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European Employment Observatory Review: Spring 2005

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European Employment Observatory

Review: Spring 2005

European Commission
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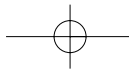
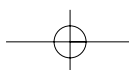


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Executive summary

Introduction

This spring 2005 review from the European Employment Observatory focuses on innovative labour market practices and policies in the 29 European countries covered by the observatory (25 EU Member States plus Bulgaria, Romania, Turkey and Norway). It is based on articles describing and analysing the selected innovative policies and practices in each country written by the national System correspondents, starting from the 2004 National Action Plans on employment.

The aim of the executive summary is to provide an overview of innovation in employment and labour market policies across Europe. Readers are referred to the full articles for the detailed description of policies and practices reported from the Member States.

The executive summary also links the developments at national level to the policy developments and priorities at EU level, especially the new integrated guidelines ⁽¹⁾ brought in to refocus the Lisbon strategy, proposed by the European Commission in April 2005 and adopted by the European Council in July 2005. The relevance of national developments reported in the spring 2005 review to the integrated guidelines is summarised below.

Guideline No 17 on implementing employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion:

- A national skills development programme in Ireland ('One step up' initiative) is aiming to increase the skills of people already in employment. As Ireland is experiencing near full employment, the initiative aims to ensure that such a position is maintained, and that people in employment adapt to the needs of the economy.

Guideline No 18 on promoting a lifecycle approach to work:

- In Denmark, an innovative campaign to encourage the private sector and especially SMEs to employ young university graduates;

- In Greece, career offices are placed in tertiary education institutions, to provide advice, guidance, placement and mediation services for university students entering the labour market;
- In Malta, the gender equality action plan and tax credits for women returning to the labour market after childbirth;
- In Poland, a '50 PLUS' programme to provide incentives for older workers to be active and to discourage early retirement.

Guideline No 19 on ensuring inclusive labour markets:

- In Estonia, a new draft law to modernise services aimed at jobseekers and to establish an approach based on individual need;
- In Luxembourg, personalised forms of job placement and job search assistance to address the different needs of jobseekers;
- In Lithuania, local employment initiatives aimed at unemployed people in areas with very high unemployment;
- In the Czech Republic, financial incentives for employers to employ people with disabilities;
- In Finland, tax credit for hiring domestic help to stimulate demand for jobs by reducing the cost of low productivity work;
- In the accession country of Bulgaria, a programme to provide employment, vocational and literacy training for long-term unemployed people.

Guideline No 20 on improving the matching of labour market needs:

- In Estonia, it is planned to strengthen contacts between the employment service and employers, by offering support to firms in hiring and by employing consultants to work with employers in each employment service office;

⁽¹⁾ Integrated guidelines for growth and jobs (2005-08) – COM(2005) 141 final, Brussels, 12 April 2005.

- In Finland, a structural reform of the public employment service includes placing the services and resources aimed at disadvantaged jobseekers at special employment service centres which are developed for that purpose;
- In Italy, the Marche region has passed a law governing the local labour market (the first region to do so in Italy). The law establishes a set of active labour market policies and a system of governance;
- In Latvia, several measures are taken to jointly deliver solutions to employment problems at local level, such as local action plans and decentralising the training system.

Guideline No 21 on promoting flexibility combined with employment security and reducing labour market segmentation, having due regard for the role of the social partners:

- In Cyprus, a new programme will test the potential of flexible forms of employment;
- In Hungary, a one-off 50% wage increase for public sector employees is evaluated;
- In France, a personalised redeployment agreement is aimed at positively managing redundancies and helping people affected to return to work rapidly;
- In Belgium, a policy has been initiated for workers made redundant with special procedures and financial means to advise intensively on the process of restructuring;
- In Sweden, the role of several actors committed as partners in the restructuring process is discussed;
- In Germany, there is new impetus to self-employment programmes for unemployed people from the Hartz commission;
- In Slovakia, measures to attract mainly long-term unemployed people and school graduates to the labour market are introduced which include financial incentives for small business creation and work experience;
- In Spain, a regularisation campaign for illegal immigrants eases their path into the regular labour market;

- In the candidate country of Turkey, the new labour code has formally introduced regulations for part-time and flexible working.

Guideline No 22 on ensuring employment-friendly labour cost developments and wage-setting mechanisms:

- In the Netherlands, a reduction in the corporate income tax in the Netherlands improves the attractiveness of the country as a business location and thus benefits the economy and employment;
- In Norway (EEA Agreement), the policy discussed is a tripartite agreement on inclusive working life with an obligation on all parties to actively participate in addressing the issue of sick leave.

Guideline No 23 on expanding and improving investment in human capital:

- In Austria, the reform of the apprenticeship system is covered;
- In the UK, a strategic shift in the infrastructure and delivery of skills training from supply-driven to demand-led provision reflects the needs of employers and the economy;
- In the accession country of Romania, a new law giving access for disadvantaged people in rural areas, previously outside the scope of assistance from the employment service, to publicly funded vocational training.

Guideline No 24 on adapting education and training systems in response to new competence requirements:

- In Portugal, reforms obliging employers to provide continuous training and establishing an individual right to training aims at stimulating a more demand-led vocational training market;
- In Slovenia, a new system of validating the prior learning of people without recognised educational qualifications is discussed.

EEO Autumn Review 2005

The *EEO Autumn Review 2005* will document and examine youth employment policies in the EU and Bulgaria, Romania, Turkey and Norway.

1. Attracting and retaining more people in employment, increasing labour supply and modernising social protection systems

1.1. Implementing employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion (Guideline No 17)

1.1.1. Introduction

Achieving full employment, and reducing unemployment and inactivity by increasing the demand for and supply of labour, is vital to sustain economic growth and reinforce social cohesion. Synergies between quality at work, productivity and employment should be fully exploited. Determined action is needed to strengthen social inclusion and prevent exclusion from the labour market. People at a disadvantage in the labour market should be fully supported in order to find employment. Actions are required to reduce regional disparities.

1.1.2. National skills development programme for people in employment in Ireland

The fact that Ireland's economy is experiencing near full employment is causing the attention of government and business to switch to sustaining this position. The **'One step up' initiative**, a national skills development programme in Ireland, is innovative in that it targets those **already in employment**. It is an example of a labour market policy heavily influenced by the private sector. Thus, for the first time, labour market policy has been explicitly led by input from the private sector. This has resulted in a move away from more traditional interventions delivered to those not currently in employment.

The initiative engages with the workforce as a whole, but places particular priority on the people with low levels of qual-

ifications and in low level occupations (especially those least likely to receive sufficient access to learning opportunities).

1.2. Promoting a lifecycle approach to work (Guideline No 18)

1.2.1. Introduction

The EU has long supported a lifecycle approach to work in order to promote an increased labour supply in all age groups. Raising employment levels across generations supports socially inclusive economies and addresses a marked decline in the working-age population. Moreover, such an intergenerational approach to raising employment levels should also ensure that there are enough people in employment to support those who are unable to work.

1.2.2. Promoting young people's participation

Measures implemented in Denmark and Greece provide examples of innovative and successful approaches to tackling youth unemployment.

Problems faced by young people in Denmark and Greece are strikingly similar. In both countries, young people graduating from a university face an increased risk of not finding a job. Apart from the well-known social and economic aspects of youth unemployment, a high unemployment of university graduates also risks wasting costly investment in human capital associated with university education.

However, the reasons for comparatively high unemployment amongst university graduates differ in the two countries. In Denmark, the main causes were a tightening of public budgets and a stagnation in public employment. In Greece, the causes have been more systemic, as tertiary education is not geared towards the needs of employers and the labour market, counselling and vocational guidance services for university graduates are underdeveloped and assistance in job search is poorly organised.

In the face of shrinking public employment in Denmark, an innovative campaign to **encourage the private sector and especially SMEs to employ young graduates** has been implemented. The campaign has been successful, achieving its target of creating around 1 000 new jobs for young graduates. Out of these, 450 jobs were established with a monthly wage subsidy of around EUR 1 200.

The campaign was successful due to the way it was targeted and implemented. A professional telemarketing company made 8 000 calls to Danish SMEs. In this direct contact,

employing a young graduate was successfully 'marketed' to an employer. During a phone call, a meeting with a PES representative could be arranged to discuss further the options of hiring a university graduate.

In **Greece**, the response has been more structural. **Careers offices** were established in all 23 tertiary educational establishments. They have been advising students about career choices and updating them about job opportunities, as well as informing the educational planning bodies about employer needs to enable revisions to the academic curricula.

Although unevenly successful across different institutions, careers offices have contributed to changing the way of thinking about the role of tertiary education in the labour market. They have succeeded in building relationships with the private sector and employers in general. Careers offices have also been effective in providing information and assistance to students. In 2003-04, around 30% of their clients found a job.

1.2.3. Increasing participation of women

Action to increase **female participation** is essential to reduce gender gaps in employment. **Malta** has by far the lowest employment rate in the EU. In 2004, the female employment rate was 32.8%, compared to the EU-25 average of 55.8%. The Maltese government has taken action on several fronts. It has adopted the gender equality action plan (GEAP) and implemented a new tax credit measure aimed at women returning to work after childbirth.

The gender equality action plan listed and outlined all relevant measures and initiatives meant to address the gender gap in a comprehensive way, such as opening childcare centres at the workplace, start-up grants for childcare providers and others. Gathering of such information in one document created a greater focus on the most important aspects of a complicated task. The plan also clarified a number of questions and issues relating to female employment in Malta. The success of the first plan led to the drafting of a second plan for the period of 2005-06.

As of January 2005, the Maltese government has also given a one-off tax holiday for women who return to employment after a period of inactivity. It is aimed at those women who have been inactive for a long time (five years). Upon return to employment, such women can benefit from a tax credit for one year.

1.2.4. Increasing older workers' participation

Support for **active ageing**, including incentives to work and discouragement of early retirement, is important to increase the low participation rates of older people.

In **Poland**, increasing numbers of older people have been leaving the labour market. In 2003, the employment rate of 55 to 64-year-olds was 26.9%, compared to 41.7% in the EU-15 and 40.2% in the EU-25. The primary instrument of the Polish government to address these problems is the '50 PLUS' programme (programme of increased participation of over-50-year-olds in the labour market). The programme comprises several features:

- Encouraging employers to adopt non-discriminatory policies towards older workers. Employers are given financial incentives to give a job to an unemployed older person. The Polish PES is monitoring group redundancies, providing training courses and assistance in vocational retraining;
- Actively encouraging those workers who are eligible for early retirement to stay in employment;
- Focusing on unemployed older people to get them into employment and assisting older workers who have been made redundant.

1.3. Ensuring inclusive labour markets, enhancing work attractiveness, and making work pay for jobseekers, including disadvantaged people and inactive people (Guideline No 19)

1.3.1. Helping jobseekers

Helping jobseekers to access employment is important to increase participation and combat social exclusion. Existing barriers to the labour market need to be broken by a combination of measures including assistance with more effective searches for jobs, facilitated access to training and personalised action plans to help jobseekers.

In **Estonia**, a new draft law envisages moving from a service-oriented approach towards an individual needs-based approach, with the main focus on the individual jobseeker. In 2003, the unemployment rate was 10%, of which half were long-term unemployed.

This overhaul of labour market policies is accompanied by special measures for particular disadvantaged groups. The following measures are envisaged:

- A move towards an individual approach and case management – during the first contact with a jobseeker, case workers assess skills, abilities and employability of the

individual and draw up an individual job search plan. For disadvantaged people, a more integrated approach and in-depth plan will be set up, including services offered by other institutions, such as education providers;

- A new package of measures specially targeted at disabled people, such as grants for costs of adapting the workplace to their needs, provision of equipment required, and support for workers in the workplace;
- Training in basic working skills for long-term unemployed people;
- Apprenticeships for young unemployed people that address the fact that their access to employment is restricted due to the lack of work experience.

The new draft law in Estonia also envisages stronger links between active and passive policies. In particular, the benefit system is to be reformed to include financial incentives and sanctions to encourage entry into the labour market.

In **Luxembourg**, the PES (ADEM) has developed personalised forms of job placements and job search assistance, addressing the different needs of jobseekers. This approach was complemented by the secondment of consultants from the private sector into the PES to help better match the skills of jobseekers with vacancies in the labour market. This approach has been developed in partnership between the social partners and private and public sectors.

The Luxembourg employment service has also developed personalised support services for jobseekers. First of all, each jobseeker's employability is considered in order to assess how likely he or she is to return to work. In 2004, around 30-40% of jobseekers had extremely low levels of employability. For these people, a personalised approach was developed, based on employment service counsellors giving systematic support.

Such measures have also contributed to the modernisation and strengthening of the employment service in Luxembourg. The secondment of human resource consultants from the private sector in particular has enabled the employment service to support jobseekers more effectively. It has also provided the PES with a clear presence within companies.

In **Lithuania**, a number of local employment initiatives have been implemented aimed at unemployed people in areas with very high unemployment. Primarily, the government has funded the creation of new jobs for unemployed people. Employers who provide jobs for unemployed people are given a substantial grant, which covers at least 35% of job establishment costs. The workplace must be maintained for at least three years; otherwise, the grant is refunded to the state.

Over the period 2001-04, around 1 900 new workplaces have been created with the funding provided. The average cost of one newly established workplace has been around EUR 3 000. Such initiatives helped to integrate people with the least employment opportunities, facilitated the development of less economically developed areas and 'propelled' local business potential. The initiatives have had a positive multiple effect. For each 10 jobs created with state support in the local initiatives, there is one additional workplace created in other activities.

