the “Randstad” (i.e. Amsterdam, Rotterdam, The Hague, Utrecht) and some municipalities in the eastern part of the country.

At the same time the employer must have concluded contracts with private consumers on the basis of which the cleaning services are being performed. Strictly speaking, these activities do not necessarily have to be performed (entirely) by the employees for whom the employer receives a wage cost subsidy. The maximum price for cleaning services charged to private consumers is fixed at NLG 17.50 per hour (incl. VAT).

In addition to the wage cost subsidy under the new regulation, the employer can also claim a wage cost subsidy based on the “Act on the Reduction of Tax and Social Insurance Contributions” (WVA). The “Employers’ Organisation for Cleaning and Company Services” (OSB) is involved in the implementation of the regulation. The OSB has easy access to employers in the sector, which is expected to increase the effectiveness of the regulation.

Netherlands

New “Jobseekers Employment Act (WIW)”

In December 1997, the 1st Chamber of the Dutch Parliament accepted the “Jobseekers Employment Act (WIW)”. The new law aims to streamline subsidised employment as formulated in the 1994 Constitutive Document of the present Cabinet.

The options for local communities to help people reintegrate into paid

employment will be simplified and extended. There will be just one regulation for subsidised employment, which will replace – amongst others – the “Labour pools” and the “Youth Work Guarantee Act (JWG)”. The local communities will acquire a “Work fund” (in total amounting to approx. NLG 1.7 billion per year). With this budget they will be able to activate and offer training and/or work experience to unemployed beneficiaries, the long-term unemployed and jobless youth. The guiding principle is “tailor-made” solutions aimed at the outflow into regular employment. Only if there is no (direct) prospective of achieving this end, will a permanent employment contract with the local authority be possible.

The National Assistance Act of January 1996 more strongly emphasises the activation of social assistance beneficiaries and the promotion of the outflow into regular employment. Existing instruments and means to this end will now be placed under the WIW, in order to be able to realise a more coherent and flexible approach. In the near future, depending upon the individual situation of a long-term unemployed person or a jobless youth, local authorities will be able to apply a mixture of measures. These may relate to social activation (volunteer work), offering training and financial incentives, child care placings (especially outside the usual school hours) and offering subsidised employment in two differing ways (i.e. “employment contracts” or “job experience places”).

The major WIW instruments are the “employment contracts” and “job experience placings”. “Employment contracts” already existed within the frame of the “Labour pools” and the JWG. The “job experience placing” will be a new instrument aimed at gaining work experience for jobseekers with regular employers facilitated by a wage cost subsidy.

The local authorities will be made responsible for subsidised employment under the WIW. In consultation with the Public Employment Service they will determine who qualifies for subsidised employment.

Youth

The WIW retains the principle of the so-called "comprehensive approach" to youth unemployment. This implies that young people either will be offered training or employment, in order to reduce their span of unemployment to a minimum. Right from the start, the local authorities and the Public Employment Service will be given a joint responsibility to guide young people into employment or training. If efforts to this end have not been successful within a year, the local authority can offer the youth a subsidised job. The new "comprehensive approach" will apply to all unemployed youth (< 23 years), including those without benefit (16 and 17 years of age).

Employment contracts

Under the employment contract scheme, a local authority hires a long-term unemployed or unemployed youth and then seconds him/her to a regular employer in either the public or private sector. The main difference to the earlier situation ("Labour pools" and JWG) will be that an employment contract may be combined with training and financial incentives to employees in order to (re-)integrate them into regular employment as soon as possible. The employment contract may also be a link in a longer-term trajectory, for instance consisting of training, followed by an employment contract and finally a job experience placing and outflow into a regular job.

Initially, an employment contract will last for a maximum of two years, although it may be extended for an indefinite period in the case of persons who are dependent on subsidised employment for the foreseeable future. In principle the employment contract is based on a 32-hour working week and the statutory minimum wage. Local authorities are, however, allowed to offer more hours, in order to prevent a person from becoming dependent on a (supplementary) social assistance benefit. The current employees of the "labour pools" will retain their claims to a full working week and an employment contract for an indefinite period of time.

Working weeks of less than 32 hours will be possible as well, especial-

ly for those who are occupationally disabled or lone parents providing care to one or more children.

The number of possible employment contracts under the WIW has been estimated at about 52,000 in 1998, rising to some 56,000 in 2001. Currently some 23,000 youth are in the JWG programme and 23,000 persons are in the "Labour pools".

Job-experience places

WIW job-experience places will be a new means for local authorities to provide people from target groups with job experience with a regular employer. In this case money from the local community "Work fund" can be used for a temporary wage cost subsidy to the employer, but also for training or the provision of a financial incentive to the employee in order to stimulate the search for regular employment. The job-experience place builds further on the experience gained with subsidised employment under the "Regulation on Experiments on the Activation of Benefits" (EAU/"M-2").

Work fund

The central government grant to the local authorities' "Work fund" consists of three components:

- A basic amount of NLG 17,000 (on a declaration basis) for each realised employment contract or job-experience placing (estimated total costs in 1998: NLG 957 million).
- A budget (defined in advance) to cover additional costs of jobs/placings (estimated total costs in 1998: NLG 394 million) related to a minimum number of jobs/placings. This budget is meant to be able to realise jobs/placings for the unemployed with a greater "distance to the labour market" (i.e. > 2 years unemployed).
- An annual budget for training, financial incentives and child care (approximately NLG 267 million in 1998).

Financing

Various budgets will be incorporated into the "Work fund", specifically the funds presently available for the fi-

ancing of the JWG Act and the "Labour pools" regulation and the subsidies of the Central Board of the PES to the "Labour pool" jobs. In addition, resources from the "Social Innovation Fund" will be added to the local authority "Work fund".

Central government projects

After the implementation of the WIW, the central government projects for placing of the long-term unemployed within the framework of the "Regulation on Experiments on the Activation of Benefits" (EAU/"M-2") can also be involved in the creation of job-experience placings. Under the WIW, responsibility for subsidised employment shifts to the local authorities. However, the local authorities can contract out implementation, thereby making use of the experience gained in the central government projects. In addition, the WIW offers some distinct advantages to the current experiments under the EAU/"M-2" regulation: The target group, the financing and the conditions of the WIW have been defined more broadly.

It should be noted that the "M-1" programme (i.e. the 40,000 jobs programme) will not be a part of the new WIW. Primary responsibility for the "M-1" programme still rests with central government.

Portugal

Regional Employment Networks

The "Regional Employment Networks" established by virtue of ministerial decree number 2/98, 14 January 1998, aim to solve the employment and training problems existing at regional level by mobilising the local offices of the public administration, autonomous bodies, and various civil-society partners.

The aim of this provision is to pool resources, so as to improve the scope

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for employment creation, and to prepare those affected to make better use of existing structures; this is to be achieved by improving the coordination between employment policy measures and by raising competitiveness and social cohesion within each region.

The organisational composition of the regional employment networks will vary, as this will depend both on the characteristics and resources of each region and on the specific difficulties to which each region intends to accord priority. The task must be to ensure that those institutions that are of particular relevance for the measures planned at local level are incorporated into the networks.

The various regional employment networks will be divided up geographically into areas with identical socio-economic characteristics. The employment and training-related problems of each area must be accorded priority, whereby the following criteria are to be met.

- A consensus needs to be reached that employment and training problems exist and that the means of solving these problems are available.
- The following institutions and organisations are to be mobilised at regional level: the local offices of government services; contributions from the social partners and other employer associations; the institutions supporting regional development and other organisations that perform a mediating function between policy makers and the companies affected by government policies; educational and training establishments; technology, research and development centres.
- The capacity to develop instruments and measures to promote regional and local development, to support entrepreneurial initiative and promote employment and vocational training must be available.

The central tasks of the regional employment networks include the following:

- the diffusion of information on the instruments available to promote employment, training and reasonable and rural development among local actors and the population in general;
- technical support for the population and firms, facilitating access to existing programmes and instruments and developing new projects;
- the organisation of training and education measures to meet local development needs, in particular measures that meet the expectations of the local population and stimulate lifelong learning;
- the promotion at local level of employment, the occupational integration of the unemployed, jobseekers and members of disadvantaged social groups, and preventive action to avert employment problems arising for workers whose jobs are at risk;
- the provision of incentives for entrepreneurial initiative and the setting up of new businesses, for corporate restructuring, the development of investment capacity and of other resources;
- the analysis of the problems of survival and recovery facing traditional economic sectors, in order to be in a position to estimate the need to strengthen local capacities and competences;
- the identification of infrastructural needs and of the scope for community services, especially in the areas of leisure, culture, recreation, social services and the environment, in order to promote the well-being of the population at large and to encourage young people to remain in these areas;
- the promotion and activation of community services.

The regional employment networks are supported by regional and local institutions in implementing and developing the above activities, on the basis of the following structure:

- a regional employment forum whose task is to develop a strategy of coordinated measures, performs advisory tasks and is also to consider future developments. The forum is established on the basis of an agreement reached between the interested partners in each region. The regional employment forum has at its disposal a permanent guidance body consisting of the regional delegate of the public employment service (IEFP), and one representative of each ministry, each local authority and of the social partners;
- a coordinating body set up to manage and develop each network; it is responsible for drawing together all the organisations involved in each area. It is composed as follows:
 - the regional delegates of the IEFP, responsible for coordination;
 - the director of the employment offices and vocational training centres of the IEFP;
 - a representative of each local authority involved;
 - a representative of the corresponding regional coordination committee;
 - a technical support unit funded both by the various institutions participating in the networks and by a special grant.

The administration of the regional employment networks as a whole and the creation of the technical and financial conditions required for their implementation in practice are the responsibility of the Ministry of Labour and Solidarity, supported by the Ministry for Procurement, Planning and Territorial Administration and the Ministries of Education and of the Economy.

Training

Sweden

Computer/Activity Centre

The labour market policy programme "Computer/Activity Centre", introduced in July 1995, was recently evaluated. Under this programme unemployed jobseekers spend up to twelve weeks learning the basics of computer use or take part in various activities intended to help them make contact with the labour market. In its first year (1995) the programme was confined to young persons (aged 20–24). It was then expanded to include all jobless persons aged 20 and over. Today about 70% of participants are aged over 25.

Labour market-oriented activities – constituting half the programme – include, for example, project work, job-seeker activities, vocational guidance, field trips and work experience. The Employment Service is responsible for this part of the programme and also, through the employment offices, for an individual action plan being drawn up for every participant.

The other – computer-oriented – half of the programme is aimed at giving unemployed persons computer training, e.g. in word-processing, spreadsheet operations, the Internet and elementary database management, the idea being both to supply basic skills and to arouse interest and motivation for further IT studies.

There are about 350 computer/activity centres in Sweden. Between them they have about 6,000 personal computers, which means that, in principle, 24,000 persons per day could take part in these activities (assuming four persons per computer per day). The actual participation rate is roughly three persons per computer per day.

Every computer/activity centre has one or more programme/activity managers, of which there are 400 in

total. There are also a number of instructors. These may be unemployed persons referred by the Employment Service through various labour market policy programmes, or they can be employed on a project basis by the authority. The total number of instructors is about 1,000.

Total average expenditure per participant per month is SEK 6,693. The greater part of this sum (80%) consists of training allowances paid to the participants. Most of the participants receive training allowances corresponding to the unemployment compensation they would have received from their unemployment insurance funds, while a smaller number receive training allowances corresponding to KAS labour market assistance (KAS). Labour Market Administration expenditure on computer/activity centres in 1995/96 totalled MSEK 1,153.

During the 1995/96 fiscal year, a total of 72,618 persons took part in computer/activity centre schemes. Participation that year averaged about 10,000 persons monthly, with an average of 4,030 per month joining the scheme. So far during 1997 about 13,000 persons have taken part every month. The number of immigrants and occupationally disabled participants has grown substantially in recent years.

