

Employment Observatory

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Employment & social affairs



European Commission

Developments at a Glance

- Belgium:** The new Belgian government has adopted an active vocational training and employment policy, aiming to raise the employment rate, in order to be in a position to continue to guarantee welfare provision.
- Germany:** Prior to the planned more comprehensive reform of the labour promotion legislation, an interim law came into force on 1 August 1999 with the aim of improving the efficiency of existing labour market policy measures.
- Greece:** In order to make it easier for disabled persons to gain access to the labour market, the ministry of labour and social security is to implement programmes relating to vocational training, employment promotion and psychological and family support. The Secretariat General for Youth has established advice centres for young people interested in setting up a small business.
- Spain:** An independent National Qualifications Institute is to be set up to assist the General Council for Vocational Training in the area of vocational qualifications and in monitoring and evaluating the Second National Vocational Training Programme.
- Italy:** Under a new law, employers are able to reach agreements with the labour ministry on programmes targeted towards the integration of the disabled.
- Netherlands:** With the aim of reversing the trend towards lower employment rates among elderly workers, and thus avoiding bottlenecks on the labour market, a number of policy options have been presented to the Socio-Economic Council (SER) for its opinion. According to a report presented recently by the labour inspectorate, provisions on part-time employment are increasingly being incorporated into collective agreements. On the basis of a research report, the Ministry of Social Affairs and Employment has emphasised the importance of dual training courses, as these offer a more sustained integration into the labour market, particularly for the low-skilled. Due to positive employment trends, the responsible labour market agencies will in future focus their efforts on reintegrating those with the greatest distance to the labour market.
- Austria:** On the basis of a strength-and-weakness analysis of the advisory and placement division of the Labour Market Service, concrete measures and reform proposals have been developed. Based on the "Social Pact for the Elderly", the federal government has adopted an integrated package of measures aimed at improving the employment situation of the elderly. A quality management system is to be introduced in the Labour Market Service, with the aim of raising the quality of the services offered and improving its results at national level.
- Portugal:** The wage guarantee system has been reformed in order to offer workers better protection in cases where their employer is unable to pay their wages. An evaluation of the training-employment programme started in 1993 to raise skill levels and increase employment has shown that the employability of participants in the programme is very high. The legal framework covering the areas of accidents at work and occupational diseases has been amended, leading to changes in the way in which compensation payments and pensions are calculated and extending the definitions of "accident at work" and "dependent family member".
- Finland:** According to the monitoring report on the National Programme for Elderly Workers in Finland (1998-2002), on average Finnish workers now enter retirement one year later than in 1994, reflecting an improved employment rate among older workers. A study into changes in the legislation covering fixed-term employment contracts has identified a marked increase in the practice of concluding repeated fixed-term contracts (contractual chains). An evaluation of the pilot project, introduced in 1997, to offer financial support for domestic work has shown positive results, both among the service providers receiving the subsidy and the customers benefiting from tax incentives. A study has confirmed that employment projects financed by the European Social Fund exert an influence on the vocational training and modernisation integration of young people.
- Sweden:** In an attempt to meet the demands of the labour market more adequately in future, significant changes are planned in the structure, tasks and operational methods of the Swedish public employment service. In order to underpin employment growth and further reduce unemployment, the Swedish government has proposed a number of initiatives that aim to improve the functioning of the labour market. A report by the National Labour Market Board (AMS) has confirmed that, in spite of an increase in geographical mobility, there is a serious shortage of labour in economically expanding regions. The Swedish National Action Plan for Employment (NAP) provides a chart that summarises the ambitions of the government expressed as quantitative targets under Pillars I-IV. A study has shown that, of all the labour market policy measures deployed in Sweden, the best results are obtained by the support provided for business start-ups. With the aim of supporting economic and employment growth at regional level, action programmes are to be drawn up and implemented by regional partnerships that are to serve as a basis for regional growth agreements.

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Nos. 67/68, Autumn/Winter 1999

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| | |
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| Introduction | 4 |
| Overall Developments | |
| Belgium The Programme of the New Federal Government – Employment Policy | 7 |
| Germany Interim Law Aims to Achieve Greater Precision in Deployment of Labour Market Policy Instruments | 10 |
| Sweden Policy Changes | 13 |
| Sweden A Nation at Work | 14 |
| Sweden The National Action Plan for Employment | 15 |
| Placement and Vocational Guidance | |
| Austria Analysis of Strengths and Weaknesses in the Labour Market Service | 15 |
| Job Creation | |
| Greece Advisory Centres for Young Entrepreneurs | 16 |
| Finland Entrepreneurs and Users Satisfied with Pilot Project on Financial Support for Domestic Work | 16 |
| Sweden Start-up Grants – a Successful Measure | 18 |
| Sweden Regional Growth Agreements | 19 |
| Training | |
| Spain National Qualifications Institute | 20 |
| Netherlands Merits of Combining Work and Training for Low-skilled Jobseekers | 21 |
| Portugal Evaluation of the Training-cum-Employment Programme | 22 |
| Special Categories of Workers | |
| Greece Programmes for Disabled Persons against Exclusion from the Labour Market | 23 |
| Italy New Regulations Promoting the Employment of the Disabled | 23 |
| Netherlands Options to Increase the Attractiveness of Continued Employment for Older Workers | 24 |
| Austria Package of Measures for Older Workers | 26 |
| Finland Improvement in Employment Situation of Older Persons and Rise in Average Retirement Age | 28 |
| Finland ESF Employment Projects for the Integration of Youth into Working Life | 29 |
| Working Time | |
| Netherlands Part-time Employment in Collective Agreements | 30 |
| Miscellaneous | |
| Netherlands Reintegration Efforts in 1999 | 31 |
| Austria Implementation of a Quality Management System in the Labour Market Service | 32 |
| Portugal Revised Wage Guarantee Fund | 33 |
| Portugal Accidents at Work | 34 |
| Finland Contract Chains Have Increased | 34 |
| Sweden Increasing Mobility is not Sufficient | 35 |
| FOCUS | |
| Employability: Concepts and Policies | 36 |

Introduction

The reports from the Member States brought together in this double issue of "Policies" once again provide information on new employment and labour market policy activities. The ongoing development of such policies in the Member States is occurring not least against the background of the employment policy Guidelines for 1999 adopted by the European Council in Vienna. Under the responsibility of the Member States, and depending on the initial situation and requirements in each case, these Guidelines give rise to correspondingly adjusted and differentiated national impulses. The Member States have described in their National Action Plans (NAPs) the adjustments that they have made in order to take account of the changes in the new employment policy Guidelines compared with those of 1998.

A number of the reports in this issue make explicit reference to "their" NAP. For instance, a report from Sweden sets out the government's employment policy goals as contained in the NAP: in tabular form, classified under the Pillars I to IV and containing quantitative targets.

The other reports from the Member States reflect the diverse consultation and improvement processes currently under way within the nascent European employment policy. Here the evaluation of measures already in operation plays a particularly important role. This issue reports on a large number of such evaluations. In most cases they are closely linked to a specific guideline. The following evaluations are reported on:

- In the Netherlands the government has recently presented to parliament a report by the Labour Inspectorate on "Part-time work in collective agreements". Overall, around two-thirds of all collective agreements offer workers the opportunity of applying to their employer for an adjustment of their working time, whereas 15% of the collective agreements exclude, partially or entirely, part-time workers with a low number of working hours per week from such an opportunity. The "Law on the equal treatment of full- and part-time workers" provides collective bargainers with the scope to make such distinctions, to the extent that they are justified objectively. The opinion of the Labour Foundation is to be sought on this matter (Guideline 16).
- Furthermore, in August 1999 the Ministry of Social Affairs and Employment (SZW) presented to parliament a survey on the efforts made towards occupational reintegration, covering all the measures for jobseekers. Most of the measures discussed there come under Pillar I: preventing long-term unemployment (Guideline 2), individual reintegration plans (Guideline 3) and the (re-)integration of the disabled (Guideline 9).
- Finally, the SZW has also presented to parliament a research report on vocational training for jobseekers. This lends support to the government's aim of combining work experience and vocational training for low-skill jobseekers (Guideline 3).
- In Austria, on the basis of a strength-and-weakness analysis of the Labour Market Service completed in June 1999, measures have been taken to reallocate resources and improve the services rendered to its customers. At the same time, a quality management system has been implemented, which shall help the Labour Market Service be continuously refined in a systematic way.
- In Portugal the training-employment programme has been evaluated. Two-thirds of the almost 11,000 participants were successfully placed. Although this points to a considerable degree of success, the government took the occasion of the study to present a draft decree on further improvements and to put them up for public debate (Guidelines 4 and 8).
- A report by the National Labour Market Board (AMS) in Sweden comes to the surprising conclusion that only one third of geographical mobility is explainable in terms of labour-market-related reasons. This degree of mobility is held to be inadequate in view of the diverging labour market developments in different areas of the country.
- Another study conducted recently by the Swedish AMS has evaluated the programme of support for new business start-ups. Four years after the programme was initiated, the survival rate of the supported firms, at 60%, was just as high as for other companies. In the first three years after foundation, employment in the supported firms rose by 38% (Guideline 12).
- A study financed by the ESF and the Finnish labour ministry has examined the biographies and job-search activities of 18 to 24 year-olds lacking vocational training as well as the impact of corresponding measures on their vocational qualifications and their integration into working life (Guideline 8).
- New research results in the field of older jobseekers (45 to 64 year-olds) has been presented in an accompanying report to the Finnish NAP.
- Another accompanying study has evaluated a Finnish pilot project initiated in October 1997 that is due to run until the end of 1999. It refers to a model in which financial support is offered to firms providing services in the areas of care, childcare, maintenance, and decorating and tax incentives are offered to private households making use of these services (Guideline 13).

The Employment Policy Guidelines for 1999

I. Improving employability

Tackle youth unemployment and prevent long-term unemployment

1. Offer young people a new start before reaching six months of unemployment.
2. Offer adults a new start before reaching 12 months of unemployment.

Transition from passive measures to active measures

3. Active measures to promote employability.
4. Incentives in the tax and benefit system to work, to enhance employability and to promote lifelong learning.

Encouraging a partnership approach

5. Agreements between the social partners on training, work experience, traineeships, etc.
6. Member States and social partners endeavour to develop possibilities for lifelong learning, particularly in the fields of information and communication technologies; appropriate measures should be easily accessible to older workers.

Easing the transition from school to work

7. Substantially reduce the number of young people who drop out of the school system early.
8. Young people should be equipped with skills relevant to the labour market.

Promoting a labour market open to all

9. Develop appropriate forms of preventive and active policies to promote the integration of the disabled, ethnic minorities and other groups and individuals who may be disadvantaged.

II. Developing entrepreneurship

Making it easier to start up and run businesses

10. Significantly reduce the overhead costs and administrative burdens for businesses, especially SMEs, in particular where an enterprise is being set up and when hiring additional workers.
11. Encourage the development of self-employment.

Exploiting new opportunities for job creation

12. Exploit fully the possibilities offered by job creation at local level, in the social economy, in the area of environmental technologies and in new activities linked to needs not yet satisfied by the market.
13. Exploit fully the employment potential of the services sector and industry-related services, *inter alia* by tapping the employment potential of the information society and the environmental sector.

Making the taxation system more employment friendly

14. Where appropriate, gradually reduce the overall tax burden and the fiscal pressure on labour and non-wage labour costs, in particular on relatively unskilled and low-paid labour.

15. Examine the advisability of reducing the rate of VAT on labour-intensive services not exposed to cross-border competition.

III. Encouraging adaptability of businesses and their employees

Modernising work organisation

16. Modernise the organisation of work, including flexible working arrangements.
17. More adaptable forms of employment contract.

Support adaptability in enterprises

18. Re-examine the obstacles, in particular tax obstacles, to investment in human resources.

IV. Strengthening equal opportunities policies for women and men

Gender-mainstreaming approach

19. Adopt a gender-mainstreaming approach in implementing the Guidelines of all four pillars.

Tackling gender gaps

20. Reduce the gap in unemployment rates between women and men.

Reconciling work and family life

21. Designing, implementing and promoting family-friendly policies.

Facilitating reintegration into the labour market

22. Gradually eliminate the obstacles in the way of such return.

Introduction

– Also in Finland, a study has been made of changes in the legislation on employment contracts. The study shows that there has been a marked increase in the illegal practice of concluding repeated fixed-term contracts. The study was based on a survey of employees, retail traders and trade union advisers. The study proposes amendments to the law; in particular, after a contractual period totalling 13 months, the employment relationship should automatically become a permanent one (Guideline 17).

The new labour market and employment policy goals set by the Member States and discussed in this issue also reveal close links with the EU's employment policy Guidelines. The employment policy of the new Belgian government contains in particular many of the principles in Pillar I, but also those in Pillars II and III. The central aim is to raise the employment rate, and in so doing, to strengthen the Belgian economy and make a decisive contribution to overcoming the problems of social security in old age that need to be resolved. Sweden's budget proposal, made in the spring of 1999, also contains a number of impulses for refining the country's labour market policy, the main aims being to raise labour market efficiency and prevent long-term unemployment (Guideline 2). The new Director General of the Swedish public employment service has described special measures to counter the risk of labour market exclusion and marginalisation as the central tasks of labour market policy in future (Guideline 9).

Another focus of the reports is the plans for fundamental improvements in the legal framework for employment and social security. In Portugal, for instance, the wage guarantee system has been overhauled and the protection for employees improved in cases where a bankrupt employer is unable to pay outstanding wages. In addition, a decree-law has set a new legal framework for the area of accidents at work and occupational diseases. In Spain, a Royal Decree has been published that envisages the creation of a National Qualifications Institute, which is to support the General Council for Vocational Training.

This issue also reports on more concrete measures, which once again focus on the first Pillar of the employment policy Guidelines ("improving employability"). In Germany, interim legislation came into force on 1 August 1999 in anticipation of the planned comprehensive reform of labour promotion. The measures serve to raise the efficiency of labour market policy measures and, in particular, to target active labour market policy more closely on target groups and the prevention of long-term unemployment (especially Guidelines 2 and 3).

A number of the measures reported on relate to the "active ageing" referred to in the new Guideline 4. In the Netherlands, the Socio-Economic Council (SER) has been asked by the government to draw up proposals for ways in which the employment rates of elderly workers can be raised, with the aim of reversing the trend, predominant in the Netherlands, towards ever-lower participation rates among the elderly. A

number of policy options were presented to the SER for examination in the fields of age-conscious personnel policies in companies, taxation and social insurance contributions, and retirement provisions. In Austria, too, the government has adopted an integrated package of measures, based on the "Social Partner Pact for the Elderly", which, alongside specific improvements in the integration measures for the elderly, also provides support for more flexible forms of working-time organisation for older workers.

Promoting a "labour market that is open to all" (Guideline 9) is the subject of two reports in this issue. In Greece, the Ministry of Labour and Social Insurance has implemented two programmes: one to offer subsidies to employers recruiting the disabled and another to offer financial support to young, disabled self-employed persons. In Italy a new law to promote the occupational and social integration of the disabled recently came into force.

Under the scope of Guideline 12 (Pillar II) comes a Swedish measure aiming to establish a new regional industrial policy that is meant to promote the establishment of more and faster-growing enterprises and thus to promote employment growth. On the basis of the bill presented by the government to parliament at the end of September 1999, agreements on regional growth are to be reached. Within this framework regional partnerships are to analyse the potential advantages and disadvantages for economic growth and industrial development in their respective regions.

Overall Developments

Belgium

The Programme of the New Federal Government – Employment Policy

On 14 July 1999, the Prime Minister presented the central points of the federal government's programme to parliament. Among other things, this programme describes the main axes around which the new federal government intends to develop its employment policy.

Policy in general

Four principles constitute the framework of the governmental agreement:

- Belgium will strictly respect the European Stability Pact, which means that the budget must be balanced in 2002;
- the financial resources dedicated to the social security system remain guaranteed, while taking account of new social needs;
- the fiscal and parafiscal burden, in general, and the burden on labour, in particular, which are currently too high, must be progressively reduced;
- the new policy will be incorporated into a context of sustainable development.

Employment policy

The federal government is determined to develop Belgium into an active welfare state in such a way that certain social groups are not marginalised and that all citizens, men and women, are assured a high degree of social security, and so can contribute in a creative manner to society, while enjoying a high quality of life. An active welfare state invests in people, training and employment, and not merely in transfers.

Specifically, the federal government intends to pursue an active education, training and employment policy, one that seeks to raise participation rates. The participation rate in Belgium is just 57.3%, whereas the average for Belgium's three principal neighbouring countries is 61.7%. Expanding employment for those aged between 18 and 65 will enable the means at the disposal of the Belgian economy to be strengthened. This will extend the financial basis, facilitating the task of guaranteeing social security and meeting the costs associated with the ageing of the population.

Parliament and the federal government must draw up the main points of this new approach. These main points will be discussed and implemented within the framework of a renewed "concertation" with social forces and the social partners.

Raising the participation rate

Numerous analyses indicate that the low participation rate in Belgium is largely explained by the heavy burden of taxes and contributions imposed on labour. Consequently, a reduction in the charges imposed on labour is the path to be taken, albeit not the only one, in order to raise the participation rate. The approach that the federal government intends to take will give opportunities to everyone, will reduce the cost of labour and will reward effort.

Under this approach, care must be taken to ensure that the benefits of reducing the tax and contribution burden are used as far as possible for the purposes of creating new jobs and improving education and training. In the light of this, the government calls on the social partners to conclude wage agreements that take greater account of these objectives.

Following the evaluation and, where appropriate, harmonisation of various employment policy pro-

grammes, with a view to simplifying them and eliminating perverse side-effects, the federal government will implement seven types of measure in order to bring about a significant increase in the participation rate:

1. The introduction of a "First Job" for young people, with the aim of enabling each youngster to enter the labour market within six months of leaving school. To this end, the government intends to embark straight away on organising a specific policy regime in order to reduce the indirect labour costs or otherwise intervene in the cost of labour of those leaving school with poor qualifications. In conjunction with the regions and communities, this scheme will be backed up by specific initiatives in the areas of placement, training and interventions in wage costs, in order to enable each youngster to acquire genuine work experience on the basis of an employment contract. Beyond that, the already existing programmes for the labour market integration of young people, such as practical training for young people (*stage des jeunes*; cf. BIR B-vi.1), must be integrated and, where necessary, expanded.
2. During the second quarter of the year 2000, the government will proceed, parallel to an increase in the MARIBEL wage-cost subsidy (BIR B-v.6) and the interventions in wage costs for the "First Jobs", to reduce contributions on labour by an average of BEF 32,000 (EUR 793) per worker and year; given its lump-sum character, this reduction will benefit lowest-skill labour most. Working time will be taken into account in this regard. This cut in indirect labour costs will be financed while honouring the commitments made under the Stability Pact and completely ensuring the financial stability of the social security system. To this end, government transfers to the social

Overall Developments

security system will be increased in order to avoid any loss of revenue for the social security funds. During the third year, an analogous supplementary effort will be made, depending on the available resources if the forecast employment effects and self-financing effects have in fact been achieved.

At the end of the second year of the government's period in office, this measure is to be subjected to evaluation.

In any case, a safety margin is to be incorporated into the budget for 2002 in order to ensure the financial stability of the social security system in case the evaluation reveals that the results are less favourable than had been forecast.

3. Based on the intersectoral agreement for 1999/2000 on minimum wages, disposable income is to be increased by fiscal or parafiscal means. Benefit recipients taking up employment will continue to benefit from the social security advantages linked to their previous status for a transition period. The tax-deductibility of the costs of childcare will be extended by a system of tax credits. The status of part-time workers will be improved. Finally, the government will examine the ways in which the system of local employment offices can be developed into the system described in Point 5.
4. In order to raise the participation rate of those aged 50 and above, it is to be examined how, within the general framework, the employment of this group can be promoted by means of a degressive reduction in social contributions, where appropriate in combination with a system of part-time work at career's end. Early retirees and the elderly unemployed must have the opportunity, if they so wish, of once more placing their knowledge and experience at the disposal of society, to its benefit, without losing the rights derived from their status. Conversely, it will be examined whether a more flexible re-

gime for those approaching the end of their working life can be elaborated for those occupations in which work is hard or unpleasant.

5. Particular attention is to be paid to the labour market integration of the long-term unemployed, recipients of minimum social benefit and all those running the risk of falling into this category. By activating at an earlier stage the expenditure on unemployment and minimum social benefits, the recruitment of persons from these target groups is to be facilitated. Such activation is foreseen particularly, although not exclusively, for the commercial and public social services sector, and for the non-profit sector.
6. The government will adapt the relevant legislative and administrative texts in order to permit agency working, either by setting up groups of employers or through the recruitment of workers by specialised employment agencies. The workers concerned will benefit from all forms of protection foreseen by labour law.
7. In order to combat moonlighting, domestic and personal services will be made tax-deductible through the introduction of tax credits, to the extent that this does not impose a burden on the government budget.

Reorganising working time and improving the quality of working life

The federal government intends to meet the wishes of citizens for a more flexible organisation of working time and will take steps to enlarge the scope for such flexible forms of working.

A cost-neutral reduction in working time creates opportunities to improve or consolidate employment, whereby these opportunities vary according to sector and enterprise size. The federal government will seek to eliminate those difficulties that at the moment are blocking the negotiation of corresponding agree-

ments in companies and branches. It will also provide additional incentives in order to promote working-time reductions and a four-day work week, while respecting the competitive constraints of companies and preserving workers' living standards. It will ensure that the support provided in this area is stable and sustained and will seek to make such measures more accessible.

The federal government's programme also envisages public support for a voluntary four-day work week, by establishing a generalised system for a career break equivalent to a one-fifth reduction in working time, which in principle will be open to every worker requesting it. The precise conditions under which such an opportunity will be made available will be drawn up by collective agreement or, where these do not exist, in direct discussion between employer and employee. Other formulas offering a restructuring or redistribution of working time, such as the "annualisation" of working hours, will also be examined.

Leave schemes that enable parents to optimally reconcile family life and active professional life are to be drawn up, subject to the condition that they do not threaten the smooth functioning of the enterprise. Specifically, the federal government is considering a system of parental leave on Wednesday afternoons when Belgian children are not at school.

The modernisation of public enterprises

In view of the importance of public enterprises for the Belgian economy, the federal government will draw up a strategic plan that will define their role and mission over the medium term. Such a strategic plan will be elaborated jointly with each public enterprise, in each case allowing for the specific situation that it faces.

Modernisation of public enterprises is inevitable in the light of technological developments and the liberalisation of European markets.

Such modernisation must occur in the interests of the enterprises and their workers. At the current state of our knowledge, it seems reasonable to assume that these developments will lead to a significant increase in the value of state assets, which would be used to reduce the public debt.