In the Lithuanian context, such support is unique in that there is a close cooperation between the employment service, local authorities, and social partners in the implementation of initiatives.

1.3.2. Support for the inclusion of those furthest away from the labour market

Facilitating access to employment for **people with disabilities** is essential in ensuring inclusive labour markets.

In the **Czech Republic**, over 10% of the population is registered as having a disability. The unemployment rate of people with disabilities is high, and they face longer periods of unemployment. Disabled individuals account for 15% of registered unemployed people. To address the worsening situation for disabled people, the Czech government has implemented a number of active labour market policy measures aimed at this target group. These have complemented already existing passive measures, such as compulsory contributions from employers with more than 25 employees who do not employ at least 4% disabled people.

Predominantly, financial subsidies were given to companies where more than 50% of the workforce was made up of people with disabilities. The intention is to create incentives for employers to hire people with disabilities because of lower marginal labour costs.

Such financial incentives have made a contribution to a 25% increase in the number of disabled people in employment between 2000 and 2005. However, the threshold of having 50% in the workplace qualify for subsidies could be contributing to the isolation of such people from the rest of the workforce. In addition, the support is more easily accessible to employers in larger urban centres and hence is less likely to foster job creation for disabled people living in rural areas.

1.3.3. Developing new sources of jobs

Developing new sources of jobs in response to the collective needs of individuals and businesses is essential to increase the range of opportunities to access the labour market.

In **Finland**, the government has initiated several policy measures to increase the demand for jobs by reducing the cost of low productivity work. The Finnish labour market has a small number of labour intensive jobs, requiring a low level of expertise and training. As a result of the increase in labour costs, these low-skilled jobs have been the first to become unprofitable.

One of the measures to promote employment in a low productivity sector is the domestic help credit in Finland. It allows households to make tax deductions from the payment for different kinds of household services. Started as a temporary experiment in 1997, it was made permanent in 2001.

The domestic help credit has been a catalyst in creating a market for domestic services. Research has optimistically estimated that the domestic help credit system has created around 2 000 person-years' worth of work in 2004. It has also increased incentives for households to use the official (rather than the shadow) labour force. It has created a positive attitude towards buying such services and has alleviated the burden of domestic work in households.

Accession country: Bulgaria

In **Bulgaria**, the overall rate of unemployment, and in particular long-term unemployment, is high (in 2002, the unemployment rate was 17.7%, half of which was made up of long-term unemployed people). Most of the unemployed people have little education. After the expiry period of receiving unemployment benefits, long-term unemployed people with low incomes could start receiving social assistance payments. Research has shown that many of these people were treating these payments as a source of stable and sufficient income and had lost motivation to look for employment.

Recently, the Bulgarian government has implemented a programme to provide employment for long-term unemployed people, which has strongly reduced unemployment ('From social assistance to employment', FSATE). The programme has adopted an active approach to people who want and are capable of starting work. They are provided not only with employment, but also with vocational and literacy training, through a combination of schemes of part-time work and literacy classes.

The programme has made a major contribution to reducing the rate of unemployment since 2002. It has also contributed to the economic revival in several sectors and also to reducing the shadow economy in the country.

1.4. Improving the matching of labour market needs (Guideline No 20)

Strengthening of labour market institutions and in particular employment services at the national level is imperative to enable more people to find employment and to better anticipate and resolve possible mismatches between demand and supply. A number of relevant reforms have been underway in several Member States.

In **Estonia**, a new draft law on labour market services is being discussed. Active labour market policies have not been a government priority in the past decade (on average, their expenditure was 0.08% of GDP). Now, there are plans to expand and improve the quality of the public employment services offered to employers and jobseekers.

Research has shown that in Estonia only 18% of vacancies are notified to employment offices. To address this, it is planned to strengthen contacts with employers and offer more services to support the process of hiring in companies. Consultants will be hired to work with employers in each PES office.

In **Finland**, a structural reform of the PES is underway. It includes placing the services and resources aimed at disadvantaged jobseekers within new employment service centres. The network is to be established in phases, with the aim of having 40 such centres by 2006.

The reform will diversify the employment services. On the one hand, employment offices will concentrate on serving the open labour market. On the other hand, employment service centres will specialise in delivering a diverse range of services to disadvantaged jobseekers. Particular innovation in the context of employment service centres is that they are networks of regional and local authorities providing an integrated service to disadvantaged jobseekers. Customers are provided with services cross-cutting different public authorities. Jobseekers can thus access services of a large number of professionals, such as employment coordinators, career consultants, social workers, social welfare supervisors and others.

The pilot phase of such joint delivery of services to jobseekers showed that the activation rate of customers was higher than average.

Italy's devolution of labour market and education and training systems raised the need for new regional systems to address the key issues previously dealt with by national government. The Marche region was the first to pass a law in

January 2005 governing the local labour market. The law aims to establish a framework for regional labour market policy, integrating in a single framework the best practices piloted and evaluated in the region so far.

The law has two main features. First, it establishes a broad set of active labour market policies to be implemented at the regional level. Secondly, it sets up a system of governance with policy objectives, funding instruments, resources, evaluation and auditing.

The system includes:

- Integrated centres for recruitment, vocational guidance, training, mediation between vacancies and jobseekers, assistance to jobseekers;
- Use of private recruitment agencies to mediate, select and recruit personnel;
- Regional information network to share information and monitor the system;
- Special support measures for disabled people, offering funding for employers employing disabled people and to training providers for specific training.

In **Latvia**, joint delivery of measures help to find solutions at the local level. Local employment plans have been developed by the State Employment Agency (the Latvian public employment service) together with local municipalities and social partners to reflect local needs. The country experiences significant disparities in the socioeconomic development at regional level and between urban and rural areas. In particular, stark differences in employment and unemployment rates remain.

Another measure in Latvia has been restructuring of the existing vocational training system towards a system of modular and decentralised training. The new system has been built around modules of literacy and vocational skills, where the content of each module results from the analysis of demand in the local labour market. The new training system is delivered and financed at the regional and local level, in collaboration with local authorities and vocational guidance services. In addition, a social awareness programme has been implemented.

2. Improving the adaptability of workers and enterprises

2.1. Introduction

The employment guidelines (2005-08) emphasise the need for Europe to improve its capacity to anticipate, trigger and absorb economic and social change. Enterprises and workers are continually confronted with the need and opportunity to adapt. The development of existing markets, the emergence of new markets and the introduction of new technologies have prompted adaptation. Whilst these and other competitive pressures are inevitable, if economic benefits and employment growth are to be achieved there are clear challenges along the way to both enterprises and workers and to key labour market institutions, including social partners.

2.2. Promoting flexibility combined with employment security and reducing labour market segmentation, having due regard for the role of the social partners (Guideline No 21)

2.2.1. Testing out the potential of flexibility

In **Cyprus**, where flexible forms of employment are less established than in some other Member States, a new programme is testing out the potential of flexibility. The new programme 'Promotion of modern and flexible forms of employment and the promotion of access of women to the labour market', which started in June 2005 with a projected completion date of September 2008, will help to establish the following:

- Whether flexible forms of employment are needed;

- Whether these forms encourage the labour force participation of women and other groups with latent labour supply;
- Whether or not flexible forms of employment leave the quality of other jobs unaffected.

The new programme will comprise various studies and assessments, a pilot scheme and evaluation and publication of results.

2.2.2. Wage reform in Hungary

A one-off increase in public sector employees' wages in **Hungary** has contributed to labour market regulation.

In September 2002 over 800 000 (about one quarter of the Hungarian labour force) received a 50% wage increase. The direct impact was the relative change in wage levels between the public and private sectors, thus increasing the supply of labour to the public sector and probably also raising wages in some parts of the private sector. The argument was that the wage increase would potentially increase labour supply in the overall economy and, in the long run, have a positive impact on the quality of the workforce in the sectors predominantly run by the state. As the latter includes education and health, the wider benefits of having a high-quality workforce cannot be overstated.

On the demand side, it could be anticipated that private sector employers would decrease the level of recruitment in the short term, and in the long term switch to labour-saving technologies. The impact overall in the private sector would be job losses. In the public sector the increase in wages puts a burden on the state budget. Thus, the government started to construct strategies that would lead to a decrease in the number of public sector employees. The creation of Law 122/2004 aiming to decrease the burden of public sector employees that lose their jobs is evidence that some public sector employees are (or will be) vulnerable.

Candidate country: Turkey

In **Turkey** the new labour code (2003) covers the formal introduction (or, in some cases, official acceptance of existing practices) of new modes of employment such as part-time work regulations and flexible working-time arrangements. The labour code responds to demands of the EU *acquis* and fundamentally alters the functioning of the labour market with critical outcomes for workers, companies and longer term economic performance. Prior to the new code, Turkey had rigid employment protection schemes and no legally regulated flexible work arrangements. This was considered to be one of the factors contributing to the flourishing of informal employment arrangements. Employers demanded flexible employment regulations. Labour unions were hostile to the proposition as they

claimed it would worsen working conditions and reduce unionisation rates (which have been decreasing). Therefore, a balance had to be struck between the aims of making enterprises more competitive and productive through flexible forms of employment and satisfying workers' demands for job security. The full article provides the details of the new code in terms of both labour market flexibility and job security regulations.

2.2.3. Better anticipation and positive management of change, including economic restructuring

The way redundancies were handled in **France**, following economic restructuring, lay behind a new scheme known as the personalised redeployment agreement (CRP). This scheme, formally agreed in April 2005, enables employees made redundant to benefit from a range of measures and thus facilitate a rapid return to work. Three elements of the scheme are distinctive:

- The CRP is very much an active labour market policy measure rather than a passive measure;
- The CRP significantly introduces a degree of fairness between the treatment of employees of a large company and employees of SMEs: the current CRP scheme applies to companies with fewer than 1 000 employees. Inequalities in terms of employment rights and the labour market can therefore be reduced (however some questions remain regarding the threshold of 1 000 employees set within the legislation);
- A measure similar to the CRP (although in a different form) existed previously in France during the 1990s. The 'retraining agreement' was, however, abolished in 2000 by the social partners (Unedic) when the unemployment insurance regime was modified in particular by maintaining benefit payments throughout the entire period of insurance cover. This measure recorded success measured by the rate of return to employment – 55% after 12 months of unemployment, a rate which fell by 10 points when the retraining agreements were abolished.

The CRP is part of a wider set of measures that anticipate restructuring. Companies are encouraged to anticipate change in employment and, through social dialogue, assist employees with the means to prepare for change.

Similar aims can be found for a decree in **Belgium** initiating a special policy for workers that are made redundant by the restructuring or closure of a company. The main challenge is to prevent redundant workers from lingering in unemployment. The objectives are twofold:

- To mitigate the impact of large-scale redundancies;
- To reduce the numbers of older workers (45 plus) in particular from drifting into early retirement following exit from the labour market as a result of restructuring;
- To underpin the government's diversity policies ensuring that the resources associated with the decree are targeted across the range of disadvantaged groups in the labour market;
- To align the activities funded under the decree with existing career guidance initiatives, thereby maximising the audience which can benefit.
- Blue-collar municipal workers are not covered by job security councils. The system for blue-collar workers in the private sector is organised differently. Outplacement companies play a role;
- Temporary work agencies play a significant role in restructuring. The most common forms of service are placements of temporary workers, recruitment and outsourcing;
- Company practices including proactive instruments and voluntary dismissal;
- A new generation of programmes tailored towards older workers.

The decree complements and extends a number of existing policies with funds for outplacement and conversion cells. The decree sets up procedures and provides financial means to enable advisors to accompany restructuring intensively. The task of the advisors is one of prevention, contingency planning, and first aid.

It is the proactive element of anticipation that is innovative. The intervention advisors clearly have to anticipate large-scale redundancies. This proactive strategy, together with career counselling, allows employees, especially disadvantaged groups, to have more control over their own careers instead of being 'at the mercy' of employers. The main working principles and features of the decree are discussed fully in the article.

The **Swedish** response to restructuring also demonstrates innovation, although not through specific policy initiatives but through roles adopted by bipartite organisations, the restructuring firms and outplacement agencies. Another recent trend is that it is becoming less meaningful to speak of specific restructuring cases but rather to view restructuring as an ongoing process. Several larger companies are setting up units within the firm to deal specifically with restructuring issues and new actors are continually being involved in restructuring work. Serious social dialogue between parties is facilitated in Sweden by the long-standing tradition of relatively good labour relations and certain aspects of Swedish employment law that are highly conducive to meaningful negotiation. Innovation includes:

- The expansion of job security councils. These are bipartisan bodies that cover the entire private white-collar and state (central government) sectors, and since 2004, blue-collar workers in the private sector. Their role is to facilitate the reallocation of workers after restructuring. The innovation is not so much in the measures applied but more to do with the close cooperation between management and the unions;

2.2.4. Support for transitions in occupational status, including self-employment and work experience

The Hartz Commission in **Germany** has given new impetus to self-employment programmes for unemployed people, making the programmes a part of active labour market policy in Germany. Three policy instruments currently exist to promote self-employment amongst unemployed people:

- A transition benefit which provides financial support for six months to unemployed people becoming self-employed (run by the Federal Labour Office and financed with unemployment insurance reform);
- A business foundation grant which supports unemployed people for up to three years with low and decreasing benefits (run by the Federal Labour Office and financed with unemployment insurance reform);
- An entry benefit which provides help for recipients of the new complementary unemployment benefit (introduced in January 2005 as part of the Hartz-IV reform and funded by federal and communal budgets).