The "Computer/Activity Centre" programme is based on close cooperation between the local employment office and the local authority concerned. The employment offices provide personnel for the labour market-oriented activities, pay training allowances to the participants and finance the equipment. The local authorities are responsible for day-to-day operations and the cost of running facilities.

Questionnaire survey findings

The National Labour Market Board and the Swedish Association of Local Authorities have followed up activities under this programme by conducting questionnaire surveys among participants (young persons currently

taking part in programmes) and among providers (local authorities and employment offices).

The results show that 36% of the participants completing the programme had obtained work or begun studying. An equal percentage were registered unemployed. Rather less than 20% had entered a new labour market policy programme. The authorities believed, however, that long-term job prospects have improved for the majority of participants. In addition, the questionnaires show that a very large proportion of the participants had acquired greater self-confidence and more capacity for personal responsibility.

A small number of participants dropped out of the programme, in many cases because they had found work or begun studying.

Nearly half the local authorities felt that the participants had not been given enough time at the computers. It also emerged that, time at the computer/activity centres being relatively short, action plans for the participants should always be drawn up at the beginning of the programme period, or at least as early as possible.

According to the survey, only one-third of the computer/activity centres adapted their methodology when the programme was expanded to include over-25s.

It further emerged that employment offices should devote more time to following up the participants' progress after they have completed the "computer/activity centre" programmes.

Over 80% of the project participants replying to the questionnaire had a very high opinion of the computer training, and many of them would have liked to spend more time on it. Many youngsters felt that too much time had been devoted to the activity portion of the programme, though a large percentage of them considered that side of the programme very good in itself. The computer training, however, was regarded as the part of the

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programme which would be most useful for the future. Nearly half the participants became more interested in continuing their studies after the programme.

According to the answers received, the arrangement whereby participants in labour market policy pro-

grammes work as instructors at the computer/activity centres has not been a success. One consistent point of criticism was the lack of continuity with non-permanent instructors. Some local authorities, however, perceived advantages in the combination of permanent instructors and instruc-

tors with personal experience of unemployment.

Cooperation between employment offices and local authorities was generally rated very good, but the survey shows divided responsibility to demand a more clear-cut allocation of roles.

Social Protection, Unemployment Benefits

Austria

Incorporating Those in Marginal Employment into the Social Insurance System

The increasing flexibilisation of working patterns and employment relations calls for new forms of social security provisions in order to ensure that such trends remain socially acceptable and, at the same time, to promote them. In the light of this, in the course of the pension reform and the planning for the 1998/1999 budget, the Austrian federal government has decided on comprehensive social and labour market policy measures to ad-

dress these issues. One of these new measures aims to incorporate those in "marginal employment" – i.e. people earning less than ATS 3,830 per month, and who until now have been subject only to accident insurance – into the wider social security system. To this end the following measures are envisaged:

- The income level for marginal or negligible employment remains unchanged (currently ATS 3,830 per month).
- Employers: Firms must pay a flat-rate employer contribution to the accident, health, and pension insurance schemes as soon as the monthly earnings of all marginal workers in the firm together exceed 1.5 times the marginal income level; this means, for instance, that a firm must pay contributions if it employs

two marginal employees each earning ATS 3000.

- Employees: Blue and white-collar workers are obliged to pay contributions to the health and pension insurance as soon as their combined income from more than one marginal employment relation exceeds the figure of ATS 3,830. A new feature is that Austrian citizens whose earnings are below the negligible level will in future be able to earn entitlements to a pension by paying a voluntary contribution (amendment to 19a of the unemployment insurance law). Pensioners, civil servants, and the self-employed performing marginal employment as a second job are excluded from the obligation to pay social insurance contributions. The employer, on the other hand, must pay employer contributions for these groups.

Special Categories of Workers

Italy

Measures in Support of Unemployed Young People in the Mezzogiorno

Community work

In implementation of Decree-law no. 280 of 7 August 1997 (published in the legal gazette on 27.8.1997), the Ministry of Labour and Social Affairs is currently running a special programme involving community work and work grants (*borse di lavoro*). The programme applies in the following regions: Sardinia, Sicily, Calabria, Campania, Basilicata, Apulia, Abruzzi and Molise and the Provinces of Massa Carrara (Tuscany), Frosinone, Rome, Latina and Viterbo (Latium). The unemployment rate in the latter was higher than the Italian average, particularly according to the "extended" definition used by the Central Statistics Office (Istituto centrale di Statistica). The programme is targeted towards young people aged between 21 and 32 and registered as unemployed (1st class) for more than 30 months. Deployment for community work or support through work grants is limited to 12 months and may not constitute the start of a normal employment relationship, nor lead to the participant's name being removed from the placement list. The project deliverer and employer firms are required to insure the participant against accidents and occupational sickness and are responsible for liability insurance. They must also inform the young person of the prevailing regulations pertaining to health and safety at work.

The resources earmarked for the implementation of the programme will be distributed on the basis of a decree by the Minister of Labour and Social Affairs in consultation with the regions and provinces participating, and in as equitable a manner as possi-

ble, with the aim of ensuring that the new activities and ad-hoc projects are economically independent.

Community work can be undertaken in the following areas: personal services, environmental protection, agricultural development, water supply, and maintenance and improvement and cultural heritage. Project content can be either local, or may transcend regional boundaries. A catalogue of types of community work will be drawn up by ministerial decree. New, self-employed activities (and associated training measures) can be considered as a form of community work, provided they meet the conditions of stability over time and competitiveness on the market.

Employment-promotion agencies and companies "that have proven specialist knowledge and technical competence in worker-reintegration policies" may be entitled to support in the form of technical and project-related assistance. Specifically mentioned by the law in this context are: the Young Entrepreneurs' Company (*Società per l'imprenditorialità giovanile* - IG SpA), the public companies managing industrial shareholdings (*Gestione e partecipazioni industriali* - GEPI SpA), the Sardinia Initiative (*Iniziativa Sargedna* - IN.SAR), etc.

The application procedure requires that project proposals are submitted to the Regional Employment Committees and to the Central Employment Committee.

Subsequently, the regional labour directorates are to present a summary report on the projects submitted to the Regional Employment Committees to the Ministry of Labour. This report sets out the number of projects, their duration, the organisations delivering the projects, the number of participants, and the province concerned, together with the support agency and confirmation by the regional committees that the technical conditions required in each case are met, so as to permit the activities to be conducted over the longer term. The projects are then approved by the regional committees and the central committee.

The projects selected are financed for their entire duration in accordance with the proposals made by the organisation delivering the project. Allocation of the young people to the various activities is the responsibility of local offices, on the basis of criteria determined by the regional committees. In their description of the project, the organisation specifies that it will only accept recognised school certificates and other qualifications as a condition of admission for the activities concerned, and that the young have to hold these documents at the moment of admission. The organisations may also themselves make a selection in order to identify the skills relevant to the performance of the subsequent activities and they may call on the authorities to send replacements for unsuitable applicants.

Work grants (*borse di lavoro*)

Work grants, introduced by virtue of Law number 196/1997 (see iMi 59, p. 7), represent a new employment policy measure, the aim of which is to increase the flexibility of the labour market. The grants are available to firms active in a number of sectors: the manufacturing industry, wholesale and retail trade, hotel and catering, transport, financial services, real estate brokering, computer services, research, etc.; seasonal activities, on the other hand, are excluded from the measure.

The companies must meet a number of conditions. They must employ between two and 100 employees and they may not have made workers redundant (justified individual dismissals and retirement are not accounted) during the 12 months prior to submitting their application for these grants. In addition, the young people employed must "reinforce" the workforce currently working in the company: this means that firms whose current workforce level is below the average level for the previous 12 months may not participate in this measure. In addition, they must have met their obligations to pay so-

Special Categories of Workers

cial security contributions and those set out in the relevant collective agreements.

The employment growth realised by virtue of the work grants must be maintained for the entire duration of payment of the grant. Thus they may not be used to perform the activities of workers already employed with the firm, unless the young people are recruited under a normal employment contract.

Depending on whether the company employs more or less than 15 employees, the normal duration of the grant varies between 11 and 12 months.

The National Social Insurance Institute (*Istituto Nazionale della Previdenza* – INPS) provides financial support to the young people recruited under the measure. Weekly working time within the firm amounts to 20 hours in the case of a part-time contract and not more than eight hours per day for a full-time position.

The application procedure is as follows. Firms meeting the required conditions and planning to take advantage of the grants are to submit a declaration of intent to the INPS in accordance with the ad hoc form appended to the new law. The declaration may also be submitted via the relevant professional association. Priority is accorded to those firms meeting at least one of the following conditions:

1. firms whose declaration of intent is submitted by professional organisations and that commit themselves to offer at least 40 hours of theoretical training on labour legislation and accident prevention;
2. craft enterprises, the head of which promises to offer at least 40 hours' training.

Subsequently, the INPS passes on to the Ministry of Labour the details of the applications submitted, indicating the areas of activity, the size of the firm and the duration of the grant. Thus the INPS is able, within the constraints set by the available resources, to determine the firms eligible to apply for work grants, on the basis of a ranking prepared at provincial level. Finally, the INPS informs all of the companies that have submitted a dec-

laration of intent whether or not they have been entered into the list of accepted firms and can claim the work grants. The firms accepted utilise the work grants within ten days of receipt of the notification from the INPS by naming the young people selected, all of which must fulfil the required conditions.

The grants may not be given to the spouse, nor to more than one relative (up to the third degree) of the owner of the firm.

If the young people are taken on under a permanent contract during payment of the work grants or immediately on its expiring, the recruiting firm is entitled to claim a reduction in its social insurance contributions.

ITL 300 billion have been earmarked for 1997 and ITL 700 billion for 1998 out of Employment Fund resources. The organisations implementing the projects can apply for up to ITL 500,000 for each young person from the Employment Fund in order to realise community projects for the technical and project-oriented support to employment and corporate promotions agencies. They may also apply for financial support to meet the costs of equipment necessary to implement community projects and for planned subsequent activities by the firm; particular attention will be paid here to new technologies. Such spending may amount to up to ITL 1,500,000 per young person recruited.

In addition, the law makes the Regional Employment Offices responsible for monitoring tasks, on the basis of data provided by the local Employment Offices and by the organisations implementing the projects.

The law also allows for the possibility of changing the allocation of resources in order to achieve the aims of the programme, in particular in order to ensure a balanced distribution. Twice a year the Ministry will report to the parliamentary committee responsible on the course of events.

Netherlands

Bill on Age Discrimination in Job Recruitment and Selection

In October 1997 the Minister of Social Affairs and Employment, the Minister of Justice and the Minister of Interior Affairs presented a bill on Age Discrimination in Job Recruitment and Selection to parliament. The bill prohibits the imposition of age limits in job recruitment and selection. Under the bill, age limits should generally no longer be mentioned in personnel advertisements, for example.

This anti-age discrimination bill also implies that job application procedures may be challenged in the courts. The relevant job applicants may demand compensation, admission to the job recruitment procedure or rectification of the job advertisement. The proposed legislation not only applies to employers (both government and private sector) but also to intermediaries, like temporary work agencies.

The government considers a ban on the insertion of age limits in personnel advertisements an effective way to stimulate those who are offering employment to be aware of a job's actual functional demands and of the possible justifications for setting age limits in a specific case.

Only those age limits which can be justified on objective grounds will be allowed. The justification for an age limit has to be stated in the personnel advertisement.

Justifications for age limits may for instance be necessary in care services, in order to establish an appropriate link with persons from a specific target group (like for instance young people or the aged). The requirements of international agreements may also constitute a justification (for instance, in certain branches of the shipping industry).