Alongside this, public/private partnerships are to be facilitated with the aim of making possible large-scale investment projects, notably in the areas of mobility, the administration of public assets and the extension of the use of information technology in the public administration.

Employee motivation and participation

In order to stimulate worker motivation and commitment, the federal government is to create a legal framework that will make possible, alongside existing wage norms, diverse schemes for worker participation that can be offered, alongside the wage, to all workers of a company in the form of a collective agreement.

Similarly, the federal government intends to stimulate the pension funds, within the framework of sectoral agreements, which will also permit them to deviate from wage norms.

The federal government will also implement a voluntaristic policy of permanent training for the employed throughout their professional career and will take steps to improve working conditions.

Encouraging the self-employed and SMEs

In Belgium, around 576,000 people work in a self-employed capacity as their main source of income, and a further 208,000 people perform a secondary self-employed activity.

The self-employed and SMEs constitute a key sector of the Belgian economy, providing 56% of total private-sector employment in Belgium. The federal government will

immediately embark on a scheme to give each self-employed person and each enterprise a unique identity number. By this means, it will create a single contact point within the public administration, one of the advantages being that it will avoid repeating administrative procedures.

The task of simplifying the administration begun in the social security sector will be continued, intensified and extended to the area of public statistics. To this end, the federal and regional administrations will intensify their cooperation.

Given that a stable legal environment is favourable to the development of SMEs, regulations are to be durable and stable in order to enable enterprises to plan over the medium term. For the self-employed and SMEs, as in other areas, the principle of non-retrospective legislation and regulations is to be guaranteed. Moreover, all measures under consideration are to take account of the specific situation facing SMEs.

The government is to encourage new business start-ups by adjusting the calculation of, reductions in and duration periods of social insurance contributions, and it will permit unemployment benefit to be "activated" for a limited period. This will guarantee continued social insurance protection (against unemployment, sickness and other risks) to people setting up their own business and will facilitate their access to the public and private capital markets and the stock exchange. In parallel, the risk of over-indebtedness must be reduced.

In the light of recent experience, steps must be taken to combat the sale of Belgian enterprises abroad. This requires measures to facilitate the floating of shares on the stock exchange, changes in the legal provisions on the acquisition of companies and in company law, support for pension funds in their role as institutional investors in share capital and support for worker participation in the capital of their companies, as described above.

Tax reform in the interests of employment and the environment

In Belgium, fiscal and parafiscal charges fall in the main on income from labour, constituting an obstacle to job creation. This trend must be reversed. In addition, reforms to restructure spending priorities need to be introduced, in order to ensure that policy is more attuned to social, employment and environmental concerns.

All income-tax bands applying to natural persons are to be re-indexed as of 1999. In the short term, the "crisis surcharge" on income tax is to be abolished, starting with the lowest incomes and pensions.

During the course of this legislature, the federal government will draw up a general reform of the taxation of natural persons, based on the following principles:

- a reduction in the number of tax bands;
- an increase in the basic tax-free allowance;
- regrouping tax deductions in a limited number of deduction categories, among which tax-payers may choose;
- the system of complementary forms of income will be organised in such a way as to take account of the specific costs borne by low-income tax-payers;
- the development of a fiscal system that is neutral with regard to choice of partnership forms, in particular one that removes the tax discrimination between married couples, cohabiting couples and single persons;
- the simplification of tax declarations and improvement of the setting and assessing of tax dues.

These changes in the tax structure must also make a contribution to realising the goals of sustainable development that have been set at international level. To this end, within the framework set by this general tax reform, the tax base is to be shifted away from labour towards a system that is conducive to these goals, for instance, a tax on CO₂

Overall Developments

emissions resulting from energy consumption. In order to avoid endangering Belgium's competitive position, it is necessary to make progress towards an agreement at European level. For this reason, since Belgium's participation in the EU "troika", the federal government, conscious of its responsibilities, has made proposals relating to the introduction of these new forms of taxation, which would then be offset by a reduction in the taxes and charges on labour. Independent of this, studies are to be made into the unilateral introduction of such taxes in order to determine their possible impact on national competitiveness.

In terms of corporate taxation, the federal government intends to follow the international trend towards reductions in nominal tax rates within a budget-neutral framework. A corresponding reform is to be prepared, one in which cuts in tax rates will be offset by a cut in the number of tax allowances and concessions. Within this framework, the tax status of SMEs, and particularly of very small enterprises, must be re-evaluated in order to stimulate the reinvestment of retained profits.

As far as indirect taxation is concerned, with the aim of reducing moonlighting and promoting employment, the federal government plans to implement a number of pilot projects involving a reduction in VAT on labour-intensive services. This will occur in cooperation with the sectors concerned and within the framework of the European directive. In addition, the federal government will introduce "eco-deductions" by way of changes in the weight of different forms of indirect taxation, more especially by the way of reductions in VAT and excise duties, in order to stimulate environmentally friendly production and consumption.

During its presidency of the European Union, the federal government will assume its responsibility in the debate on European harmonisation

of taxation in general and taxes on capital earnings in particular. Currently, competition is such that it has perverse effects on the fiscal burden on labour. The prime concern of European harmonisation must be to reduce the tax burden on labour. In order to maintain the competitive position of the Belgian economy, this fiscal harmonisation must in no way lead to an increase in the overall fiscal burden.

Public finances

All of the above-mentioned measures and all of the initiatives taken in the various fields will be such as to respect the four following conditions:

- respect for the stability programme with a view to achieving a balanced budget;
- maintaining budgetary equilibrium, once it has been attained, in accordance with the European Stability Pact and the obligations in terms of the public accounts;
- respect for the financial stability of a high-quality social security system that has the required financial means to cope with the needs arising out of the ageing of the population, without endangering the current level of social protection;
- a continued reduction in the burden of taxes and contributions throughout the parliamentary term.

The financial resources freed up will be deployed in a balanced way: they will be split between a reduction in parafiscal charges on labour, boosting employment and raising the participation rate; measures that meet the essential needs of the population (especially care for the chronically ill, raising the lowest pensions, further employment-promotion measures and those in support of the non-profit sector, combating unemployment traps); and the modernisation of the economy towards the goal of sustainable development (investment in public transport, increase in cooperation towards such development, respect for our commitments in terms

of international solidarity). Finally, the government will make efforts to reinforce the state apparatus, notably the police and justice systems.

Germany

Interim Law Aims to Achieve Greater Precision in Deployment of Labour Market Policy Instruments

Following the approval of the Bundesrat, the upper chamber of the German parliament, on 9 July 1999, the so-called Interim Law (*Vorschaltgesetz* – second law amending the third book of the Social Law Code) came into force on 1 August 1999.

The aim of the Interim Law is to render labour market policy instruments more efficient in advance of the planned more comprehensive reform of labour promotion legislation. Active labour market policy is to be more precisely oriented towards target groups and the prevention of long-term unemployment. Bureaucratic provisions in labour promotion law that required substantial and costly "red tape" have been amended. This eases the workload on the employment offices, enabling them to do their job better.

More specifically, the measures are as follows.

Job-creation measures

Easing the restrictions on admissible providers

In order to facilitate job-creation measures, in future provider organisations (such as local authorities or labour promotion companies) will be allowed to perform measures autonomously. Such measures include those in which social guidance is offered and measures for the elderly and the disabled. This provision

complements the principle that priority is to be given to commercial enterprises in allocating measures to providers. The acceptance of job-creation measures is to be bolstered and the placement prospects of participants improved.

Easing of conditions of entitlement

In future, job-creation measures will be available not just to the long-term unemployed, but also to those unemployed for six out of the previous twelve months. Until now, long-term unemployment, that is, unemployment lasting more than one year, was a condition of entitlement to job-creation measures. However, under the EU employment policy Guidelines, the aim is to prevent long-term unemployment from occurring in the first place.

Structural adjustment measures

Extending the areas of deployment

Measures aimed at protecting and improving the environment and the supply of social services and youth aid are now entitled to support as structural adjustment measures throughout Germany. The following measures, which previously were restricted to the east German *Länder*, have been extended to the whole of the country:

- improving the supply of popular sport and free cultural work activities;
- preparing and implementing cultural heritage projects;
- urban renewal and cultural heritage; and
- improving the living environment.

In addition, a new deployment area, “Improving economic and tourism-related infrastructure”, has also been introduced nationwide.

Improved target-group orientation in structural adjustment measures for east German commercial companies

The support for additional employees in commercial firms is to be concentrated on those workers especial-

ly deserving of support, making, to this extent, a contribution towards implementing the EU employment policy Guidelines. The aim is to reduce deadweight effects and to raise the efficiency of this labour market policy instrument.

Support for older workers

In future, providers of structural adjustment measures may receive support for up to five years for deploying older workers (over 55 years of age) in the new *Länder* and in employment office districts in which unemployment is particularly high.

Abolition of the automatic adjustment of the support level

In future, wage-cost subsidies will no longer be automatically adjusted upwards during the course of the support provision. Previously, the maximum support level for structural adjustment measures (1999: DM 2,180 per month) was set anew at the start of each year. This adjustment, required by law, was very costly in administrative terms in ongoing support cases, and the changes in level were mostly minimal.

Abolition of the “malus regulation”

The full value of the wage-cost subsidy in structural adjustment measures was only available if the agreed wage was equivalent to the earnings payable under job-creation schemes, that is, as a rule, no more than 80% of the collectively agreed wage rate. If higher pay levels were agreed, the subsidy was reduced by the excess amount. This led to cases of injustice among employers subject to regional collective agreements and served to impede structural adjustment measures; it has therefore been abolished.

Business start-ups

In future, those starting up a new business will be entitled to the bridging allowance (*Überbrückungsgeld*) even where a gap occurs between entitlement to unemployment benefit and the business start-up. Under the previous legislation,

the bridging allowance for new entrepreneurs was only paid if unemployment benefit was claimed up to the day on which the new enterprise was founded. In future, a close link in time will suffice. This means that short gaps, for instance due to delays in registering the new enterprise, will no longer lead to a loss of benefit entitlement.

Training measures

Support for training in other EU countries

In future, the employment offices will be able to support training measures taking place in another EU country, provided this serves to facilitate the recruitment of unemployed persons. This is subject to the condition that the European Commission provides cofinancing.

Short-term employment no longer an obstacle to training support

Short periods of employment (up to three months) with the same employer as that providing training no longer constitute grounds for precluding support for training measures in the company.

Employee assistance (*Arbeitnehmerhilfe*)

Experimentation clause

In future, the employment offices will be able to use the “employee assistance” to promote fixed-term employment relationships that have so far not materialised, for instance because of general reservations about the long-term unemployed, a lack of basic know-how on the part of the unemployed or inadequate in-plant requirements. An experimentation clause to this effect has been introduced; it is due to expire at the end of 2002.

Extension for recipients of unemployment benefit

The possibility of granting employee assistance to recipients of unemployment benefit has been extended to the end of the year 2002.

Overall Developments

Vocational training

Abolition of the requirement of subsequent insured employment

In future, persons lacking (adequate) prior insured employment no longer have to commit themselves to performing insured work following vocational further training. Under the previous rules, the employment offices were required to monitor such persons over a period of several years, although the administrative costs involved were not matched by substantial returns. The change in the legislation serves to reduce red tape.

Extension of the transitional provision on the duration of measures in health professions

Support is still being made available for vocational further training measures that cannot be shortened by one third. This is particularly the case in the health professions. Generally, support for vocational further training is restricted to those measures that are one third shorter than initial vocational training, that is, which usually last two years instead of three. A transitional provision ensures that those measures that cannot be shortened because of existing occupational legislation (such as the law on nursing) – for instance, three-year further training courses in the health professions (nurses, auxiliary medical staff) and in care professions – can receive support, provided such measures commence prior to 31 December 1999.

Partial maintenance and bridging allowances for those with health restrictions

In future, those with health restrictions can apply for financial support for a part-time measure. Accordingly, disabled persons will be entitled to a partial transitional allowance if they are only able to participate in a part-time measure because of the nature or seriousness of their disability.

Under the previous legislation, a partial maintenance allowance was paid in cases where, for instance, the

recipient was able to participate only in a part-time training measure because of family responsibilities or because he or she was working part time. Unemployed persons who could only be considered for part-time employment for health-related reasons, however, were not entitled to receive support for part-time training. This served to prolong unemployment spells in the groups affected.

Simplified calculation of maintenance allowance following receipt of unemployment benefit

In future, the maintenance allowance following receipt of unemployment benefit (*Anschlussunterhaltsgeld*) is to be calculated in the same way as the maintenance allowance during further training. Previously, this benefit was calculated in such a way as to incur substantial administrative costs.

Integration grants for older workers

Relaxation of conditions of entitlement

Elderly and long-term unemployed persons are likely to continue to be special target groups for the foreseeable future. In the light of this, the conditions of entitlement to support have been relaxed by:

- reducing the period of unemployment required to qualify for support from twelve to six months, and
- abolishing the obligatory continued employment.

Short-term employment no longer an obstacle to training support

In future, work-familiarisation allowances will be available to employers recruiting individuals, even if they have previously worked for that employer for up to three months or were employed under the minimum number of hours for social insurance contributions to be paid. This is in the interest of integrating the unemployed as quickly as possible.

Unemployment benefit

Abolition of the obligation to personally renew registration every three months

In future, unemployed persons will no longer be obliged to report every three months in person to their employment office. In the past, such reporting incurred high administrative costs in the employment offices.

Reversal of the extension of “reasonable” commuting times

The commuting times considered “reasonable” have been reduced once more from three to two-and-a-half hours a day for full-time workers and from two-and-a-half hours to two hours a day for part-time workers.

Abolition of the net-wage limit in the entitlement protection rules

The provision under which the level of unemployment benefit was limited to the net wage in the last job performed has been abolished. Previously, unemployed persons who accepted work paying less than their previous job were protected against corresponding disadvantages in calculating unemployment benefit on becoming unemployed once more during the next three years. This provision was, however, subject to a ceiling equal to the net wage earned in the most recent job. This provision has now been abolished in order to avoid costly comparative calculations and social hardship for the unemployed.

Avoiding benefit disadvantages following a structural adjustment measure

A transitional regulation, valid until the end of 2001, has been introduced in order to ensure that the pay level used to calculate unemployment benefit is not reduced because the insured worker was not unemployed prior to or between participation in job-creation and structural adjustment measures.

Simplification of certification of pay level in calculating unemployment benefit

In future, it is only the pay level earned when the affected worker terminated his or her employment relationship that counts in calculating unemployment benefit. This avoids costly subsequent certification and calculation procedures.

Simplification of the calculation of unemployment benefit following military or compulsory civilian service

In future, the last "July figure" before termination of military or compulsory civilian service will always be used as the pay level with which the level of unemployment benefit is calculated.

Calculating unemployment benefit following a voluntary social or ecological year

A pay level of DM 4,410 (1999) is currently used to calculate the unemployment benefit entitlement of those who previously performed a voluntary social or ecological year during which social insurance contributions were paid. Most participants are unable to earn such a high wage on the labour market, however. In future, benefit levels are to be calculated on the basis of the wage earned prior to embarking on the voluntary social or ecological year.

Adjustment to unemployment benefit calculation for prisoners

Unemployment benefit for convicts who are unemployed on leaving prison is to be calculated on the basis of the pay level corresponding to their vocational qualifications and skills, as under the labour promotion legislation in force until 31 December 1997.

Administrative simplification of the calculation of benefit for unemployed persons with children

In future, the higher rate of benefit (67% instead of 60%) for unemployed persons with one or more

children will be paid, as with child allowance, until the end of the entitlement month. Previously, this was calculated to the exact day. This change avoids costly checking up.

Uniform tax-free allowance for supplementary earned income

The minimum tax-free allowance for supplementary earned income, which was previously equal to half of the pay ceiling for "negligible employment", has been set at the uniform level of DM 315 per month in both eastern and western Germany, similar to the changed regulations governing the negligible pay ceiling.

Unemployment assistance

Administrative simplification in calculating benefit levels

Unemployed persons are entitled to "original" unemployment assistance (*originäre Arbeitslosenunterstützung*) after paid employment lasting just five months. Because in such cases the minimum measuring period of 39 weeks required to calculate benefit level is often not available, the benefit level is calculated on the basis of a "fictitious" wage that could be earned in the future. This setting of a "fictitious" wage ties up administrative resources in the employment offices, and in some cases – for example, for a person dropping out of a vocational training scheme and subsequently "fictitiously" classified as a labourer – may lead to unjustifiably high compensation rates (compared with a person who stays on the scheme for longer, dropping out after 39 weeks, and who is thus classified on the basis of his or her earnings as a trainee). For this reason, unemployment assistance may in future also be calculated on the basis of a shorter observation period (e.g. 17 weeks).

Sweden

Policy Changes

The former Director General of the Swedish Labour Market Administration, Bosse Ringholm, was appointed Minister of Finance in April of this year. His successor, Anders L. Johansson, has announced his intention to make significant changes regarding the tasks of the organisation, the mode of operation and the structure. He has pinpointed the following three major tasks for labour market policy at the beginning of the next millenium:

- to provide companies with labour and to provide the labour force with jobs using measures to promote mobility and thus counteract imbalances in the supply and demand of labour;
- to develop the skills of the labour force through training and thus to contribute to increased productivity and a high level of adaptability to changes in working life;
- to contribute to the improvement of employment ratios through special measures and thus to counteract risks of exclusion from the labour market; likewise, to prevent marginalisation resulting from increasingly demanding working life.

These three policy items will be focused on in discussions to support the future studies and development work that will precede the elaboration of new strategies. A coherent picture of the functioning of the labour market must be the point of departure for an analysis of future operations in the Public Employment Service. The Labour Market Administration will present its proposals to government through the Ministry of Industry. Due to the present strong economic growth in Sweden, in September 1999 the new Director General called for faster changes to labour market policy. His opinion is that the government's target to reduce unemployment to 4% by the end of the year

Overall Developments

2000 will already be met next autumn. The target to increase the employment rate to 80% for the population aged 20–64 by 2004 (from 74% in 1997) will already be reached in 2001, that is, three years ahead of plan. This very fast development and the encouraging figures make it necessary, however, to radically change the focus of Swedish policy without delay. Otherwise, it is likely that wage drift, inflation pressure and variations in interest rates will occur.

During this decade labour market policy has included features of social policy. The placement service has had few jobs to offer, while the unemployed needed economic security. Now all persons will be needed in working life, and, consequently, the requirements on the unemployed will have to grow. In addition, from now on, labour market policy should make up part of economic policy.

The new programme outlined by the Director General covers a number of topics:

- The placement service will be intensified, and the development of IT-based, for example Internet, services, will be expanded.
- Increased mobility – both geographical and occupational – will be required in the coming years and, to the same extent, better benefits for the unemployed. Bottlenecks in the recruitment process should be counteracted through employment training; the training will exclusively focus on occupations with serious shortages.

A far-reaching programme ought to be established for the long-term unemployed, with the introduction of a “transitional labour market”. This should work as a sluice between unemployment and the regular labour market. Today, a number of jobs and needs cannot be carried out or fulfilled for they are simply too expensive.

Labour force participation must increase for demographic reasons, because immense numbers of people will be entitled to pensions during

the first decade of the next millennium. “All have to participate in working life. We cannot afford to leave anyone outside”, stated Anders L. Johansson.

Sweden

A Nation at Work

The Swedish government has proposed a number of measures in the Spring Budget Bill to make the increase in employment sustainable. Policy is directed at initiatives to both help the labour market continue to develop positively and fulfil the employment and unemployment goals.

The mode of functioning of the labour market must be improved. A more efficient labour market is important if the present positive economic development is to continue and lead to durable higher employment and reduced unemployment. An effective matching of jobseekers and vacancies will contribute to employment being able to increase without inflation-inducing bottlenecks occurring. The government is therefore proposing a number of measures to contribute to this aim.

Work on considerably reducing the body of labour market programme regulations is to continue. Labour market policy is to focus on facilitating effective employment offices, reducing imbalances on the labour market and preventing long periods without regular work. The body of rules shall be based on the work and skills approach; competitive neutrality is to be ensured and exclusion and blocking effects counteracted.

- The government proposes that measures to promote mobility be made more efficient.
- The quality of the individual plans of action is to be improved and awareness of them to increase.

- A one-year pilot activity with training for occupations with a scarcity of labour is to be carried out within the framework of the labour market programme.
- The tasks of the regional competence councils are to be clarified to ensure that they perform well in the present upswing of the labour market.
- Unemployment insurance is to be reviewed, among other things with respect to the demand for adaptation. The intention is to restore the role of unemployment insurance as an adjustment insurance and at the same time to strengthen the legal rights of the unemployed.
- A commission is to be appointed with the task of reviewing as soon as possible the organisation and efficiency of the labour market organisation. Labour market training must make a greater contribution to an efficient matching of supply of and demand for labour. The distinction between regular education and training is to be clarified.

The government emphasises the importance of utilising the current upturn in the business cycle so that those who have been without work for a long time can now get a job. The government has also announced a new measure to facilitate the implementation of this intention. In order to reinforce opportunities to get regular jobs for those registered for a very long time at an Employment Service Office, the government has proposed the introduction on 1 October 1999 of an increased employment subsidy. This subsidy would apply to unemployed who have been registered at an Employment Service Office for more than three years. It is proposed that employers who hire such a person be entitled to a tax reduction corresponding to 75% of the total wage costs for six months (to a maximum of SEK 11,550 a month). Thereafter, employers can enjoy a tax reduction equivalent to 25% of the total wage costs (to a maximum of

SEK 3,850 a month) for an additional 18 months. This measure should further reduce the number of long-term unemployed persons.

Sweden

The National Action Plan for Employment

The Swedish National Action Plan for Employment (NAP) contains a chart that summarises the ambitions of the government expressed as quantitative targets under Pillars I–IV in the following way.

Target for increased employment: The percentage of the regularly employed population aged 20–64 will increase from 74% in 1997 to 80% in 2004.

Target for reduced unemployment: Sweden will have halved open

unemployment to 4% by the year 2000.

Target for reduced youth unemployment: Every person aged under 25 will be offered regular work, suitable training, a traineeship or a job-creation measure within 100 days of becoming unemployed.

Action plans: Individual action plans will be drawn up for every person at risk of long-term unemployment.

Target for more effective labour market training: Towards the end of 1999, 70% of the persons completing vocationally oriented labour market training will get work within 90 days.

Target for higher-education studies: The target is that at least 50% of today's 20-year-olds will have studied at a school of higher education by the time they turn 35.

Target for IT applications: Every student will receive an e-mail address.

Target for simplified registration of companies: When registering, companies will be required to apply to only one authority and use only one form.