The first two programmes both have the same target group of unemployed people intending to become self-employed but they address different objectives. While the transition benefit primarily aims at raising the employment rate and thus maintaining the employability of unemployed workers, the business foundation grant aims to exploit the demand for low-cost services and restrict the black economy.

In **Slovakia** two new measures introduced in an ambitious reform programme at the end of 2002 have proved particularly successful in attracting vulnerable groups, mainly long-term unemployed people and school graduates, to the labour market. Slovakia's economy depends on the numbers and

productivity of small businesses whose total share of production is 52% and in employment 66%. The two measures are 'support to self-employment' and 'support to graduate practices' (work experience of school leavers).

- Support to the self-employment measure seeks to prevent long-term unemployment and facilitate access and re-entry of unemployed people to the labour market.
- The main objective of graduate practice is to support the entry of school graduates and young people into employment by granting them opportunities to gain experience and skills in a real working environment. This measure seeks to prevent a risk of long-term unemployment and social exclusion with an individual approach to the circumstances of the young person. A specific goal of the policy is to improve cooperation between the private (including non-profit) and public sectors in the area of labour market policy.

The support to self-employment is in the form of a financial benefit which may not be innovative per se, but in Slovakia is definitely a key incentive for many jobseekers to set up a small business. The support to work experience of school leavers is a response to the problems of making the transition from school to work (due to skills and geographical mismatch) and the fact that employers point out that school leavers are insufficiently prepared for the labour market.

2.2.5. Addressing the issue of undeclared work

Spain's changing population is illustrated by the number of current immigrants (7%) compared to the equivalent figure six years ago (1.9%). In autumn 2004 the Minister for Employment called for another regularisation campaign for illegal immigrants (previous measures included annual quotas and stricter border controls). After reaching a consensus with the employers' organisations, trade unions, autonomous regions and the federation of municipalities, the regularisation process started in February 2005. There are two parts to this process:

- For the general authorisation of residence and work, it is the employer, intending to employ a foreign worker, who is required to present an application to the authorities;
- For workers in the domestic service sector, it is the individual worker who is required to make the application to the authorities. This is because typically workers in this category work only a small number of hours but for different employers. The rule is that they should be able to prove that, in total, they work at least 30 hours a week.

There are, however, two features that make the current process different from previous ones. It applies to a large number of

irregular immigrants living in the country. Also, the application for legalisation must be made by employers through a formal commitment to employ an irregular immigrant. Thus, the absence of such a commitment to employ an irregular immigrant means that he or she is not eligible for a work or residence permit.

What has to be emphasised is that the goal of the measure is to ease the path of immigrant workers into the regular labour market, as they are actually working in a clandestine situation without paying taxes and social security contributions. From this perspective, the regularisation process is purely based on economic grounds, and aimed at tackling the large black economy in Spain. Of crucial importance is that the campaign is targeted more at illegal employment than at irregular immigration.

2.3. Ensuring employment-friendly labour cost developments and wage-setting mechanisms (Guideline No 22)

A reduction in the corporate income tax in the **Netherlands**, part of the government's 2005 policy package, is considered essential in order to improve the attractiveness of the Netherlands as a business location and therefore beneficial to economic development and employment.

The 2005 tax plan proposes reductions in three stages from the current 34.5% to 30% in 2007. Tax on profits under EUR 22 600 will drop in three stages from the current 29% to 25% in 2007. A reduction in corporate tax would put self-employed persons at a disadvantage as the latter group pay personal income tax. As a result more people may decide to work for a company instead of being self-employed. Therefore, the tax burden on self-employed persons who pay income tax will be eased by means of a phased increase in the self-employed person's allowance.

On the one hand, a reduction in corporate tax is required in the Netherlands in order to attract foreign investment. On the other hand, domestic companies need a reduction in corporate tax to make them more competitive compared with competitors from countries with lower tax rates. Moreover, small and medium-sized businesses will be able to take on subcontracted work if more foreign companies set up in the Netherlands.

EEA country: Norway

Although cooperation between the government and the associations of employers and employees is a tradition in Norway, the 'Inclusive working life tripartite agreement' (the IA agreement), entered into in October 2001, marked a new departure for the parties involved. The radically new dimension at that

time was an obligation from all parties to actively participate, both on a regulatory national level, with the establishment of public work placement centres, and at the enterprise level. The innovative content in the Norwegian context is the comprehensiveness of this agreement and the shifting of the focus from sick leave as an almost private question between the doctor and the individual to become an issue of working capacity and adjustments in the workplace. The IA agreement shifted the focus from compensation levels to how the work is organised and how it can be changed to prevent sickness and better utilise disabled people and older workers. The aims were to:

- Reduce sickness absence by at least 20% from the second quarter 2001 to the fourth quarter 2005;
- Employ far more workers with reduced activity (vocationally disabled workers, workers on rehabilitation programmes, reactivated disabled pensioners);
- Raise the average retirement age.

In April 2003, 2 570 enterprises had an IA agreement, a figure that covers one third of the total labour market. Companies with an IA agreement have found that it provides them with useful tools to reduce sick leave although the evidence about the wider impact of the agreement on enterprises is not conclusive. Limited attention has been given to the other two objectives of the IA agreement.

3. Increasing investment in human capital through better education and skills

To enhance access to employment for all ages, raise productivity levels and quality at work, the EU needs higher and more effective investment in human capital and lifelong learning for the benefit of individuals, enterprises, economy and society.

However, setting ambitious objectives and increasing the level of investment by all actors is not enough. To ensure that supply meets demand in practice, lifelong learning systems must be affordable, accessible and responsive to changing needs. Adaptation of education and training systems is necessary to improve their labour market relevance.

3.1. Expanding and improving investment in human capital (Guideline No 23)

In **Austria**, the reform of the apprenticeship system introduced in July 2005, known as the 'Blum scheme', is tailored towards:

- Investing more and more effectively in the early stages of a vocational career. The scheme is run by the public employment service with a high degree of involvement of the social partners. The third partner – government – covers the costs of the scheme which receives special funding out of the federal budget;
- Attracting more young people to the regular labour market who would otherwise show little commitment to continue labour market activities. One of the objectives is to reverse the trend of a declining number of apprenticeships in Austria. The new scheme is to add 2 000 apprenticeship contracts to the number that would have been achieved without the scheme;
- Raising social inclusion by offering a wider variety of curricula in order to cater for the diverse needs of different groups of school leavers including a wider age group as well as a broader spread of inclinations and talents (rather than being selective when it comes to offering apprenticeships).

In the context of Austria, the critical success factor is getting employers involved. One of the first steps in raising employer involvement was the establishment of new special units which would personally contact thousands of public and private sector employers to stimulate their interest in apprenticeships.

In the **UK**, the focus of attention regarding the skills agenda has shifted, in order to address the productivity gap in the UK economy. Critical analysis suggests that historically the skills agenda has been too supply-driven and not demand-led: vocational education and training provision have inadequately reflected the skills needs of employers, business and ultimately the economy. The current policy intent is to create what is fundamentally a cultural, strategic and infrastructural shift in education and training provision and in the responsiveness of the 'system' to demand and sensitivity to market forces. Change is being instituted on a number of fronts, including:

- High-level policy statements (for example cross-government skills White Paper, March 2005);

- Shift in strategic planning of key delivery agents (for example key statements from the Learning and Skills Council for England);
 - Changes to the institutional architecture (for example skills for business network combining sector skills councils and sector skills agreements);
 - Investment in demand-side research and intelligence (for example, Leitch review of skills, FutureSkills Scotland);
 - The creation of new training providers (such as centres for vocational excellence, national skills academies);
 - The implementation of new models of training to meet employer needs (for example, employer training pilots, national employer training programme).
- employees and social partners. The main innovative features of the labour code are:
- The legal obligation for all employers to promote 20 hours of continuous training for 10% of the workforce (except those on fixed-term contracts) per year. The measure is an attempt to counter the supply-led continuous vocational training market (CVT). It obliges employers to promote CVT for their workers. It is clearly trying to stimulate a more demand-led market;
 - The establishment of the individual right to training (IRT) which can be exercised directly by the worker in case the employer fails to provide continuous training. The IRT aims at motivating individual workers to assume the responsibility of lifelong learning pathways. It will be interesting to observe how employers and employees manage this issue, in the case of employers failing to provide training.

The real innovation however is the strategic intent. It is the objective and strategy to bring about fundamental change in the infrastructure, behaviours and investment decisions of associated actors that is innovative. This intent is expected to make the difference to productivity and economic performance in the future rather than impact of any one strand or initiative.

Accession country: Romania

A new law (107/2004) in Romania extending both the scope and coverage of active labour market policies promoted by the National Agency for Employment focuses attention on groups disadvantaged in accessing vocational training measures. The target group includes residents (mainly women) from rural areas not registered as unemployed with the employment offices but having an income equal or below the level of unemployment benefit. If properly and systematically implemented and complemented with additional measures to reach the target group, the measure could make an important contribution to an increase in actual economic participation of women living in rural areas. It would bring these women a step closer to the mainstream labour market.

3.2. Adapting education and training systems in response to new competence requirements (Guideline No 24)

Portuguese innovative policy comes in the form of a labour code, published in 2003, which in a single document covers all the legislation needed to regulate relations between employers,

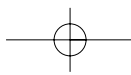
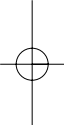
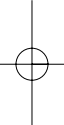
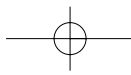
Although it is too early to assess the results of the reform, a small survey (see main article) suggested that the majority of training professionals consider the impact of the new code on demand for training not yet visible. Feedback also suggested that the minimum hours' obligation could be a distraction from the proper alignment between training and the development of jobs and professions, with the achievement of the business plan.

In **Slovenia**, a new development is the inclusion of a certification system into a recently expanded programme to enable unemployed people to acquire elementary, general, vocational and university level education. The current '10 000 +' programme is divided into three parts:

- Publicly valid educational programmes for adults;
- Formal educational programmes for adults at different levels;
- Certificates – preparation for and verification/certification of national vocational qualifications.

The certification system is a relatively new way of giving opportunities to people without recognised educational achievement to acquire national vocational qualifications through formal education, or to go through the process of assessment and accreditation of prior learning. In particular, it is expected that the certification system will increase the employability of individuals with many years of experience but without adequate vocational qualifications. At a time when the ageing of the labour force is becoming an issue for Slovenia, the latest programme could assist older workers to remain in the labour market and be more flexible and competitive.

National reports on innovative policies – 2005



Austria

Rejuvenating the Austrian apprenticeship system

Introduction

In Austria the apprenticeship system has traditionally been a major route to post-compulsory education. In some of Austria's provinces nearly half of each age cohort still enters into an apprenticeship for initial vocational training.

Vocational education in an apprenticeship framework is considered to be of a dual nature. One part of it is working in an enterprise with whom the apprentice has entered a formal agreement. The other part of it consists of a vocational curriculum which is taught by specialised vocational schools. In terms of time and energy, it is the enterprise part which is of larger significance to the apprentices.

Employers, notably from the private sector, play a crucial part in determining the size and vocational profile of the apprenticeships available to school leavers. The numbers of employers willing and qualified to offer apprenticeships has been declining for some time.

In order to reverse this trend, the public employment service introduced a new scheme in July 2005. It carries the name of its initiator Egon Blum. Under this so called 'Blum scheme', employers are paid a subsidy for each additional apprentice they recruit. The employer will receive EUR 400 per month (per apprentice) during the first year of the apprenticeship, EUR 200 during the second and EUR 100 during the third year.

This goes far beyond the existing subsidy schemes under which employers get EUR 1 000 per year per apprentice. It is expected that the new scheme will offer 2 000 additional apprenticeships to school leavers in 2005.

The Austrian context

The Blum scheme, though limited in scale and scope, reflects a change of policies that has been evolving for some time in Austria. This change relates to:

- How to encourage more investment in human capital;
- How to organise this human capital formation more effectively.

The Blum scheme addresses these two issues with respect to those who are aged between 15 and 20 years and who have

left school early and find it difficult to enter an apprenticeship in a trade of their choice.

These 'apprenticeship seekers' have been a target group of active labour market policies for some time. In fact, in 1997 the centre-left government of the day put up a guarantee (inspired by the introduction of the initial parts of the European employment strategy): each and every one of those leaving school early (i.e. after compulsory schooling) would be offered access to initial vocational training.

This pledge was labelled a 'safety net'. Its purpose was to assure school leavers (and in particular their parents) that the prospects for initial vocational training would not depend on the number of apprenticeships by private sector employers. The 'safety net' scheme, however, does not provide a proper apprenticeship programme. It is considered a way of preparing school leavers for entering an apprenticeship.

The transitory nature of the safety net scheme reflects two quite different needs of 'apprenticeship seekers'. One group among them has simply to make good use of time while waiting for an apprenticeship offer to come up. Getting this group into the safety net scheme aims at ensuring that these young people do not become discouraged and give up on their plans to acquire initial occupational training. The other group of participants in the safety net scheme faces a more severe problem. They have to join the scheme because they are not yet 'apprenticeship ready'. They lack the skills which employers expect from their apprentices. From the point of view of this second group, the safety net is a second chance to achieve a basic level of literacy and numeracy rather than the beginning of a proper vocational training.