A job applicant who is of the opinion that he/she did not receive proper treatment in the job application proce-

Finland

Activation of the Young Unemployed

Results of an assessment

A study into the effects of a labour market policy reform that aimed to activate the young unemployed and the young people that do not start secondary education showed remarkable improvements (Aho and Vehviläinen, 1997). From 1996 under 20-year-olds without vocational education lost their right to unemployment benefit (labour market support), if they did not apply for vocational training or active labour market policy programmes. At the same time, opportunities for education and apprenticeships were considerably increased. The goal of the study was to investigate the effects of this reform and the reasons for not starting or interrupting secondary education.

By comparing the unemployment and education "careers" of the young unemployed before and after the reform, it was found that the reform had a remarkable effect among those with a comprehensive school background: the share of the unemployed decreased by one-third, and the share of those who started upper secondary education increased by 61%. Among boys, half of the decrease of the unemployment could be explained by a rise in the number remaining in the education system, but the share of those who gave up their registration as unemployed increased almost as much. For girls, the decrease of unemployment and increase of starting studies were almost equal, but there was also a small increase in giving up jobseeker status.

The greatest proportional change was noted among those who, prior to the reform, had been most passive. The increase in starting secondary education was greater than among the pre-reform "active" group. However, some of the previously "passive", in spite of having been accepted into school, did not actually start their studies. Many of them also gave up their jobseeker registration. Other ob-

sure or has been rejected for a certain function may ask the Equal Treatment Committee (already in existence) to give its opinion. Although the decisions by the Committee are non-binding, the parties involved will adopt it in most cases. The Committee will also be authorised to start an investigation into job recruitment procedures on its own initiative.

An important motive for the government to introduce the proposed legislation has been that the social partners have not been successful in combating age discrimination in job recruitment and selection. Despite their efforts, the number of complaints regarding age discrimination has not declined.

Netherlands

Developments in Subsidised Employment

Regulation on Additional Employment for the long-term Unemployed ("M-1")

By October 1997, the local authorities and the health care sector had realised some 20,700 jobs within the framework of the "Regulation on Additional Employment for the long-term Unemployed" (40,000 jobs programme/ "M-1"). Of these, 13,900 have been created at local authority level and 7,800 in the health care sector.

Jobs under this regulation are usually for 32 hours per week, unless a person needs more hours in order to become independent from a National Assistance benefit. Participants may also work less than 32 hours, for instance in combination with a care task or a handicap. So far, the total of 21,700 jobs (of 32 hours on average) have been occupied by 21,400 persons.

Over the duration of the programme as a whole (till late 1998), some 26,200 "M-1" jobs will be available in the local authority and 13,800 in the health care sector.

Regulation on Experiments on the Activation of Benefits (EAU/"M-2")

The aim of the EAU programme is to discover new bridges between benefit and work by means of a variety of experiments. The intention is also to gain a better insight into the success and failure factors of the various methods applied. The Minister of Social Affairs and Employment has approved 63 projects, comprising in total 135 separate (partial) projects. The target groups, organisations and sectors may differ by project.

By June 1997, a total of almost 15,000 labour contracts had been concluded within the frame of the regulation.

Given the positive trend in the number of labour contracts concluded, the odds are that the permitted maximum of 20,000 contracts will be reached in late 1997.

Recently, the implementation of the EAU programme has been evaluated. The results are still of a preliminary nature, because the experiments will run until the end of 1998. A definitive evaluation report is expected in Spring 1999.

The evaluation report shows that of all EAU employees 55.3% had been long-term unemployed (between 1 and 3 years) before their subsidised labour contract commenced. Nearly 40% had been very long-term unemployed (> 3 years). Ethnic minorities represent, at 45%, a relatively high share of the programme participants. The educational level of EAU employees is relatively low, with 15% having just primary education, 45% lower secondary vocational or a lower administrative background, and 26% medium secondary level vocational or a medium level general background.

So far, it is not yet possible to give a representative overview of outflow destinations. Information from various projects shows that nearly 50% of the premature outflow takes place before the end of the probation period, with hardly any outflow into regular employment. It is striking that nearly 50% of the remaining premature outflow is into regular employment. The preliminary evaluation results suggest that intensive guidance provided to EAU employees has a positive influence on the outflow outcomes.

Special Categories of Workers

served effects were that unemployment ended earlier and participation in active labour market programmes increased considerably.

The Act on Labour Market Support (1542/1993) has since been amended so that since the beginning of 1997, the restrictions concerning young persons without vocational training cover all persons under the age of 25, instead of the previous age limit of 20 on which the study was based.

A new directive: Applying for three training places is sufficient for maintaining the right to labour market support

The Finnish Ministry of Labour has revised its implementation directives concerning the application of persons under 25 for training, enabling them under certain conditions to maintain their right to labour market support during unemployment spells. The right to labour market support is granted or maintained, if the young person applies for at least three student places. Earlier, persons who had gone through comprehensive school had to apply for five training places, whereas matriculated school-leavers had to apply for four training places. The new implementation directive has been in force since 2 October 1997.

Application for post-comprehensive training, institute-level training, and training at polytechnics takes place primarily through co-selection. According to the directive issued by the Ministry of Labour, the granting or maintaining of the right to labour market support during an unemployment

spell is secured, if a person who has gone through comprehensive school applies through co-selection for at least three student places for vocational training leading to a post-comprehensive basic degree, or if a matriculated school-leaver applies through co-selection for at least three student places for institute-level vocational training or at polytechnics. The three application alternatives may include one student place without co-selection.

If a person is not accepted for training, he or she must, in order to be entitled to labour market support, apply for suitable student places and participate in the next co-selection. A person aged 17 who has no vocational training is entitled to labour market support only when he or she is involved in active measures, primarily in trainee work by means of labour market support. A person aged 18-24 who has no vocational training is entitled to labour market support during an unemployment spell, unless he or she has refused to apply for suitable vocational training, has quit such training, or has turned down a job offer or active measures.

According to the comprehensive labour market policy reform, which came into force at the beginning of 1998, guidance to training and labour policy measures is to focus especially on young persons under 25 who have no vocational training and who have received daily unemployment allowance for the maximum period or who, for a long time, have been recipients of labour market support.

United Kingdom

New Deal Launched

The first major element of the Government's Welfare to Work programme, the New Deal for young unemployed people, was launched on 5 January 1998. Twelve pathfinder areas will cover 19,000 young people and have been chosen to reflect a range of social and economic conditions. Their experience of delivering the New Deal will aid the national implementation, which starts on 6 April 1998.

A key feature of the New Deal for young people is the 'Gateway', an intensive period of counselling, advice and guidance which offers access to a range of help including tailored support from Employment Service staff, along with the opportunity to take advantage of independent careers guidance. Young people will be given help to find an unsubsidised job and receive basic skills training where necessary. Those who do not find a job will be given tailored help to decide which of the four New Deal options will do most to improve their skills and employment prospects. They will then be assisted in taking up a place in one of the options. This could be a job with an employer who will receive a subsidy for six months, a job with the Environment Taskforce or with a voluntary sector employer. All of the employment options include at least one day per week (or its equivalent) in education or training leading to an accredited qualification. The fourth option, for those who do not have the basic qualifications they need to have good employment prospects, is to take up full-time education or training, leading to an accredited qualification.

The focus on "welfare to work", of getting and maintaining a job in the regular labour market, will be an ever-

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Spain

Measures to Support the Reorganisation of Working Time

The agreement reached between the social partners and the government on 28 April 1997 on improving the stability of employment (cf. iMi 58, p. 9) proposed examining new forms of working time with the aim of promoting employment creation.

The first measure initiated in this context relates to the reduction of and the introduction of disincentives for overtime, the volume of which is currently seen as in many cases unjustified and as having negative effects both on the labour market and on the health and safety of workers.

Law 65/1997, enacted on 30 December 1997 within the framework of the overall budget plan for 1998, and law 66/1997 on fiscal, administrative and social measures enacted on the same day contain the following measures:

1. The application of the general rate of social security contributions to all "structural" overtime*, irrespective of the volume of overtime hours. This implies a contribution rate of 28.3%, instead of the 14% for structural overtime up to the ceiling of 80 hours set in the Workers' Statutes.
2. Non-consideration of overtime pay when calculating the base for determining unemployment benefit.

The government places great emphasis on the reorganisation and flexibilisation of working time, with particular regard to part-time employment. The aim is both to increase competitiveness and to improve customer and

user services, and also to make it easier for workers to reconcile private/family life with working life.

Austria

Working Time Models as a Way of Redistributing Work

It is widely accepted that the labour market policy instruments deployed in Austria have been highly effective. As is shown by the – in international comparative terms – low unemployment rates and the low incidence of long-term unemployment as a proportion of the total, these instruments have helped to bring to an end unemployment and especially long-term unemployment. At the same time, given the difficulties faced by those affected by unemployment in finding new employment opportunities, labour market policy would be taking an excessively defensive approach if it were to concentrate exclusively on further optimising the deployment of already established instruments.

Accordingly, the Federal Ministry of Labour, Health and Social Affairs has instructed the Labour Market Service (LMS) to develop additional programmes and new strategies in order to supplement the tried and tested instruments of active labour market policy. The successful examples of innovative labour market policies in a number of EU countries, especially Denmark, served as a guideline for the experts in the Social Affairs department, the representatives of the social partners and the LMS. They also provided the points of departure for the creation of a legal framework that, as of the start of 1998, has permitted the implementation of three working time models, the aim of all of which is to

promote enterprise-level flexibility and to redistribute work in such a way as to benefit the unemployed. This rendered changes necessary in the adjustment law on employment contracts (AVRAG) and in the law governing unemployment insurance (ALVG).

The labour market policy models for a redistribution of work described below pursue both employment-related and social policy goals. They create opportunities for a more flexible organisation of the individual's working time across his/her entire occupational biography; such opportunities can be taken on a voluntary basis. Employees are to be allowed to reduce their working time in order that unemployed persons can be recruited to fill the gap so created (employment-policy goal). Employees reducing their working hours receive financial compensation from the unemployment insurance fund. Financing is covered largely by the savings to the unemployment insurance fund resulting from the recruitment of replacement workers. Voluntary working time reduction increases individual sovereignty over working and non-working time, raises the quality of life and frees up energies that are of great interest and utility from both a social and economic perspective (social-policy goal).

The training-leave model

This model permits employees and employers to agree on a period of unpaid training leave for between six and 12 months in a way commensurate with the interests of the employees and the requirements of the firm. The model is conditional on a prior period of uninterrupted employment of at least three years.

During the leave period employees are entitled to a further training allowance, the level of which is equal to the allowance paid to parents taking parental leave – currently ATS 5,565 per month. The conditions of entitlement to this allowance include meeting the conditions of entitlement to unem-

* These include overtime hours that are worked at the request of the employer and are not due to forces beyond his/her control: in the latter case a contribution rate of 14% applies.

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ployment benefit, proof of participation in a further training measure, and that any paid employment undertaken during the training leave does not exceed the level considered negligible for social insurance purposes, currently ATS 3,740.

The employer is not obliged to recruit replacement staff for employees taking training leave. The Labour Market Service will, however, in close cooperation with the firm, attempt to take advantage of as many employment opportunities as possible in order to place unemployed persons.

For the duration of the training leave, employees enjoy so-called "motive-specific" dismissal protection; this means that they may not be made redundant by the employer for reasons connected with having taken the opportunity of training leave.

Following a period of training leave, an employee must wait three years before he or she is entitled to reach agreement with the employer on a further period of training leave with entitlement to the further training allowance.

The sabbatical model

Under this model employees and employers are able to reach agreement on an unpaid sabbatical without specified purpose for a period of between six and 12 months.