Target for sound central government finances: The long-term budget target for the government and the Riksdag is a surplus of 2% of GDP averaged over one business cycle.

Target for the percentage of female professors: The target for the percentage of women in professorships is 25% by 2008.

Target for a more equitable recruiting of female and male students: The universities and schools of higher education concerned will work to increase the proportion of women in science and technical training, fields in which women are underrepresented, and increase the proportion of men in teacher training, health care and pharmaceutical training, fields in which men are underrepresented.

Placement and Vocational Guidance

Austria

Analysis of Strengths and Weaknesses in the Labour Market Service

The Austrian Labour Market Service (AMS) has conducted a task and activity analysis in order to evaluate the strengths and weaknesses of its counselling and placement division. In the autumn of 1998, a management consultancy firm was commissioned to conduct the analysis, which it completed in June 1999. Based on the results obtained, measures are to

be implemented to redistribute resources towards customer services.

The analysis of strengths and weaknesses produced the following picture:

Strengths: The Austrian AMS is an organisation that reacts flexibly to the demands made of it. It leads the market for job placement, and customer satisfaction is rising. The AMS serves two groups of customers, job-seekers and employers, to whose needs it reacts in both organisational and resource terms. Staff are highly qualified.

Weaknesses: Problems exist at the interface between the two divisions concerned with placement and in-

come maintenance; there is a lack of coordination between the target groups and the demand and the service packages and the electronic tools available are still too customer-unfriendly.

In the wake of this analysis, the management consultancy and an AMS team have developed a number of concrete measures and proposals for reform. These involve, on the one hand, the potential for optimising existing processes (for instance, pruning the list of instructions for staff in order to remove those not relevant to placement) and, on the other, organisational reform, focusing on the interface be-

Placement and Vocational Guidance

tween placement and income maintenance.

The main reform proposals are as follows:

The reorientation of the counselling and placement service division is to focus on the supply of services that are appropriate to the needs of the various customer segments, to ensure that the correct contact person is provided and to create a clear perception of the various products and services. In order to achieve these aims, a new organisational model was developed, based on an allocation in line with needs, rigor-

ous customer orientation and steering, and an optimised resource deployment.

A three-zone concept is being tested in a number of regional offices of the AMS. In the "info zone", customers can access information on job offers and the general services provided by the AMS, using self-service appliances. In the "service zone", the basic package of income-maintenance and placement services is on offer. In the "counselling zone", an intensified range of advisory services and promotion measures is available.

In the section of the AMS dealing with employers, too, customers are classified according to their needs. The activities of the public employment service concentrate on looking for staff for enterprises that are interested in the swift and low-cost placement of suitable jobseekers (placement customers). Alongside this group, counselling is available for enterprises requiring specific services, such as staff training ("consulting customers"), and for those firms that contact the AMS to obtain permits, for example to employ foreigners ("permit customers").

Job Creation

Greece

Advisory Centres for Young Entrepreneurs

In the context of the aim of strengthening the entrepreneurial activity of young people, the Secretariat-General for Youth has set up advisory centres for young entrepreneurs seeking to develop an entrepreneurial activity.

The aim is to create a network of structures that, in accordance with the one-stop-shop philosophy of central advisory units, are run in such a way as to provide information, training and advice. The advisory centres for young entrepreneurs are to be jointly run by local provider organisations, which will provide active support for young people, helping them to adapt to industrial changes

by creating, maintaining and promoting new employment opportunities. The young people will benefit from personal interviews with expert advisers, giving them the opportunity of analysing and evaluating their own skills and plans. The future young entrepreneurs will receive personal guidance throughout the duration of the elaboration of their business plan. They will also receive personal advice and guidance by experts (accountants, lawyers, auditors, etc.) upon embarking on their project and during the critical first few years.

The advisory centres will be run by a small staff of trainers and by a large number of external local experts, making use of computer technology and software developed explicitly to meet the personal needs of the young entrepreneurs.

Finland

Entrepreneurs and Users Satisfied with Pilot Project on Financial Support for Domestic Work

The two-model pilot project on financial support for domestic work began in October 1997 and will continue until the end of 1999. In eastern and western Finland, subsidies are made available to enterprises offering domestic, nursing or care services and to those offering maintenance or renovation services. In southern and northern Finland, support is given to the consumers of these services in the form of a household tax incentive (tax deduction). The main aims of the pilot project are to support small businesses and promote employment. A follow-up

study looked at the company-subsidy model and the tax-incentive model from the point of view of the enterprise and the household.

According to the follow-up study, the enterprises and consumers who participated in the pilot project of financial support for domestic work were satisfied with the system. Half of the entrepreneurs in the company-subsidy model hoped that company support would be adopted throughout the country. Those households that had already used the subsidised services had the most positive attitude towards the pilot project. This information is provided in the follow-up study on the pilot project on financial support for domestic work. In all, 264 enterprises and 308 households answered the questionnaire. The current follow-up study covers numerous experiences from the early stages of the project, as reported by both the entrepreneurs and the families.

The labour administration is in charge of the so-called company-subsidy model implemented in eastern and western Finland. A household can order domestic, nursing or care services and services for maintenance and renovation of residences from enterprises that are registered at the Labour Market Department of the Employment and Economic Development Centre. In this model, the subsidy is paid directly to the enterprise and amounts to 40% of the remuneration paid for the work by the household, though no more than FIM 33 per hour. The subsidy is granted for a maximum of 150 hours per household and calendar year (see "Policies" No. 59, p. 22).

Use of company subsidy and tax incentive

FIM 25 million of the public budget in 1997 and FIM 200 million in 1998 were granted for supporting the possibilities of households to provide employment. The estimates on how much funding should be allocated for the support were based on Danish experiences of a similar system and

on the research material that was available when the pilot project was in preparation.

From October to December 1997, a total of FIM 530,000 was granted for company subsidies; some 2,300 households used the subsidised services, which amounted to around 18,300 hours of work. In 1998, a total of FIM 11.9 million was granted for company subsidies, and some 15,700 households used the subsidised services for around 400,000 hours. From January to April 1999, around FIM 4.2 million was granted for the subsidies, and some 7,800 households bought the services for approximately 142,000 hours. In 1997, the tax incentive for domestic work was used by 4,616 families, amounting to tax deductions of almost FIM 4 million.

The importance of subsidised work for the service provider's business and self-employment

In 1998, around 42% of the enterprises registered in the company-subsidy model were enterprises with only one employee; around 29% had 2 to 5 employees, around 12% had 6 to 10 employees, around 14% had 11 to 50 employees and some 3% had over 50 employees. Of the enterprises mentioned above, about 41% were operating under a commercial name, some 28% were joint-stock companies, around 10% consisted of both cooperatives and limited partnerships, around 6% were non-profit associations and around 4% were unlimited partnerships. Approximately 23% of the enterprises registered in the Employment and Economic Development Centres at the end of April 1999 had been set up during the pilot project.

A notable amount (38%) of the companies in the tax-incentive model were one-man companies. Less than one third had 2 to 5 employees, while around 20% had 6 to 20 employees. A little over 10% of the enterprises had over 21 employees.

Subsidised domestic work accounts for only a part of the enterpris-

es' turnover. In the company-subsidy model, subsidised domestic work accounted only for a small part of the turnover of the maintenance and renovation enterprises that participated in the research. For the domestic, nursing and care-work enterprises, the share of the subsidised work was more important. The enterprises hired hardly any new employees during the project. In the company-subsidy model, only 22% of the enterprises had hired new employees because of the support under the pilot project. The high cost of hiring new workers was one of the obstacles to hiring new employees stated by the enterprises, but the workplace was also mentioned. A private home is an area where confidentiality and the quality of work are important factors. Most of the entrepreneurs in the company-subsidy model claimed that the enterprise also had other customers in addition to households: for the most part they were other enterprises and municipalities.

However, over 50% of the enterprises believed that the pilot project was leading to new jobs, while 4 out of 10 enterprises believed that the project had lowered barriers to becoming an entrepreneur.

The use of subsidised domestic services

The largest customer group consisted of households with a monthly net income of over FIM 13,000. Nearly 3 out of 10 of these households had purchased domestic services. Most of the domestic customers were white-collar workers, while pensioners were the second-largest customer group. The reasons given for use of the services were, for example, lack of time, illness, nursing problems, housework fatigue and lack of domestic skills. The most popular services were window-cleaning, occasional thorough house-cleaning, renovation services, regular weekly cleaning, and nursing and care work. Families who had purchased domestic services also planned on doing so in the future.

Job Creation

Cost of services

The costs of the services varied greatly. For example, the price of cleaning varied from FIM 30 to FIM 112 per hour in the company-subsidy model and from FIM 40 to FIM 159 per hour in the tax-incentive model. The cost of renovation work varied between FIM 60 and FIM 205 per hour in the company-subsidy model and between FIM 65 and FIM 206 per hour in the tax-incentive model. When the company subsidy and the tax incentive are taken into account, the average cost of the services is somewhat lower in the tax-incentive model. The price difference diminishes as more services are bought.

Employment effects

In 1998, the employment effect of the company-subsidy model was 2,493 working months, which is equivalent to around 208 man years calculated at 12 months, 21.5 monthly working days and a 7.5-hour working day. When the total amount of company support in 1998 (FIM 11.9 million) is divided by the working months, the public support for one working month is FIM 4,800. Cost effects also arise from the fact that each unemployed person who has found employment in domestic work or who has founded an enterprise brings savings in unemployment and income-support costs. On the other hand, the government receives taxes from each employee and entrepreneur.

Effects on moonlighting

It is difficult to estimate the amount of moonlighting on the basis of a survey because people tend to answer in a way they consider acceptable. Three questions gave some information about moonlighting and its reduction. Of the entrepreneurs, 40% thought that moonlighting had decreased in their field, 23% disagreed and 37% could not say. When renovation and maintenance services are bought, a receipt is used more frequently than before accord-

ing to 28% of the entrepreneurs; 61% could not say and 11% disagreed. Of the households, 30% felt that the pilot project had decreased moonlighting, 12% disagreed and 58% could not say.

The future of the support system for domestic work

In both the tax-incentive and the company-subsidy model, 6 out of 10 of the entrepreneurs felt that the duration of the pilot project was not long enough.

At the moment it is undecided whether the pilot project will continue with both models in the year 2000, or whether the research results support the implementation of one of the models as a permanent system in the current year. Very little follow-up material is available on the tax-incentive model because the tax returns for 1998 have not yet been completed and because the temporary support system was used for only three months in 1997. The final information about the year 1998 will be available in the autumn. If the pilot project is extended by one year, a new follow-up study will be conducted next year to investigate the effects of the project.

The follow-up study on the tax-incentive and company-subsidy models was commissioned by the Ministry of Labour and the Ministry of Finance and carried out by the National Research and Development Centre for Welfare and Health (STAKES).

Sweden. A study of the survival rates reveals that six out of ten enterprises started during 1994 are still in operation four years later. The same study of more than 7,200 start-up grants also shows that during the first three years the number of employed increased by 38%. However, the growth of employment in surviving enterprises did not make up for the lost employment in closed-down businesses. Now new research reveals that those with start-up grants perform as well as those without any subsidies.

Start-up grants are aimed at applicants who wish to start their own businesses. The grant is intended to help cover living costs during the start-up phase. A start-up grant can be provided if the business venture is expected to return an adequate profit and provide the jobless individual with permanent employment. Applications are approved by the Employment Service, to which the County Labour Board has delegated powers to approve individual cases. Start-up grant applications are thus assessed with reference to the business idea of the intended enterprise. The target groups of the programme are jobseekers, persons at risk of unemployment and individuals living in regional development areas. Participants receive training allowances equal to unemployment benefit. Start-up grants are usually provided for a six-month period at the most.

The programme was introduced in a relatively limited form at the beginning of the 1980s. At that stage, the programme was intended to function as a last-resort measure which was offered when all other possibilities had been tried. In 1992, the rules were amended in such a way that not only unemployed persons but also those in danger of becoming unemployed could qualify for the grant. In addition, the possibility was created of preparing the activity of the enterprise in the context of employment training and working-life development through

Sweden

Start-up Grants – a Successful Measure

As has been reported in an earlier issue of "Policies" (No. 65), the start-up grants show the best results out of all labour market measures in

training in entrepreneurship. As of the fiscal year 1993/94, priority has been given to the programme, and it has been offered to larger groups of jobseekers. During the fiscal year 1998, nearly 18,100 individuals embarked on the programme.

Start-up grants play an important role in the establishment of new enterprises in Sweden. In 1997, approximately two-thirds of all newly established companies were recipients of start-up grants.

In 1994, the Swedish National Board for Industrial and Technological Development (NUTEK), in cooperation with the National Labour Market Board (AMS), developed a strategy for the start-up grant programme. The so-called "programme for new entrepreneurs" was supposed to help the counties in dealing with the procurement of consulting services and start-up grant projects. Included in the strategy is the procurement of consulting services in four different areas – information meetings, consulting counselling, training courses for new entrepreneurs and follow-up activities.

A number of monitoring reports and evaluations have been carried out in this decade. NUTEK has been responsible since 1994 for compiling the start-up statistics published annually in Sweden's official statistical digest. The measure has shown good results and positive long-term effect as well, as described above.

A recent complementary study carried out by the AMS focused on the start-up grant from two points of view: first, whether the survival rate of the new businesses after four years was influenced by their receiving start-up grants; second, whether the growth in terms of turnover was influenced by the businesses receiving this support.

The results suggest that, four years after start-up, the entrepreneurs receiving start-up grants were still active to the same extent as other new businesses. In addition, their growth was neither higher nor

lower on average than that for other new businesses.

Additional information can be found on the Internet at the homepage: www.ams.se.

Sweden

Regional Growth Agreements

Preparations have been under way in Sweden during the last year for the introduction of a new cooperation model for partnerships. It will affect many public sectors and most certainly the field of labour market policy in various respects. The background is provided by a new regional industrial policy with the following overall objective: "On the basis of the unique features of each region, sustainable economic growth should be stimulated which will contribute to more and expansive enterprises and to an increase in employment."

Regional growth agreements

Agreements on regional growth will become the principle instrument for coordinating and adjusting the policies of the various sectors and also for exploring new approaches to the promotion of regional and local industrial development. The aim is to launch the programmes by 1 January 2000.

At the regional level, the government has offered the county administrative boards and the regional councils of Gotland, Kalmar and Skåne the opportunity to coordinate the drafting of an action programme that will serve as the platform for the agreements. All 21 counties in Sweden have decided to participate.

Regional partnerships

"Regional partnerships" – that is, groups consisting of representatives of municipalities, local business as-

sociations, universities and colleges, and regional authorities – are expected to play an active role in the drafting and implementation of the action programmes. County administrative boards and regional councils will act as coordinators and catalysts.

These regional partnerships will conduct an analysis of the potential for and threats to economic growth and industrial development in their respective region. On the basis of these analyses, programmes of measures designed to take greater advantage of the opportunities identified will be formulated. The parties involved should then negotiate and agree on funding. It should be possible to monitor and evaluate measures.

Several central government authorities run programmes that influence and support regional development in various ways. Within the framework of the agreements, regional and central government actors are encouraged to discuss opportunities for closer and more structured collaboration.

The participation of the private business community is considered to be a prerequisite for the success of the programmes. Regional public actors are encouraged in order to enter into discussions with representatives of local and regional business communities in order to ensure that their views and needs are integrated into the action programmes.

EU Structural Funds

The EU Structural Funds programme has served in part as a model for the structure of the action programme (the basis of the agreements). Furthermore, it is expected that the EU Structural Funds programmes will be integrated with the regional action programmes in the next EU budget period, which commences in the year 2000.

Government offices

Encouraging a cross-sectoral approach to regional growth and development means that multisectoral

Job Creation

collaboration should also be intensified between the various Swedish ministries.

A special committee consisting primarily of the state secretaries from various ministries has been set up to this end. Most of the ministries are represented on this committee, which has the overall responsibility for coordinating issues relating to growth and employment policies within the government offices. Its task will be to respond to issues arising in connection with the preparation of the regional growth agree-

ments. The committee is assisted by an inter-ministerial secretariat.

In the government bill presented to the Swedish parliament at the end of September 1999, further details have been outlined for the programme, which should run from 2000 to 2002. The government states that the preparations have reached an advanced stage and will now arrive at a phase requiring great capacity for cooperation and long-term thinking among the operators within many sectors of society. Negotiations on implementation and

financing are now under way. The government stresses that the process to introduce the regional growth agreements as an industrial policy instrument must be seen on a long-term basis and requires time to be developed. No specific funds have been allocated from the government for implementation; however, many existing sources will be pooled together and, as one example, the allocation for labour market measures to the National Labour Market Administration can be used for cofinancing the regional growth agreements.

Training

Spain

National Qualifications Institute

On 16 March 1999, Royal Decree No. 375 of 5 March 1999 on the creation of a National Qualifications Institute (*Instituto Nacional de Cualificaciones*) was published in the legal gazette (*Boletín Oficial del Estado*). The institute forms part of the Ministry of Labour and Social Security, but in functional terms is subject to the General Council on Vocational Training.

The creation of the institute aims to meet one of the goals set by the Council of Ministers on 13 March 1998 in the Second National Vocational Training Plan (see "Policies" No. 62, p. 23). The programme prioritised the establishment of the Institute as an independent technical instrument to support the General

Council on Vocational Training in performing its functions and tasks.

Involved in the design of the institute were the ministries of education and culture and of labour and social security, together with employer organisations and the trade unions.

The National Qualifications Institute is to act independently as a technical instrument in order to support the General Council for Vocational Training in observing, determining, accrediting and developing professional qualifications and in monitoring and evaluating the national vocational training programme.

In accordance with the royal decree governing its creation, the institute is to perform the following tasks:

- develop proposals for the creation and management of a national system of vocational qualifications;
- draw up criteria that define the characteristics and requirements that vocational qualifications must

meet in order to be included in the system of vocational qualifications;

- establish a methodological basis for the determination of vocational skills and determine the pattern that a vocational qualification must follow in order to be included in the system of vocational qualifications;
- put forward a system of vocational accreditation and recognition;
- establish a procedure to draw up a catalogue of vocational qualifications and to adjust them to sectoral needs, in such a way as to permit the involvement of both the qualification agencies and institutes of the Autonomous Regions and the social partners;
- establish criteria for a procedural basis to which the responsible authorities must adhere in evaluating skills and issuing certificates;
- propose procedures to establish the modes of accreditation of vocational skills within the National

- System of Vocational Qualifications and its ongoing adjustment;
- in its role as a basic instrument at the service of the General Council of Vocational Training, develop, at both national and regional level, expert activities in the area of vocational training, including the drawing up of studies and reports, comparative analysis, documentation, bibliographic work and scientific seminars;
 - facilitate functional interlinks between, on the one hand, training activities by the various vocational training subsystems and the titles and certificates that they generate, and, on the other, the vocational classification systems established by means of collective bargaining;
 - take the necessary steps to draw up a general frame of reference for the training programmes of all subsystems and offer support in elaborating rules and regulations concerning vocational training;
 - propose the means necessary to regulate the system of correspondences, recognitions and equivalencies between the three subsystems, including work experience;
 - provide support for the introduction and diffusion of the new training contract (see "Policies" No. 62, p. 22), by drawing up a new training model that, as prescribed by law, pays particular attention to training;
 - improve the form and content of the certificates of vocational qualifications in order to facilitate equivalence and correspondence between their contents and the training units and vocational training modules of initial vocational training;
 - propose, through the General Council for Vocational Training, definitions of the scope of the modules of vocational training for the employed, so that these can be accredited in order to enable participants to obtain the corresponding certificates;
 - draw up proposals for the certification of continuing training activities in relation to the National System of Qualifications, by means of its integration into the System of Vocational Certificates, in both legal and operative terms;
 - as part of the structure of the National Institute for Qualifications, an Observatory with a database is to be set up, which is actively to promote cooperation with the various sectoral and territorial observatories that exist in pursuit of the following aims:
 - a) draw up the procedures and reach the necessary agreements to permit cooperation and exchange of information between the various vocational observatories, whereby the agreements should seek to incorporate the social partners and determine both the technical details and the minimum content of the information that is to be passed on and received;
 - b) provide information on the demand and supply trends of occupations, professions and occupational profiles on the labour market, taking into account, among other things, the vocational classification systems that have emerged from collective bargaining.

Netherlands

Merits of Combining Work and Training for Low-skilled Jobseekers

The executive social security bodies and placement and training agencies all consider a combination of work and training very useful in getting low-skilled jobseekers back into employment. For this particular category of jobseeker, short "dual trajectories", such as short-term trial

periods, are often preferable to training trajectories lasting several years.

This is the conclusion arrived at in the research report "Scholing van werkzoekenden" (training of jobseekers) commissioned by the Ministry of Social Affairs and Employment (SZW) and carried out by the "Instituut voor Toegepaste Sociale Wetenschappen (ITS)".

The Minister of the SZW has sent the report to Parliament. He has the opinion that the research findings support a recent extension of the possibilities for combining work and training in the Netherlands. For example, since 1 January 1999, limitations regarding the level of the training trajectories for participants in (subsidised) I/D jobs ("flow jobs") have been abolished. In addition, the Jobseekers Employment Act (WIW) also includes the possibility of combining work and training.

Another result of the ITS study is that implementing agencies indicate that the concept of "startkwalificatie" (basis qualification) is only of limited importance to them. "Startkwalificatie" means the minimum level of education that is required to find and keep a job. Often the agencies do not encourage clients to acquire a "startkwalificatie", preferring, rather, to emphasise short-term training trajectories in order to re-integrate the unemployed into employment as soon as possible. In reaction to this finding, the Minister of SZW has indicated that this practice supports the importance of dual trajectories (work and learning), in which a person is able to follow training courses up to the level of "startkwalificatie" after having found a job.

The research report shows that in practice the aforesaid agencies encounter obstacles in setting up dual trajectories. These obstacles are related to both benefit regulations and the way these are implemented.

Training courses lasting several years may exceed the maximum

Training

training duration granted to beneficiaries. For instance, the maximum period of training under the Unemployment Act (WW) is one year. Sometimes a jobseeker needs a longer stretch of training and may lose his or her entitlement to benefit. In addition, a beneficiary may not participate in a trial period or work-experience period that amounts to more than 50% of working time. If this condition is not fulfilled, benefit payment is stopped. Under the "Act on WW experiments", the SZW may consider an experiment regarding an extension from one to two years of the maximum training period under WW.

The ITS research report further shows that individual companies are often not very eager to create dual trajectory places, even if they have vacancies. Companies are also often very reluctant to contribute to any training costs. The ITS suggests that the employers be held accountable for this in discussions within the framework of the system of industrial relations. Using collective resources for training may also be of help.