The safety net, though conceived as a temporary scheme, has been extended on an annual basis ever since its inception. The critics of the safety net scheme have raised three issues. Firstly, the scheme does not lead to a certified investment in human capital. Secondly, the scheme is a costly but not a cost-efficient way of investing in human capital. Thirdly, the scheme does not sufficiently involve private sector employers who have to be the ultimate providers of apprenticeship training.

Of all critics, it has been Mr Egon Blum who is best placed to move from judgment to action. Blum was appointed by the current centre-right government to be Austria's first apprenticeship commissioner. Though he has no budget of his own to spend, Blum turned out to be very effective in convincing the government and the social partners to think about new ways of rejuvenating the apprenticeship system.

He has spelled out several guidelines rather than a comprehensive strategy.

- Employers have to be encouraged to involve themselves actively in human capital investment with respect to young people. Such an involvement is more effective and less costly than an ever-expanding safety net that offers no direct pathway to certified occupational skills.
- The initial occupational training curriculum should become much more diversified in order to be attractive for a wider age group (15 to 22 rather than 15 to 18 or 19) and a wider spread of inclinations and talents. In particular:
 - the (existing) pathways leading from a dual secondary education to university entrance examination should become much more popular;
 - the participation of young people who have already taken their upper secondary school diploma in an apprenticeship programme should be encouraged; and
 - the (existing) possibilities to fulfil the requirements of an apprenticeship programme in a modular way should be made more flexible (and more common).

The first step towards raising entrepreneurial involvement was the setting up of new special units which would personally contact thousands of employers to stimulate their interest in apprenticeships (including the public and the private sector).

The second step was the introduction of a funding scheme (the 'Blum scheme' mentioned above) which would provide an additional financial incentive.

With regard to the diversification of the standard apprenticeship model into different 'levels' linking with other educational pathways, Mr Blum has suggested several specific options. These include a so-called 'practitioner apprenticeship' which is suitable to those school leavers who are not inclined to cope with the dual requirements of schooling in the standard apprenticeship curriculum.

Objectives, organisation, funding

The medium-term objective of the Blum initiative is to reverse the trend of a declining number of apprenticeships. In the short term, the scheme itself aims to add 2 000 apprenticeship contracts to the number that would have been achieved without the programme.

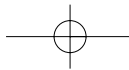
The scheme is run by the public employment service which is highly flexible in implementing new programmes. There is a high degree of involvement of the social partners, since decision-making (on a strategic level) is tripartite in the public employment service. The third partner, the government, covers the costs of the 'Blum scheme' which receives special funding out of the federal budget. If, indeed, 2 000 additional apprenticeships contracts were to be subsidised by EUR 400 per month, the annual cost will come close to EUR 10 million at the beginning.

Expectations about performance

So far the impact of the 'Blum initiative' has not been looked at within the framework of a rigorous quantitative evaluation, in particular the deadweight losses caused by displacement effects.

Preconditions for success

In the context of Austria, the critical factor for success of the Blum initiative is getting employers involved. This involvement extends far beyond the financial dimension of offering apprenticeships (which is likely to be a net drain on short-term profits for many employers in a majority of industries). It needs a commitment from employers to place personnel management very high on the business agenda. Moreover it has to be based on the conviction that employers are stakeholders in the community they live in and that a 'socially' inclusive (rather than 'selective') approach towards school leavers can contribute substantially to the advancement of the community. The experience of Blum has been that employers (which in Vorarlberg have quite a reputation for putting a tight string around their purse) can be convinced to adopt such a position, which in the long run has turned out to generate financial returns to their businesses as well.



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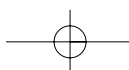
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Belgium

Social intervention advisors, career counsellors and large-scale redundancies

Introduction

In the tough economic times of the third millennium more and more companies are faced with bankruptcies, closures or liquidations. Globalisation, delocalisation, and outsourcing affect Belgium as much as any other northwest European economy. This often results in soaring unemployment.

In order to prevent redundant workers from lingering in unemployment, the federal government has produced a decree initiating a special policy for workers that are made redundant by the restructuring or the closure of a company ⁽²⁾. It executes a decision taken at the 2003 employment conference, in the light of major job cuts at the Ford automobile factory in Genk. At the time, the government wanted to shift attention from setting up early retirement schemes to searching for new opportunities for redundant workers. The decree complements (and extends) a number of existing policies (like cuts in social security contributions) with funds for outplacement and conversion cells. It sets up procedures and provides financial means to enable advisors to accompany restructuring intensively. The decree indirectly incorporates the services of social intervention advisors, active in Flanders since April 2003, in the conversion cell (Vandenbroucke, 2004, 44).

The task of intervention advisors is one of prevention, contingency planning, and first aid. On the one hand, advisors function like 'barometers': they are expected to anticipate the social consequences of major redundancies. On the other hand, the advisors will provide first aid should it actually come to a large-scale redundancy. Training, job search and outplacement, which may be the next stages, lie outside the scope of the advisors' tasks. Their job can best be described as proactive unemployment prevention.

This proactive element of anticipation is an innovation. A similar preventive policy is career counselling. Together they are one of the few tools that may prevent people from becoming unemployed. The difference between both mechanisms may perhaps be described as employees taking a place in the driver's seat of their career in stead of being 'at the mercy' of the employers. Especially weaker groups may benefit from such a proactive strategy.

A career counsellor helps people that expect or fear a career discrepancy and deals with potential labour market problems in an early stage. A counsellor assists workers to weigh the pros and cons of a certain labour market transition. A career counsellor may also initiate the transition in providing an action plan. Career counselling has been a valued tool for many decades. In Belgium a multitude of private as well as public organisations have been offering career guidance. The heterogeneous character of these services and the new economic challenges has led the Flemish government to regulate this service ⁽³⁾. Apart from the technical aspects, the decree provides subsidies, and arranges the operation of career counselling services in Flanders and Brussels. Eventually it establishes a right to career counselling. The regulation, its target groups, and the subsidy make this particular system of career counselling unique.

The Belgian context

The actions of the advisor usually follow a fixed pattern. Firstly, the advisor will trace companies where an intervention may be appropriate. He gains as much information as possible via a multitude of channels or is approached by a company or a union. Although the final decision of whether an advisor may act lies with the employer, union representatives and sectoral organisations also have to endorse it. The advisor will enquire about the characteristics, functions and skills of the people that are to become redundant. The advisor will not address the individual workers directly, but turn to the company's HR managers or union representatives. The experience of other closures has shown that gaining this information proactively is absolutely vital. Once the dismissal is officially announced, the PES may start installing a conversion cell, but will first start its 'first aid' initiative via the intervention advisor. He or she supplies the former workers with general information and provides answers for all the questions they might have. In cases where the redundancy is unexpected, the advisor can of course not act proactively but will be involved via the liquidator. The advisor will also explain the obligations and possibilities of outplacement (as set out in the decree) to employers as well as to the union representatives. After the collective phase of information, the former worker has the

⁽²⁾ Royal decree of 16 July 2004. *Moniteur*, 6 August 2004.

⁽³⁾ Decree of 27 August 2004. *Moniteur*, 6 December 2004.

possibility to talk to the advisor on an individual basis. Participation is not mandatory, but redundant workers are encouraged to take part in this process. The next steps (job counselling, training, outplacement) will be undertaken without the intervention of the advisor (Administratie Werkgelegenheid, 2003, 31-32).

Unlike the social intervention advisor, a career counsellor will only assist workers on demand. A worker may have a problem with his or her job (difficult work-family combination, inadequate job content, bad working environment, etc.) or may want to reflect on his or her career under supervision. These workers need to make a formal request on their own initiative. They can address one of the 12 guidance centres or 10 local PES branches recognised by the decree (listed on <http://www.mijnloopbaanbegeleiding.be>). Potential clients have to fulfil two further criteria: having worked for at least one year, and not having benefited from career counselling during the last six years. Career guidance is available for the employed as well as the self-employed. Employees, however, may use training vouchers to pay the maximum bill of EUR 150 ⁽⁴⁾. This implies that the lion's share of the guidance cost is paid for by the government. Per person, guidance may range from 6 to 18 hours. The counsellor does not suggest straightforward solutions, but discusses with participants, and proposes exercises or questionnaires that will give participants insight into their wishes, qualities, strengths, weaknesses and skills. The counsellor will combine this personal information with labour market information in an action plan. He or she also provides a follow-up, but is no longer the right person to speak to should a participant, for example, require assistance for a job search.

The originality of both policies lies in their proactive nature. The intervention advisors clearly have to anticipate large-scale redundancies. They will also facilitate a change of mentality (from early retirement to re-employment). Career guidance as such may not be an innovative concept. Yet, the regulatory framework, the interest in weaker groups and the 'right to counselling' makes it unique in the EU. On top of that, comparative research has underpinned the incomparable qualities of the Flemish career counselling decree: career counselling is organised as an external (i.e. not initiated by the employer) and independent (i.e. the counsellor is not paid by the employer) service that targets a very wide audience (Albertijn et al., 2004, 16-17, 99-104; Sultana, 2004; OECD, 2004; Watts and Sultana, 2003).

⁽⁴⁾ Training vouchers were introduced in 2003 and allow employees to participate in a large number of training programmes as well as in career guidance. For a voucher of EUR 25 the participant only has to pay EUR 12.50. Weaker groups benefit from larger reductions.

Objectives

The issue the policy seeks to address is mitigating the impact of large-scale redundancies. The proactive dimension of both mechanisms is vital to understanding its objective. The preventive nature of the exercise is obvious: actively avoiding that workers under immediate threat of unemployment become unemployed and eventually become long-term unemployed.

A second objective relates to the end-of-career debate that has been taking place in Belgium for some time now. Therefore the decree counts the 45-plus as a weaker group to be specifically targeted by the counsellors. The guidance centres lose their subsidies if they do not maintain the quota fixed in the decree (40%). Non-EU citizens, persons with only secondary education and disabled people have also been included in the definition of weaker group. Thus, the third issue the government seeks to underpin is 'diversification'. Finally, it also achieves a harmonisation of the already existing career guidance initiatives and simultaneously makes them available and known to a wider audience.

Organisation, implementation and funding

In coordination with social partners, 10 important preconditions have been set for the deployment of social intervention advisors.

1. The advisor may only undertake action by invitation. The social partners have to concur.
2. Any information gathered prior to the actual dismissal may not be used in order to decide who is actually going to be dismissed.
3. As long as it is not clear who is actually going to be made redundant, the advisor will only consult the HR department in order to gain the necessary information.

4. The advisor may not interfere with the decision-making process of the collective redundancy, nor with the negotiations between the social partners.
5. The advisors are supposed to be familiar with the relevant laws and regulations.
6. Advisors have to act in close consultation with the 'recognised regional cooperation' (ERSV).
7. The advisor will attune its actions with sectoral initiatives (like employment cells, training or outplacement).
8. When collectively registering the redundant workers as unemployed, the advisor will consult the organisation that facilitates the financial transfer of unemployment benefit to the unemployed person.
9. A code of conduct has to be observed.
10. The advisor will inform the employer and the union concerning outplacement from a purely objective point of view.

In the case of the career counsellors, the decree explicitly states that recognition as a guidance centre is only possible if the service is not offered in the framework of a company's proper HR policy. Further preconditions are: at least 100 clients annually per counsellor, of which 40% belonging to disadvantaged groups. In order to keep its recognition, a centre needs to guide a minimum of 200 cases per year. The formal request for counselling also needs to be made by the worker personally. The decision to offer guidance to a person also has to be reached independently from the employer. The results of the guidance remain confidential and private.

Nine intervention advisors are currently active and are on the payroll of the PES. The latter annually receives an additional budget of about EUR 0.5 million (VDAB, 2003).

Career guidance is available at a price of EUR 150 for 18 hours of counselling. Disadvantaged groups benefit from better conditions. As the real total cost per person may amount to EUR 1 000, the government provides each centre with an annual basic subsidy of EUR 44 000 and EUR 800 per participant. The European Social Fund (ESF) also provides funding and support.

Performance and achievements

Faced with a number of large-scale redundancies in 2002-03 a 'social prevention cell' was introduced in the province of

Antwerp. It provided profiles of the workers that became redundant, and started tailor-made counselling efforts. Once the dismissal became effective, the advisors made contingency plans and functioned as first aid stations. The initiative was soon extended to the rest of the region (Vandenbroucke, 2004, 43). The cells were integrated in the institutional framework of the local PES branch and ERSVs. Also, the large-scale redundancies of Renault, Sabena and Ford allowed the conversion cells to gain the necessary experience.

The career counsellors were already active prior to the 2004 decree, but are now able to reach a larger audience (through the provision of subsidies) and provide a relatively homogeneous service. The decree was however based on the results of several extensive scientific studies (see below).

What instruments are in place to ensure effective performance?

Hardly any instruments have been provided to ensure effective performance. Much is left to the redundant worker and the social partners. In the case of the career guidance centres, financial incentives have been provided (a minimum number of cases have to be handled).

Evaluation and assessment

Neither the intervention advisors, nor the career counsellors have been evaluated by a third party so far.

A small-scale assessment of the Antwerp intervention team emphasised the importance of obtaining support from local union representatives and the employer. Another PES evaluation mentions 208 interventions in 2004 involving 12 600 workers (VDAB, 2005). Half of the interventions took place in SMEs. In the first two months of 2005, 120 dossiers or 6 000 employees have been involved. In its evaluation, the PES, however, concentrates on whether or not it has realised its proper quantitative targets (number of interventions and employees), but not on the effectiveness of the effort (e.g. number of re-employed workers).