For the duration of the sabbatical, employees are entitled to financial support at a level equivalent to the further training allowance paid by the unemployment insurance fund. It is a condition of entitlement to this financial support that the participant meets the conditions of entitlement to unemployment benefit and that any paid employment undertaken does not exceed the level considered negligible for social insurance purposes. In addition, the employer is obliged to recruit a person previously registered unemployed with the Labour Market Service and drawing unemployment benefits or social benefit to replace the employee on sabbatical; his or her working hours must exceed the "negligible" level.

For the duration of the sabbatical, employees may not be made redun-

dant for reasons connected with having taken advantage of this opportunity.

The "solidarity-premium" model

In contrast to the training-leave and sabbatical models, the solidarity-premium model is oriented not towards individual workers, but rather to sections of a work force or an entire company. Under the new rules in force since the start of 1998, management and work force representatives are able to sign collective or company-wide agreements that set out the conditions for a reduction in individual working time with a simultaneous recruitment of replacement workers.

Employees reducing their working hours within the framework of the solidarity-premium model and the replacement workers recruited are entitled to a "solidarity premium" for a period of up to two years from the date of recruitment of the replacement workers; this is equivalent to a share of unemployment benefits pro rata to the extent to which working time has been reduced. It is a condition of entitlement to this allowance, which is paid by the unemployment insurance fund, that the replacement workers were previously registered as unemployed with the Labour Market Service, had been drawing unemployment or social benefit, and are employed for more than a "negligible" number of hours. The total volume of working hours of the employees reducing their working time within the framework of the solidarity-premium model plus those of the replacement workers recruited must remain equal to the previous total.

As in the training-leave and sabbatical models, employees enjoy a specific form of dismissal protection and may not be made redundant for reasons linked to participation in the model.

Finland

Job-Rotation Leave

The pilot job-rotation leave scheme has now been extended to the end of the year 2000. Job-rotation leave (iMi 54, p. 17; iMi 59, p. 20) is a period agreed on by the employer and the employee, during which the employment relationship of the employee is "dormant". For this period, job-rotation compensation is paid to the employee. During the period of leave, the employer should engage an unemployed jobseeker through the employment office.

The job-rotation compensation paid to those on leave was increased from 60% to 70% as of 1 January 1998. The amount is based on the unemployment benefit which would be granted to the person going on leave if he were unemployed. If the employee has been a member of an unemployment fund for over 10 months, the compensation is based on the wage-related daily allowance. Otherwise the compensation is based on the basic daily allowance. At the same time the maximum upper limit of compensation, previously FIM 4,500 per month, was abolished.

In future, job-rotation leave will apply not only to full-time employees, but also to employees whose working time is over 75% of that of a full-time employer in the field concerned. The condition of one year's prior employment with the employer remains in force. This period of one year may include unpaid absence from work for a maximum of 30 days. In this case, the employee must have been employed by the same employer for at least 12 months during the last 13 months. The relevant legislation has been amended to the effect that absence due to illness or accident will in future be considered equal to time at work, when determining the length of tenure.

Job-rotation leave must still last between 90 and 359 calendar days. The spreading of the leave should be settled in the job-rotation agreement before the leave begins. For special

reasons, it is, however, possible to agree on the spreading even later on along with the legislative amendments.

In connection with the budget proceedings for 1998, the government has stated that the job-rotation leave scheme will be reformed in a way agreed on by the social partners. The above-mentioned legislative amendments are primarily based on the agreement made by the social partners in connection with the new incomes policy settlement that was reached in December 1997 for two years.

The legislative amendments to the Act on job-rotation leave (1663/1995) came into force at the beginning of 1998. Agreements on job-rotation leave can be made until the end of the year 2000, and the leave itself must have been taken by the end of the year 2001.

Finland

New Ways ahead in Working Time Policy

A working group under the Minister of Labour has been looking at new ways ahead in working time policy, and floated some new ideas in its interim report published in November 1997. Among the working group's proposals is a sabbatical leave scheme, increased investment in adult education backed up by more flexible working hours arrangements, and research projects related to working hours in information-technology occupations.

According to the working group, working time policy can have a major impact on many different aspects of employment: it can have positive health effects for employees and for the self-employed, it can promote learning on the job, raise safety levels in atypical work, and improve the situation of older employees in the workplace.

The working group points out that the current trends towards client orientation, management by results, the network economy, and the growth of subcontracting and related self-employment will all continue to reduce the significance of working hours in the arrangement and supervision of work.

The working group does not believe that a reduction of weekly working hours can help to achieve any lasting improvement in the employment situation, even at times when the national economy is highly competitive. On the other hand, it is acknowledged that, coupled with a reorganisation of work, shorter working hours could raise employment levels in individual, "tailored" cases.

There is persuasive research evidence to show that excessively long working hours have adverse health effects. The daily minimum of nine hours of rest should therefore be maintained. Long daily working hours and shiftwork are a particularly serious risk factor in the case of older employees.

In its report the working group proposes the launch of a sabbatical leave insurance scheme. Funded by tax deductions, the scheme would allow employees to save up hours in a "working hours bank" and, after longer periods of intensive work, take sabbatical leave to "recharge their batteries". It would provide an incentive to employees and an instrument of tax planning that might be better suited to the domain of working time policy than pension insurance schemes.

With regard to older employees, it is suggested that working hours could be staggered according to the employee's age. Similarly, it is suggested that steps should be taken to make it easier for older employees to take part in programmes aimed at maintaining individual working capacity. All workplaces should provide regular rehabilitation programmes as an integral part of their personnel policy. Other arrangements to reduce working hours in a flexible manner, including part-time pensions, should also be promoted. A basic requirement here is to ensure that pension entitlements are adequate.

Working time arrangements should support on-the-job learning as far as possible. The same applies to the development of adult education, where closer attention needs to be paid to the special requirements of the individual workplace and to multi-skilling.

Companies still tend to look upon part-time employment mainly as an option for women. In its report the working group urges all parties to local-level negotiations to try and find solutions that make it easier to reconcile paid employment and family life. Working time arrangements in both male-dominated and female-dominated branches should take account of the needs of families.

For reasons linked to safety considerations in atypical work, it is suggested that steps be taken to promote flexible working arrangements, such as through the introduction of systems based on working hours banks. This would require a revision of the legislation on annual holidays.

It is important that the working time gap between wage earners and the self-employed is not allowed to grow too much, particularly in branches where it is a policy aim to promote self-employment. Support systems for small businesses should aim to promote healthy working hours.

The relationship between working hours and the information society remains poorly understood. Development projects concerned with working time arrangements in the information society should therefore be encouraged; the European Social Fund is a significant potential source of funding for such projects. Research is also needed to find out whether information-technology work is causing a lengthening of working hours.

Competition on the market place has led to increasing differentiation in working hours, particularly in branches characterised by highly unpredictable and heavily fluctuating demand levels. These new types of working hours are most common in jobs with low skill or qualification requirements, but also in demanding expert positions. Continuous insecurity with regard to working hours also involves health risks as well as educational and

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occupational risks, which cannot always be regarded as reasonable or appropriate with regard to the development of human resources.

The working group's interim report is intended primarily as a discussion paper. The working group will continue to discuss and submit proposals for

the further development of working time policy on the basis of public debate and the response to its earlier suggestions until its remit comes to an end on 31 July 1999.

Miscellaneous

Greece

Preventing Illegal Migration

In order to solve the problems arising out of illegal immigration for economic reasons, in November 1997 the Greek government issued two presidential decrees – published in the legal gazette – in implementation of Article 16 of Law no. 2434/95.

Presidential decree 358 sets out the conditions and the procedures for the legal residence and employment in Greece of foreigners who are not citizens of an EU country. The aim of the presidential decree is to identify illegal immigrants living in Greece and either working or looking for work, and to initiate a procedure that, subject to certain conditions, will lead to their legalisation.

Presidential decree 359 sets out the regulations for issuing a fixed-term residence card to foreigners. The aim of this presidential decree is to solve the problem of illegal migration for economic reasons by determining the procedure, the formalities, and the conditions for issuing a fixed-term residence card.

Netherlands

Continuous Decline of the Level of Low Wage Scales

A recent Labour Inspectorate report on trends in collective agreements indicates a continuous decline of the level of low wage scales in collective agreements. The Labour Inspectorate report is based on information on 100 large collective agreements covering approximately 4 million employees. The report considered not only low wage scales but also matters such as wage growth, training and new jobs.

For 88 collective agreements the average level of the low wage scales in 1997 was compared to the level in 1996. The conclusion is that the average level of these scales has gone down from 108.2% to 106.5% of the statutory minimum wage (WML). This marks a continuation of an already evident trend: in 1994 their average level was 111.8% of the WML.

Of the 52 collective agreements concluded in 1997, 35 include agreements on a low wage scale at or just above the level of the WML (up to a max. of 105% of the WML). These agreements relate to 80% of employ-

ees under a new collective agreement in 1997. In 9 out of 52 new collective agreements, provisions on these specific low wage scales had been included for the first time. Most collective agreements containing low wage scales above 105% WML have arrived at alternative agreements with respect to the employment of low-skilled people.

Stipulations regarding job experience places and job programmes were found in 71 collective agreements. These are especially targeted at the long-term unemployed and people from ethnic minorities. In 28 of the 71 collective agreements, the number of jobs was made explicit. The total amounts to more than 6,000 jobs. In 13 of the 71 collective agreements, the provisions relate to the subsidised job programmes initiated by the present government (“M-1” and “M-2”). Within this context the social partners have agreed to create nearly 3,500 jobs.

In 35 collective agreements, training aimed at general human resource development and future developments in a function (or in another function) was included. These agreements have taken up the current discussion on the “employability” of employees. Agreements on function-oriented training appear in 87 collective agreements. In 13 of these it has been made explicit that the training

will be aimed at older workers as an alternative to early retirement. Nearly half of the 87 collective agreements contain provisions regarding paid leave with training.

With respect to the apprenticeship system, 51 of the 100 collective agreements under investigation contain

provisions. Nearly half of them stipulate that the educational day will not be paid by the employer. 14 out of the 51 collective agreements contained provisions on the payment of a bonus upon qualifying for a certificate or on job guarantees upon finishing a training trajectory.

Wage growth in the Netherlands is still moderate, although the Labour Inspectorate indicates a slight rise. The collective agreements reached since 1 January 1997 show an average wage rise of 2.3%. In the collective agreements concluded before 1 January 1997, the average wage rise had been 1.1%.

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (20 March 1998):

| | | |
|----------------|-----|----------|
| Belgium | BEF | 41.04 |
| Denmark | DKK | 7.58 |
| Germany | DM | 1.98 |
| Greece | GRD | 347.21 |
| Spain | ESP | 168.66 |
| France | FRF | 6.67 |
| Ireland | IEP | 0.79 |
| Italy | ITL | 1,958.94 |
| Luxembourg | LFR | 41.04 |
| Netherlands | NLG | 2.24 |
| Austria | ATS | 10.00 |
| Portugal | PTE | 203.59 |
| Finland | FIM | 6.04 |
| Sweden | SEK | 8.64 |
| United Kingdom | GBP | 0.65 |

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Benchmarking Labour Market Performances and Policies¹

Leonello Tronti²

1. Introduction: benchmarking as a tool to accelerate convergence between the European labour markets

The recent initiatives of the European Union on employment policy underscore the relevance of *benchmarking* as an instrument for improving labour market performance and labour policy effectiveness. The 1996 Joint Employment Report emphasised the need for exploiting the potential of labour market monitoring and pointed to the Commission's role in identifying and disseminating good practice. As a consequence, the 1997 Joint Employment Report (European Council and European Commission, 1997b) presented a detailed picture of employment policies and best practices in the Member States and provided a list of employment indicators which could be used as benchmarks in assessing labour market performance.