The ITS report pays special attention to the position of some specific groups: less-educated flexible workers, less-educated parents on social assistance benefit and less-educated ethnic minorities.

Less-educated flexible workers often quickly find a job, but without training they remain stuck at the lower end of the labour market. In times of economic recession, this group is very vulnerable. The researchers hint at the possibility of setting up groups of flexible workers. In these groups, flexible workers – each in turn – could participate in a training course when they are out of employment.

Regarding the less-educated social assistance parents, there have been few indications of potential limitations on training. Still, the serious shortage of childcare facilities is mentioned as an obstacle to training of this group.

Likewise for less-educated ethnic minorities, there are few indications concerning potential limitations on training. There is a wide diversity of training courses in areas covering a great number of people from ethnic minority backgrounds.

Portugal

Evaluation of the Training-cum-Employment Programme

The Training-cum-Employment Programme (*Programa Formação-Emprego* – PFE) was introduced in 1993 with the aim of improving the levels of qualification and employment of young people and adults by providing them with vocational training. The target group of the programme comprises:

- unemployed persons aged 18 and over who have completed compulsory schooling but have no recognised vocational qualification;
- qualified (qualification levels I to IV) unemployed persons aged over 30;
- employees at risk of unemployment.

In 1998, a higher-education institute (IESE) was commissioned to carry out an evaluation study of the programme. The study was to investigate changes that might be required in future regulations. The evaluation covered the entire duration of the programme from 1993 to 1998 and was based on the statistically computed results of questionnaires given during this period to trainees, institutions involved, expert advisors, instructors and employment offices. The data on the trends of the main variables over time – e.g. the number of trainees – relate to the years 1993 to 1996.

A total of 10,889 persons participated in the vocational training scheme during this period, of which 4,345 were adults, 4,990 young people, 1,022 middle managers and 532 top-level managers.

The placement rate for the participants in the programme is already very high (around 66%). Nonetheless, the study makes the following recommendations for further improvement:

- A fundamental requirement is better collaboration between instructors, advisors, employment offices and other participating institutions. This would lead to better dove-tailing of the programme content in different areas and better adaptation to the needs of the various target groups.
- The system of alternating training should be maintained.
- The number of training modules and thus also the number of instructors should be reduced. The result would be better coordination and more coherent design of the training plans.
- Stricter regulation of the individual steps within the programme planning procedure.
- Creation of a structure that can be used to coordinate and dove-tail the specific activities implemented under the programme at regional and national level.
- Creation of a structure to administer programme-related data (which could also be used to a certain extent for other purposes), with the possibility of central administration of programme implementation.
- The qualifications that can be gained within the framework of the programme should be linked to a certification system.

Against this background, on 23 June 1999, the government presented a bill for public discussion of a corresponding decree containing the regulations and procedures concerning the PFE.

Special Categories of Workers

Greece

Programmes for Disabled Persons against Exclusion from the Labour Market

Within the framework of the goals of employment promotion and equal access to the labour market for the disabled, the Ministry of Labour and Social Insurance is implementing the following programmes, the aims of which are to improve the vocational training, employment chances and the psychological and family support of disabled persons affected by, or threatened with, exclusion from the labour market.

Programme of subsidies for employers recruiting the disabled

This programme consists of:

- the full-time employment programme,
- the part-time employment programme, and
- the fixed-term employment contract programme.

The duration of the subsidy is limited to 36 months. The first three months following the recruitment of the disabled person are considered to be a familiarisation and acclimatisation phase. For this period, the company or employer is to nominate a member of the workforce who is responsible for training the worker concerned, in accordance with the tasks required, and for helping him or her to integrate normally into the production process.

Subsidy for young, self-employed, disabled persons

The aim of this programme is to promote self-employment among the disabled. They are to be offered support in order to give them the oppor-

tunity of setting up their own company in accordance with their special skills.

Italy

New Regulations Promoting the Employment of the Disabled

Recently, a new law promoting the insertion and occupational integration of the disabled came into force (Law No. 68 of 12.3.1999, published in the Official Gazette of 23.3.1999). Employment promotion is to take the form of support services and targeted placement. The new law stipulates that targeted placement is to be "interpreted as a series of technical and support instruments that enable the work capacity of each disabled person to be appropriately evaluated and to place him or her in appropriate employment, having examined employment opportunities, forms of support, positive actions and solutions for the problems associated with the working environment, tools and equipment, and interpersonal relations in the daily place of work and residence" (Article 2).

One of the novel features of the new law is the possibility of reaching agreements on insertion programmes targeted at this group. The agreement is to set out the recruitment periods and formalities that the employer in question intends to realise. Such formalities include the right to nominate specific candidates, the implementation of practical training to impart knowledge and orientation, recruitment under a fixed-term contract, a longer probation period than that stipulated in the relevant collective agreement,

etc. The agreement must be signed between the responsible offices of the labour ministry and the employers in question.

This also applies to employers who are not bound by current legislation to recruit staff from protected groups. Specifically, this means that small-scale enterprises (with less than 15 workers) may sign such agreements. Social cooperatives, consortia and voluntary organisations registered in special lists may also reach agreements of this type. In addition, the law establishes the possibility of deviating from age limits and the duration of employment, training and apprenticeship contracts.

The agreements (known also as "employment integration agreements") must encompass at least the following elements: (1) the form of support, advice and guidance provided by the responsible regional offices or the careers advice centres; and (2) regular checks on the training progress made by the new recruits by the public offices commissioned to perform supervisory and monitoring activities.

In terms of the financial support available, the local employment offices may, on the basis of existing programmes and subject to the constraints on financial resources, grant the employer a complete exemption from all social insurance contributions for all disabled persons recruited under the new law with a more than 79% reduction in work capacity or with specific disabilities set out by the law. This total exemption may be granted for a maximum period of eight years. The same law also makes provision for a partial reimbursement of contributions for up to five years for those workers whose occupational disability is less serious. A partial reimbursement of the costs required in order to adapt the place of work to the needs of disabled persons with a

Special Categories of Workers

more than 50% reduction in work capacity is also available. Grants may also be claimed for the implementation of technological modernisation in order to introduce teleworking and to remove architectural barriers that are an obstacle to the occupational integration of the disabled.

Employers who, on the basis of such agreements, grant disabled persons the opportunity of undergoing practical training for a period of twelve months – renewable once – and subsequently recruit the disabled person, fulfil all obligations associated with recruitment for the entire duration of the practical duration of the practical training. As is the case with practical training in general, employers recruiting disabled persons for practical training are obliged to take out insurance against accidents at work and liability with the INAIL (National Insurance Institute for Accidents at Work).

The entire funding for all above-mentioned initiatives to promote the occupational integration of the disabled is provided by a fund for the right to work of the disabled; approval has been given for allocating LIT 40 billion in 1999 and LIT 60 billion from the year 2000 on to the fund.

In order to regulate access to these support measures, the labour ministry is to issue a decree setting out the criteria and the formalities for distributing the resources of the above-mentioned fund between the various regions.

time. Given an ageing society, this is not only necessary to forestall increasing shortages on the labour market, but also to maintain sufficient social commitment to the system of social security.

Minister De Vries and State Secretary Hoogervorst of the Ministry of Social Affairs and Employment (SZW) have asked the Socio-Economic Council (SER) for advice on possibilities to increase the attractiveness of continued employment for ageing workers. In this context, it is especially important that companies implement an age-conscious personnel policy (including policies regarding safety and health). In addition, the labour force participation of older workers can be stimulated by means of financial instruments. A number of possible policy options to discourage early retirement – especially via the unemployment insurance system (WW) – have been proposed to the SER. These all have in common that the employers and employees will become more directly burdened with the costs of early retirement.

In its request for advice to the SER, the SZW stressed that greater effort will have to be made by all parties involved – the state, both sides of industry and the older workers – in order to change the trend of the low labour force participation rate of the aged in the Netherlands.

The increased ageing of society also requires more efforts in this respect. Analysis shows that without new policies the ratio of the number of (early) retirees to the number of people in employment will rise drastically after 2001: from 3/10 to 7/10 in 2030. In order to limit the increase and retain sufficient social commitment to social security, the labour force participation of the aged would have to rise from about 25% (current situation) to some 52% in 2030.

The SZW is convinced that increasing the labour force participation of the aged requires first and foremost a change of mentality. Employers, on the one hand, will have

to invest more in retaining their older workers, because their knowledge and experience will increasingly become indispensable for the company. Employees, on the other hand, will have to think in terms of a longer period in employment over the life course.

Age-conscious personnel policies

An age-conscious personnel policy is considered to be an important instrument that companies can use to increase the attractiveness of work and enable ageing workers to remain in service for a longer period of time. A recent research report by the Labour Inspectorate, however, shows that these policies are not yet widespread in the Netherlands, although the situation has slightly improved since 1996. The government has requested the SER to forward suggestions for further improvement. Age-conscious personnel policies (including employability and good working conditions) are first and foremost a responsibility of employers and employees. The SZW has asked the SER how the government can support the social partners to this end. In this respect, a reduction of the psychological and physical work stress on ageing workers is considered very important. The risk of long-term sickness absenteeism (and disability) due to psychologically and physically taxing work is twice as high for ageing workers than for those under 45 years of age. At branch level, preventive policies on working conditions can be better implemented when the causes of early exit of employees have been analysed more adequately. Specific policy instruments, such as the periodical examination of the health situation at work or job analysis, may be of use in this respect.

Tax and social security contribution measures

The SER has been asked to respond to a number of legal measures suggested by the government, notably with respect to stimulating measures

Netherlands

Options to Increase the Attractiveness of Continued Employment for Older Workers

Older workers should be active in employment for a longer period of

Centrefold

Index of articles published in nos. 65–67/68

The following index relates to the contents of the articles published in inforMISEP “Policies” nos. 65–67/68. The references are grouped under country abbreviations. In each case the abbreviation is followed by two numbers: the first indicates the number of the volume, the second the page on which the contribution in question begins. Where it seems appropriate, several key words are assigned to a single article.

The country abbreviations are as follows:

| | | | | | |
|----|---------|-----|-------------|-----|----------------|
| B | Belgium | F | France | A | Austria |
| DK | Denmark | IRL | Ireland | P | Portugal |
| D | Germany | I | Italy | FIN | Finland |
| GR | Greece | L | Luxembourg | S | Sweden |
| E | Spain | NL | Netherlands | UK | United Kingdom |

EU European Union

The “Employment Policy Guidelines for 1999”, which were adopted at the Extraordinary European Council Meeting in December 1998 in Vienna, contain 22 separate policy areas and are grouped together in four main lines of action (“pillars”); many of the key words of the following index can be assigned to these policy areas and pillars:

I. Improving employability:

see under: → Basic training/General education; → Development of new technologies/techniques; → Disabled workers; → Dismissal, employment protection, (mass) redundancies; → Equality of opportunity/Antidiscrimination policies; → Ethnic minorities; → Geographical and vocational mobility; → Grants, subsidies, loans; → Job creation; → Job maintenance; → Job take-up; → Labour relations; → Long-term unemployed; → Occupational experience, work experience; → Older workers; → Placement; → Reduction of employers’ social security contributions; → Training leave; → Unemployment benefit; → Vocational counselling; → Vocational further training and continuing training, retraining; → Vocational training; → Wage cost reduction; → Women; → Working time: Full-time work, Part-time work, Short-time work, Working time reduction; → Youth

II. Developing entrepreneurship:

see under: → Development of new technologies/techniques; → Employment contract; → Grants, subsidies, loans; → Job creation; → Job take-up; → Labour relations; → Moonlighting; → New business start-up; → Placement; → Reduction of employers’ social security contributions; → Self-employed persons; → Small and

medium-sized enterprises; → Vocational counselling; → Wage cost reduction

III. Encouraging adaptability in businesses and their employees:

see under: → Development of new technologies/techniques; → Employment contract; → Employment promotion through leave schemes; → Family; → Geographical and vocational mobility; → Grants, subsidies, loans; → Labour relations; → Moonlighting; → Older workers; → Reduction of employers’ social security contributions; → Temporary work; → Training leave; → Vocational further training and continuing training, retraining; → Wage cost reduction; → Wage policy; → Women; → Working time: Full-time work, Overtime work, Part-time work, Short-time work, Working time reduction

IV. Strengthening equal opportunities policies for women and men:

see under: → Basic training/General education; → Development of new technologies/ techniques; → Equality of opportunity/Antidiscrimination policies; → Family; → Job creation; → Grants, subsidies, loans; → Job take-up; → Labour relations; → Long-term unemployed; → Placement; → Training leave; → Vocational counselling; → Vocational further training and continuing training, retraining; → Vocational training; → Women

At the end of this index you will find a list of the “Focus” articles published in “Policies” nos. 65–67/68.

Basic training/General education

B: 67/68–7; **F:** 65–20; **NL:** 65–17, 65–22, 65–23; 66–16; 67/68–31; **P:** 65–18; 66–17; 67/68–22; **S:** 67/68–14, 67/68–35; **UK:** 65–24, 65–30; 66–20

Development of new technologies/techniques

GR: 65–18; 67/68–16; **E:** 67/68–20; **F:** 66–12; **NL:** 65–15; **A:** 67/68–15, 67/68–32; **P:** 66–18; **S:** 65–16; 67/68–13, 67/68–15; **UK:** 65–16, 65–30

Disabled workers

B: 65–5; **D:** 67/68–10; **GR:** 65–20; 66–23; 67/68–23; **E:** 66–24; **I:** 67/68–23; **NL:** 65–14, 65–17, 65–18, 65–22; 66–13; 67/68–24, 67/68–31; **A:** 65–8; 66–9, 66–16; **P:** 65–23; 66–17, 66–18; 67/68–34; **FIN:** 65–15; 67/68–28; **UK:** 65–16, 65–25; 66–14, 66–25

Index

Dismissal, employment protection, (mass) redundancies

B: 65-5; **D:** 66-6; **NL:** 67/68-24; **A:** 67/68-26; **FIN:** 67/68-34; **S:** 66-28; 67/68-18; **UK:** 65-25

Early retirement

B: 65-5; 67/68-7; **D:** 66-6; **E:** 65-25; **NL:** 67/68-24, 67/68-30; **FIN:** 67/68-28

Employment contract

– *fixed-term*

D: 67/68-10; **GR:** 67/68-23; **E:** 65-25, 65-27; 66-7, 66-24; **F:** 65-10, 65-21; **I:** 67/68-23; **NL:** 67/68-24; **P:** 65-23; 66-22; **FIN:** 67/68-34; **S:** 65-29; 66-28; **UK:** 65-19

– *permanent*

E: 65-25; 66-7; **F:** 65-10, 65-21; **P:** 65-23; **FIN:** 65-28; 67/68-28, 67/68-34; **UK:** 65-19; 66-20

Employment promotion through leave schemes

E: 65-25, 65-27; **A:** 66-9; **P:** 66-22; **S:** 65-29

Equality of opportunity/Antidiscrimination policies

B: 65-5; 67/68-7; **E:** 65-25; **F:** 65-10; **NL:** 65-13, 65-23; 67/68-24, 67/68-30; **A:** 65-8; 66-9, 66-27; 67/68-26; **P:** 66-17, 66-18; **FIN:** 65-15, 65-28; 67/68-28; **S:** 65-29; **UK:** 65-16, 65-19, 65-25; 66-20, 66-25

Ethnic minorities, foreign workers, immigrants, refugees, ethnic immigrants, asylum-seekers

B: 65-5; **GR:** 66-23; **F:** 65-20; **NL:** 65-14, 65-18, 65-23; 66-13; 67/68-21, 67/68-24; **A:** 66-16; 67/68-15; **FIN:** 65-15

Family (childcare, maternity protection, maternity leave/parental leave, pregnancy, etc.)

B: 67/68-7; **GR:** 65-20; 66-23; 67/68-23; **E:** 65-25; 66-24; **F:** 65-20; **NL:** 65-17; 66-16; 67/68-21; **A:** 66-8, 66-9, 66-27; **P:** 66-17, 66-18; 67/68-34; **FIN:** 66-26; 67/68-16; **S:** 67/68-35; **UK:** 65-16; 66-14, 66-20

Grants, subsidies, loans

B: 66-15; 67/68-7; **DK:** 65-7; **D:** 65-19; 67/68-10; **GR:** 65-20; 66-23; 67/68-23; **E:** 66-24; **F:** 65-8, 65-10, 65-20, 65-21; 66-12; **I:** 67/68-23; **NL:** 65-13, 65-17, 65-18; 66-13, 66-21; 67/68-21, 67/68-31; **A:** 66-8, 66-22, 66-27; 67/68-26; **P:** 65-23; 66-17, 66-18, 66-22; **FIN:** 66-26; 67/68-16; **S:** 65-16, 65-29; 67/68-15, 67/68-18; **UK:** 65-19, 65-24; 66-20, 66-29

Job creation

B: 65-5; 66-15; 67/68-7; **D:** 65-19; 66-6; 67/68-10; **GR:** 65-20; 66-23; 67/68-16, 67/68-23; **E:** 65-25; 66-7; **F:** 65-10, 65-21; 66-12; **NL:** 65-17, 65-18; 66-16; **A:** 65-8; 66-

16, 66-27; **P:** 66-17, 66-18; **FIN:** 65-28; 67/68-16; **S:** 67/68-13, 67/68-15, 67/68-18, 67/68-19; **UK:** 65-24; 66-20

Job maintenance

B: 65-5; **D:** 66-6; **GR:** 67/68-16; **E:** 65-25, 65-27; **NL:** 67/68-24; **A:** 66-16; 67/68-26; **P:** 66-17, 66-18; **UK:** 66-20

Job take-up (vocational integration, entry into working life, reintegration)

B: 65-5; 67/68-7; **DK:** 65-7; **D:** 65-19; 66-6; 67/68-10; **GR:** 65-18, 65-20; 66-23; 67/68-23; **E:** 65-25; 66-7, 66-24; **F:** 65-8, 65-10, 65-20, 65-21; 66-12; **I:** 67/68-23; **NL:** 65-13, 65-14, 65-15, 65-17, 65-18, 65-22, 65-23; 66-13, 66-16, 66-21, 66-25; 67/68-21, 67/68-24, 67/68-31; **A:** 65-8; 66-9, 66-16, 66-22, 66-27; 67/68-26; **P:** 65-18, 65-23; 66-17, 66-18, 66-22; **FIN:** 65-15; 66-26; 67/68-16, 67/68-28, 67/68-29; **S:** 65-29; 66-28; 67/68-13, 67/68-14, 67/68-35; **UK:** 65-16, 65-19, 65-25; 66-14, 66-25, 66-29

Labour relations (collective agreements, trade unions, trade union delegations, trade union federations, labour disputes)

B: 65-5; 67/68-7; **D:** 66-6; **E:** 65-25, 65-27; 66-24; 67/68-20; **F:** 65-10, 65-20; **I:** 65-28; 66-27; 67/68-23; **NL:** 65-17; 66-13; 67/68-21, 67/68-24, 67/68-30; **A:** 65-8; 66-22; 67/68-26; **P:** 66-18, 67/68-33, 67/68-34; **FIN:** 65-15; 66-26, 66-28; 67/68-28, 67/68-34; **S:** 67/68-19; **UK:** 65-25

Long-term unemployed

B: 65-5; 67/68-7; **D:** 65-19; 66-6; 67/68-10; **E:** 66-24; **F:** 65-8, 65-10, 65-21; 66-12; **NL:** 65-17, 65-18; 66-13, 66-21; 67/68-31; **A:** 65-8; 66-9, 66-16, 66-22; 67/68-26; **P:** 66-17, 66-18; **FIN:** 67/68-28; **S:** 66-28; 67/68-13, 67/68-14, 67/68-15; **UK:** 66-20, 66-29

Mobility

– *geographical*

B: 67/68-7; **F:** 65-20; **NL:** 65-14; **A:** 65-8; **S:** 67/68-13, 67/68-35

– *vocational*

B: 67/68-7; **E:** 65-25; **F:** 65-10; **NL:** 65-14; **A:** 65-8; **P:** 65-18; **S:** 67/68-13, 67/68-35

Moonlighting

B: 65-5; 66-15; 67/68-7; **E:** 66-7; **I:** 65-28; **FIN:** 67/68-16

New business start-up

B: 67/68-7; **D:** 66-6; 67/68-10; **GR:** 66-23; 67/68-16, 67/68-23; **E:** 66-7; **F:** 67/68-16; **A:** 66-8; **P:** 65-23; **S:** 65-29; 67/68-18, 67/68-19; **UK:** 66-25, 66-29

Occupational experience, work experience

B: 67/68-7; **GR:** 65-18; **E:** 65-25; 66-24; 67/68-20; **F:** 65-10, 65-21; 66-12; **I:** 67/68-23; **NL:** 65-13, 65-15, 65-18; 66-21; 67/68-31; **P:** 65-18, 65-23; 66-22; **FIN:** 67/68-29; **S:** 65-29; **UK:** 65-24; 66-20, 66-25

Older workers

B: 65-5; 67/68-7; **DK:** 65-7; **D:** 66-6; 67/68-10; **GR:** 65-20; **E:** 65-25; 66-7, 66-24; **F:** 66-12; **I:** 67/68-23; **NL:** 65-14, 65-18, 65-22; 66-13, 66-16, 66-25; 67/68-24, 67/68-31; **A:** 65-8; 66-9, 66-16, 66-22; 67/68-26; **P:** 66-17, 66-18; 67/68-34; **FIN:** 65-28; 66-26; 67/68-28; **S:** 67/68-13, 67/68-15; **UK:** 65-19, 65-25; 66-20, 66-29

Placement

B: 67/68-7; **D:** 65-19; 67/68-10; **GR:** 66-23; **E:** 66-24; **F:** 65-8, 65-10, 65-20, 65-21; 66-12; **I:** 67/68-23; **NL:** 65-13, 65-14, 65-15, 65-23; 66-25; 67/68-21, 67/68-31; **A:** 65-8; 66-9, 66-22; 67/68-15; **P:** 65-23; 67/68-22; **FIN:** 65-15; **S:** 65-16; 67/68-13; **UK:** 65-16, 65-24; 66-14, 66-20, 66-25, 66-29

Reduction of employers' social security contributions

B: 65-5; 67/68-7; **F:** 65-10; **I:** 67/68-23; **A:** 67/68-26; **P:** 65-23; 66-22; **FIN:** 66-26

Self-employed persons

B: 66-15; 67/68-7; **D:** 66-6; **GR:** 66-23; 67/68-16, 67/68-23; **E:** 66-7, 66-24; **I:** 66-27; **NL:** 66-21; **A:** 66-8; **P:** 65-23; 67/68-34; **FIN:** 67/68-16; **S:** 67/68-18; **UK:** 66-25, 66-29