Since the career counsellors have only been active for half a year it is not possible to assess their effectiveness yet. It should be mentioned, however, that the publication of the decree was preceded by research of a special taskforce (Sels, 2002). Since 2002 a second study has examined the supply and demand of career guidance. It was published in three parts shortly before the decree took effect (Verbruggen, 2004; Albertyn and Bruyninckx, 2004; Albertyn et al., 2004).

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Cyprus

Flexible forms of employment in Cyprus

Introduction

Flexible forms of employment are less established in the Republic of Cyprus than in some other parts of the European Union. While employers' organisations support the concept and wish to encourage its greater use, some important trade unions are somewhat sceptical, fearing that encouraging flexible forms of employment will result in 'poor quality' jobs. Governments have a role to play in bridging the gap between the other two social partners. Indeed, legislation that puts part-time work on an equal (in a proportional sense) basis with full-time employment has already been implemented. However, governments have not, until now, taken a leadership role in promoting flexible forms of employment.

These forms of employment can be of different types and can involve a number of groups, for example, women, workers close to or just after regular retirement who wish to maintain some connection with the labour market, disabled people, and certain men who prefer or are not averse to unusual employment contracts. The scope for increased female labour supply is substantial given the low participation rates of women in Cyprus. This is more likely to happen if more and more varied flexible forms of employment were available.

The new programme 'Promotion of modern and flexible forms of employment for the promotion of access of women to the labour market' attempts to address both these issues at the same time. The programme is important because it will help to establish (a) whether flexible forms of employment are needed, (b) whether these forms encourage the labour force participation of women and other groups with latent labour supply, and (c) whether or not they leave unaffected the quality of other jobs. If the programme answers these questions positively and persuades all social partners of the merits of more flexible approaches, it will have gone a long way toward building the consensus that is needed in order to re-structure and render more flexible the labour market in Cyprus. In particular, a sense that flexible forms of employment are not synonymous with 'poor' jobs would reduce existing scepticism among trade unionists. This is important given the strength of unions in Cyprus and given that they are currently in a particularly good position to influence government policy.

The programme is still some way from full implementation. It had a scheduled start date of June 2005 and a projected completion date of September 2008.

The Cypriot context

The programme does not adopt a specific vision with respect to the types of flexible forms of employment that are to be implemented. The reason is that, in Cyprus, the only formal form of flexible employment practiced at the moment is part-time work. Thus, the first step envisaged in the programme is a study of the available forms of flexible employment in other countries. A related task that will be addressed is the extent to which certain forms of flexible employment may require changes in the legal framework. As already noted, this has already been done with respect to part-time employment. In this first stage of the programme, an attempt will also be made to assess both the demand for such forms of employment and the likely supply of flexible effort. Another – parallel – study will examine the macroeconomic implications of more flexible forms of employment. These studies will shape the form of the pilot scheme that will be implemented and the criteria that will be used to select both the enterprises and the women that will be allowed to participate. Attention will then shift to publicising and implementing the programme.

In a second stage of the programme, a pilot scheme will be carried out. Two calls to enterprises will be issued and the selection of the units that will be allowed to participate will be made. The women that will be selected will come forward through the district employment offices and will have been counselled through personalised action plans. The programme decisions (selection of enterprises and participating women) will be made by officials from the Cyprus Productivity Centre (the unit responsible for administering the scheme), the Ministry of Trade, Industry and Tourism and the Ministry of Finance.

In the third stage of the programme, its effectiveness will be evaluated and its final results will be made public.

The number of women that are expected to take part in the pilot scheme is around 60 with an annual employment equivalent of 15 women-years. The employment costs of participating enterprises will be subsidised to the extent of 50%.

Objectives

In Cyprus, the participation rate for women is considerably lower than that for men. During the second quarter of 2004, the participation rates for women and men (15-64-year-olds) were, respectively, 62.7% and 83.3%, while their employment rates were, respectively, 58.7% and 80.3%. The male-female gaps in these percentages are relatively small for younger individuals but increase substantially with age. Family responsibilities appear to be preventing women from continuing with conventional, full-time, employment in later stages of the life-cycle. In particular, school-age children impose severe costs on parents and the extended family. Parents and other relatives are called upon to supervise extensive further educational activities that take place outside the regular school system during the afternoons.

The main form of flexible employment is part-time employment. Women are more likely to be employed part-time than men. Of the gainfully employed women, 13.6% are in part-time employment while the figure for men is 4.3%. There is greater interest in flexible forms of employment generally, and part-time work in particular, among women than among men.

Yet, even this form of flexible employment is not as widespread as in other countries. In 2003 only 8.9% of the gainfully employed were employed part-time. This percentage has not increased noticeably during the last two years.

Putting these facts together, it is clear that family responsibilities in combination with the dearth of flexible forms of employment make it difficult for women to continue their involvement in the formal labour market. Thus, a potentially large source of labour supply remains untapped.

Various recent (2004) studies carried out by the Organisation of Employers and Industrialists (OEB) and by the Human Resource Development Authority (HRDA) confirm that women are interested in flexible forms of employment. This interest is higher among women than men. These studies also suggest that, if the necessary legal changes assured (on a proportional basis) employment protection and benefit entitlements, these forms of employment would have the capacity to help alleviate labour shortages and reduce reliance on foreign labour.

Flexible forms of employment would also be desirable in themselves in that they could provide personal fulfilment and they might help bridge the employment and earnings gaps between the men and women.

Organisation, implementation and funding

The programme will be supervised by the Cyprus Productivity Centre. In light of the size of Cyprus, there are no geographical dimensions to the programme that are worth noting.

The total cost of the programme is projected to be 464 000 Cyprus Pounds (CYP) or nearly EUR 800 000. The employment cost (the 50% subsidy) of the scheme will stretch over a period of 32 months and will be CYP 260 000. In the first stage of the programme, the study of the forms that flexible employment takes in other countries is projected to cost CYP 97 725 while the macroeconomic study is expected to cost CYP 86 250. Other costs include the design of the pilot study (CYP 9 675) and the assessment of the programme at the end of the project (CYP 10 350).

A maximum subsidy of 50% of the employment cost for one year will be paid to the participating employers. The annual rate equivalent of the subsidy is approximately CYP 6 500 (CYP 260 000/15 women-years x (32/12) years).

Although 15 women-years are budgeted for, a total of 60 women are likely to be involved in the various flexible forms of employment that will be tried. The large number of women that will be involved is an advantage as it will give the pilot project greater exposure in the labour market and it will allow more women to gain relevant experience. Breaking down the employment units so as to involve more employees must, however, come at some cost. This explains why the average cost of CYP 6 500 is as high as currently estimated. Seen from the perspective of the number of employment opportunities that will be generated, the cost of this particular aspect of the programme does not appear unreasonable.

The programme does not duplicate other existing initiatives but synergies with other programmes can be found. As noted, the women that will be accepted into the pilot study will have come forward through the district employment offices and will have had personalised action plans drawn up for them. The EU financially supports this particular initiative by the district employment offices. A number of other programmes which are described in the national action plan for employment 2004-06, are aimed at new entrants into the labour force, unemployed people, the economically inactive and disabled people. These

programmes could also facilitate the process of placement into the pilot study. Thus, the programme dovetails quite well with other related initiatives.

The EU and the government of Cyprus will share the cost of the programme on an equal basis.

Performance and achievements

There have been few initiatives of this particular kind in Cyprus and hence the programme cannot draw on earlier lessons learned directly. Nevertheless, very extensive experience has been gained over the years in the offering of labour market training programmes, particularly by the Human Resource Development Agency. A large number of individuals have been given various forms of training and large sums have been expended on these activities. This experience will undoubtedly be helpful. It is too early to report on findings. However, it would be useful to analyse separately the constituent parts of the programme, namely the greater awareness that comes

from the studies and discussion of the issue, the impact of changes in legislation that make flexible forms of employment more viable and the possible effects of the pilot programme itself.

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Czech Republic

Programmes supporting jobs for disabled workers in the Czech Republic in firms with a majority of disabled employees

| Abbreviations used (Czech version in brackets) | |
|--|---------------------------------------|
| ALMP (APZ) | Active labour market policy |
| CR (ČR) | Czech Republic |
| DLO (ÚP) | District labour office |
| ESA (SSZ) | Employment services administration |
| EU | European Union |
| MOL (MPSV) | Ministry of Labour and Social Affairs |

registered unemployed disabled people grew and their employment fell. Since 2000, the total employment of disabled people lingers below 100 000 while their specific unemployment rate continues its steep rise and currently reaches 45%. Information on duration of unemployment of disabled individuals is not collected but there is indirect evidence that disabled people face longer spells of unemployment ⁽⁶⁾. The number of disabled unemployed people discouraged from job searches is not closely monitored, but is likely to be increasing ⁽⁷⁾.

The worsening labour market situation of disabled people in the late 1990s was reflected in a new set of disability-specific programmes of active labour market policy recently updated within the 2004 employment act ⁽⁸⁾. The common features of these programmes are financial subsidies to employers employing more than 50% of disabled workers. These recent programmes are the focus of this review ⁽⁹⁾.

Introduction

Over 10% of the Czech population, that is over 1 million citizens, are registered as having a disability. The statuses of people with a disability and people severely disabled are legally defined terms and the individual disability status is certified by the Czech social security administration ⁽⁵⁾. Unfortunately, the incidence of unemployment and especially of long-term unemployment of disabled people has been growing steadily in the Czech Republic during the last decade. A dramatic change occurred during (the recession of) the late 1990s when the labour force of disabled people shrank while the number of

The Czech Republic context

Several (fragmented) universally available programmes supporting the employment of disabled people have been available in the Czech Republic since the early 1990s. The standard passive employment policy programme requires that each employer with over 25 employees either employs at least 4% disabled people

⁽⁵⁾ Several degrees of disability status are being distinguished according to the extent of disability.

⁽⁶⁾ While the share of unemployed with unemployment benefits is 26%, the share of disabled people is only 21%, suggesting longer average unemployment duration. This is because unemployment benefits are provided only for the first six months of an unemployment spell.

⁽⁷⁾ See VÚPSV (2002). Moreover, the supreme audit office recently stated that there are substantial deficiencies in available statistics and reports on people with disabilities, including a lack of a generally-used definition of disability for labour market purposes.

⁽⁸⁾ The 2004 employment act also provides a more solid legal underpinning for the programmes.

⁽⁹⁾ Somewhat similar programmes existed before 2001, run under the jurisdiction of the Ministry of Finance, yet the contribution rate was different as well as the eligibility requirements and the state contribution was not mandatory so that there was annual uncertainty about contributions from employers.

or pays a given contribution to the state budget ⁽¹⁰⁾. Specifically, employers who fall below the 4% threshold contribute 2.5 times the nation-wide annual average wage for each 'missing' disabled employee ⁽¹¹⁾. There is also a passive employment policy of corporate and personal income tax deductions for disabled people, deductions in health insurance payroll payments of employers and an active employment policy programme, which provides subsidies to special workshops for disabled people and those with severe disabilities in particular.

Objectives

The primary goal of targeted programmes reviewed here is higher employment of disabled people. Financial support programmes have been introduced as a reaction to the steadily growing unemployment of disabled people and stagnant low creation of jobs for those with disabilities. According to the MOL, disabled individuals now constitute 15% of the half a million Czech registered unemployed (May 2005). The primary purpose of the new targeted subsidies is to form job creation incentives on the side of employers through lower marginal labour costs of employing disabled people. However, one reason behind the low employment rate of disabled people is that they are often offered wages which are very close to reservation wages, i.e. close to the *relatively* high level of welfare and other benefits for which they are eligible.

Implementation and funding

The programmes described in this report had been run in a somewhat different framework under the management of the Ministry of Finance in the late 1990s and were transferred to

the MOL in the early 2000s and modified to the current situation. With minor modifications, these programmes are going to stay in use during 2005-06 under the supervision of the MOL. The common feature of these programmes is state financial support to employers employing more than 50% disabled employees ⁽¹²⁾. The programmes fall into three types:

(a) The state contribution, which constitutes 33% of nation-wide average wage for each disabled employee and 66% in case of each severely disabled employee. On average the state contributed CZK 70 000 (EUR 2 357) per disabled employee per annum in 2004. This level of support fully covers the firm's payroll contributions for an average disabled employee and also partly helps towards covering the salary ⁽¹³⁾. During 2004 (2003), this was the largest programme for disabled people with about CZK 650 (446) million (EUR 21.8 million) spent on the employment of 9 806 (8 230) disabled people (MPSV, 2005). The programme now therefore supports about 10% of total disabled employment and total expenditure on this policy tool is steadily increasing ⁽¹⁴⁾.

(b) The maintenance and development of subsidies are provided for renovation, acquisition or technical upgrade of physical capital enabling the creation or maintenance of jobs for disabled people. The support can reach up to 70% of total costs; the maximum annual subsidy per employer is CZK 7 million and the subsidy per new job *created (maintained)* cannot exceed CZK 250 000 (EUR 8 417). To be eligible, firms have to prove fulfilment of the 50% employment requirement for a period of past two years ⁽¹⁵⁾. Unlike in the case of the employer contribution (a), there is no legal entitlement for this subsidy and individual applications are evaluated by a special ministerial committee (at the level of ESA at the MOL) and approved at the level of the minister. The application for the subsidy must be accompanied by an opinion provided by the local district labour office which has a strong impact on the final decision. During 2004, subsidies were provided to 67 employers employing a total of 5 000 disabled people and

⁽¹⁰⁾ Purchases of goods and services from firms employing more than 50% disabled people can be converted into pseudo-employment (purchases worth three times the nationwide average wage count as one employee) and counted toward the 4% threshold.