Other analytical results achieved by the Directorate-General V³ were made available to the Luxembourg Extraordinary European Council meeting (20–21 November 1997), for the first time focusing exclusively on employment. It was decided at this meeting to immediately put into effect the provisions of the Treaty of Amsterdam's new Title on employment. This decision made it possible to begin coordinating Member States' employment policies from 1998 onwards on the basis of "em-

ployment guidelines" (defined as "common lines of approach for both objectives and means") and drawing on experiences with the multilateral surveillance of economic policies and related successes in fostering convergence (European Council, 1997).

The 1998 employment guidelines (classified under the "four pillars" of the European employment strategy)⁴, which are based on broad policy lines aimed at structurally reducing unemployment, will have to be incorporated by the Member States into National Employment Action Plans (NAPs). NAPs drawn up in a multi-annual perspective will set deadlines for achieving the desired results. The aim of this initiative, in view of the priority assumed in Europe by the issue of employment, is to create for labour market policies "the same resolve to converge towards jointly set, verifiable, regularly updated targets" as is the case for economic policy, "while respecting the differences between the two areas and between the situations of individual Member States" (European Council, 1997).

In order to obtain information, scientific results and recommendations for improving labour policy monitoring through benchmarking techniques, DG V entrusted the RESEARCH Network of the European Employment Observatory with the research project "Benchmarking Employment Performances and Policies". The final report of the project was completed in December 1997, and the European Employment Observatory will publish it shortly. The following pages offer a critical presentation of the main results.

Benchmarking techniques in the private and the public sectors⁵

As we have seen, the new endeavour of the European Union in the field of employment is to foster convergence towards the best performers, and one of the fundamental instruments to be used to this end is the technique of benchmarking. However, is this technique suited to the purpose?

As used in the private sector, benchmarking is "the search for best practices that lead to superior performance" (Camp, 1989) or, alternatively, an "efficiency tool based on the principle of measuring the performance of one organisation against a standard, whether absolute or relative to other organisations" (Cowper & Samuels, 1997). In business-oriented literature, the following types of benchmarking can be distinguished:

- 1 This paper offers a critical presentation of the main results of the research project "Benchmarking Employment Performances and Policies", which was carried out by the RESEARCH Network of the European Employment Observatory on behalf of DG V. The project, coordinated by Leonello Tronti, was accomplished by Rikard Althin (EQM, Sweden), Dominique Anxo and Donald Storrie (Göteborg University, Sweden), Lars Behrenz (Växjö University, Sweden), Anna Ceci (FGB, Italy), Bernard Gazier (Université de Paris I, France), Susan Houseman (Upjohn Institute, USA), Michio Nitta and Misuzu Otsuka (University of Tokyo, Japan), Günther Schmid, Holger Schütz and Stefan Speckesser (WZB, Germany) and Andrea Toma (CENSIS, Italy).
- 2 Fondazione Giacomo Brodolini and LUISS-Guido Carli University.
- 3 European Commission (1997b, 1997c and 1997d).
- 4 The four pillars are: (1) improving employability; (2) developing entrepreneurship; (3) encouraging adaptability in businesses and among their employees; (4) strengthening the policies for equal opportunities.
- 5 This section is based on the work of Schütz, Speckesser and Schmid.

| | |
|--------------------------------|---|
| <i>Internal benchmarking</i> | Between parts or sub-units within one organisation |
| <i>External benchmarking</i> | Comparison of an organisational unit with other organisations with the same or very similar characteristics |
| <i>Functional benchmarking</i> | Comparative analysis of specific tasks or processes |

The benchmarking technique requires alternative performance measurement methods and complex indicators, which are strongly emphasised in the relevant literature. Moreover, in benchmarking processes, learning occurs through the implementation of positive changes based on the identified roots of performance gaps; benchmarking thus requires systematic efforts in the areas of planning, implementing and controlling in order to promote organisational learning and to achieve, through learning, continuous improvement.

After its birth and development in the private sector as a means for improving competitiveness, benchmarking was adopted by the public sector as a method for introducing several types of efficiency and quality policies and for inducing performance competition. Today's broad range of public-sector benchmarking approaches can be summarised under the headings of Results, Process and Standards Benchmarking (Figure 1).

However, in the public sector and, as a consequence, in the field of labour market policy, we are faced with many more problems of comparability and transferability than in the private sector. Institutions such as public programmes and labour policies cannot be easily defined in terms of inputs and outputs; moreover, local and cultural particularities affect the results of policies and measures, so that different national problem structures and institutional regimes hinder the simple transfer of best practices. Furthermore, and most importantly, in order to bring about positive changes, benchmarking analysis should always be related to policy action. In other words, in

the benchmarking technique, learning and action are interdependent and inseparable. In this sense, research studies can be viewed in themselves only as a starting point. This is why the whole new surveillance process established at Luxembourg, by contrast, can be regarded as a genuine benchmarking process.

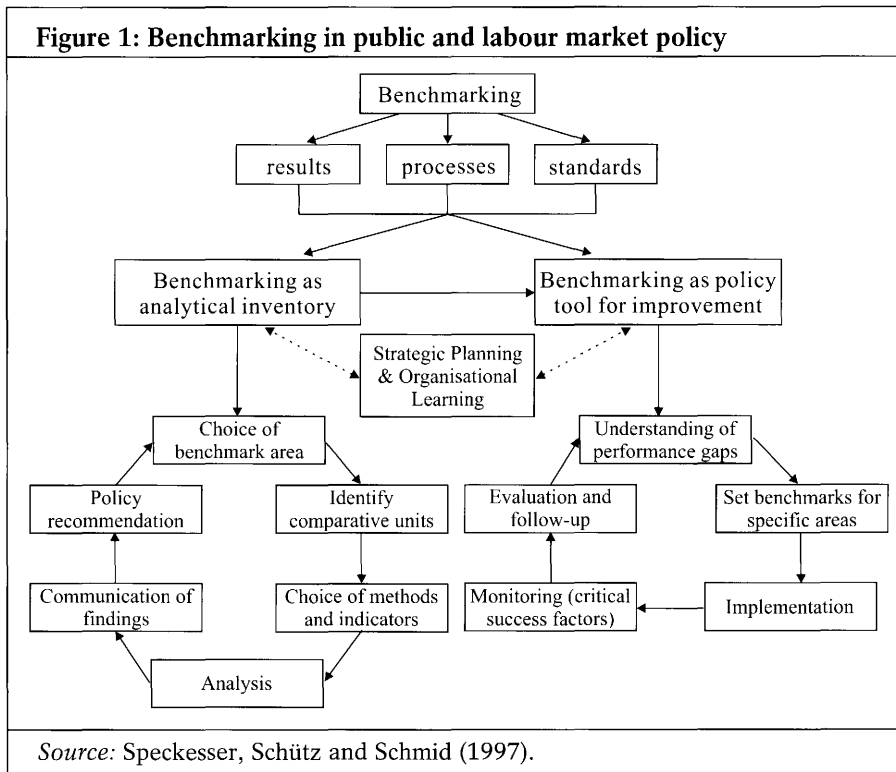
Benchmarking employment performances and policies

In fact, since 1994 the Essen Agreement has required Member States to implement actions in the field of labour market policies in order to improve the employment performance of national labour markets. In response to five broad guidelines⁶, all Member States were periodically reporting to the European Commission about their progress in following up the Essen Strategy. The Treaty of

Amsterdam and the Luxembourg Council, through the creation of the new surveillance mechanism, have considerably strengthened this already existing, though relatively weak, commitment to labour market convergence.

Such a strengthening is a consequence of the fact that the Member States still show diverging trends in employment and unemployment. The levels of unemployment, in particular, are growing in the continental states (France, Germany, Italy) while remaining stable in others (for example in Sweden); only some Member States have succeeded in significantly lowering their unemployment rates (the United Kingdom, Denmark and the Netherlands). The Member States which

⁶ These were the following: (a) improving vocational training systems in order to cope with the development of the information society; (b) increasing the employment intensity of economic growth; (c) reducing non-wage labour costs; (d) improving the effectiveness of labour market policies and promoting the "activation" of passive measures; (e) improving the measures aimed at helping groups affected severely by unemployment and opening equal labour market opportunities for women.



succeeded in reducing unemployment followed very different national paths: Britain, on the one hand, pursued its neo-liberal, market-led strategy, while, on the other, Denmark and the Netherlands took a more “socially integrative” approach based on job-sharing and active labour market policies.

One of the main scientific problems to be solved in order to be able to meaningfully apply a benchmarking technique to this innovative area is the question of how to identify the best performer in labour market policy (through the adoption of specific concepts of performance) and then compare it as the benchmark with low performers. When trying to define and/or rank labour market performances, one has to make a choice between several different concepts of performance, each one characterised by one or more indicators. Can the UK be designated the best performer because it attracts so many foreign direct investments? Or should it be the Netherlands, as a society which still offers generous social security benefits? Both countries are winners in the fight against unemployment (at least if the unemployment rate is taken as the benchmark). This is why it is necessary to carefully select the appropriate performance concept and, consequently, the indicators to be taken as benchmarks as well as the weighting given to them.

2. Defining labour market performance⁷

The first, very general question addressed by the project is how to identify and possibly rank labour market performance at a national level, so as to find out which country should be taken as the benchmark. From the economic point of view, the standard way of looking at performance is efficiency, a concept which can be applied to any economic process and, consequently, to labour markets and labour policies too.

The technique of benchmarking is based on comparing efficiency between existing economic units. All

measures of efficiency are based on the relationship between inputs and outputs, and thus originate in the economic theory of production. Measures of labour market policy efficiency must begin with some clearly defined idea of what policy may be able to achieve – in other words, what is the output set of the activity termed “labour market policy”? Dominique Anxo and Donald Storrie (1997a) argue that the primary “output” of labour market policy is to match labour supply to a given level of labour demand, in other words, to lower frictional unemployment or, in analytical terms, to shift the Beveridge curve towards the origin. Imperfections in the labour market result in discrepancies between the level of labour demand and the level of employment. This gap may be termed frictional unemployment, and its narrowing is the primary function of labour market policy.

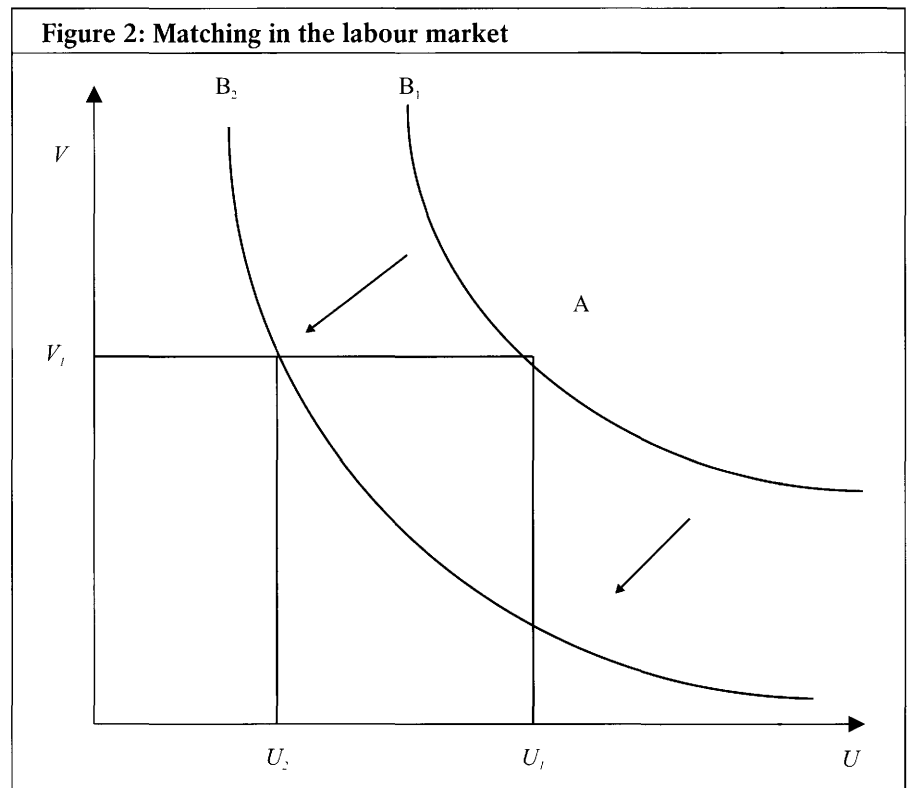
A relevant consequence of this basic (and perhaps overly narrow) definition of what labour market policy is about (a production process whose outcome is to lower frictional unemployment) is that it can only marginally

increase labour demand⁸. Other functions of labour market policy are to influence the matching efficiency of particular groups in the labour force, such as youth, women, the handicapped and foreigners.