Small and medium-sized enterprises

B: 65-5; 66-15; 67/68-7; **D:** 65-19; 66-6; **E:** 66-7; **I:** 67/68-23; **NL:** 65-23; **A:** 66-8; **P:** 66-22; **FIN:** 67/68-16; **UK:** 66-29

Temporary work

F: 65-10; **NL:** 65-14; 67/68-21; **FIN:** 65-15

Training leave

DK: 65-7; **A:** 67/68-26; **S:** 65-29

Unemployment benefit

B: 65-5; 67/68-7; **DK:** 65-7; **D:** 67/68-10; **NL:** 65-15; 66-21, 66-25; 67/68-21, 67/68-24, 67/68-31; **A:** 65-8; 67/68-26; **P:** 66-17; **FIN:** 67/68-16, 67/68-29; **S:** 66-28; 67/68-14, 67/68-18; **UK:** 65-16; 66-29

Vocational counselling

DK: 65-7; **D:** 65-19; **GR:** 66-23; 67/68-16; **E:** 66-24; **F:** 65-8, 65-10, 65-20; 66-12; **I:** 67/68-23; **NL:** 65-13, 65-14, 65-15, 65-23; **A:** 65-8; 66-9, 66-22; 67/68-15; **P:** 65-

23; 66-18; 67/68-22; **FIN:** 67/68-29; **S:** 65-16; 67/68-18; **UK:** 65-16, 65-25, 65-30; 66-14, 66-20, 66-25, 66-29

Vocational further training and continuing training, retraining

B: 65-5; 67/68-7; **DK:** 65-7; **D:** 65-19; 66-6; 67/68-10; **GR:** 65-18, 65-20; 66-23; 67/68-23; **E:** 65-25; 66-24; 67/68-20; **F:** 65-8, 65-10, 65-20, 65-21; 66-12; **NL:** 65-13, 65-14, 65-15, 65-17, 65-18, 65-22, 65-23; 66-13, 66-21; 67/68-21, 67/68-31; **A:** 65-8; 66-8, 66-9, 66-16, 66-22, 66-27; 67/68-15, 67/68-26, 67/68-32; **P:** 65-23; 66-17, 66-18, 66-22; **FIN:** 67/68-29; **S:** 65-29; 66-28; 67/68-13, 67/68-14, 67/68-15, 67/68-18, 67/68-35; **UK:** 65-19, 65-24, 65-25, 65-30; 66-14, 66-20, 66-25, 66-29

Vocational training

B: 67/68-7; **D:** 65-19; 66-6; 67/68-10; **GR:** 65-20; 66-23; 67/68-16, 67/68-23; **E:** 66-24; 67/68-20; **F:** 65-10, 65-21; **I:** 67/68-23; **NL:** 66-13; 67/68-21; **A:** 65-8; 66-8, 66-9, 66-22; 67/68-26; **P:** 65-18, 65-23; 66-17, 66-22; 67/68-22; **FIN:** 67/68-29; **S:** 65-16; 67/68-14, 67/68-15, 67/68-35; **UK:** 65-24; 66-20, 66-29

Wage cost reduction

B: 66-15; 67/68-7; **D:** 65-19; 67/68-10; **NL:** 67/68-24; **A:** 67/68-26; **P:** 65-23; 66-22; **FIN:** 66-26

Wage policy

B: 65-5; 67/68-7; **F:** 65-10; **NL:** 65-17; 66-21; 67/68-24, 67/68-30; **A:** 66-8; 67/68-26; **P:** 65-23; 66-17, 66-22; 67/68-33; **FIN:** 65-28; 66-26, 66-28; 67/68-16; **S:** 67/68-13, 67/68-14

Women

B: 65-5; 67/68-7; **GR:** 66-23; **E:** 66-24; **F:** 65-10, 65-21; **NL:** 65-14, 65-18; 66-13, 66-16; **A:** 65-8; 66-8, 66-9, 66-16, 66-27; 67/68-26; **P:** 65-23; 66-17, 66-18; **FIN:** 65-15, 65-28; 66-26; **S:** 65-29; 67/68-15; **UK:** 65-16, 65-30; 66-14, 66-20

Working time– *Working time (in general)*

B: 65-5; 67/68-7; **D:** 66-6; **E:** 65-25; 66-24; **F:** 66-12; **NL:** 65-13, 65-14; 67/68-21, 67/68-24, 67/68-30; **A:** 67/68-26; **P:** 66-22; **FIN:** 66-26; 67/68-16

– *Full-time work*

B: 65-5; **D:** 67/68-10; **GR:** 67/68-23; **E:** 65-25, 65-27; 66-24; **NL:** 65-18; 67/68-30; **A:** 66-16

– *Overtime work*

B: 65-5; **D:** 66-6; **E:** 65-25; **NL:** 67/68-30; **FIN:** 65-28

Index

– *Part-time work*

B: 65-5; 67/68-7; **D:** 66-6; 67/68-10; **GR:** 67/68-23; **E:** 65-25, 65-27; **F:** 65-10; **NL:** 65-18; 67/68-30; **A:** 67/68-26; **FIN:** 66-26

– *Short-time work*

A: 67/68-26

– *Working time reduction*

B: 65-5; 67/68-7; **E:** 65-27; **NL:** 67/68-24; **A:** 67/68-26; **FIN:** 66-26

Youth

B: 65-5; 67/68-7; **DK:** 65-7; **D:** 65-19; 66-6; 67/68-10; **GR:** 65-18, 65-20; 66-23; 67/68-16, 67/68-23; **E:** 66-7,

66-24; **F:** 65-8, 65-20, 65-21; 66-12; **NL:** 65-14, 65-18; 66-13, 66-16; 67/68-31; **A:** 65-8; 66-8, 66-9, 66-27; **P:** 65-18, 65-23; 66-17, 66-18; 67/68-22; **FIN:** 65-15, 65-28; 67/68-29; **S:** 65-29; 67/68-13, 67/68-15, 67/68-35; **UK:** 65-16, 65-19, 65-24, 65-30; 66-20

List of “Focus” articles published in inforMISEP “Policies” nos. 65-67/68

| | |
|-----------------------|---|
| No. 65, pp. 31-39: | Transitions to Retirement |
| No. 66, pp. 30-35: | Work Incentives for Low-Income Families with Children |
| No. 67/68, pp. 36-47: | Employability: Concepts and Policies |

in the area of taxes and social security contributions.

For instance, the government might consider a reduction of the Unemployment Act (WW) contributions by ageing workers. This could lead to a situation in which older workers would experience a rise in their net income as they work longer. Alternatively, they would be able to accept a somewhat lower gross salary without any consequences for their net income. This system would have the advantage that a demotion without a financial loss would become possible. In addition, the employer would benefit from a reduction of contributions to the WW scheme, resulting in lower wage costs. A disadvantage of this policy option, however, is that levying social security contributions becomes more complicated. There is also the possibility of a "deadweight loss" for those ageing workers who would have continued in employment anyway (that is, even without this measure).

Another way to encourage ageing people to reintegrate is to offer fiscal advantages. The government mentions the possibility of a special tax deduction for ageing workers. The tax deduction could increase after a certain age on condition that a worker remains in employment for a specified minimum period of time.

Another possibility might be certain fiscal advantages for employers who hire an ageing worker (i.e. a tax deduction). In this way, an ageing employee would become less expensive to the employer. A general disadvantage of fiscal instruments, however, is that they complicate the tax system. An alternative might be a bonus for employers hiring an ageing worker and providing employment for a minimum period of time.

Occupational pensions and early retirement arrangements (VUT)

The government also sees possibilities for stimulating the labour force participation of the aged in the area of pensions and early retirement. Al-

though this is essentially the domain of the social partners, the government is willing to consider how hindrances in these areas can be lifted.

The SER is requested to give its opinion on an individual right of employees to have a so-called "break stipulation" in their pension calculation formula. Currently, it is financially very unattractive for workers in general to start working less hours or accept a demotion later in life. This is because the level of their pensions is calculated on the basis of their final salaries. A "break stipulation" in the pension calculation formula could be a counterweight to the undesired consequences of a lower final salary on pension rights. In practice, some final-salary pension schemes already apply a "break stipulation". But a general right has not yet been established in the Netherlands.

The SZW Minister is also considering measures to undo the negative effects of certain stipulations regarding occupational pension plans, for example, the fact that they hinder reintegration into paid employment. This problem is related, for instance, to a continuation of the build-up of occupational pension rights for disabled and unemployed workers. For the target groups, these stipulations may be of great financial importance. But a major disadvantage is that in certain cases they reduce the attractiveness of a return to employment. The SER has been asked to give advice on how to undo the negative effects of these stipulations.

The present cabinet wishes to discourage the early retirement of older workers. It plans to further support the transformation of early retirement (VUT) regulations into pre-pension schemes. This can be achieved by gradually abolishing the fiscal incentives to take early retirement. Under a pre-pension scheme, employees will retain the option to stop working before the official retirement age, but, in contrast to the VUT schemes, the financial burden will be more on the individual: Early

exit will imply a lower pension benefit. The SER has been asked to give advice on the ways in which the transformation of VUT schemes into pre-pension schemes can be further promoted, for employees in low-wage jobs as well.

Differentiation of contribution rates to the unemployment insurance scheme (WW)

Pathways into early retirement via unemployment insurance – especially the WW scheme – should be prevented as much as possible. The SER has been asked to advise on how to discourage lay-offs of older workers by legal or other measures.

A possible measure could be to introduce a differentiation in contribution rates for the unemployment scheme (WW), as has already occurred in the disability programme (WAO). This implies that the amount of employer-related WW contribution would depend on the number of laid-off employees entering the WW scheme. An advantage of this measure could be that it creates an incentive for the employer to retain his or her employees. The incentive would be higher for older workers (who have accumulated more WW rights). Lay-offs of older workers would require a relatively higher contribution rate for the employer. Other options have been proposed to the SER as well. A disadvantage, however, of a differentiation of contribution rates could be that the financial burden on employers may become very high. In addition, there is the risk that employers would stop hiring ageing workers.

The SER has also been asked for its opinion on possibilities to create incentives for older workers to retain their jobs. The cabinet is considering, for instance, (partially) taking into account the payment of supplementary (extra-legal) company benefits, damage payment and "golden handshakes" when assessing (WW) unemployment benefit.

The SER has been asked to give special attention in its proposals to

Special Categories of Workers

older workers from an ethnic minority background. Finally, the SER is to provide its opinion on a phased re-introduction of an obligation on persons aged 57.5 years to apply for jobs. This will become a more realistic option as age-conscious personnel policies become more successful and as older workers stand a better chance on the labour market.

Austria

Package of Measures for Older Workers

The situation facing older workers on the Austrian labour market has deteriorated significantly in recent years. Unemployment has risen, and both participation and employment rates have fallen. Although in recent months it has proved possible to significantly reduce the rate at which unemployment is increasing in this group, and indeed to expand employment, the underlying problem has not been solved.

In 1998, there were 49,799 registered unemployed persons aged 50 and over. This represents an increase on the previous year of 12.8%, a percentage increase that affected men and women more or less equally. This means that, on annual averages, 21% of all unemployed persons were aged over 49 in 1998. While it is still the case that older workers have a somewhat higher risk of becoming unemployed than other age groups, the real problem is their far lower chance of re-employment. The average duration of a spell of unemployment in 1998 was 127 days, compared with a figure of 182 days for those aged between 50 and 54, and 249 days for 55–59 year-olds. Elderly workers made redundant have extreme difficulty in regaining access to the employment system.

Thanks to a number of measures deployed in recent years, it has proved possible to raise participation rates among elderly workers: between 1997 and 1998, the participation rate of this group rose slightly, from 43.8% to 44.6%. The increase was particularly pronounced for women aged between 50 and 54. Compared with other EU countries, the participation rates among elderly workers (50–64) in Austria is low, at 45%, compared with a 1997 EU average of 51.6% (according to the EU Labour Force Survey). Unfortunately, the increase in the participation rate in 1998 was to a significant extent accompanied by higher old-age unemployment. Even so, Austria does rather better in comparative terms with respect to employment rates among the elderly.

The prime causes of the difficult labour market situation include a process of fundamental structural change, which has hit traditional production and service industries particularly severely. Often, older workers cannot produce evidence of having the required vocational qualifications. Plant-level restructuring and reorganisation as part of a rigorous process of cost-cutting also serve to narrow the employment opportunities of older workers. Not least, however, is the false view taken by employers of older workers' motivation, knowledge and skills as well as of their willingness to learn and to contribute to the firm's success that is to blame.

Against this background, at a policy-making meeting in January of this year, the federal government agreed to elaborate, in conjunction with the social partners, a package of measures to improve the employment situation of older workers. Within the framework of this agreement, at the end of May 1999, the government adopted, on the basis of the "Social Partnership Pact for the Elderly" of March 1999, an integrated package containing a range of measures, consisting of both legislative and non-legislative instruments.

Non-legislative instruments

One of the thrusts of the package of measures for the elderly aims to integrate older workers into working life in a targeted way, by reorienting labour market policy within the National Action Plan for Employment (NAP), which requires no change to existing legislation. A large number of initiatives have already been implemented, including the sub-programme "Job Coaching" or the "Come Back" initiative. A number of other initiatives remain to be taken, especially in the following areas: steps to ensure that maximum age limits are not indicated in job advertisements; a further concentration of financial support on the integration of elderly jobseekers (training for the employed, recruitment support, non-profit agency work, etc.); publicity work for the recruitment of elderly jobseekers; special efforts to contact employers and acquire vacancies; the orientation and adjustment of vocational training measures to the needs of elderly workers; counselling for enterprises, workplace representatives and affected workers on ways to maintain employment, avert the threat of dismissals and expand deployment opportunities within the enterprise through in-plant training, adjusting individual working time, improving early recognition of threats to employment or participation in employment foundations (*Arbeitsstiftungen*) in order to permit job transfers with minimum friction.

Legislative measures

The above package of instruments is to be supplemented by a series of legislative proposals that aim to underpin the efforts made within labour market policy. They are to come into force on 1 January 2000 and have the following main aims:

- increasing employment stability among the elderly,
- improving the re-employment chances of the elderly unemployed,

- continually adjusting knowledge and skills to the changing demands for qualifications.

Specifically, the bill has been put forward to support working-time models for older workers (partial early retirement benefit and financial support for partial early retirement).

Employers recruiting additional workers in the context of a cut in the working hours of elderly workers are to be recompensed for their additional gross wage costs (i.e. including social insurance contributions) up to the level of the maximum pay level for calculating social insurance contributions. Partial early retirement benefit is to be available for women aged 50 or older and men aged 55 or older for a maximum of five years. This is justified because the recruitment of additional workers makes an important contribution to raising the employment level and reducing unemployment. The same conditions are to apply as well to the incentive grant to promote partial early retirement.

The aim of the incentive grant to promote partial early retirement is also to expand partial early retirement, in particular to permit the continued employment of elderly workers in industries in which unemployment among the elderly is above average, thus helping to stabilise employment.

This grant to the employer is to be provided for women aged 52 or over and men aged 57 or over for a maximum of three years in cases in which, in the context of a reduction in working hours of up to 50%:

- the employer tops up the pay to at least 75% of previous earnings (up to the maximum level of pay for calculating social insurance contributions),
- pension and health insurance contributions continue to be paid on the basis of the previous pay scale, and
- severance pay is ensured on the basis of the pay level prevailing before the cut in working hours.

The recruitment of additional workers is not a precondition for the provision of this grant.

More flexible use of short-time working where elderly workers participate

The special provisions already in existence on short-time working for elderly workers were not used in practice because firms have no need of short-time working schemes exclusively for older workers. It is therefore planned to enable firms, in cases where a large number of elderly workers are affected, to introduce short-time working under more flexible conditions (in terms of the working time to be performed in a given period) not just for the elderly workers, but for all those workers involved.

Optimising paid training leave for the needs of elderly workers

The incentive to participate in training measures is to be increased by cutting the minimum duration of paid training leave from six months to three months. This change will benefit elderly workers especially, as it is in this group that the reluctance to participate in lengthy training schemes and the barriers to such participation are greatest.

For workers aged over 45, the duration of paid training leave – with receipt of the further training allowance (*Weiterbildungsgeld*) – will be counted as working time for the purposes of calculating pension levels. The further training allowance is also to be available under uniform federal or state-level provisions.

Simplification of the solidarity bonus model

The solidarity bonus model (*Solidaritätsprämienmodell*) aims to permit the recruitment of the long-term unemployed and the elderly unemployed by means of a “solidaristic” adjustment of the volume of work in the enterprise.

Under the proposed legal changes, an incentive is to be provided to

make use of this model by converting unemployment benefit for the individual workers involved into a grant to the enterprise. In return, the employer compensates the employees for at least half of the reduction in working time and pays contributions to the pension and health insurance schemes on the basis of the wage prior to the reduction in working time.

Extension of the protection of the assessment basis for elderly workers

Given the difficulties facing unemployed elderly workers in regaining employment, the basis for calculating unemployment benefit will be maintained for all workers aged over 45, so as to promote their attempts to find work, without any reduction in benefit should they fail to find re-employment.

More attractive conditions for gradual retirement (amendments to the social insurance law – ASVG)

As a means of promoting the employment of elderly workers, the following accompanying measures are to be initiated within the social insurance system:

- workers for whom their employer is entitled to part-time early retirement allowance or support, or financial support under the solidarity bonus model, are not to be disadvantaged in calculating the level of health and pension insurance benefits;
- the period during which a worker receives further training allowance is to be accredited as working time in the pension insurance scheme;
- the conditions of entitlement to the gradual pension (*Gleitpension*) are to be made more attractive.

Finland

Improvement in Employment Situation of Older Persons and Rise in Average Retirement Age

According to the follow-up report from the National Programme for Ageing Workers in Finland 1998–2002, the employment situation of persons aged over 50 has developed in a positive way, and the average retirement age has risen by one year. Two new studies related to the programme have also been published. According to the study carried out in the commercial field, jobsearch activity plummets when the jobseekers reach the age of 56, and even if they are active they cannot find employment. The other study shows that unemployment pension has become the most common mode of early retirement in Finland.

The aims of the National Programme are to promote the employment of over-45s and to reduce premature retirement and social exclusion. The programme also distributes new research material on ageing. The Ministry of Social Affairs and Health, the Ministry of Labour and the Ministry of Education all have important roles in the programme (see "Policies" No. 58, p. 26, and No. 62, pp. 27–28).

The follow-up report from the National Programme

The employment rate of the ageing has begun to increase. Finnish people now retire a year later, compared to the average retirement age in 1994. It is important that those aged over 50 remain in working life longer; otherwise, shortage of labour becomes a serious threat to economic growth. These facts are brought to light in the follow-up report compiled by a group of experts led by Doctor of Social Sciences Matti Sihto.

The ageing are divided into two groups as regards their employment situation and employment development. The level of employment is highest amongst the 45 to 54 year-olds and lowest in the age group 55 to 64. However, during recent years the employment situation of the 55 to 64 year-olds has improved.

The ageing who are working manage quite well today, but those who have experienced unemployment still do not. While the employment prospects of the 45 to 54 year-olds are somewhat inferior to those of the 25 to 44 year-olds, the possibility of finding employment is extremely low for 55 to 64 year-olds. The level of unemployment is the highest in the 55–64 age group and it is also the most long term.

The flow into unemployment is quite even from the age of 45 onwards. However, the flow increases sharply at a certain age. In 1996 the influx began at the age of 53 and in 1997 at the age of 55. The increase of unemployment at the lower age limit of the so-called (unemployment) path to retirement is concentrated in some sectors: industry, commerce, transport and financing, and to some extent construction as well.

The so-called (unemployment) path to retirement clearly contributes to the transition of the aged from working life to unemployment. Those who become unemployed have difficulty re-entering working life. In addition, labour market policy measures do not work as well on over 55 year-olds as on the other age groups. When measures have been targeted at this age group, the results have not been as good as for other groups. In order to stop the flow through the path to retirement, functional alternatives need to be found for the aged who face unemployment.

Retiring does not intensify until around the age of 60. Those who are retired rarely work at the same time. Among the aged, the number of 55 to 59 year-old early retirement pensioners has decreased in the 1990s,

but the number of unemployed has increased. The number of 60 to 64 year-old pensioners has increased since the beginning of the decade. The average retirement age was at its lowest in 1994. In comparison with the 1994 level, the average retirement age has risen by one year.

The follow-up report is a joint project by the Ministry of Labour and the Ministry of Social Affairs and Health.

Working, unemployment and early retirement among the ageing in 1987–1996

The research conducted by Simo Aho and Päivi Österman studied the changes in working and termination of employment among 45 to 64 year-olds as well as the factors that influence remaining at work and finding employment after unemployment.

According to the study, the position of people in their late 40s in working life did not proportionally deteriorate more than the position of younger workers during the economic recession. However, from the beginning age of the so-called (unemployment) path to retirement (53 years) onwards, the employment situation deteriorated notably. Throughout the economic recession, the unemployment rates of the aged increased much more than those of younger people, and they continued to increase even after the employment situation of those under 50 had begun to improve. At the end of 1994, steady employment had clearly become more rare, and employment history characterised by periods of unemployment had become more common than during the late 1980s.

Re-employment after unemployment became more difficult to achieve in the early 1990s. In 1988, some 10% of the 45 to 54 year-olds who became unemployed were still unemployed two years later, whereas among those who became unemployed in 1992, the respective figure was 40%. The situation was most difficult for the 55 to 59 year-

olds. Half of the 55 to 59 year-olds who became unemployed in 1992 were still unemployed two years later, and only 3% found steady employment.

Unemployment pension became the most common means of early retirement in 1990–1996. While the number of invalidity pensions and individual early retirement pensions decreased, more and more people received unemployment pension. In all, around 27% of those retiring between the ages of 45 and 54 and almost 50% of those retiring between the ages of 60 and 64 were receiving unemployment pension in 1996.

The research was financed by the Ministry of Social Affairs and Health and the Ministry of Labour.

Ageing jobseekers in the commercial sector

Anne Kouvonon studied the job-seeking experiences of 45 to 57 year-old unemployed jobseekers in the area of commerce and especially sought their opinions on the role of age in jobseeking.

Most research participants had experienced long periods of unemployment, and there were many reasons for this. First of all, few new workers have been employed in the commercial sector during recent years; however, it also seems that the reason for difficulty in finding employment is the passivity of the jobseekers. Active jobseeking seems to reduce evenly with age, but among 56 year-olds active jobseeking clearly plummets.

The aged also felt that they had faced age discrimination while applying for employment. Age played a central role in job interviews, and especially those over the age of 50 had experienced the employer telling them directly that the reason for not recruiting them was their age.