⁽¹¹⁾ Employment of one severely disabled person is counted as equivalent to employing three disabled people.

⁽¹²⁾ The fulfilment of the 50% employment criteria by a firm is evaluated annually as a sum of working man-months. Actual man-months of work are augmented for periods of statutory sickness, statutory vacation periods, etc. Counted toward the 50% threshold are all disabled employees, not only those hired from the unemployment registry.

⁽¹³⁾ Note that since the size of the contribution is driven by nation-wide average wage, employers are free to pay their disabled workers the statutory minimum wage and are still eligible for the full amount of state contribution.

⁽¹⁴⁾ There is an online searchable directory of employers employing more than 50% of disabled people: <https://portal.mpsv.cz/sz/zamest/zamestnaniosob/katalogorganizaceozp>.

⁽¹⁵⁾ The new employment act, in effect since October 2004, added forward-looking conditions on employment of those with disabilities requiring that jobs created have to be maintained for at least three years in the case of large firms and two years in the case of small firms.

600 severely disabled people. Of the total employment supported, only about 200 were newly created jobs. The total spending as of 2004 was CZK 118 million (EUR 3.97 million).

(c) **The loan programme** is meant to cover operational costs necessary for maintenance or creation of jobs for disabled people. There is a two-year repayment schedule. In 2004 only two returnable loans were provided in the amount of CZK 2 million (EUR 67 340).

The total spending on these targeted programmes is now roughly equal to the receipts from the contributions of employers who fail to employ at least 4% of disabled people. Based on Government (2004), these expenditures represent about 75% of total spending of the MOL directly supporting employment of disabled people ⁽¹⁶⁾.

Performance and achievements

There is no regular evaluation of these programmes at the central level. Similarly to most other ALMPs, there is no cost-benefit economic evaluation of the effectiveness of these programmes and no such statistical and econometric exercise is being contemplated. There are only financial and administrative checks on fulfilling programme regulations. Specifically, the MOL is obliged to inspect 5% of employers receiving the subsidy and the supreme audit office (an independent governmental institution) performs irregular financial audits of selected ALMP programmes ⁽¹⁷⁾.

Contrary to other ALMPs, the scope for misuse of reviewed programmes is smaller because financial support is strictly conditional on employment of disabled individuals while dis-

ability is certified by the social authorities. However, it is likely that some jobs for disabled people would exist or would be created even without support. Moreover, those with disabilities are counted irrespective of whether their disability adversely impacts the specific tasks they perform in their job, which may be a particular implementation issue for the large group of workers with diabetes. Moreover, contributions are provided irrespective of the disabled worker's salary. The question of how costly and bureaucratic labour market job-specific classification of individuals' disabilities would be remains.

The suitability of these programmes is potentially questionable for several reasons. First and foremost, they are unclear on the grounds for the conditioning on 50% employment of disabled people. Based on our exploration, the criteria are in place due to historical legal developments and also subject to the interests of organised employers predominantly employing disabled people ⁽¹⁸⁾. There may be little recent entry into the group of firms which satisfy the 50% employment threshold ⁽¹⁹⁾. Although this kind of specialisation in (or concentration of) disabled peoples' employment can lead to increasing returns from scale due to synergies and the support programme may have helped the survival of these specialised firms and jobs for disabled people, such firms may contribute to the social and economic separation of disabled people from fully capable workers ⁽²⁰⁾. Further, conditional support of this kind is more easily accessible to employers located in larger urban centres, although quantitative evidence is not available. Given that commuting mobility of disabled people is lower, support is less likely to foster job creation for disabled people in rural areas. In general, the existing programmes support the employment of disabled people below 4% and above 50% of the disabled share in a firms' employment, with no impact to a firm adding a disabled worker between 4% and 50%. Secondly, the subsidy programme is accompanied by very detailed legal and further executive guidelines, which seem rather restrictive. The decision-making process awarding subsidies to

⁽¹⁶⁾ The general order of responsibility in budget setting is as follows: the overall annual budget for active employment policies is set at the level of the state budget by the lower house of the parliament. Allocations for individual ALMP programmes are decided by the Ministry of Labour and Social Affairs (MOL) reflecting past years' experience and new governmental priorities. Key principles of ALMPs are defined by the employment act. The special subsidy programmes for handicapped people belong to the so-called *targeted* programmes. Detailed objectives of these programmes are being approved by the government and implementation rules are being set by the ESA at the MOL. DLOs serve as a mediator between individual employers and the ministry.

⁽¹⁷⁾ The existing financial audits of other ALMPs indicate that a non-negligible share of spending on programmes (other than those reviewed here) was not used in line with legal rules and other binding guidelines.

⁽¹⁸⁾ Recently, one of the other forms of disabled people's employment support – the health insurance deduction – has also been conditional on employing at least 50% disabled workers.

⁽¹⁹⁾ The programme is currently being questioned by the EU administration to determine whether it is breaking the EU regulation of public subsidies to private entities.

⁽²⁰⁾ Representatives of a union of employers employing disabled workers are convinced that 30 to 50% of disabled people prefer work in special firms with arrangements for the disabled.

claimants is rather bureaucratic and possibly vulnerable to private interest lobbying. There is however no evidence that this is happening. Thirdly, the amount of per-job contribution should be viewed vis-à-vis social and health insurance payroll payments paid by both employer and employee. The size of the contribution for disabled people is comparable to the average size of the firm payroll contributions. To churn money, the programme requires additional administration. In my view, a better policy tool would be more generous general income tax and payroll exemptions for disabled people irrespective of the employment share but reflecting the type of disability, and the type of work performed and/or salary level. Such a policy would eliminate the bureaucratic burden for employers and state administration and would support jobs irrespective of the firm's disabled employment shares.

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Links

Socioklub: association and publishing house focusing on social issues.

http://www.socioklub.cz/aj/index_aj.php

Employment Act.

<http://www.vdi.cz/zakonozamestnanosti.html>

Corporate Tax Act No 586/95, paragraph 35.

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Denmark

Fighting unemployment among young university graduates

Introduction

In absolute terms, unemployment among young university graduates plays a minor role compared to overall unemployment in Denmark. Thus, the average number of unemployed young university graduates in 2004 was 11 000 people compared to a total number of unemployed of 175 000. In spite of this, in times of rising unemployment among university graduates, the issue gets significant political attention, because the risk of wasting costly investments in human capital is seen as a special feature of this form of unemployment, in addition to the usual social and economic aspects of unemployment.

As a response to a period of rising unemployment among university graduates during 2002 and 2003, a comprehensive set of initiatives was launched by the government in cooperation with the social partners in June 2003 and followed by an additional set of six schemes in February 2004. A total of EUR 9 million was set aside for these new activities in 2004-05. The initiatives had the following main elements: the inclusion of private service providers in counselling of unemployed graduates, extra jobs for young researchers, opening more positions for job-training in the public sector and campaigns to motivate graduates to look for jobs in the private sector. Thus most of the instruments applied were of a rather traditional nature.

However, one initiative took a more original approach. This was a campaign to motivate small and medium-sized enterprises to employ young graduates (also stimulated by wage subsidies). Notably, the overall philosophy of the programme was based on the novel idea of using existing networks and key individuals between and within the social partners as the driving forces of the campaign. The main objective of this article is therefore to present this new governance approach to active employment policy.

The philosophy of the campaign

While the initiative to combat the rising unemployment among young graduates arose in the Ministry of Employment, this specific campaign has a number of features which makes it distinct from traditional labour market policy.

Firstly, the main elements of the campaign were targeted at employers, especially among small and medium-sized enterprises (SMEs). Such firms have only employed graduates to a very limited degree. The main message of the campaign was that employing more graduates would be economically beneficial to them, because it would strengthen their international competitiveness in an increasingly globalised environment. A further argument was that graduates would be in short supply in the future and that the employers should therefore act fast in order to recruit highly-educated labour, while still available. As a concrete target, it was stipulated that the campaign should lead to 1 000 new jobs for graduates, primarily in small and medium-sized enterprises.

A second distinctive feature of the campaign was the use of networks in implementing the different initiatives. Five main types of networks (or 'pillars') were involved.

- In the university pillar, cooperation was established concerning, for instance, participation in business exhibitions, where representatives of small and medium-sized enterprises would be present.
- In the employer pillar, the focus was on communicating the message of the campaign in existing networks of employers and seeking the assistance of representatives of employers' organisations at the regional and local level.
- The Danish Association of Professional Associations played a lead role in the design and overall implementation of the campaign (see below). It also had the additional responsibility of spreading information about the campaign to its unemployed and employed members.
- The business pillar consisted of the 15 centres for business service, which are semi-private organisations at the regional level, and also selected managers responsible for local business development in a number of municipalities.
- Finally, the PES pillar involved the appointment of contact persons in the PES with a special responsibility for connections between firms and graduates and also the coordination of the phone campaign (see below).

Thus the clear orientation towards the business community and the use of networks in implementation were the main distinctive and original features in the design of the campaign. Furthermore, as described below, the programme was not coordi-

nated by the Ministry of Employment or the public employment service, but by one of the social partners, which also distinguished it from a traditional labour market programme.

Objectives

As mentioned in the introduction, the rising unemployment among university graduates during 2002 and 2003 soon became an issue for political concern. Thus, while the level of unemployment for graduates in general was still below the average level for all groups, there was a clear tendency for the gap to narrow and especially for the peak levels of unemployment for graduates to rise above the level for all groups in the month of September, when many new graduates enter the labour market. Furthermore, unemployment among graduates was very much concentrated among the youngest cohorts. For example, when the campaign was launched in February 2004, the rate of unemployment for university graduates aged 29 years and less was 14.1%, while unemployment rates for the age group 40 to 49 years was only 4.7%. For graduates from the last year the rate of unemployment was 29%.

The main reason for the rise in unemployment among young graduates was, besides the general slowdown on the Danish labour market since 2002, taken to be the tightening of the public budgets and the reduction in public employment that took place during the first months of the present government. As a consequence, the number of job openings for graduates declined. Thus, total public sector employment declined from a peak of 848 000 people in the spring of 2002 to around 840 000 people in the second half of 2002. There was a slight decline in total employment in central government.

However, as indicated above, the rationale behind the campaign went far beyond the issue of public employment of university graduates. To the contrary, the main focus was on the longer-term challenges facing the Danish economy and on the need to make private employers and especially the small and medium-sized enterprises much more aware of the benefits of employing a highly-educated workforce as an important parameter for improving their international competitiveness. By doing so, the campaign thus linked with the overall targets not only of traditional labour market policy, but also of the longer-term strategies for growth and employment in general.

Organisation and implementation

As described above, the campaign was organised around the groups of networks. At an early stage – after negotiations

between the social partners and the Ministry of Employment – it was decided to let the Danish Association of Professional Associations act as the secretariat of the campaign and thus be responsible for the design and implementation of the campaign. A special steering group was set up to oversee the working of the programme.

Apart from the general activities related to spreading information about the campaign through different networks, the following specific initiatives were included in the design and implementation of the campaign.

- As a novel instrument, a professional telemarketing operator was assigned the task of contacting private employers in order to arrange a meeting with a representative from the PES and discuss the options for hiring a graduate, for instance with a temporary wage subsidy.
- At the regional level emphasis was put on creating partnerships between municipalities, counties, educational institutions, companies and business organisations in the areas where universities and other institutions of higher education are located. The aim was to establish partnerships involving high-profile decision-makers and events, which would attract attention to the campaign and thus ease the contacts to be made at the level of the individual enterprise.
- In cooperation with the Rotary Club, a special campaign 'Rotary creates jobs' was launched with the target of having each of the 272 local Rotary Clubs find a job for at least one unemployed university graduate.
- A special television programme was developed and broadcast in cooperation with Radio Denmark focusing on the options for graduates in small and medium-sized enterprises.

Performance and achievements

In 2005 the campaign is still running, and it is therefore not possible to assess its final effects. However, when looking at the general development in unemployment of university graduates, the picture is positive. In April 2005 the average unemployment rate for graduates was 5.4%, down from 6.3% in the previous year. The largest decline is seen for the age group below 30 years of age. Here the unemployment rates dropped from 14.9% to 11.2%. However, from a methodological point of view, there are of course insurmountable problems involved in isolating the effects of this specific campaign on the rate of unemployment from the effects of several other initiatives to

support the employment of graduates and from the effects of overall economic development.

However, based on a mid-term status done by the secretariat of the campaign, a number of observations can be made.

- Based on the available statistics concerning the number of unemployed graduates registered with the PES and the number of privately employed members of the Danish Association of Professional Associations, it is estimated that the target of about 1 000 new jobs for graduates has been reached.
- Around 450 of the extra jobs in the private sector have been established with a wage subsidy. The wage subsidy paid to private employers amounts to a maximum of DKK 9 400 (EUR 1 263) per month. The employed graduate is paid a normal wage according to collective agreements, implying that the subsidy amounts to a little less than 50% of the costs. The maximum duration of the subsidy is one year and the employer has no obligation to keep the employee when the subsidy expires.
- The special campaign involving the professional telemarketing firm has proved rather successful. Out of 8 000 calls to small and medium-sized enterprises, 2 000 resulted in a visit by a consultant from PES of which about 700 led to a specific job order for an unemployed graduate. There has

been a noticeable interest in the campaign from small enterprises with less than 50 employees. This indicates that the campaign has succeeded in widening the employment area for graduates outside the traditional boundaries.