The main instruments through which labour market policy can reduce frictional unemployment are information services, mobility measures and labour market training. The means by which labour market policy can influence the distribution of jobs among different groups in the labour force are the selective application of the above-mentioned measures as well as selective wage subsidies.

7 This section is based on the work of Anxo, Storrie, Althin and Behrenz.

8 One should, of course, be open to a wider definition of policy that may affect the labour market. There are a host of traditional macroeconomic demand management instruments that can be used to stimulate labour demand. These can be termed employment policies as opposed to labour market policies. Similarly, supply-side policy measures, such as education policy, social security systems, etc., may be used to influence the supply of labour. The question of a wider understanding of labour policy is addressed in Section 3.



The key concept in this context is matching, and the key analytical tool is the Beveridge (Unemployment-Vacancies) curve. A Beveridge curve plots the relationship between vacancies and unemployment for a given level of job-matching technology.

Labour market efficiency can be seen as the distance of the U-V curve from the origin. The closer to the origin, the more efficient is the matching technology. With matching technology represented by B_1 in Figure 2, a level of vacancies equal to V_1 corresponds to an unemployment rate of U_1 . Improved labour market efficiency, achieved by the successful pursuit of labour market policies, is represented by a shift of the Beveridge curve from B_1 to B_2 . With this improved matching efficiency, frictional unemployment is reduced from U_1 to U_2 .

Jackman et al. (1990) have estimated U-V curves for a number of countries and examined their shifts over time. The usual procedure is to estimate a model with the unemployment rate as the dependent variable and vacancies (or some other labour demand variable) as the independent variable. With the addition of a time trend, one can determine whether matching efficiency improves or deteriorates over time. Matching efficiency for particular groups, for example the young or long-term unemployed, can be analysed in a similar fashion⁹.

The U-V curve can be derived analytically from a matching function, where hirings are a function of the number of unemployed jobsearchers and vacancies. With appropriate assumptions regarding the form of the hiring function, one obtains a relationship between vacancies and unemployment. There are very clear analogies between the concepts of the hiring and the production functions, as vacancies and jobseekers are considered to produce jobs.

However, in the case of more analytical aims, efficiency in the labour market may be evidenced by many different indicators (e.g. indicators

referring to the duration of the matching process or to simultaneous labour market efficiency for different target groups such as youth, long-term unemployed or women). The problem, then, is how to weigh different indicators of labour market efficiency. A similar problem occurs when we try to assess the efficiency of different labour markets, characterised by strong differences in the levels of both inputs (e.g. expenditure on active labour policies) and outputs (e.g. employment/unemployment indicators).

As the efficiency measurement problem is essentially a matter of finding weights, a solution to the weighting problem is also the key to solving the issue of evaluating the relative importance of labour market performance indicators¹⁰. Anxo and Storrie (1997b) show that the problem of weighting indicators can be solved by introducing the concept of an *efficiency frontier* – or, rather, the indexing method which is the essence of the concept of an efficiency frontier – which can be regarded as a multidimensional equivalent of a benchmark.

Though some of the frontier estimation techniques are very complex, the basic idea of an efficiency frontier is quite simple and soundly based in economic theory. The *frontier* is the observed best practice, not of a single best-performing country, but of a locus of countries which, with very few value judgements on policy priorities and weights on policy outcomes, can be termed efficient. A simple graphical example can explain the concept of an efficiency frontier and show how it could be used to benchmark both labour market performance and the efficiency of labour market policy.

The example is the simplest case possible and illustrates how one can deal with the weighting of one input against one output when they are measured in different units. Let the labour market policy outcome indicator (output) be:

$$\text{LMPI} = 1 - (\text{unfilled vacancies} / \text{number unemployed}).$$

This is an indicator of matching efficiency, i.e. an overall indicator of labour market policy. Let the labour market policy input be the percentage of GNP spent on active labour market policy. The weighting issue here is that of reconciling the two different units of measurement for the input and the output (“how do we place a monetary value on a successful labour market policy outcome?”).

Figure 3 shows the values of the labour market policy outcome indicator (LMPI) and the cost of policy in seven countries (C1-C7). Countries C3 and C5 are not efficient pursuers of labour market policy, as C2 and C1 dominate them respectively. C1 (C2) spends less on labour market policy than C5 (C3), but obtains a better labour market policy outcome. Thus, with no assumptions concerning matching technology or value judgements as to how much a successful labour market outcome is worth, we can make categorical statements about efficiency. The efficiency frontier consists of the “steps” C4-C7-C2-C1-C6. All points south and east of the staircase are below the frontier and thus inefficient.

By introducing some assumptions, one can give the efficiency concept more discriminatory power. A relatively innocent one is that of convexity¹¹. With such an assumption, the efficiency frontier is the thick line; C7 is then also classified as lying below the frontier and thus inefficient, and its distance gives the measure of its inefficiency from the frontier.

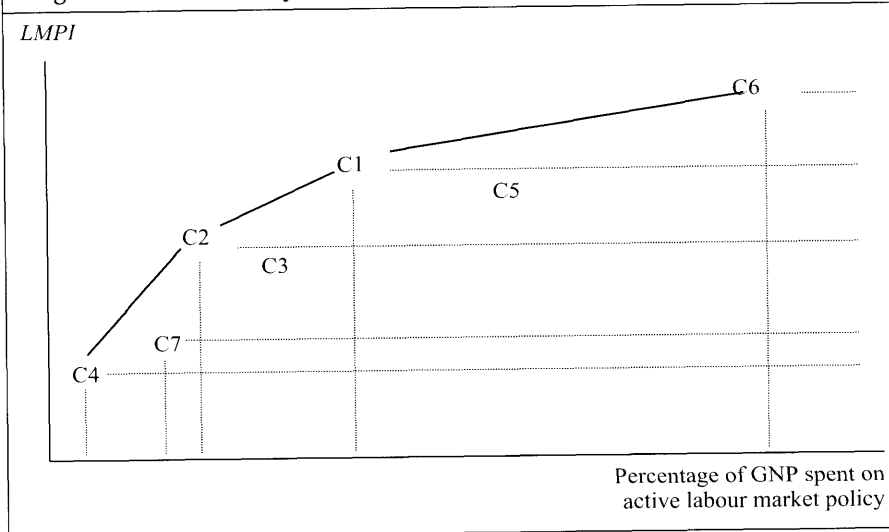
Unfortunately, it is very rarely the case that economic activity (and even more so the performance of the labour market) can be described in terms of a single input and a single output. Even in simple neoclassical

⁹ The major practical problem with this approach is the availability of labour demand (vacancy) data for many of the Member States.

¹⁰ When benchmarking policy efficiency, one has the additional problem of having to weight the labour policy inputs.

¹¹ The convexity assumption means that we assume non-negative weights (prices).

Figure 3: An efficiency frontier with one input and one output



production theory, production is assumed to occur with several inputs (e.g. labour, capital and energy). The advantage of using an efficiency frontier approach, though, is that with next to no assumptions regarding the relative weights of different policy indicators, we can obtain measures of policy efficiency when policy has two or more goals. The measures will always be not in terms of a single benchmark, but rather in terms of a frontier based on the countries operating efficiently. With more than three dimensions the problem cannot be represented graphically. However, the identification of a frontier and distance from it as a measure of inefficiency remains feasible. The computation can be performed with the relatively straightforward linear programming techniques commonly used, for example, in activity analysis.

Efficiency frontier measures of Beveridge curves (or, rather, the matching function) and other efficiency indicators or policy targets could be a feasible, innovative and potentially very useful tool for the analysis of labour market policy.

3. Benchmarking the European employment strategy¹²

Benchmarking, as we have seen, is a complex technique and requires not only the finding of best performers,

but also the process of learning from them, analysing and adopting strategies to meet their performances, and consequently advancing them within labour administrations or other public bodies carrying out labour market policy, in order to generate continuous performance improvement. For this reason, scientific research can only fulfil a part of benchmarking, while the rest of the process relies on the interaction between research, policy-making and institutions.

Furthermore, research has to face the fact that labour market policy has several (and possibly conflicting) goals: it should contribute to a high overall level of employment, thus fostering economic welfare, social integration and adequate income levels; in addition, it has redistributive functions (opportunities, incomes) and corrective functions (related to mismatches) aimed at supporting optimal factor allocation. Research should take into account all these tasks and possible trade-offs, and this indeed is not easy: a meaningful and successful application of benchmarking to the labour market requires the consideration of interdependent policies, institutional analysis, a wide range of methods and a careful selection of indicators.

A possible way to address the ranking problem while maintaining in evidence the roles played by the

different labour policy goals is the Radar Chart (RC) approach proposed by Speckesser, Schütz and Schmid (1997). In their illustrative examples of the RC approach referring to Sweden (Figure 4), the United Kingdom (Figure 5) and 20 OECD countries (Figures 6 and 7), the performance measurement analyses the change in overall labour market performance for two different years (1985 and 1995). On the different axes we see seven selected indicators of employment performance, corresponding to possible targets set by actors and institutions (in this case, the fundamental elements of the European Employment Strategy).

The indicators chosen are only an approximation of those which are actually desirable, i.e. which would capture labour market dynamics in terms of transition rates (e.g. from unemployment to employment or from active measures to employment; see Section 4 below). Such data are at present more illusory than accessible. Nonetheless, a look at labour market stock data for the beginning and the end of a period illustrates the ongoing net dynamics¹³. By contrast, flow analysis does not give sufficient consideration to the visible extent of a problem at a time *t*. The authors therefore decided to look at labour market stocks at two different points in time for the following indicators:

- Unemployment rates (as a percentage of the total labour force; two axes, males and females);
- Share of long-term unemployment among all unemployed (two axes, males and females);
- Employment rates (as a percentage of the total working-age population; two axes, males and females);
- Youth unemployment rates (as a percentage of the total labour force of the 15–25 age group, in

¹² This section is based on the work of Schütz, Speckesser and Schmid.

¹³ For example, changes in long-term unemployment indicate the net flow from long-term unemployment to employment, as well as to any other status.

order to take account of the nationally diverging participation figures; unfortunately, the rates are not available by gender).