According to the study, the job-seeking and job-acquiring situation of the aged (55 year-olds and older)

unemployed in the area of commerce is in many ways notably worse than among the younger research participants. Even though the fact that the aged were less active jobseekers partly accounts for this, the research indicates that even if the aged seek employment actively, the results are poorer than among the younger age groups.

The research was carried out in the National Research Institute of Legal Policy and was financed by the Ministry of Labour. The Union of Commercial Employees in Finland also participated in the study.

Finland

ESF Employment Projects for the Integration of Youth into Working Life

The employment projects for unemployed youth financed by the European Social Fund (ESF) support the integration of Finnish youth into vocational training and working life. The projects are especially useful for youth who have other problems in addition to unemployment. These findings are related in the study by Jukka Vehviläinen: "Path-makers. Integration of the young into vocational education and working life".

The research studied the life course and jobseeking activities of young people aged between 18 and 24 who lack vocational training as well as the effects of labour market policy measures on their vocational training as well as integration into working life. A good 500 Finnish 18 to 24 year-olds who lacked vocational training and were registered as jobseekers in local employment offices at the end of 1996 participated in the research. The follow-up period continued until Septem-

ber 1998. The research was financed by the ESF and the Ministry of Labour.

The results of the research indicate that the employment projects financed by the ESF can affect the life course of the unemployed youth. The projects guide young people into vocational education and working life through workshops and practical training. The aim is to help young people through a multivocational cooperation network. The project network may consist, for example, of social workers, youth workers, policemen and psychiatrists. The projects are most useful for the so-called "hard core" of the young people, that is, those who, in addition to being unemployed, have problems related to drugs, crime, homelessness, etc. These youth usually try to adjust and build a new relationship to society at some point in their life. At best the projects can support this aim.

The effects of the projects are related to three aspects: Young people gain self-assurance once they feel they are accepted and skilled. The practical aspect derives from vocational guidance, acquisition of practical skills, for example at workshops, and contacts with employers. The integration aspect means that young people receive help in everyday matters, for example in finding an apartment, but also that more general life values are discussed with them; thus, both smaller and greater problems are taken into account.

Only a small fraction of the unemployed youth in Finland is participating in this ESF projects. At the moment, practical training with labour market support is the most common labour market policy measure aimed at youth. One of the most important labour market policy decisions of the 1990s was limitations on the right to receive labour market support: In order to get labour market support, young people who lack vocational training must participate in different activa-

Special Categories of Workers

tion measures or apply for training. This limitation has made young people more active, but since the legislative reform, more and more young people are applying for vo-

ational education or labour policy measures without personal motivation. Activation policy forces young people to make decisions and participate; the research shows

that with the new situation more attention than before needs to be paid to the meaningfulness of the choices and the regularity of participation.

Working Time

Netherlands

Part-time Employment in Collective Agreements

Of the collective agreements (CAOs) in the Netherlands, 19% contain stipulations regarding part-time employment or extensions of working time that more or less correspond to Foundation of Labour (STAR) recommendations to the social partners on this issue. In total, 64% of the CAOs offer the employee the possibility of forwarding a request to the employer to adjust his or her working time. Fifteen percent of the CAOs exclude the "small" part-timers fully or partially. In general, parties involved in collective bargaining are now paying more attention to reaching agreement on part-time employment than in the past.

This information can be derived from the Labour Inspectorate report "*Deeltijdarbeid in CAO's*", which was recently sent to Parliament by the State Secretary of Social Affairs and Employment (SZW). The report investigates whether stipulations have been inserted in CAOs which promote part-time employment or the extension of an individual employee's working time. It also investigates whether the social partners distinguish in terms of employment

between full-timers and part-timers. The research relates to 118 CAOs covering approximately 3.8 million employees. The results are compared in part with the findings of an earlier investigation (from 1991) into the legal status of part-time employees.

In late 1993, the Foundation of Labour (the top-level platform of the social partners) recommended drawing up CAO regulations concerning the adjustment of the working time of individual employees. This recommendation contains seven elements, the most important of which is that, in principle, the wish of an employee to adjust his or her working time should be honoured, unless serious company interests would be damaged by acceptance of this wish. Other elements include the possibility to adjust working time in every position and at every job level and the possibility to honour the request in an equal (alternative) function.

The Foundation of Labour believes that a CAO offers an employee some support in his or her request to adjust working time when at least four of the seven elements of the recommendation have been integrated. None of the investigated CAOs contains all elements of the STAR recommendation, and only 19% contain at least four. Thirty-two percent of the CAOs explicitly formulate a general stipulation that

the CAO will be applied proportionally. This amounts to an increase of 11 percentage points on the situation in 1991.

The report shows that some CAOs distinguish between "large and small part-timers". Generally, they draw the line at 12 or 13 hours per week. Often, "small" part-timers are excluded fully or partially from the CAO. In addition, "small" part-timers are specifically excluded in relation to a number of specific terms of employment (e.g. bonuses for working outside normal working hours, extra legal benefits, early retirement schemes). Approximately 25% of the CAOs offer (specific) income supplements for part-timers working overtime. However, most of these CAOs offer part-timers lower income supplements than those granted to full-timers.

The full or partial exclusion of part-timers from a CAO is not necessarily always in conflict with the "act on equal treatment of full- and part-timers". Under this act, collective-bargaining parties are allowed scope to reach deviating agreements on the terms of employment of part-timers as long as these can be justified on objective grounds. The State Secretary of the SZW has informed Parliament that she will request the opinion of the Foundation of Labour on current CAOs that differentiate between full-timers and part-timers.

Netherlands

Reintegration Efforts in 1999

More than 70% of the 1999 budget for assisting jobseekers in finding employment, work experience or training courses will be allocated to the long-term unemployed. The total expenditure for 1999 on reintegration of the unemployed amounts to more than NLG 10 billion (in 1985: NLG 3.8 billion). This information comes from the "*Overzicht van reïntegratieinspanningen*" (survey of reintegration efforts) that the Ministry of Social Affairs and Employment (SZW) sent to Parliament in August 1999. The survey describes the 1999 measures for jobseekers who have been unemployed for less than a year and for the long-term unemployed (> 1 year).

The Minister and the State Secretary of the SZW believe that implementing bodies have started paying more attention to reintegration over the last few years. The introduction of various labour market measures, such as the EWLW programme (currently I/D programme [inflow/throughflow]), and the "comprehensive approach" to unemployment have contributed to this fact. In practice, the "comprehensive approach" means that in due course every new unemployed person will be offered employment, work experience or training within one year in order to prevent long-term unemployment. The philosophy behind this approach is that early intervention may reduce the efforts needed to reintegrate jobseekers into employment.

The Minister and the State Secretary, although advocating a "comprehensive approach", do not want

to lose sight of the stock of unemployed. Financial resources are still directed disproportionately to the stock. In addition, the "comprehensive approach" is intended to slow the increase in the stock of unemployment, thereby also creating more opportunities to care for the long-term unemployed. In the period ahead, the favourable Dutch labour market situation, combined with the budgets for reintegration, may provide implementing bodies with sufficient means to be able to achieve substantial progress in combating unemployment.

At this moment, chances for jobseekers, and even for the long-term unemployed, to find employment are increasing. Therefore, the executive labour market agencies will have to focus more on jobseekers with a "great distance to the labour market". This will require a modification of the working methods of these agencies.

New inflow and stock of the unemployed

In 1998, the number of new unemployed amounted to approximately 610,000 persons, most of whom then found employment by themselves. About 270,000 of these did not succeed in this respect.

The stock of the long-term unemployed (those unemployed for more than a year) amounted to 365,000 persons in 1998. Due to a favourable development of the labour market, unemployment has since further declined.

All jobseekers – both new inflows and the stock – have been classified in one of "four phases", according to their "distance from the labour market". The new inflow is classified in more than 50% of the cases as "Phase 1", which means that they are considered directly available for a job. This group is largely made up of young people.

Of the stock of the unemployed, about 25% will be in need of service trajectories for a period of at least one year (so-called "Phase 3 clients"). Nearly 50% have been categorised as "Phase 4" clients and need, for example, "social activation" (voluntary work, individually tailored courses, therapy, etc.). Older people are overrepresented in the stock: More than half are aged 40 years and over. A quarter of the unemployed stock has received only primary education. Nearly 30% have been out of employment for between one and two years; more than 25% have been unemployed for more than five years.

Budgets and measures

In 1999, implementing bodies and local communities can apply for the following budgets and measures for reintegration of jobseekers which offer training or work experience:

- basic services of the PES and activation and monitoring by benefit agencies;
- reintegration trajectories;
- subsidised employment for long-term unemployed;
- social activation.

The reintegration trajectories are especially intended for those who need help in order to return to employment (trajectories with a maximum duration of two years). The trajectories are financed from various sources:

- a) the output-related budget of the PES;
- b) specific "purchase resources" of local communities and the National Institute for Social Insurance (Lisv);
- c) the budget of the "comprehensive approach";
- d) the ESF; and
- e) funds from the training and activation budget of the Jobseekers Employment Act (WIW).

Miscellaneous

This year 96,000 trajectories can be offered to the new unemployed. About one third of these will be financed from the budget of the "comprehensive approach" policy. For the stock of unemployed, a little over 40,000 trajectories will be available.

Jobs within the framework of subsidised employment (WIW jobs and flow [I/D] jobs) are especially intended for the long-term unemployed. 15,000 WIW jobs and 10,000 I/D jobs will be added to the already existing subsidised jobs. Nearly 90% of the resources for subsidised employment are allocated to the stock of unemployed.

Social activation is targeted at the most difficult category ("Phase 4 clients"). Generally, it is a combination of problems of a social, financial or personal nature that makes it difficult to find a job. Recently, efforts with respect to this category have been intensified. Many local communities are currently developing social activation policies.

Occupationally disabled persons

Since 1 July 1998, occupationally disabled persons are covered by the "Act on the (re)integration of the labour handicapped" (REA Act). The financial resources under this act (NLG 783 million) are intended for a total of 63,000 trajectories. In addition, the target group may claim services and facilities under the Sheltered Employment Act (WSW Act). A budget of NLG 3.7 billion is available for this act. Some 90,000 people are in sheltered employment. In 1999, the number of WSW placements will be extended by another 1,100. Also, some 4,500 already existing WSW places will become available for new entrants because the current participants in these jobs will exit the sheltered employment programme.

Of the annual new entrants into the disability benefit programmes (approx. 110,000 persons), some 70,000 are considered to be able to work. Of this group, a substantial

part (about 30,000) returns to employment with the original employer. Another group is still active in a job or is able to achieve reintegration into employment without assistance (some 10,000). The remaining group of 30,000 occupationally disabled persons (1998 level) may receive labour market mediation. Of the new occupationally disabled who do not qualify for disability benefit, some 20,000 (on a yearly basis) will become eligible for labour market mediation. The resources allocated are considered to be sufficient to offer a reintegration trajectory to all new occupationally disabled persons. In addition, the SZW State Secretary will shortly be sending a bill to Parliament concerning the improvement of reintegration support in cases of sickness absenteeism in the first year. This bill also intends to speed up mediation efforts with respect to a job with a different employer.

Austria

Implementation of a Quality Management System in the Labour Market Service

The Austrian Labour Market Service (AMS) has introduced a quality management system, based on the EFQM model¹, in order to steer the systematic, ongoing development of the organisation. The decision to introduce the model was taken on the basis of the positive practical experiences gained with such a model in various state-level AMS offices that have been working for some time.

Central targets and guiding principles

The project aims to improve service quality and operational results vis-à-vis the AMS' partners in interest (its

clients [jobsearchers and firms], owners [organisations of the social partners], politics, society and its business partners) and also to improve the working conditions of AMS staff and facilitate their increased incorporation into processes of change.

Within this framework the following steps are to be taken:

Clients

- Improving quality through the ongoing development of quality targets and quality standards;
- improving the image of the AMS held by clients by operating in a target- and service-oriented fashion;
- ensuring a consistent range and quality of services throughout the country;
- raising customer satisfaction through reliably working in accordance with expectations; and
- reducing friction through better presentation of the range of services offered by the AMS.

Owners/political system/society

- Improving the trust relationship and image by making more precise commitments on performance;
- ensuring greater transparency of the tasks and performance of the AMS.

Staff

- Easing the work burden by removing activities that do not benefit clients ("blind services");
- improving the upward permeability of staff information;
- a clearer, common understanding of staff's role at all levels;
- raising staff professionalism.

Business partners

- Increasing reliability by improving information policies and planning instruments;
- improving the trust relationship.

¹ European Foundation for Quality Management.

Organisation

- Improving the operating results;
- a more uniform AMS and a uniform development orientation (towards best practice);
- orientating all structures and processes towards results for (external) customers;
- more efficient development of resources via a strict orientation towards value-addition processes;
- standardisation of primary processes and secondary processes (orientation towards best practice).

Approach

The project is based on the EFQM model of corporate self-evaluation, which focuses on nine areas of operational activity (see Figure).

Implementation

In order to implement the project, specific staff members in all of the state offices of the AMS were trained in the use of this analytical model. In addition, one person was appointed in each state-level organisation to be responsible for guiding and coordinating the implementation process.

Assessments in each employment office

Using a checklist based on the EFQM model, a joint team – consisting of members of staff of the employment office in question and assessors

(AMS staff members from other employment offices trained in the use of the EFQM model) – conducts a self-evaluation for each employment office in Austria. The operations and results of the office are identified and documented in each of the nine fields of the EFQM model. Particular attention is paid to the strengths of, and the scope for improvement in, each employment office.

The ten most important areas for improvement and the ten greatest strengths of each employment office are set out on a “map of Austria” and form the point of departure for systematic development processes. Depending on the specific situation, a decision is taken on whether to implement the improvement process as a central, nationwide process, or as a project in a single federal state or in a single employment office. This “map” and a centrally coordinated project documentation, which is available to all staff on the AMS Intranet, provide an overview of the state of the projects at any given time and avoid the unnecessary resource commitment and duplicated work that were so often the case in the past.

The assessments are to begin in mid-October of this year and will be completed by the spring of 2000. Renewed assessments are planned in all employment offices in 2001, this time with a point-based marking system that will permit direct comparison between offices.

The general aim of the project is to raise the overall standard of the quality of the services provided by the AMS, without introducing rigid, uniform ways of working. Those responsible for the project start from the premise that, depending on the regional conditions prevailing, there may well be several different ways to design work processes. The EFQM model permits different approaches to be evaluated and helps to identify best practices. Each employment office is given the opportunity of comparing its ways of working with those of other offices and thus of learning from these other offices.

Portugal

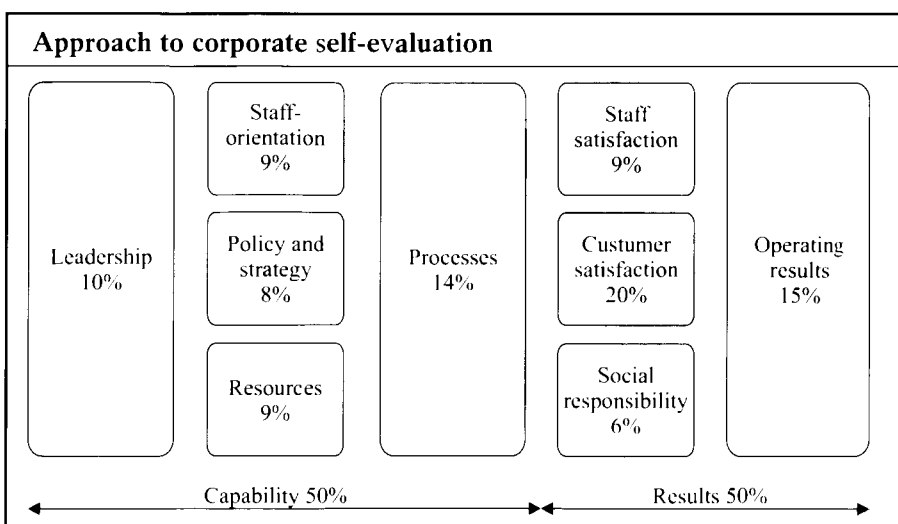
Revised Wage Guarantee Fund

The wage guarantee system introduced under Decree-Law No. 50/85 of 27 February 1985, which also led to the establishment of the so-called Wage Guarantee Fund (*Fundo de Garantia Salarial*), has been revised by virtue of Decree-Law No. 219/99 of 15 June 1999.

Protection for workers whose employer is bankrupt has been improved. In future, the wages of the worker are guaranteed as soon as the insolvency of the employer has been declared before a court. This guarantee also applies for the period during which an enterprise is involved in a conciliation procedure, that is, the termination of the employment relationship is no longer a condition for guaranteed wages.

In addition, the range of guaranteed benefits has been extended:

- lost wages, including holiday pay and Christmas bonus;
- adequate compensation or severance pay on termination of the employment relationship.



Portugal

Accidents at Work

Decree-Law No. 143/99 of 30 April 1999 lays down the new legal framework concerning accidents at work and occupational illnesses (Law No. 100/97 of 13.9.1997). The new legislation, which came into force in October 1999, will introduce the following changes:

- Redefinition of the basis of assessment for compensation and pensions: these will no longer be calculated on the basis of the basic wage, rather on the basis of the actual wage.
- Extension of the term "accident at work", especially in relation to general coverage for home-to-work travel risks: the term now explicitly includes accidents that happen between the workplace and the place where meals are taken. The same applies to accidents that happen when the employee is obliged, in view of important circumstances, to deviate from the normal route to or from the workplace, which is usually acceptable in classifications of accidents at work.
- Extension of the term "dependent family member", which will lead to an increase in the annual or lifelong pension paid in the event of absolute and permanent disability.
- Redemption of modest pensions, albeit alongside the introduction of a provisional regulation that allows insurance companies to gradually adapt to the new situation. The aim is to avoid such enterprises being suddenly faced with a flood of redemption claims and a resulting unstable situation.

Specific legislation is provided for the following areas:

- occupational illnesses;
- self-employed workers;
- safety and health at the workplace;

- guarantee and adjustment of pensions;
- rehabilitation measures.

Decree-Law No. 159/99 of 11 May 1999 regulates statutory accident insurance for self-employed workers and will enter into force in November 1999. The area of occupational illnesses is legally regulated in Decree-Law No. 248/99 of 2 July 1999. This new regulation enters into force in January 2000.

An accident insurance fund (*Fundo de Acidentes de Trabalho* - FAT) with administrative and financial autonomy has been established by virtue of Decree-Law No. 142/99 of 30 April 1999. Its basic tasks are the following:

- to guarantee the payment of benefits in the event of accidents at work if the responsible bodies are not in a position to pay because of economic difficulties that can be proven and which express themselves, for example, in the form of bankruptcy or conciliation procedures or because the responsible body is absent, missing or impossible to identify;
- to pay insurance premiums for accidents at work when enterprises involved in conciliation procedures are not in a position to honour their financial obligations;
- to reimburse such sums to the insurance companies.

Finland

Contract Chains Have Increased

Unjustified chains of fixed-term contracts of employment have become more common in Finland. Fixed-term employment relationships increase uncertainty and insecurity. As regards fixed-term contracts of em-

ployment, the views of the employees differ notably from those of the employers. These facts are given in a recent study commissioned by the Ministry of Labour.

The follow-up study on the amendment of the legislation on fixed-term contracts of employment concentrates on fixed-term employees in the private service sector and seeks their experiences and views about their contracts of employment, working conditions and position at the workplace. In all, 66 employees, 44 shop stewards and 11 trade union advisers were interviewed between August and December 1998.

According to the interviews, the most common reasons for fixed-term contracts were the engagement of the employee as a substitute (32%), the nature of the work (29%) and the so-called "indefinite reason" (23%). Indefinite fixed-term employment, in particular, has become more common. Fixed-term employment is considered indefinite when the employee uses successive fixed-term contracts of employment without just cause. In these cases, the employer uses the fixed-term contracts of employment, for example, to evade the protection against arbitrary dismissal of the employee.

From the point of view of the employees, the amendment of the legislation on fixed-term contracts of employment is problematic, because under the current formulation, chains of fixed-term contracts can be justified by reasons that are very vague and open to various interpretations. In principle, it is possible for the employee to spend his whole occupational life on a trial period and unable, for example, to plan ahead for the future. This increases uncertainty and insecurity.

Fixed-term employment can also affect efficiency at work. Fixed-term employees are not as committed to their work as their permanent colleagues. There may also be disputes between different employee groups because permanent employees may

fear for the continuity of their own employment as atypical employment relationships become more common. All this can lead to a situation in which skilled and motivated personnel gradually disappear from the working community and conflicts increase.

Employees accept fixed-term contracts when a clear and just cause is given. The acceptable causes include the following: employment as a substitute, request of the employee, sudden and temporary unpredictable demand and projects of various lengths.

The views of the employees and the employers differ notably from one another. It seems that there are communication problems between the employees and the management, or that management considers the problems so unimportant in relation to the profitability of the business that there is no reason to tackle them.

The research suggests that the law should be made more precise, for example by stating that after the contract chain has lasted 13 months the employment relationship should become permanent. Supervision of whether the law is obeyed or not should also be stressed. There should always be a written contract of employment. The study was commissioned by the Ministry of Labour and conducted by Jyrki Y. J. Laaksonen from Human Resources Consulting Ltd.

Sweden

Increasing Mobility is not Sufficient

Geographical mobility in Sweden has increased profoundly in recent years. The number of moves is now equivalent to the levels reached dur-

ing the 1960s, and the flow is again directed from rural areas towards major towns and university regions. There are, however, important differences in the move patterns today as compared to those of the past. One of the differences is that the movers now are younger on average. These research findings are presented in a report from the National Labour Market Board.

Another difference compared to the past is that geographical mobility has not managed to counteract regional imbalances in the same way. Unemployment is still high in stagnating and retarded regions, while bottlenecks and a shortage of labour are growing problems in expansive regions.

One surprising conclusion in the report is that the prospect of getting a job is not the primary reason for people to change their place of residence. Thus, many move for other reasons. Only one third of Swedish mobility is explained through labour market reasons, and only one out of five move away from a region because of a weak local labour market.

Another reason behind the mobility is education. One third of all moves stem from a desire to study elsewhere, and this has become more frequent than in the past. The

last third of mobility can be attributed to human relations, that is, moves explained through relationships to family or friends.

To a large extent, moves related to labour market reasons are directed towards major urban areas, such as Stockholm, as the demand for labour is greater there. The other side of the coin is that other parts of the country will be even more sparsely populated, for villages and smaller towns are being drained as young people move out. However, most of those who move for labour market reasons – though certainly not all of them – in fact find jobs and even better employment contracts than before. Many of those who move for family reasons end up in a situation on the labour market.