The overall impression so far is that the campaign has been successful in taking an unorthodox approach to widening the employment possibilities for graduates.

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A general overview of the programmes directed at graduates is found on the website of the Ministry of Employment (<http://www.bm.dk/akademikerledighed>) and on the website of the National Labour Market Authority (http://www.ams.dk/temaer/andre_temaer/akademikerledighed).

The campaign has its own website (in Danish): <http://www.akademikerkampagnen.dk>.

Information about employment and unemployment of graduates can be found on the website of the Danish Association of Professional Associations (<http://www.ac.dk>).

Estonia

General reform of active labour market policies in Estonia

Introduction

The aim of this article is to discuss the reform of active labour market policies in Estonia. In 2004, the Estonian Ministry of Social Affairs, in cooperation with various stakeholders, prepared a new concept of labour market policies, which was subsequently approved by the government. Based on this new concept, a new draft law on labour market services was prepared and is currently being discussed in the Estonian parliament.

The underlying approach to active labour market policies in Estonia has been the service-oriented approach, where a law has specified certain services offered to unemployed people. The central idea of the reform launched in 2004 is to move from a service-oriented approach towards an individual needs-based approach, where the main focus is on the individual and the services are offered/tailored according to his or her needs. In addition, new active labour market measures will be introduced for disadvantaged groups. There are also several changes in benefit systems, which support participation in active labour market policies and active job search.

The current article is mainly based on the concept of labour market services (Ministry of Social Affairs 2004) and the draft act of labour market services and benefits, unless indicated otherwise ⁽²¹⁾.

Background

As in most of the central and eastern European countries, the regulatory framework for labour market policies and a network of employment offices had to be created from scratch in Estonia. Both the active and passive labour market policies, as well as institutions providing these services, were introduced in the beginning of 1990s. The labour market board and the network of public employment services (PES) were established in May 1990. The provision of active labour market policies was regulated by different government decrees in the beginning of 1990s. The first legal act ⁽²²⁾ regulating the payment of unemployment benefits and the supply of active labour market policies came into force only in 1995. It was reformed in 2000 by

the Employment Services Act and the Social Protection of the Unemployed Act. Currently, a major reform of these two acts is underway. Hence, the Estonian experience with labour market policies is relatively short compared to the 'old' EU countries.

Currently, the Employment Service Act has several types of active labour market programmes in Estonia, which can be classified as follows:

- Job search assistance: information on the situation in the labour market and the possibilities of employment, employment mediation and vocational guidance;
- Labour market training, including general and vocational courses;
- Wage subsidies, including employment subsidies to start a business (business start-up grant); employment subsidies to employers to employ less competitive unemployed people (wage subsidy);
- Direct job creation schemes, including community placements (public works).

The expenditure on active labour market policies in Estonia has been very low, amounting on average to 0.08% of GDP during the last decade. This is more than 10 times less than the amount spent in EU countries with comparable or even lower unemployment rates. The number of participants in these programmes has decreased from 16 000 (21% of the total number of registered unemployed per year) people in 1995 to 8 118 (9% of the total number of registered unemployed per year) participants in 2004. This shows that an active labour market policy has not been the priority of the government during these years.

Objectives

The objectives of the reform include attainment of the highest possible employment rate in the working-age population, prevention of long-term unemployment and inactivity and

⁽²¹⁾ <http://web.riigikogu.ee/ems/plsql/motions.show?assembly=10&id=611>

⁽²²⁾ Social Protection of the Unemployed Act.

supporting the inclusion of disadvantaged groups into the labour market. This will be achieved through the following large-scale reform of labour market policies:

- Reform of the current active labour market programmes. The centrepiece of the reform is the move towards an individual approach and case management system as well as the introduction of new active labour market policies targeted at disadvantaged groups in the labour market. The most remarkable innovations in this field include new measures for disabled people and long-term unemployed people. Currently there are also several pilot projects for young people, older workers and women, which may eventually be established as special statutory programmes for these groups;
- Reform of benefit systems to ensure that they support participation in active labour market policies and transition from unemployment to work.

Innovation

The main innovative features are:

Move towards an individual approach and case management, allowing early identification of needs

The underlying principle of the reform is the move towards an individual approach, which means that all the services offered will be based on individual needs. This approach marks a profound reform of the different job search activities, such as counselling and employment mediation services currently offered. During the first contact with the jobseekers, a case worker will assess the skills of the unemployed person and his or her ability to find a job and draw up an individual job search plan. The plan will specify the steps necessary to find a job, including participation in active labour market policies and reporting activities the individual should undertake in order to prove he or she is actively looking for a job.

If the unemployed person does not find a job during the first 22 weeks of unemployment or belongs to a disadvantaged group (such as young people, long-term unemployed people, people with disabilities, persons released from prison, older workers) at the beginning of their unemployment, a more integrated approach and in-depth plan will be set up. This will focus on requirements necessary to overcome the hindrances resulting from a particular disadvantage. In that case, the plan

will also include services offered by the other institutions such as social assistance, education and health providers.

New package of ALMP for disabled people

The most remarkable innovation in terms of active labour market policies in the reform is a whole set of new measures targeted at disabled people. This is primarily a result of the Phare twinning project on disability employment, carried out in cooperation between the governments of Estonia and the UK in 2003-04 ⁽²³⁾.

According to the labour force survey data, in 2002 there were around 96 500 disabled people, whose work prospects were hindered by a disability or longstanding health problems. The employment rate among those people was only 25%, while the overall employment rate in Estonia was around 62% in 2002 (Statistical Office of Estonia, 2003). Hence, there is a considerable unused labour potential among people with disabilities in Estonia. However, previously there were no special measures for this target group. The only exception was a wage subsidy for employers to hire people with disabilities.

There are two major changes in the new draft legislation aimed at supporting employment of disabled people.

1. Now, all disabled people can access employment offices and apply for active labour market measures. Previously, only a fraction of disabled people could participate.
2. There are four new specific active measures for disabled people, which aim to meet the minimum requirements to overcome disability-related barriers to employment:
 - Support to employers for adaptations of premises and equipment, whereby 50% of the costs resulting from workplace adaptations will be reimbursed to employers;
 - Communication support at interview, whereby employees of the PES or persons designated by PES will help a disabled person at a job interview;
 - Special aids and equipment necessary to overcome the barriers at work resulting from disability will be provided to disabled persons or employers free of charge;
 - Support workers for those disabled people who need additional help or guidance resulting from disability.

⁽²³⁾ <http://www.pite.ee>

Support workers can be used up to one year; eight hours per day during the first month of employment, four hours per day during the second month of employment and two hours per day during the remaining period.

New measures – basic working skills and apprenticeship programmes

In 2003, there were 66 000 unemployed people in Estonia, resulting in an unemployment rate of 10%. Half of the unemployed people were long-term unemployed. Despite such a high proportion, in the current menu of active labour market policies only the subsidy to the employer has been specially targeted to long-term unemployed people.

Under the new legislation, a new measure introduced for this target group is training in basic working skills. The aim of this measure is not to teach new vocational skills, but rather to help long-term unemployed people to get used to working life by practising the habits and skills necessary for working life, during two to three weeks of training. After the programme, long-term unemployed people could continue in other programmes teaching vocational skills.

The apprenticeship scheme is targeted at unemployed people whose access to employment is restricted due to the lack of work experience, e.g. young unemployed people. Both private and public sector employers will have a right to supervise people participating in this scheme and get paid for that. The duration of apprenticeship is up to four months and restricted to eight hours per day and 40 hours per week.

More emphasis on contacts with employers

The results of the survey of clients of public employment offices indicate that, despite the statutory obligation, only 18% of the vacancies are notified to employment offices (Fak-tum, 2003). One of the goals of the new approach is to strengthen contacts with employers and offer more services supporting the process of hiring in firms. Therefore, it is planned to hire consultants to work with employers in each public employment office.

Strengthening the linkages between active and passive policies

To support the participation in active labour market policies, the benefit systems should include financial incentives as well as

sanctions, enforced in the case of refusal to participate. In addition, the so-called 'Making work pay' principle of the European employment strategy emphasises that benefit systems should encourage the transition from inactivity and unemployment to work and avoid unemployment and poverty traps.

To encourage participation in active labour market policies and job search activities, a travel subsidy will be introduced. The subsidy will cover the travel costs resulting from participation in active labour market policies. Travel subsidies and retraining allowance will not be taken into account as income for the calculation of social assistance benefits. The aim of these benefits is to cover the extra costs resulting from participation in active labour market policies. Furthermore, unemployed people participating in active labour market programmes will be covered by health insurance, which was not the case before.

Another important innovation, compared to the previous regulations, is the stricter sanctions imposed after a refusal of a suitable job, of participation in active labour market policies and inability to comply with a personal job search plan. Previously, the term 'suitable work' was not defined in the legislation at all. The new law defines the term and the case workers are required to act according to the definition given by the law and not according to their judgment on the suitability of a job for the unemployed person. After the 21st week the suitable job does not have to correspond to the education, qualifications and previous work experience of the unemployed person, but it should still not require more than two hours of travelling and travel costs do not exceed 15% of the monthly wages. Refusal of a suitable job can lead to temporary withdrawal of unemployment assistance (when a suitable job is refused for the first time) or termination of the payment (the second time). This also applies in the case of inability to comply with a personal job search plan.

There are also plans to review the systems of social assistance, pension and disability benefits and ensure that these support transition from inactivity to work and make work pay.

Organisation, implementation and funding

The Estonian Ministry of Social Affairs is responsible for the implementation of the reform. In total, it is planned to hire an additional 171 case managers by 2008 and to strengthen the cooperation between public employment offices, social insurance departments, rehabilitation centres as well as local municipalities, vocational training centres, schools and probation supervisors.

As the expenditure on active labour market policies in Estonia has been very low, it is planned to significantly increase the resources allocated to financing active labour market policies. This will partly be achieved through the increase of public funding and partly through the additional resources from the European Social Fund (ESF).

Performance and achievements

As the reform is currently underway, there are no evaluations of its impact available yet. The reform was largely based on best practices from the other European countries as well as the recommendations of the European employment strategy. There are also several studies available in Estonia, which have contributed to the development of the reform.

However, the most serious shortcoming of the reform is that the monitoring and evaluation system of the effectiveness of active labour market policies are not an inherent part of the reform. It is not clear how the performance will be measured and whether there is sufficient data available for evaluations.

The impact of the current policies and pilot projects, which have been the basis for the current reform, has also been unclear. As the national register of unemployed people is not in place, it is not possible to get micro-data about unemployed people and compare it with other datasets and conduct an in-depth analysis of the impact of the policy measures. Research with the micro-data is also hindered by regulations relating to privacy protection. Therefore, the impact of the current programmes and pilot projects is not known.

The only evaluation study carried out in Estonia so far focused on analysing the effects of a personalised approach to the participants in the labour market training programmes ⁽²⁴⁾. The study is based on the data gathered through a follow-up survey of registered unemployed people, who in 2000 participated either in labour market training and/or received unemployment benefits. The analysis shows positive and statistically significant impact of the labour market training on employment probability. Compared to the non-participants (i.e. registered unemployed people who did not participate in training), the participants of the training are 4-6% more likely to be employed after one year and 8-12% more likely to be employed after two years.

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Finland

The structural reform of public employment services Domestic help credit

Introduction

The Finnish employment strategy relies heavily on the full employment objective. The foremost goal of government is to increase employment by 100 000 people by the end of the electoral period in 2007. An employment rate of 75% is to be achieved by 2011.

The 75% employment rate target means that it is vital to find employment for the entire domestic labour force resource. It is recognised that to achieve this goal it is important to reinforce social cohesion and labour force participation.

In this paper two very different innovative policies to achieve these goals are discussed. First, the structural reform of the public employment service is introduced, which is a supply-side policy aiming at reducing structural unemployment and increasing the employment rate. Secondly, domestic help credit is discussed, which is a policy measure that aims at increasing the demand for household services and promoting employment in a low productivity sector.

Innovative policy: the structural reform of public employment services

Introduction

The structural reform of public employment services to be carried out in 2004-06 is an important part of the Finnish government's employment policy programme. Its aim is to reduce structural unemployment and increase the employment rate. The reform will include placing the services and resources earmarked for disadvantaged jobseekers within new employment service centres, which are expert networks of local and regional authorities and other service providers. At the same time the employment office service supply is more clearly shifted towards serving the open labour market.

The network of employment service centres will be constructed in phases. The aim is to establish some 40 employment service centres by 2006.

The Finnish context

The innovative feature in the reform is the diversification of employment services. The employment offices concentrate on serving the open labour market and the employment service centres (together with joint service points) offer diverse ranges of services from different authorities for disadvantaged jobseekers (joint service points offer a somewhat reduced mix of services). Each jobseeker's service need will be the factor deciding whether they will receive public employment services at an employment office or an employment service centre.

At the employment service centres the customers can get services from a large number of professionals: employment coordinators and career consultants, social workers and social welfare supervisors, case managers, public health professionals as well as insurance and joint service secretaries.