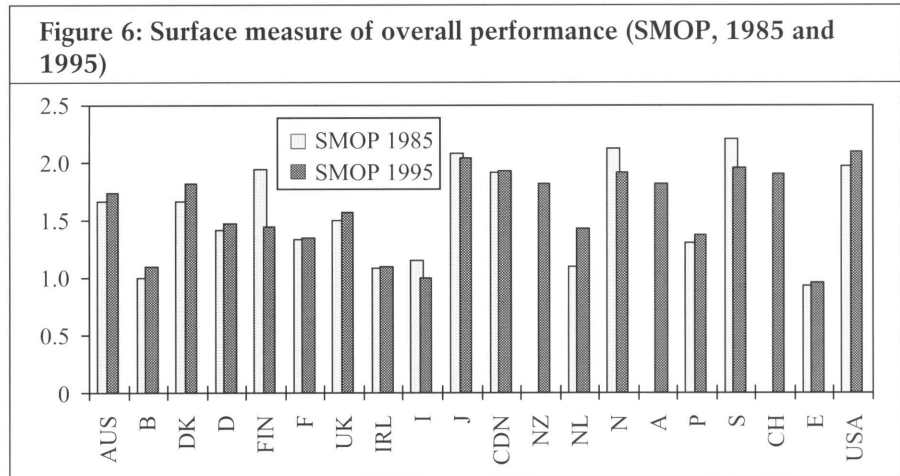
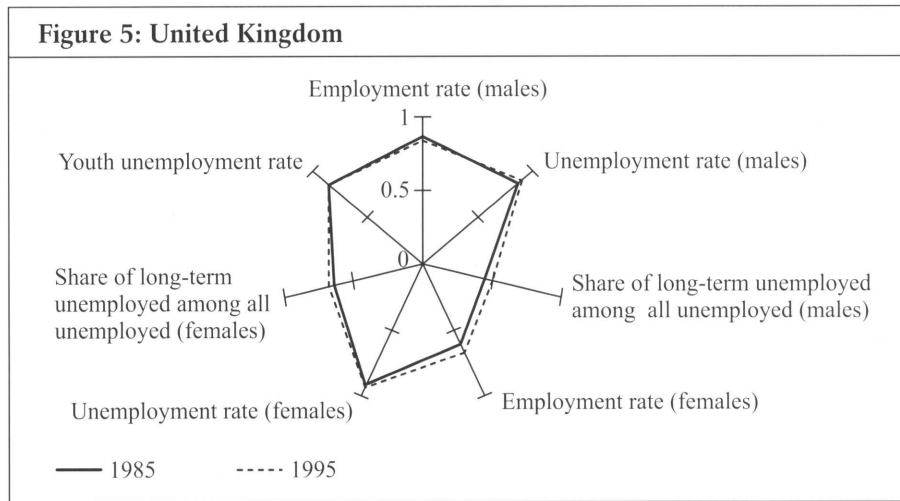
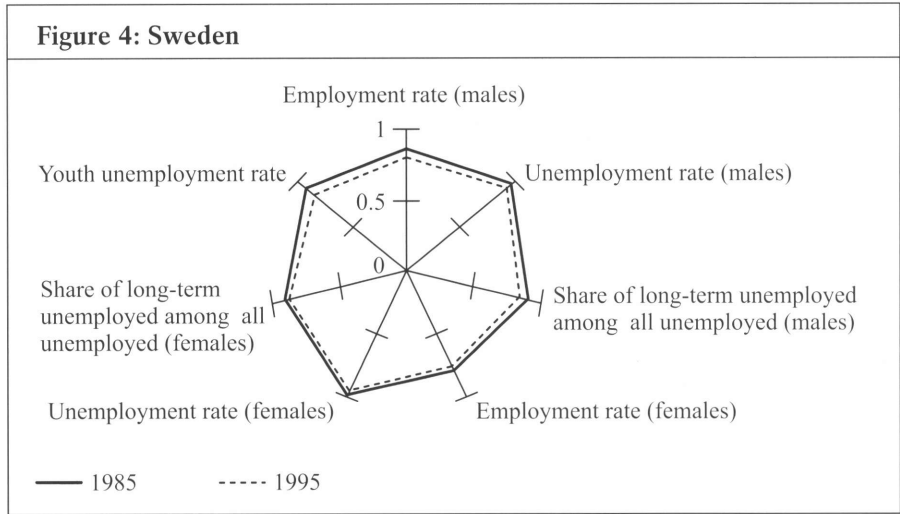
All indicators are transformed: the highest performance (i.e. an unemployment level of zero, an employment rate of 100% for the working-age population, zero youth and long-term unemployment) always has the value 1 in the charts. These “benchmarks” are clearly unrealistic, but they simplify the standardisation process. Together, the seven values form a calculable surface which is always comparable; if the single values are maximised (e.g. if the unemployment rate is minimised), the surface figure will increase¹⁴.

A complex indicator in practice: the surface measure of overall performance

This subsection shows the calculation of the Surface Measure of Overall Performance (SMOP) for two characteristic employment systems (Sweden and the United Kingdom: Figures 4 and 5). As the calculations were elaborated for all the Member States of the EU, a comparison is also shown for the measure, as well as for its change over time (Figures 6 and 7).

In descriptive terms, we see a characteristic equal participation of men and women in the Swedish labour market, while overall employment performance declined. All the different measures are responsible for the downward trend. In the UK, women’s participation increased, but is still below the share of their male counterparts. The UK seems to be the “winner” among the two selected countries: if we compare the surfaces within the line, we see that Sweden still has the highest value, though the amount declined, while Britain had an increase in overall performance.

Figure 6 shows the 1985 and 1995 SMOP levels for the 15 EU countries



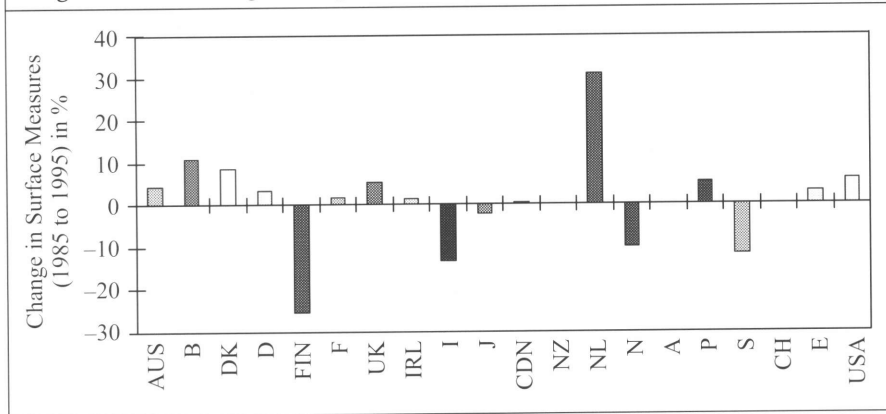
¹⁴ The calculation formula is based on a modification of the work of Albach and Moerke, 1996.

plus another five non-EU countries. The level of percentage change, which could be a possible dependent variable for an assessment and benchmarking study on labour mar-

ket policy, is displayed in the final figure (Figure 7).

The RC approach has three main advantages. First, it enables a self-evident descriptive analysis: since

Figure 7: Percentage change in SMOP, 1985 and 1995



the different dimensions chosen to represent labour market performance are clearly distinguishable, it can easily show if the maximisation of one dimension leads to a worse or better performance of others. The second advantage is that it yields an effective and illustrative description of selective performance dimensions in only one synthetic indicator. The SMOP can be understood as a proxy of the performance of the labour market system – provided that enough (sub-)policies (dimensions) are included. Third, the increase (decrease) in the SMOP over time (between two points in time) can indicate improvement (deterioration) in performance, independently of possible countervailing effects.

It should be noted, however, that unlike the efficiency frontier approach presented above (see Section 2), the RC approach does not take into account the cost of labour market policy, and thus does not see the labour market as a production process. Furthermore, it suffers severely from the weighting problem: all different benchmarks (the axes in the chart) have the same weight by definition, so that the same movements along different axes (most likely characterised by different degrees of desirability or even attainability) yield the same changes in the SMOP. This shortfall would lead us to judge as equivalent very different changes made by different Member States in different areas. It can only be avoided if we make explicit the ranking of

political preferences (and possibly internalise it in the scales of the indicators). For the same reason, the SMOP index would be very sensitive to the choice of indicators, and different options would lead to different rankings, as well as to different dynamics.

Furthermore, for the purpose of benchmarking, the weakness in both the efficiency frontier and the RC approaches is that they only reveal who is performing on the frontier (the benchmark) and who is not, and how far the latter is from full efficiency. They cannot explain independently why some countries perform better than others do. A labour market benchmarking strategy, then, can certainly include measuring efficiency/performance using the frontier/SMOP measurements, but it then has to explain and break down the results of these indicators using other tools and drawing on labour economic theory and econometric techniques.

4. Broadening the scope of benchmarking¹⁵

Thus, the need to provide explanations for different performances calls for a more comprehensive analytical approach: understanding labour market performance is not only the *measurement* of facts and their interpretation, but also the analytical *assessment* of performance. In this sense, benchmarking requires *evaluation techniques*, and therefore includes all the available methods to be found in the evaluation toolbox.

The most common approach for assessing and comparing labour market performance is to measure employment, unemployment, labour force participation and their respective growth rates. Based on these key indicators, rankings of labour market performance have been conducted for OECD countries at least since the mid-1980s (e.g. Therborn, 1985; Schmidt, 1985; Rowthorn & Glyn, 1990). These rankings, however, usually remain ambiguous for various reasons: (a) the economic, political and demographic determinants of the indicators' levels are not fully explained; (b) often important features are missing, for example the gender dimension or the duration or age aspect of unemployment; (c) the performance assessment is based mainly on stock data and neglects the dynamics of flow data.

Furthermore, such studies have to face the considerable problems inherent in a comparison of different policy choices to promote employment growth. Think of different options such as: (a) policies which promote product and process innovations, especially in service activities; (b) policies which facilitate the development of new technologies to address unmet human needs; (c) policies to expand public investment and collective consumption, to widen wage dispersion, increase wage flexibility and reduce working time. Each policy option has different pros and cons, depending on the economic and institutional circumstances; and the importance of path dependency suggests that, while comparing performances, one should always look for “functional equivalents”, or different ways (policies, institutions, adjustment variables) to address the same problem in different contexts.

The Employment Systems approach

In order to capture the various context conditions and assess their importance for successful employment policy-making, Schmid, Schütz and

¹⁵ This section is based on the work of Schmid, Schütz and Speckesser.

Speckesser (1997) propose the comprehensive Employment Systems (ESs) approach. ESs are understood by the authors as “the set of institutions and policies that simultaneously determine the level of unemployment and employment”. These institutions act as social filters, suggesting certain reactions to external shocks or challenges and excluding other, theoretically possible ones. In turn, ESs are characterised by the interaction of two subsystems: the Production System and the Labour Market System. This last can be defined as “the rules and incentives that lead to employment decisions”, and at least four institutions (and their interactions) play an important role in such decisions: (a) private households; (b) industrial relations; (c) the education and training system; (d) social security.

Labour market policy can influence employment decisions through all of these institutional channels:

- by providing systematic information and advice (job placement);
- by subsidising wage costs;
- by eliminating skills shortages;
- by creating publicly funded “bridges” into employment, or altering the level and duration of benefit payments;
- finally, by deregulating or reregulating employment relationships.

Thus, ESs are very complex institutional arrangements. Their very complexity rules out one-dimensional benchmarks; equally, however, they cannot be regarded as an arbitrary conglomeration of possible institutional factors. They usually form a coherent functional framework: in other words, an employment policy configuration or *employment regime* which has developed over time and has regional and national characteristics.

In the analysis of Schmid, Schütz and Speckesser, one kind of employment regime is the one often referred to as *competitive capitalism*, which implies the predominance of market mechanisms in decisions on production and employment and is exempli-

fied by the USA. Another, *coordinated capitalism*, refers to the close coordination between state and business and characterises, for example, Japan. A third configuration, commonly referred to as welfare capitalism, gives an important role in decisions on production and employment to the social security systems. This regime can be found in most European countries.

The competition that used to exist between capitalism and socialism has now been replaced by the competition between these variants of capitalism. There are considerable differences in this respect within the European Union. Not only are these differences more visible today, but they are also relevant to the question of whether a new, independent and successful European model will emerge from the competition. Will this model develop more in the direction, for example, of the Netherlands, or more towards Germany or the United Kingdom? By referring to ESs analysis, benchmarking could provide support in finding answers to this question.