The report concludes that mobility is too low. It proposes that information on local labour market situations in various parts of the country be improved for a great number of people who move in order to get a job fail to do so in their new areas. Geographical mobility also has to be supported by other means, above all education and training. Lack of adequate education and training is probably an important obstacle to finding a job, just as important as happening to live in the “wrong” area.

Rough currency conversion rates

One Euro is equivalent to the following amounts of national currencies (17 November 1999):

| | | |
|----------------|-----|----------|
| Belgium | BEF | 40.3399 |
| Denmark | DKK | 7.4358 |
| Germany | DEM | 1.95583 |
| Greece | GRD | 328.680 |
| Spain | ESP | 166.386 |
| France | FRF | 6.55957 |
| Ireland | IEP | 0.787564 |
| Italy | ITL | 1,936.27 |
| Luxembourg | LFR | 40.3399 |
| Netherlands | NLG | 2.20317 |
| Austria | ATS | 13.7603 |
| Portugal | PTE | 200.482 |
| Finland | FIM | 5.94573 |
| Sweden | SEK | 8.6436 |
| United Kingdom | GBP | 0.6369 |

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

Employability: Concepts and Policies¹

Bernard Gazier²

Introduction: Employability – the 1997 European Guidelines

Employability is now at the heart of the European Employment Strategy, having been defined and developed in the Presidency Conclusions at the Extraordinary European Council Meeting on Employment (Luxembourg, 20 and 21 November 1997). It indeed the first of the four "pillars", or recommendation chapters, of the 1998 Guidelines to be followed by the Member States: 1. Improving employability; 2. Developing entrepreneurship; 3. Encouraging adaptability of businesses and their employees; 4. Strengthening equal opportunities policies for women and men. It is worth noting that the chapter on improving employability is the only one containing EU-level targets to be reached by the Member States. Specifically, the

"Member States will ensure that:

- every unemployed young person is offered a new start before reaching six months of unemployment, in the form of training, retraining, work practice, a job or other employability measure;
- unemployed adults are also offered a fresh start before reaching twelve months of unemployment by one of the aforementioned means or, more generally, by accompanying individual vocational guidance. [...]

Member States:

- will endeavour to increase significantly the number of persons benefiting from active measures to

improve their employability. In order to increase the numbers of unemployed who are offered training or any similar measure, it will in particular fix a target, in the light of its starting situation, of gradually achieving the average of the three most successful Member States, and at least 20%."

The main orientation of an employability approach is easily identified: European countries can no longer directly secure employment for their workforces. In face of the challenges of the need for permanent adaptation of work, working conditions and competencies, what must be pursued is employability security. Although not easily and not often defined, employability in this context means dynamic and updated competencies and labour-market-oriented behaviour for every person participating in the workforce. These traits are to be developed in a tailor-made manner for disadvantaged groups, by either the public employment service or the social partners, and through structural reforms affecting the social protection and training systems. Chapter 1 of the 1998 Guidelines, improving employability, presents four priorities, all connected with developing opportunities and incentives to seek and take up work or training.

Such priorities converge with widespread concerns and numerous practices developed today by firms, employment agencies and governments, notably in the OECD countries, practices which affect human resources development as well as the fight against unemployment: Life-long learning, retraining and other associated methods for developing skills are often presented as key items on the agendas of human resources managers, and "activating" the employment expenditures is the

corresponding orientation as regards employment policies.

An old policy notion is therefore revisited and put into the forefront. The first uses of employability appeared in the developed countries at the beginning of the twentieth century. After some important developments during the Great Slump, the bulk of the elaborations were made during the 1960s and 1970s – though not yet with the meaning evoked above: The employability of someone was mainly defined, in a rather static and weakly interactive way, as her or his capacity to obtain and keep a job. The insistence on the dynamic and interactive dimensions is now patent and constitutes the main attributes of the present and operational concept of employability.

Employability today refers to widely accepted policy measures, such as developing apprenticeships and personal treatments for the long-term unemployed, and connects all these practices into a more or less systematic "supply-side" view of labour market policies, insisting on the

1 This article presents the main results of the research project "Employability" carried out by the RESEARCH Network of the European Employment Observatory, at the request of the Directorate of Employment and Social Affairs. The project was coordinated by Bernard Gazier and realised by Dominique Anxo and Donald Storrie (CELMs, Sweden), Giuseppe Ciccione (University of Rome, Italy), Andrea Toma (CENSIS, Italy) and Leonello Tronti (Fondazione Brodolini, Italy), Randall Eberts, Susan Houseman and Lilian Visec-Petrovic (Upjohn Institute, USA), Stefanie Flechtner, Hugh Mosley, Günther Schmid and Holger Schütz (WZB, Germany), Yoshio Okunishi (Hosei University, Japan) and John Philpott (Employment Policy Institute, UK). The report (*Employability: Concepts and Policies*, Berlin, 1999) was edited by B. Gazier and published by I.A.S. on behalf of the European Commission.

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adaptation of the workforce seeking employment. Despite this important policy benchmark, it is nevertheless true that the very term employability is not universally accepted and remains controversial amongst policy-makers and social partners. One can easily understand why. Even when implemented through concrete labour market policy interventions, employability remains in part abstract. The ability to find and keep a job, however defined, is not the disposal of a job. In the context of numerous job opportunities with changing requirements (such as an upgrading of skill level), employability could be more than a job, for example, the personal capacity to adapt to future jobs. But in the context of mass unemployment, employability may be much less than a job: a mere promise and the small satisfaction of being a good candidate, among others, on a rationed market.

Identifying and analysing the employability agenda

Quite often, employability is not referred to as a precise and specific concept, but as a broad policy agenda. The emphasis is put on the size and quality of the workforce and on active, tailor-made preventive measures as the key concerns for fighting unemployment and adapting workers to the challenges of twenty-first century labour markets. A number of issues arise here, especially from a European point of view:

Improving employability seems to be a complex and variable policy mix, to be adapted to each national and even local situation.

- What are the main possible options for elaborating and implementing such a policy mix?
- Within the measures set, the insistence put on incentives or pressures put on labour market agents co-exist with negotiated aspects, and some balance has to be found between them. In different national contexts, it may lead to a variety of welfare-to-work policies, some of which remain eagerly discussed.
- The complementarities and substitutions with other dimensions and

tools of policy interventions are also to be discussed: for example, within the European strategy, the connection with interventions on the demand side of the labour market; but also in a broader context, the employability agenda may depend on institutional or macropolicy choices.

Such variety is confirmed by the first implementation reports of the European Guidelines. The European Commission, in its early analysis of the 1998 “National Action Plan” remitted by each Member State, stated that, “While countries have common concerns, the NAPs present divergent policy responses which reflect differences of their present economic situation and their national labour market structures as well as the specificities of their labour markets”³. While this statement belonged to a “thematic overview” proposed by the Commission and was complemented by other statements on converging trends, other questions arise here: How to understand the divergences observed in the NAPs, and are these divergences connected to divergent approaches towards employability?

The research presented in this report aims to help clarify the conceptual, operational and strategic content of employability by identifying main uses and best practices, policy progress and dilemmas. It contributes to identifying what points in the policy debates benefit now from an established or emerging consensus and where precisely the difficulties and disagreements lie and for what reasons. It aims at providing the Directorate of Employment and Social Affairs with information, scientific results and recommendations that could prove useful in implementing the part of the new European Employment Strategy that deals with the adaptation and motivation of the disadvantaged workforce.

Methodological choices and pattern of the study

The research combines analytical work and the gathering and treatment of empirical data. It focuses on

the conceptual and operational content of employability as well as on the internal and external constraints bearing on it. It draws from on the diversity of national practices and debates in Europe and other OECD countries, such as the USA and Japan, in order to put in evidence the various dimensions of the underlying processes and the interactions between them.

A specific obstacle appears here. As noted above, employability is not often and not easily defined, and is referred to more as a programme orientation than as a concept belonging to some theoretical body of work or even to some statistical representation set. Such a situation makes difficult a firmly founded general discussion on operational contents and possible drawbacks.

In order to overcome these difficulties, the main methodological choice made in the study was to establish a three-step approach, starting from a conceptual appraisal, then discussing concrete policy experiences and finally combining empirical and conceptual analyses in order to explore more generally the ways in which employability is and can be implemented (cf. condensed table of contents).

In Part I, the study first starts from existing definitions and discusses in a systematic way the possible and best conceptual and operational content for a notion of employability, as well as its connections to existing theories or representations of the labour market. At this general conceptual and theoretical level, the report identifies seven different meanings of employability and draws what is doubtless the main characteristic of employability today: its dynamic and interactive nature. The conceptual analysis is furthered and illustrated by a tentative game-theoretical application: The introduction of employability concerns a classical wage and employment bargaining-process.

³ Commission Communication: *From Guidelines to Action: the National Action Plans for Employment*. D/98/6. Brussels, 13 May 1998, p. 7.

Table of Contents

Introduction
by Bernard Gazier

Part I:
Employability: An Evolutionary Notion, An Interactive Concept

1. Definition and Trends
by Bernard Gazier, with a contribution by Susan Houseman
2. Towards a Strategic Approach to Employability
by Giuseppe Ciccarone and Leonello Tronti

Part II:
Employability of Target Groups and Selected National Labour Market Policy Experiences

1. Improving Employability and Welfare-to-Work Policies: A U.K. Perspective
by John Philpott
2. The Use of Profiling in the United States for Early Identification and Referral of Less Employable Unemployment Insurance Recipients
by Randall W. Eberts
3. The Public Employment Service and Employability Policies: Regional Response to Long-term Unemployment in Germany
by Hugh Mosley and Holger Schütz
4. Employment of the Elderly in Japan: Focusing on Mandatory Retirement
by Yoshio Okunishi

Part III:
Implementing Employability: Formal/Informal Networks and Institutional Frameworks

1. The Relational Side of Employability: The Italian Case
by Leonello Tronti and Andrea Toma
2. Employability, Jobsearch, Employer Recruitment Strategies, Social Networks and Social Exclusion
by Dominique Anxo and Donald Storrie
3. Employability: An Overview of Concepts and Programmes in the United States
by Susan Houseman and Lilian Vesic-Petrovic
4. Transitional Labour Markets, Unemployment Insurance and Employability
by Günther Schmid, Bernard Gazier and Stefanie Flechtner

Conclusion: Observations and Recommendations
by Bernard Gazier

Bibliography

illustrate the curative challenges of employability, with their rehabilitative but also their sorting-out dimensions. These topics are analysed in specific national contexts with comparative insights when possible, in order to identify and discuss achievements, dilemmas and best practices.

In a third step (Part III), the research aims to combine more closely the conceptual and empirical contributions at an explicative and normative level. It starts with the dynamic and interactive nature of employability and aims to identify and assess the most important factors permanently or occasionally affecting employability: the recruitment and search strategies of the labour market actors; the situation and activities of intermediaries, such as public and private employment agencies; and general demand and production conditions. As the analyses show, first in terms of the Italian experience and then in a broader context, many such processes end up existing amongst and interacting with a variety of economic and social networks that are key elements of employability. A third contribution shows how the criteria used to evaluate U.S. active labour market policy programmes combine the probability of obtaining and keeping a job with the probable average hours worked and the probable compensation level. Last, speculating on possible consequences of these interactive and institutional findings, a programmatic contribution explores how a specific proposal for labour market reform, "Transitional Labour Markets", may foster large-scale employability implementation.

Main findings

The main results can be given in seven points.

1. Employability constitutes a complex policy agenda

If one wishes to select and grasp a single concept of employability once and for all, the term can be quite deceiving. Employability at first appears to be a fuzzy notion, often ill-defined and sometimes not defined at all. But such a situation is not per se

It is then possible, in a second step (Part II) and at a pragmatic policy experience level, to explore concrete national experiences about employability, focusing on results, internal and external limits, and the potential of existing employability for improving policies. Little time was given for completing the research, so no attempt was made to be exhaustive. The researchers selected four important national policy developments

and experiments, each illustrating a facet of employability approaches and problems. First, two developments are presented: The U.K. "New Deal" and U.S. "profiling" are typical of the preventive concern of employability, either centred on youth or on the registering unemployed. The last two examples, German "activating" efforts towards the long-term unemployed and the Japanese management of retirement policies,

an indication that references to employability are meaningless. Employability must first be understood as a complex and evolving policy agenda. Even if the term sounds simple and intuitive (as, for example, in the motto “from employment security to employability security”), different contexts and different levels are to be introduced. Employability may be quite different in a full employment or mass unemployment context. Employment concerns on the labour market may arise from diverse causes and lead to different diagnoses and programmes: There is a broad scope for different employability concerns and concepts. Most usually, employability policies combine training, placement and incentives/subsidising programmes with an emphasis on tailor-made and preventive approaches. The question pertains to the content and appropriateness of such a policy mix, and its connection to other policy interventions.

2. *In the twentieth century, at least seven different operational versions of employability have been developed, in three waves*

As shown, it is possible to distinguish three historical waves of elaborations and debates about employability, and within them seven different definitions, which have been elaborated and used by different actors: statisticians, doctors, policy-makers, human resources managers, etc. The study has discussed at some length the meanings, statistical contents, drawbacks and possible complementarities of every definition (see Table 1).

The first use of employability dates back to the beginning of the twentieth century and lasted until the 1940s. It represented “dichotomic employability” (E1) in the sense that persons on the labour market or on welfare were deemed either “employable” or not, depending on their age, ability and family burdens. While useful for distinguishing different treatments of persons afflicted by poverty and unemployment, this version appeared more as an emergency device than as a labour market policy tool.

Modern uses of the concept began with a second wave, around the 1960s. Three very different kinds of employability were identified and used by statisticians, social workers and labour market policy-makers: “socio-medical employability” (E2), “manpower policy employability” (E3) and “flow employability” (E4). The key change was the introduction of quantitative scales of employability: Persons were more or less employable, and such assessment was a basis for policy intervention. The first two uses of employability were closely connected: In both cases, scales were used to measure more or less the distance between an individual’s characteristics and the production and labour market requirements. The difference between E2 and E3 is the population concerned: in the first case, the handicapped; in the second, every would-be worker. The third version, flow employability (E4), elaborated and used rather separately, was centred on the overall demand side of the labour market (firms) and introduced another dimension of the problem: the absorption capacity of the economy. At that time, personal characteristics were mainly connected to a secondary “relative employability” within a group whose “mean employability” was determined by overall economic conditions as well as the place occupied by this group within the economy and society.

But such employability definitions moved on to a third wave, dating from the 1980s and developed during the 1990s: again, three different versions exist. However, a different debate emerged. Around a more or less neutral statistical definition (employability as “expected labour market performance” [E5]), the emphasis is now put on the dynamic, adaptative content of employability: Performance is defined as the probable number of hours worked during a specified period, multiplied by the probable hourly earnings. The opposition between individual characteristics and collective determinants is then no longer a simple opposition, as it was in the case with E3 and E4:

“Initiative employability” (E6) insists on individual responsibility and creative power within social networks, while “interactive employability” (E7) maintains the focus on individual adaptation but introduces a collective/interactive priority. It has been noted, however, that the three versions of this last wave are not as self-evident as the previous versions. In the 1960s, a close connection could be observed between some intuitive causal mechanisms (individual or macro deficiencies), a statistical construction and operational prescriptions. In the 1990s, the associated statistical constructions seem to be compatible with many diverse explanations, and the policy prescriptions remain broader and less precise.

3. *A preferred version clearly emerged: interactive, collective and negotiated employability*

Given the array of possible versions, little discussion surfaced during the research process as to the preferred one. Older versions seemed too static and one-sided. Labour market performance employability (E5) is a basic component of labour market policy evaluation, but not explicitly connected to any precise orientation. It splits the outcome of programmes into three different elements: the probability of being hired, the probable length of worked time and the probable wage rate. In Chapter III.3 examples of such uses are given through the case of U.S. active labour market programmes.

There was quick consensus around interactive employability (E7). Initiative employability (E6), basically individualistic, was quickly judged to be unrealistic: notably because employability is an attribute not merely of individuals but also of the workforce as a whole; also because improving employability is not just about increasing skills and human capital but also about overcoming a whole array of barriers that prevent people from accessing jobs, remaining in stable jobs or increasing earnings. As a consequence, employability policies should not focus on indi-

Table 1: Employability: three generations, seven main concepts

| Definition, population concerned and main references | Statistical content | Operational content | Definition, population concerned and main references | Statistical content | Operational content |
|---|---|---|--|--|---|
| <i>E1: Dichotomic employability</i> | | | <i>E5: Labour market performance employability</i> | | |
| Availability of able-bodied workers Unemployed families Barnett (1904), Gill (1934) | Three criteria needed to be employable: – age (between 15 and 64 years old) – no physical/mental impairment – no family constraints (e.g. childrearing) | Statistical and administrative divide for establishing emergency treatment of unemployed families: the unemployable are given cash and in-kind assistance; the employable are given relief work. | Anticipated labour market performance Individuals and groups Mallar et al. (1982) | “Labour market outcome”: For a given period and for one individual, predicted time spent employed × predicted average number of daily hours worked × predicted average hourly earnings; probability to achieve such a labour market outcome, estimated by statistical models | Assessing and comparing the effects of given labour market policy or training programmes |
| <i>E2: Socio-medical employability</i> | | | <i>E6: Initiative employability</i> | | |
| Distance from rehabilitative and regular employment Disabled persons Kolstoe & Shaffer (1961) | Individual tests and indicators: – functional balance sheets – employability scales (partial) | Rehabilitation target: assessing and overcoming barriers to regular employment; setting priorities and calendar | Marketability of cumulative individual skills Individuals Kanter (1989), Arthur & Rousseau (1996) | Human capital and social capital (Social capital = social network ties assessed quantitatively and qualitatively; best networks are large and comprised of disconnected contacts.) | Overall policy perspective: enhancing individual initiatives on the labour market and constructing “boundaryless careers” Three operational contents: – developing lifelong learning – improving information on the labour market – flexibilising the labour market |
| <i>E3: Manpower policy employability</i> | | | <i>E7: Interactive employability</i> | | |
| Distance from regular employment Disadvantaged persons and groups Estes (1974), Mangum (1983) | Integrated employability scales for individual diagnosis: combining medical items with skills items (knowledge, training, work experience) and social acceptability items (appearance, criminal record) | Helping disadvantaged groups to obtain and retain jobs: “Employability Development Plans”, with training actions (including job-hunting skills) and placement actions (including subsidised jobs) | Relative capacity of an individual to achieve meaningful employment given the interaction between personal characteristics and the labour market Individuals and groups Merle (1987), Canadian Labour Force Development Board (1994), European Commission (1997) | Statistical profiles set: list of individual traits and trajectories, associated to labour market contexts and connected to observed or predicted labour market performance | Reorienting labour market policies towards activation and preventive programmes: multisided and negotiated approaches connected with social partners, enterprise development and workers’ adaptation within firms |
| <i>E4: Flow employability</i> | | | | | |
| Speed of leaving unemployment Unemployed groups Ledrut (1966); Salais (1974) | Flow out of unemployment by specified groups Employability is the reverse of the average duration of unemployment for one group; employability and “vulnerability” (i.e. probability of falling into unemployment) are the two components of the „selectivity“ of unemployment. If flow employability is considered to be the mean employability established for a group, it can be completed by a “differential employability”, which specifies the difficulties of an individual within the group which are associated with certain given personal characteristics. | Aggregate demand and trickling down perspective A recession period worsens employability, a booming period improves it. The relative disadvantages of some minority groups on the labour market are to be cured mainly through sustained growth, supplemented by social and anti-discriminatory policy. | | | |

viduals alone but should engage the social partners: a consequence far removed from the emphasis on individual responsibility at the heart of the E6 version. Finally, initiative employability may be seen as a particular version of interactive employability, one that implicitly insists on deregulating and flexibilising the labour market. The bulk of the debates, however, focused on the precise contents and consequences stemming from an interactive employability point of view.

Table 2 provides the main extensions and drawbacks of the seven employability definitions, and Table 3 briefly presents the logical connections between the five versions of employability.

4. The identification of basically different components within employability

Most contributions, exploring either national experiences of employability-oriented policies or, directly, the determinants and dimensions of employability, underline that the processes under examination basically deserve an approach that breaks them down into their components. In their contribution on the "relational side of employability", Tronti and Toma classically show, for the Italian case, the relevancy of the macro dimensions for understanding the employment and employability performances of a given nation, but they also put into evidence the enormous employability implications of micro and meso externalities beyond individual initiatives. Anxo and Storrie, exploring the connection between employers' and jobseekers' perceptions and behaviours, stress the social network dimension of employability: This implies, among other consequences, that access to employment depends upon elements which, in some contexts, may not compensate each other, such as education and work experience. They also show that jobsearch, varying in accordance with a network's conditions and usually represented by economic analysts as a costly, finite process, may be either at no cost and, so to speak,

automatic, or infinitely costly and initiative-demanding.

The analysis of the "profiling" technique in the USA by Eberts shows that two logically different probabilities are combined in the profiling process: the probability to exhaust unemployment benefits and the probability to take advantage of an array of available employment services. He discusses the possible discrepancy between the two and indicates that it does not constitute a problem within the policy arrangement concerned or within the statistical model. In his study of the recent U.K. experience, Philpott elaborates the distinction between "access ability" (employability as access to jobs, either good ones or bad and low-paying ones) and "performance ability" (employability as the ability to hold and keep high-quality and high-paying jobs). He introduces possible synergies between these components: Access ability may depend on minimal performance requirements (such as literacy); the work performance of unemployed persons may crucially depend on maintained contact with the labour market. But he also stresses the fact that possible trade-offs may affect the employability policy.

It is possible to connect and generalise Philpott's and Eberts' breakdowns by observing, firstly, that they concern different groups of people. For Philpott, the main group is the jobless youth, but his point of view is broader and includes every jobseeker, actual or potential (in order to include discouraged workers). Up to now, "profiling" concerns new arrivals at the unemployment insurance registration office. Secondly, in both cases there is a number of persons initially concerned who are excluded from the process of finding a job: They are self-excluded, but such an outcome is, if not planned, at least organised by the employability measure. Persons identified as less employable but not available for referral are excluded from unemployment benefits in the "profiling" case. The U.K. New Deal as an "employability mechanism" excludes youth

looking for a "fifth option". In both cases, the employability measure, by putting some pressure on the jobseekers and constraining their choices, operates as a screening device, and it is thus necessary to add an exit option, implicit in the employability policies. Another justification can be found in Okunishi's contribution (Chapter II.4), which shows the close connection between the employment prospects of older workers in Japan and the retirement policies which the firms and government developed together.

As a consequence, it may be stressed that the balance and possible interplay of different components of employability should be analysed in connection with the whole set of possible options available to jobseekers. These analytical contributions put into the forefront the various dimensions and stakes entailed in employability. As regards policy consequences, while suggesting that complementarities and synergies must be sought and exploited, they introduce possible dilemmas and trade-offs.

5. The identification of important dilemmas and trade-offs in large-scale employability-improving policies

Five main trade-offs were identified and discussed in the research. The first one, a classical one indeed, is the repartition of efforts towards different persons with different employment prospects. Its most frequent expression is "creaming". How shall the funds and means of employability-improving policies be allocated? Within a given group, there is strong pressure in favour of helping the already more "employable" persons. This is because it promises to achieve apparently inexpensive and conspicuous success through selecting people with better employment prospects and relatively neglecting others. While targeting is a well-known response, the problem may arise again within the targeted sub-groups.

The second dilemma is, once again, creaming, but this time as an allocative intergroup dilemma. In most European countries, there is a

| Table 2: Main concepts of employability: possible extensions and drawbacks | | |
|--|---|--|
| Concepts of employability | Possible extensions | Main criticisms and shortcomings |
| <i>E1: Dichotomic employability</i> | | |
| Availability of able-bodied workers | <p>Since 1935, possibility acknowledged of an employability scale: "degrees of employability"</p> <p>Taking into account social prejudice as well as working abilities</p> | <p>Some people, although labelled "unemployable", do find jobs</p> <p>Employability, always depending on economic and social contexts</p> |
| <i>E2: Socio-medical employability</i> | | |
| Distance from rehabilitative and regular employment | <p>Extension to drug users, alcoholics, etc.</p> <p>Extension to any disadvantaged group (cf. E3)</p> | <p>Employability, depending on the nature of available work (non-regular and tailor-made work?) and on economic and social contexts</p> <p>Static and dispersed scales</p> |
| <i>E3: Manpower policy employability</i> | | |
| Distance from regular employment | <p>Extension to non-disadvantaged groups: universal scales, set in an activist perspective</p> <p>Extension to wage performance (cf. E5)</p> | <p>Employers' prejudices and social stereotypes of acceptability taken as given</p> <p>Within the standard neo-classical framework, the employability problem disappears: If you have limited human capital, then if you lower your wage demand enough, you will necessarily obtain a job.</p> <p>Within the dual approach, the concept neglects the possibility of people being trapped on the secondary market.</p> <p>Employability scales, weak predictors of employment performance</p> |
| <i>E4: Flow employability</i> | | |
| Speed of leaving unemployment | Extension to any jobseeker or potentially active group (within a flow transition matrix) | Focusing on flows leaves aside individual abilities and skills, motivation and jobsearch behaviour, and wage adjustments as weakly relevant. |
| <i>E4: (continued)</i> | | |
| Hence, the policy perspective is mainly passive as regards individual scope for action. | | |
| <i>E5: Labour market performance employability</i> | | |
| Anticipated labour market performance | This concept may be extended to and confused with human capital and individual productivity. | The quality of the evaluations relies on the stability of the labour market context and the availability of comparison groups. Little is said about why programmes are or are not successful. |
| <i>E6: Initiative employability</i> | | |
| Marketability of cumulative individual skills | <p>Extension to and confusion with entrepreneurship. E6 is the employability of best performers on the labour market – so employable that they become employers.</p> <p>Within the firms and between employees and employers, there is the possibility of a "new employability contract" replacing the old exchange between security and loyalty. The new contract stresses the freedom and responsibility of employees as regards training and labour market mobility: "You own your own employability".</p> | <p>What about the losers? There is merely an appeal to their initiative and spontaneous reorientation.</p> <p>Such a "contract" may appear as a way of disengaging firms from their employment and training responsibilities.</p> |
| <i>E7: Interactive employability</i> | | |
| Relative capacity of an individual to achieve meaningful employment given the interaction between personal characteristics and the labour market | <p>Overall policy perspective: assisting in and organising transitions into employment</p> <p>Fiscal reform: reducing the tax wedge and "making work pay"</p> <p>Labour market transitions reform: "making transitions pay"</p> | <p>The balance between individual and collective responsibility and scope for action is still to be found.</p> <p>The number of available jobs of a minimum quality and the good-quality training slots could be rationed in the short term.</p> |

Table 3: Five employability concepts: from divergence to convergence

| Causal Orientation → | Individual | Interactive | Collective |
|----------------------|---|---|--|
| Time dimension ↓ | | | |
| Static (1960-1980) | E2: Socio-medical employability: Distance from rehabilitative and regular employment E3: Manpower policy employability: Distance from regular employment | | E4: Flow employability Speed of leaving unemployment |
| Dynamic (since 1980) | E6: Initiative Employability: Marketability of cumulative individual skills | E7: Interactive Employability: Relative capacity of an individual to achieve meaningful employment given the interaction between personal characteristics and the labour market | |

Schütz present in Chapter II.3 an institution-centred version of the “revolving-door” process in the German case, where an intake by local social assistance may lead some long-term unemployed to brief employment experiences, followed by a return to unemployment: The relevant office then becomes the Public Employment Service. The clientele switch from one administration to another, not necessarily with bad consequences, but without real progress.

The fifth trade-off occurs in local development choices and is discussed by Tronti and Toma, in their treatment of the risk of the “casualisation” of labour. The dilemma lies between numerous unstable and scattered employment opportunities that are generated by flexible and dependent local development on the one hand, and, on the other, more qualitative-oriented growth, with more stable but also more limited job creation. We find again here the rotation and “revolving-door” process. A major finding of this study is probably the fourth trade-off, because, while less well-known than the others, it bears on the heart of an “employability” approach to labour market policy.

tendency to distribute available active labour market policy funds in “sprinkling” fashion, in this way hoping that general good placement performances by the PES might favour a good reputation and good relations with employers. This amounts to implicit creaming, because even in the case of equal repartition of limited means, more employable persons will benefit more at the expense of harder-to-employ persons. Underlying such practices, one can find the so-called “carrier wave theory”, which relies on a probably non-existent complementarity between easy-to-obtain placements and the development of placement opportunities for the less-favoured unemployed. Both kinds of creaming are presented and discussed by Mosley and Schütz, who discuss the German case.

The third dilemma is the repartition between preventive and curative approaches. It is presented by Philpott, who discusses the “youth bias” of the U.K. New Deal: In his discussion, he shows that political concerns (social contract and employers’ goodwill) interfere with equity and efficiency debates. It should be remarked, however, that employability priorities affect both preventive and curative policies and do not allow the privileging of one against

the other. The dilemma may be solved in the long run (the more you succeed with preventive measures, the less you will have to treat with curative measures) and mitigated in the short run through the screening and sorting-out process, eliminating the harder-to-employ and the less motivated.

The fourth trade-off appears between two policy options: securing mere access to jobs, whatever their quality, and/or striving to develop high-quality training and careers for a high-quality workforce. It can be analysed as a possible conflict between two components of employability: access employability and performance employability. Again, the analysis is presented with regard to the “New Deal”: Too much insistence on access ability may have serious detrimental consequences, either developing the “revolving-door process”, with people entering short-term and bad-quality, low-paying jobs, or simply trapping people into poorly paid jobs without career prospects or training opportunities. On the other hand, too much insistence on performance ability may deter job entry because the development of education and training opportunities may act as short-run alternatives to jobsearch and job entry. Mosley and

6. There are possible “local” and “client” employability-oriented solutions to these dilemmas and trade-offs

As we have seen, the various contributions show that exploiting the synergies in an employability-centred policy is not a priori evident. The dilemmas bear either on the identification of “clients” or on their possible best treatment. The profiling technique was discussed in some detail during the research because it appeared to be a means to deal with these dilemmas. By establishing, on a local basis, a continual ranking amongst potential clients for active labour market policies, this statistical tool allows for a rational allocation of rationed resources while avoiding creaming and focusing efforts on those most in need. Moreover, Chapter II.2 shows that in the case of the USA, the identification of the harder-

to-employ also helps to minimise the coordination problems and lower the barriers between different employment services (insurance and re-employment services). It should be noted that no new employment service was offered under the profiling process: The only change was the ranking of the jobless, directed towards the existing set of available programmes. The net evaluation figures yielded a clear, positive (relatively limited) result in every dimension of the problem. They did not exhibit a conflict between the employment outcome and the pay outcome: So work experience and productivity/pay progress could go together. It emerged that the identification and referral process was relevant as much for the choice of clients as for the choice of already existing services programmes offered to them.

From a different perspective and dealing with the German case, Mosley and Schütz show that local coordination and cooperation between PES and social assistance services, largely corresponding to the management of separate groups of clientele, but in some part overlapping, could considerably mitigate the risk of “institutional incongruency”. In the U.K. case, a “local” emphasis per se does not seem to exist: But the point made by Philpott is that an integrated “client” approach was developed, combining job placement, benefits policy and referral to jobs programmes. Such a practice allows a regular contact between claimants and employment offices.

As a matter of fact, in such experiences two complex and interrelated sets of barriers are or are expected to be minimised together: a variety of obstacles, deficiencies and mismatches which prevent people from getting jobs; and other barriers preventing coordination and cooperation between labour market institutions. Mainly on a local basis, employability works as a coordinating device and allows for a client-centred and market-oriented treatment, designed to solve or mitigate some of the above dilemmas. However, such solutions appear to depend on speci-

fic and often “local” contexts in which groups, targets and means are more or less given. It did not seem evident that such a rationalising and dynamising policy could be generalised without additional elements and reasoning. This makes it all the more interesting to consider possible extensions of profiling to situations where problems are more complex, such as the welfare case considered by Eberts at the end of Chapter II.2. Is it possible, for example, to explicitly introduce the sorting-out process and the possibility of moving from one local (depressed) labour market to another? Or to ponder different treatments given to different groups? Such questions remained unanswered in this research.

7. At the macroeconomic level, there is a major possible consequence of global employability-enhancing policies: wage moderation.

In a path-breaking theoretical study on wage and employment bargaining, Tronti and Ciccarone outline what could be the best rationale for a global employability policy: the introduction of an intertemporal constraint and concern for the bargaining union and, hence, a “wage-cooling” process. If it is well known that helping the less employable is in most cases a non-inflationary policy (because it does not give more power to the core workers in the labour market), then employability may well be presented as forced investment in training and searching. The authors introduce an “employability agency”, which interferes with the traditional “monopolistic” confrontation between the employer and the union. Given such a logic, and under standard assumptions and modelling, the union’s objective function faces a trade-off between present wages and future employment. The authors show that a wage moderation effect is likely to occur, which will raise the actual and future employment levels of the modelled economy. However, the relevance and strength of such a “virtuous” conclusion crucially depends on the characteristics of the

“game” presented, and the authors used a classical framework in which a negative relationship exists between wages and employment. In addition, they explicitly set apart for further examination the effective demand and consumption aspects. They do stress, however, that the introduction of employability involves a change in usual labour market management, shifting from curative to preventive and intertemporal approaches. This most probably implies downward pressure on wages. It is not possible to derive more precise macroeconomic consequences of such a process without specifying a full-fledged model that introduces at least two different qualities of labour.

Final observations and recommendations

The main findings suggest that fruitful outcomes can be reaped by developing an employability-based approach to labour market policy. If employability remains controversial in Europe even though it has been shown that some policies falling under this heading were promising or at least justifiable, it is all the more important to look at possible drawbacks and limitations that might be avoided, in addition to the possible developments.

Employability emphasis and the risk of inadequate policy mixes

There is a high probability that employability concerns will grow in the European Union. The policy pressures stem from the withdrawal of important classical adjustment tools (interest rates and currency changes), and they place the labour market in the forefront. While wages and volume adjustments are very difficult or costly to achieve, some “quality adjustments” will become increasingly important, and employability is a way to sum them up. But employability also reflects recent trends affecting working conditions as well as the functioning of the labour market: Emphasis is put on individual initiative and on more individual responsibility in working behaviour and career management. Such tendencies

may be linked to the development of client-centred human resources management, which insists on reactivity and flexibility. Of course, it does not mean the end of hierarchy within firms, but rather, the contrary: the introduction of new evaluation procedures for performance goes together with increased competition amongst workers – employed as well as unemployed.

It is possible to list potential authoritative aspects of employability policies: Employability development could be presented as forced training, forced work experience (“work-fare”), pressure to accept low-paid jobs and pressure on workers’ performance. So, in some contexts, employability could mean “management by stress” or the placement of unilateral pressure on individual adjustments. From the point of view of this study, such possible outcomes (which may explain much of the reluctance towards and controversies about the term itself) stem from inadequate approaches to employability (being too narrow or misleading), which end in inadequate policy mixes. Already in 1934 (cf. Gill, 1934), it was clearly shown that employability always depends on a specific context, possesses multiple dimensions and involves the sharing of responsibilities. Regarding the contexts, one must recall first the macroeconomic determinants. Employability is not a substitute for sustained growth, investment and job creation; it is a policy complement to such processes. But one must also introduce the “intangible” network aspects of employability, which are different in regional and local areas and of the utmost importance for influencing recruitment behaviours and opportunities.

As regards the multiple dimensions, it is enough to say here that any labour market policy programme should at least be evaluated by considering the employment and wage outcomes together: the probability of being hired, probable hours worked during a specified period and the probable gains. Last, the sharing of responsibilities involves two differ-

ent challenges. The first is that employability policies may be developed in situations where there is some blurring of boundaries between employment and social policies. Helping the disabled may mean giving them direct work experience in “sheltered” workplaces: This policy must not be confused with helping the long-term unemployed, even those with low skills. The second challenge is for employability policies to set a balance between opportunities (rights) and duties of their “clients”. They need credible commitments in order to avoid raising contradictory expectations.

Contextual and regional management of active labour market policies

As shown in the study, in the process of getting a job, employability may be seen to overcome two sets of barriers. Direct barriers to job entry: at a given minimal skill level, the network aspect is crucial here. And, access to well paying jobs: the training dimension matters more here. Administrative barriers also exist between separate agencies managing different functions, such as UI and retraining, or between different “delivery systems”. The question here is not to integrate all agencies into what could become a bureaucratic monster. It is to achieve more cooperation and/or coordination on the targets agreed upon.

The main operational proposal stemming from the study is the need to develop “contextual” local arrangements and negotiation instead of direct and narrowly targeted intervention. The solutions could be highly diverse. They can directly give more money and power to municipalities and local authorities, or more closely involve local actors in the management of the Public Employment Service. This is, together, cooperation and coordination. They can also put private and public agencies in competition, provided that clear norms of targeting and implementation are given. This would be coordination and stimulation through some competition. In any case, there is a

strong emphasis on bargained or contractual agreements in order to actively involve social partners and other labour market institutions and actors (e.g. private for-profit and non-profit firms, various networks).

In order to overcome the risks of “creaming”, or favouring already well-positioned groups, and in order to focus the main efforts on the most needy, ranking and preventive approaches, such as profiling, could be developed and used as coordinating devices. Some caution is needed here, for two reasons. Firstly, further research will be necessary in order to obtain good profiling practices that are explicitly adapted to local contexts, opportunities and constraints (see below). Secondly, profiling is just an administrative referral process: Its outcome crucially depends on the existing labour market policy programmes and on existing knowledge about their efficiency and possible types of clientele. Such elements rely on a complex and heterogeneous body of experiments, evaluations, benchmarks and implicit judgements (even rule of thumb) amongst policymakers and PES workers. This is the reason why we can speak of “contextual profiling” and underline that this rationalising tool needs complementary approaches.

Another policy consequence of the study, closely related to the “contextual” emphasis, is the increased importance of the regional level for managing labour market policies. The strategic and interactive dimensions of employability, examined at a global and macroeconomic level, and their probable “wage-cooling” effects lead to the idea that “active” and “passive” labour market policies must be managed together. Institutional arrangements can be obtained either by improving the coordination between the two sets of programmes or through the direct creation of one or several “employability agencies”. It is clear, however, that a key feature of such arrangements would be the involvement of social partners, on a negotiated basis. So, the regional level quickly appears as the main

one for such a bargaining process, because it allows one to take into account the business and social contexts as well as the structuring and orientations of local actors. It also makes more visible the costs and gains of the labour market programmes.

This kind of regional focus finds additional support from a recent study centred on the employment performances and successes of four small European countries. Conducted by the International Labour Organisation (cf. Auer, 1999), this report identifies and discusses many factors contributing to better labour market outcomes. It stresses the importance of some of the “passive” policies, which allow small- and medium-sized firms to “hire and fire” in a dynamic way during business cycles: then, “passive” payments are also employability-enhancing. But the report also shows that the social partners’ involvement and active support were basic ingredients for an employment-oriented policy. In the four countries, wage moderation was obtained, with different institutional tools, through a bargaining policy, often difficult and costly to pursue, in exchange for better employment prospects and labour market public intervention. Such policy was probably easier to elaborate and implement in small countries, and this may contribute to explaining their relative success. The regional level may at any rate be in the forefront in the European monetary zone, because supply-and-demand shocks will affect heterogeneous Member States’ socio-productive areas differently, without the possibility of devaluating or adjusting interest rates.

The regional entities are often connected to some dominant productive specialisation (or diversification) as well as some specific “milieu”, and the ability of regional actors to adapt will necessarily be solicited. An important challenge at the national and European levels will be the channeling of resources to the regions hit in the event of big economic shocks: There is obviously some scope for national and European redistribution

of labour market policy funds towards these regions.

*A more exploratory proposal:
employability insurance and
employment risk management*

Based on the perspective of Transitional Labour Markets (see Chapter III.4), an extension of the classical unemployment insurance system (UI) towards “employability insurance” (EI) and “mobility insurance” (MI) can be recommended as a specific institutional arrangement that takes fully into account the interactive and contextual nature of employability. These three dimensions overlap and interact: Taken together, they could build up into a coordinated system of “Employment Risk Management” (ERM) in the future. The main reasons for such a differentiation are to take account of new risks on the labour market and to adjust labour market institutions to the increasing variety of risks. Such a system will possess three levels and will:

- guarantee income maintenance (“passive” payments) during involuntary unemployment in order to enable the rational search for new jobs. This is the first tier of ERM. Taking into account that employment relationships change and vary more and more, a further inclusion of “atypical” forms of employment into UI is recommended. This holds especially true for the (partially) self-employed and part-timers who work regularly but only a few hours. To account for moral hazard and the larger set of insurance guarantees available (see the other tiers), a degressive benefits structure seems to be reasonable. The length of UI benefits can be restricted to one year;
- enhance employability (“active” payments). In modern labour markets, the risk of diminished or lost earnings capacity (productivity) due to structural change (globalisation, new technologies, etc.) is high and requires the financing of a complementary system of employability insurance. EI constitutes a set of additional rights giv-

en to the unemployed or to the employed under immediate danger of unemployment, so that they may participate in reintegration and training programmes. In special cases, in which persons (temporarily) cannot reach self-sustaining productivity levels, in-work transfers can complement the wage income. Although difficult to realise, especially due to limited resources, early identification of the risk of becoming long-term unemployed becomes crucial. It is therefore recommended that explicit reintegration goals are set, especially for the young unemployed who need a social source of identification and recognition as soon as possible;

- provide mobility options through programmes that take place in a specified context of labour market situation and interacting institutions. Due to increasing internal or socially constructed risks of unemployment, there is a corresponding need for mobility insurance. This set of “transitional” options is largely preventive and should be, preferably, collectively regulated and bargained. Its dominant feature in financial terms is a structure of cofinancing in which employers and employees share an essential part of the costs; the public (communities, regional agencies, central states and transnational agencies, such as the European Social Fund) enters as a partner in the game, depending on the degree of externalities: The more collective gains can be expected, the more public financing must be involved. In addition, a rich infrastructure of public and private employment services should be available to help implement these measures.

It can be argued that such an approach is a complement to interactive employability (E7) and helps to overcome some of its uncertainties and limitations. The extensions of UI to EI and MI would not necessarily be related with high public costs. In many cases, the legal entitlement to negotiate (collectively or individual-

ly) for various transitional arrangements would suffice. MI could be enhanced by a general strategy of vouchers. UI contributions could be linked to the part covering the costs of classical UI (unconditional solidarity) and the part covering the costs of EI and MI (negotiated solidarity). The second part of UI contributions would establish vouchers for various kinds of transitional employment. These vouchers could be exchanged within a company or perhaps at an exchange market, enabling workers to express individual preferences and to take more responsibility in their careers.

By extending citizens' rights related to UI to employability and mobility options, one also must consider the necessary of extension of respective obligations. One example would be the obligation to accept – in the case of unemployment – agreements on reintegration plans negotiated with placement officers, containing clear goals with specified measures, activities and timetables. Another type of obligation would be mandatory contributions to specified funds, for instance wage investment funds, either by collective agreement or by law. For professions where adjustments of skills and competencies are extremely important, because of rapid technological change or potential damage that could be caused through incapacity, an obligation of further training might be necessary, for instance in the medical professions or in teaching.

To sum up the argument: Shifting from "employment security" to "employability security" requires not only placing emphasis on individual adaptive and learning capacities; it also necessitates building a new set of rights and obligations. Such a construction must rely on much previous partial and often dispersed experiences, but it also must organise the institutions and arrangements in a more systematic way, as the one suggested above. The future of employability policies may lie here.

Proposals for further research

At least four fields clearly deserve additional research efforts. The first two have been at least partially explored in this report and elsewhere, while the third and fourth may constitute new fields. The first one is the profiling technique and its possible applications and generalisation in European countries. Solid results and interesting perspectives do exist here. However, as was observed in Chapter II.2, a previous attempt to use it in the UK proved unsuccessful. More research could be done, with an emphasis on introducing "contextual" variables that accurately reflect local labour market conditions. Evaluating the potential gains from introducing the technique into given labour market policy fields could also be very useful. The second is the connection between employability and wages. In this study, some suggestions and exploratory contributions have been made, at a theoretical level, in Chapter I.2. But the empirical side of the question remains unexplored, as does the connection with macroeconomic demand conditions. A third field is the connection between employability and the gender dimensions of the labour market and its activity. It is worth noting that the old, dichotomic employability introduced family constraints as a factor of employability. Persons caring for young children were deemed unemployable. Such constraints were left aside in the following versions, and even interactive employability proved to be implicit about the gender dimension. It is only in the mobility insurance proposals that gender stakes are explicitly taken into account. But the question remains almost completely unaddressed in this study. A last, more general field is the "social construction of employability", which is closely connected to the preceding one. While it has been shown in this study that it makes sense to speak of "stratified" and "segmented" employability (some categories of

workers being easily hired but trapped in low-paying segments), the extent of such processes are not well measured and explained. And, more generally, the economic and social choices behind the integration or exclusion as well as the treatment of different categories of workers remain largely implicit and need to be identified and discussed.

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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 SYSDM (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 (SYSDM, 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

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