The ESs approach has one further important implication for labour market benchmarking. Indicators should reflect the relationships between and within the ESs. For this reason, single indicators are misleading. Typical examples of relational indicators are employment elasticity (the relation between output growth and employment growth) and *unit labour cost* (the relation between labour cost growth and productivity growth).

The distinction between structural and behavioural relationships is thus of special importance. One way to deal with this distinction, according to the authors, is to use shift-share techniques or to break down complex aggregate indicators into their components. Two examples shall illustrate this point.¹⁶

Decomposition of employment

A typical question to be addressed by labour market benchmarking is: “is the recent unemployment reduc-

tion in the UK a valid performance indicator for the British employment system? If yes, which institutional arrangements are responsible for this good performance? Can these arrangements be transferred to other European countries? If not, what are the functional or institutional equivalents?”

In order to answer these questions, a decomposition of job growth into its elements may prove useful. The following identity equation can serve this aim¹⁷:

$$E = WAP * LFP * (1-U),$$

where E stands for the number of employees, WAP for the population of working age (e.g. 15–64), LFP for labour force participation and U for the unemployment rate; (1–U), then, is the ratio of employment to the labour force.¹⁸ Quite evidently, the three terms on the left side of the equation are not independent of each other. Nonetheless, they help us to understand the main components of the employment level.

If we look at this equation in dynamic terms, we conclude that employment growth is the result of the sum of the growth of the population of working age, the growth of labour force participation and the growth of the employment ratio, as expressed in the following equation:

$$\Delta E = \Delta WAP + \Delta LFP + \Delta(1-U).$$

The equations show quite clearly which fundamental elements contribute to the level of employment and employment growth. The decomposition at least provides good hints as to whether employment growth should be primarily traced back to “structural” (demographic), “behavioural” (labour force participation) or “political” (political-economic success in reducing unemployment) causes.

¹⁶ For an example of an application, see Schmid (1997a).

¹⁷ This decomposition technique was motivated by Houseman (1995).

¹⁸ This indicator should not be mistaken for the more common ratio of the employed to the working-age population.

Table 1 presents the decomposition of both employment levels and growth for Germany, France, Italy and Great Britain. Germany's high level of employment is shown to stem mainly from the "political" component, and the negative employment growth of 1990–1996 can be traced back to the deterioration of this same component. By contrast, Britain's good performance relies largely on the "behavioural" component (the high participation rate), while the small increase in unemployment in 1990–1996 could not be reflected in the level of employment growth due to the rapid fall in participation.

Decomposition of per capita GDP

At the aggregate level, economic welfare is commonly measured by per capita gross domestic product. This measure can be conveniently decomposed using the following identity equation:

$$GDP/POP = GDP/H * H/E * E/POP.$$

GDP/POP is the per capita gross domestic product (POP = total population), a proxy for "economic welfare" when measured in purchasing power parity units. GDP/H is hourly productivity and can serve as a measure for "efficiency". The term H/E is the annual average number of hours (H) worked by the employees (E); it can be assumed that the lower this figure the higher is the degree of "work-sharing" or labour redistribution. E/POP, finally, is the employed people's share of the total population, which can be taken as a measure for the degree of "social integration" into the labour market.

In analogy to the decomposition of employment growth, the growth of per capita GDP can also be split into its additive components, to see whether it is mainly related to labour productivity (technological progress), changes in working time (institutional arrangements), changes in the employment rate (labour intensity of growth or demographic effects) or a combination of all three elements. Such relational indicators are

| | | "Structural" | "Behavioural" | "Political" |
|----------------|--------|--------------|---------------|-------------|
| 1993 | E = | WAP * | LFP * | 1-U |
| Germany | 32,215 | 54,700 | 69.9 | 92.1 |
| United Kingdom | 25,400 | 37,848 | 74.9 | 89.6 |
| France | 22,226 | 37,794 | 66.6 | 88.3 |
| Italy | 20,467 | 38,828 | 58.7 | 89.8 |
| 1990–1996 | ΔE = | ΔWAP + | ΔLFP + | Δ(1-U) |
| Germany | -0.53 | 0.29 | -0.07 | -0.75 |
| United Kingdom | -0.70 | 0.15 | -0.66 | -0.19 |
| France | -0.17 | 0.35 | 0.15 | -0.67 |
| Italy | -0.77 | -0.28 | -0.11 | -0.38 |

* 1993, levels; 1990–96, average annual growth rates.
 Source: based on OECD: *Economic Outlook*. Paris, December 1997.

an important basis for characterising employment regimes and their dynamics.

Table 2 (see Schmid, 1997a) presents the results of such a decomposition exercise for USA, Japan, Germany and the Netherlands. The USA leadership in 1994 was based on a high social integration level combined with very low employment redistribution. Japanese performance was much lower regarding the efficiency variable, but even higher with respect to social integration. In the 1983–1994 period, Japan showed a better dynamic performance as it succeeded in considerably improving efficiency while reducing average working hours and further increasing its high social integration standard.

Transitional labour markets

As no evaluation is free from value judgements, Schmid, Schütz and Speckesser finally propose the concept of *Transitional Labour Markets* (TLMs) as a normative framework that could be used for rethinking the idea of full employment in Europe. The most important considerations underlying this approach (Schmid, 1995, 1997a, 1997b) can be summarised in three points:

- first, a return to the high growth rates and employment levels of the "golden age of capitalism" is not possible and, for ecological reasons, not even desirable;

- second, the dramatic changes in the age composition of the population in mature industrial societies require a new social contract, especially as regards the financing of social security;

- third, normative aspirations of gender equity and equality in the labour market call for a new "gender contract" to replace the male breadwinner model by a partnership model.

For these and other reasons, the traditional definition of full employment is deemed by the authors to be no longer applicable to the European case. The TLM concept offers a new interpretation, which assumes optional breaks in the working career to be a "normal" condition of contemporary and future working life. The average working time in individual life cycles would be reduced substantially, but actual working time would shift considerably according to economic conditions and "biographical phases" in the life cycle. Institutionalised transitions between various working times and/or between different employment statuses would enhance new forms of labour market flexibility, where individuals or households' labour market options could be reconciled with other activities such as education, further training, social work, and cultural and political involvement.

Because of these normative goals, the most general performance crite-

Table 2: Decomposition of per capita GDP into efficiency, employment redistribution and social integration indicators*

| | "Efficiency" | "Employment" | "Social" |
|--|--------------|-----------------|--------------|
| | GDP/POP = | Redistribution" | Integration" |
| 1994 | GDP/H * | H/E * | E/POP |
| USA | 19,364 | 21.09 | 1,945 |
| Japan | 15,735 | 16.07 | 1,898 |
| Germany | 14,933 | 21.50 | 1,575 |
| The Netherlands | 14,109 | 23.43 | 1,397 |
| 1983-1994 | ΔGDP/POP= | ΔGDP/H + | ΔH/E + |
| USA | 2.0 | 0.8 | 0.3 |
| Japan | 3.0 | 3.2 | -0.9 |
| Germany (West) | 1.8 | 0.3 | -0.9 |
| The Netherlands | 2.0 | 0.8 | -0.8 |
| * 1994, levels in ECU; 1983-94, average annual growth rates. | | | |
| Source: Schmid (1997a). | | | |

ria of the TLM approach are the existence and efficiency of institutional bridges enabling transitions between (and within) employment, unemployment, education or training, private household activities and retirement.

Incidentally, the TLM concept also has a considerable impact on the way to measure the "routine" performance of labour markets in that it places emphasis on dynamic indicators rather than stock indicators. The following example shall illustrate this change in measuring labour market performance. In the TLM framework, the incentive effects of different institutional arrangements (unemployment insurance systems, active labour market policy regimes, etc.) on labour market agents and their impact on labour market performance can best be examined in terms of a labour market transition matrix. Flows in 16 possible directions can be distinguished (Table 3).

Apart from guiding statistical monitoring systems, the transition matrix can help to identify relevant performance indicators, such as the transition rate from unemployment to policy measures (cell 7) for a certain category of unemployed (for instance, unemployed for more than six months). Other interesting policy performance indicators would be, of course, the transition rates from participating in a policy measure into

employment, unemployment, another policy measure or inactivity (cells 9 to 12), as well as the transition behaviours after one year of the measure. Finally, transitions between different employment statuses in a period (say, one year) provide useful information which could be used for benchmarking. Distinctions can be drawn between, for instance, waged and salaried employment and self-employment, full-time and part-time employment, or between permanent and fixed-term jobs¹⁹.

5. Concluding remarks

The results presented above show that the basic interpretation conundrums of labour market comparative research persist: individual labour markets have different kinds of problem pressure. A low employment rate is a problem in the UK, where household welfare can be achieved only by a high participation in the labour market. In other systems, for instance the Netherlands, redistributive policies (labour market as well as income policy) lower the pressure

arising out of low participation. In its search for economic welfare, Italy presents a clear trade-off between employment and productivity.

Furthermore, the limits implied by the scope of benchmarking labour markets and policies should never fail to include some fundamental aspects of the economic processes underlying labour market performance, such as the relationship between economic growth, investment and the employment rate.

The production of appropriate indexes which combine many individual performance indicators (e.g. aggregate efficiency or SMOP measures) then proves to be only the assessment of the distance of individual performers from the benchmark (the best performer or an abstract optimum value), and thus only the beginning of a benchmarking process. Subsequent national adjustment strategies (e.g. the NAPs) should not only refer to an explanation of such distances, but also take into account the nationally different pressures of labour market problems, as well as the political feasibility of alternative policy options and the interplay between economic policy and labour market policy.

Hence, the final conclusion of the research project is that the definition of a labour market benchmark through a series of target variables always originates in normative decisions on the meaningfulness of those variables. Likewise the decision whether or not to include the cost

¹⁹ The first formulation of such a transition matrix can be traced to Atkinson and Micklewright (1991). For a first systematic application of the above transition matrix, see Schömann and Kruppe (1996). For a theoretical discussion, see Tronti (1997b).

Table 3: The labour market transition matrix

| To: | Employment | Unemployment | Policy Measure | Inactivity |
|----------------|------------|--------------|----------------|------------|
| From: | | | | |
| Employment | 1 | 2 | 3 | 4 |
| Unemployment | 5 | 6 | 7 | 8 |
| Policy Measure | 9 | 10 | 11 | 12 |
| Inactivity | 13 | 14 | 15 | 16 |

side, thus transforming each dimension in a specific efficiency indicator, can be considered as a normative choice. The case of the 1998 Employment Guidelines comprising the European Employment Strategy, as defined at the Luxembourg Job Summit, provides a typical example of such a normative process.

Benchmarking could be usefully applied in the implementation of the Luxembourg strategy, both at the Commission and at the Member States' levels, as the operational working of the strategy (Pillar and Guidelines – NAPs – Surveillance –

adjusted NAPs) is itself very close to a benchmarking procedure, and the policy options to be adopted by Member States could be selected through benchmarking techniques. However, one should be aware that, in order to obtain meaningful and desirable results, convergence must not be based only on the blind imitation of the best performers. Labour market benchmarking implies a complex scientific, social and political process, whose success requires the accomplishment of many interrelated tasks. Among these are: understanding the reasons behind perform-

ance gaps, learning from better performers, evaluating the operative implications of institutional changes and adopting them through policy-making (while keeping social consensus), and maintaining (or creating) a strong link between research and policy-making through increased monitoring and evaluation analysis. Convergence could be, at least for some Member States, a real political challenge, and benchmarking should therefore be used as a technique to detect where and how to spend European resources that can help them to fulfil the task.

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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 in-depth 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>).