Objectives

The Ministry of Labour, the Ministry of Social Affairs and Health, the Association of Finnish Local and Regional Authorities and the Social Insurance Institute (KELA) have agreed on the national objectives of the employment service centres:

- Reduce structural unemployment;
- Reduce income support and labour market subsidy paid due to unemployment;
- Increase activation rate and the activation part of the labour market subsidy;
- Improve customers' work ability and functional ability as well as their active life and labour force participation.

Organisation, implementation and funding

Customer service crossing the borders between the administrative sectors is the core of the operations of employment service centres and joint service points. The employment service centres and joint service points are networks of regional and local authorities providing a mutual service point to their customers. Municipalities and employment offices will make equal contributions to cover the operational costs of the joint

service points and employment service centres. KELA will participate in the operations with a contribution as regarded appropriate by it.

In 2004, the state budget allocated EUR 8 million for the operating expenses of the service centres and joint service points. A total of EUR 7 million in appropriations carried over from the year 2003 was also available. A total of EUR 1.39 million of the 2004 appropriations was used and EUR 6.61 million was carried over to 2005. The use of the appropriation required that the municipalities produce an equal amount of additional funding for the organisation of joint services.

The 2004 budget had allocated EUR 12 million for the acquisition of expert services for the service centres and joint service points. The demand for this appropriation was lower than anticipated and most of it was used for other measures.

Based on regional proposals, the Ministry of Labour granted labour administration funding for 16 employment service centres and 12 joint service points for the year 2004. In 2005, 23 employment service centres and 11 joint service points are in operation.

In 2004, 228 employees from employment offices were working for the employment service centres. In 2005, this figure is 283. In 2005, municipalities have allocated 261 full-time employees to the employment service centres. KELA has appointed 7 full-time and 14 part-time employees as well as 52 liaison officers for these services.

Each employee is under the supervision of their own respective organisation. Each party promotes the functions and targets of their own administrative sector. The service centre is normally managed by one officer, who is employed either by the municipality or the employment office. Mutual management is also possible. Service centres can decide themselves which is the best way of organising their functions. The employment service centres have a board which have representatives from the employment office, municipalities and KELA.

Performance and achievements

The first employment service centres were established in 2004, which means that there is not yet enough information to evaluate the performance of these centres. Evaluation studies are under way but have not yet been completed. However, the employment service centres were preceded by a trial of joint service points in 2002-03 (involving 18 regions) about which there is more information. Compared to employment service centres, joint service points have similar goals to provide services to disadvantaged jobseekers but they are more limited in their scope.

The aim of the trial for joint service points was to find and establish new ways of cooperation between different authorities providing services for those unemployed jobseekers who had been for a long period (over 500 days) on a labour market subsidy. The main conclusion from the trial was that the employment services need, indeed, to be reorganised on a more permanent basis. This then led to the structural reform of public employment services with the introduction of new employment service centres.

In 2004, the employment service centres and joint service points had 13 500 customers from 38 employment offices and 87 municipalities. In 2005, 57 employment offices and 130 municipalities are involved covering about 70% of those unemployed jobseekers who had received a labour market subsidy for over 500 days as a passive support. The employment service centres and joint service points have estimated that they will have about 20 000 customers in 2005. Until now most of the customer visits involved the customer being served by an employment coordinator or consultant together with a social worker.

According to the evaluation report on joint service points, the activation rate of customers at the joint service points was on average higher than among those on a labour market subsidy. Customers were also satisfied with the services they received at these service points. About 78% of customers felt that these services were useful, and only 4% regarded them as being of no use. As many as 91% of the customers wanted to continue their customer relationship in these service points.

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Innovative policy: domestic help credit

Introduction

Finland's labour market can be characterised by a modest number of labour-intensive jobs requiring only a low level of expertise and training. As a result of the progression of labour costs, low-skilled jobs have been the first to become unprofitable. The government has initiated several policy measures in order to reduce the costs of low productivity jobs and, hence, to increase the demand for these jobs.

One of the measures to promote employment in a low productivity sector is the domestic help credit, which was introduced in 1997 as a temporary experiment. It allows households to make tax deductions of their paid remuneration to the private sector for different kinds of household services. The tax deduction was well received by Finnish households and the system was made permanent in 2001.

The Finnish context

Finland can be characterised as a country in which the production of private services and in particular household services has been low compared with other European countries. This is the case even though Finnish women have, by EU standards, a high labour force participation rate. The double burden of domestic and paid work has been a problem in Finnish households, partly due to the lack of official (and even grey) markets for domestic work.

The domestic help credit – which allows households to have tax deductions for paid remuneration to the private sector for such services as cleaning, repairing your home or taking care of an aged person or child in your home – has been a catalyst

to create markets for these services. It also has increased incentives for households to use official rather than grey markets when they buy these services. It also has created a positive attitude for contracting these services from the private market and has helped the double burden of domestic and paid work in households, and in particular among women, who bear a large share of this double burden.

Objectives

The objective of the domestic help credit is – by reducing labour costs for household services – to increase demand for these services and to improve employment in this low productivity service sector.

Organisation, implementation and funding

In 2005, the tax deduction allowed for household service work is EUR 1 150 per year (own liability is EUR 100). This deduction can be made for household work, care work, and repairs and renovations on a home or leisure dwelling. In 2005, it became possible to make deductions also from household work performed in one's parents' or parents-in-law's dwelling.

A household can deduct either the social security contributions on the household worker's pay plus 30% of paid wages (as from the beginning of 2005) or 60% of the wages paid if services are hired from a company.

Performance and achievements

Since the introduction of the household work deduction, increasing numbers of households have started to claim it (see Table 1). In 2003, the number of households claiming this deduction was over seven times the number in 1998.

A recent survey of domestic help credit suggests that 25-30% of the households making the deduction hired cleaning services, about 70% hired renovation services, 5-10% gardening services, and 5-10% nursing services and childcare (Niilola et al., 2005). The share of renovation services is more than 85% and the share of cleaning services more than 8% of the purchased money.

Table 1. The use of household work deduction 1998-2003

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|----------------------|--------|--------|--------|--------|--------|---------|
| Number of households | 19 300 | 24 000 | 31 500 | 73 800 | 89 500 | 143 953 |
| Deduction, 1 000 EUR | 7 972 | 10 007 | 13 606 | 32 571 | 42 514 | 90 462 |

Source: The Finnish tax administration (2004).

According to the entrepreneurs' estimates, the share of the grey economy has diminished in household services to 25% from about 60% before. In 2003, the amount of work that has been done within the sphere of domestic help credit has been estimated to be 5 400-6 700 person-years (about 8 000 jobs). According to Niilola et al. (2005) the domestic help credit created new jobs, which corresponded to about 2 000 person-years in 2004. This estimate, however, can be overoptimistic. It does not take into account, how the supply of household services responds to the price changes that this domestic help credit gives space to. In fact, if the supply of these services does not increase due to the higher price available for producers, the rise in domestic help credit would only increase service providers' intake price and would not create any new jobs. It is likely that both the price of household services and the demand for these services have increased due to the domestic help credit.

Despite the difficulties of measurement it is likely that the domestic help credit has had a positive impact on employment and that it has reduced undeclared work. New small companies, cooperatives and associations providing household services have emerged to provide these services.

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France

Personalised approaches to redundancies in France

Introduction

In France, the decisions ensuing from the social modernisation law on redundancies (January 2002) did not promote anticipatory action. They were characterised not only by the cumbersome nature of procedures but also by a great degree of inequality between employees. More than 80% of redundant workers were left without any guarantee of redeployment.

For this reason, the government encouraged the social partners to negotiate the agreement as early as January 2003. In spite of a cycle of negotiations lasting almost two years, the social partners did not reach an agreement. Thus, during summer 2004, the government drafted a proposal on the prevention of redundancies and the creation of a redeployment convention that was to be incorporated into the draft law on social cohesion.

The social cohesion law, passed in January 2005, established the so-called *convention de reclassement personnalisé (CRP)* ('personalised redeployment agreement') enabling employees made redundant to benefit from a range of measures and thus facilitate a rapid return to work.

The implementation of this new scheme was referred to the social partners for negotiation. These negotiations took place during spring 2005 and resulted, in April 2005, in the signature of an intersectoral agreement between the employers' federation, MEDEF, and four of the five trade union organisations (all except the CGT).

Strengths and weaknesses

Firstly, the CRP is an active labour market policy measure, as opposed to the very substantial passive measures of French employment policy (e.g. unemployment benefit).

Secondly, the creation of the CRP makes it possible to re-establish a degree of fairness where redundancies are concerned. There are great inequalities in France between the treatment of employees in large companies and in SMEs. For example, an employee of a large company is much more likely to receive

training than an employee of a small or medium-sized firm. The provisions of the CRP are in addition to the scheme of redeployment leave. Together with the social modernisation law, it has been in force since 2002 in large companies (with more than 1 000 employees). It allowed workers made redundant to receive support towards returning to employment. Given that the CRP scheme now also applies to companies with fewer than 1 000 employees, inequalities in terms of employment rights and the labour market can be said to have been somewhat reduced.

However, some questions remain regarding the threshold of 1 000 employees set by the social cohesion law.

In fact, Unedic (the French unemployment fund) estimates that there are 165 000 employees per year eligible for the CRP scheme but who, under the terms of the social modernisation law, are still not able to benefit from redeployment leave because they are from companies with fewer than 1 000 employees. However, around 25 000 of these are made redundant within the framework of a PSE (employment safeguard plan). The PSE relates to companies with more than 300 employees and determines the resources a company makes available for the redeployment of employees that have been laid off. As a result, there is a high likelihood that the companies concerned (between 300 and 1 000 employees) will shift the burden of redeployment costs on to the CRP, even if they have the resources to support their employees.

There is a danger, as a result, that they will limit their efforts in this area. In fact, some experts estimate that a threshold of 250 or 300 employees would have been more appropriate in the context of the CRP. It then would apply to those SMEs that do not generally have the means to put redeployment measures in place, and the redeployment leave scheme or its equivalent would then be extended to companies of more than 250 or 300 employees.

Lastly, the scheme is not entirely innovative in the history of employment policies in France, even if it addresses current concerns in employment policy. In fact, such a measure existed in a different form, the 'Retraining agreement' (*convention de conversion*), during the 1990s. It was abolished in 2000 by the social partners (Unedic) when they decided to modify the unemployment insurance regime, in particular by maintaining benefit payments throughout the entire period of insurance cover.

Aims

The CRP scheme is part of a set of measures related to the anticipation of restructuring.

In particular, it provides a **stimulus to human resource planning** by making negotiations on the subject of employment and skills obligatory every three years (for companies of 300 employees and more). The aim is to encourage companies to anticipate changes in employment and, by way of social dialogue, equip employees with the means to prepare for them. It should be noted that since spring 2004 financial encouragement for companies with fewer than 250 employees has existed in this area in the form of the 'Counselling aid' scheme run by the Ministry of Labour. It provides support for the establishment of human resource planning at company and area levels.

Secondly, it also provides a negotiated treatment of restructuring and redundancies through the conclusion of framework agreements (as is the case in many European countries). These set out procedures between the management and the workers' representatives, and the company's obligations in cases of restructuring.

The CRP is intended to play a part in enhancing employment security by offering personalised support for the eight months of the agreement and for the six months following the return to employment. It enables steps to be made in the direction of 'flexi-security', the concept used in France in attempts to resolve its unemployment problem.

Though the idea is very interesting, it is evident that the way the scheme is implemented will be crucial to its success.

Organisation, implementation and funding

The CRP is accessible to all employees, including those with less than one year of experience in the company. Previously, redeployment leave was available only to employees with at least two years' experience in companies with more than 1 000 employees.

Acceptance of the CRP entails immediate termination of the contract of employment. At that point, the beneficiary becomes 'a vocational trainee'.

Acceptance of the CRP gives the beneficiary a level of remuneration close, for those with two years' experience, to the previous level of pay. This is at least 80% of gross pay for three months, and then 70% for the next five months. For other employees, the standard rate of jobseeker compensation applies (57% of gross pay).

The scheme introduces an incentive towards making a rapid return to employment. If the person finds work within the eight-month period, the difference in wages (up to 15%) is made up by the scheme, when the beneficiary finds a job during the redeployment agreement period and the return to work involves smaller pay than in the previous job.

It offers personalised monitoring and support by an allocated case worker both during the period of the agreement – with support and training measures equivalent to those available as part of the PARE ('Back-to-work assistance plan') – and during the six months following the return to work.

Lastly, if the beneficiary has not found work at the end of the eight months, the scheme allows him or her to receive unemployment benefit for the normal insurance period minus the duration of the CRP – i.e. for a maximum period of 15 months.

The CRP is funded by different partners: by companies through the payment of a part of compensation in lieu of notice (two months) to Unedic; by Unedic, which funds the support measures; and, lastly, by the state, which takes responsibility for part of the training costs and finances the matching of the hours acquired in individual training entitlement. According to Unedic's calculations, the establishment of the CRP should not increase its deficit, which currently stands at EUR 11 billion. On the contrary, it is, in fact, expected to contribute EUR 2 billion.

Performance and achievements

The CRP came into force on 1 June 2005, barely six months after the law was passed. In the French context, this is remarkable, given the time usually taken to implement a new scheme. The social partners began negotiations very quickly, being convinced of the urgent need to respond to situations requiring public support for company restructuring.

Since it has only very recently been implemented, it is difficult as yet to anticipate the effects and impacts of such a measure. However, it could be anticipated that the results in terms of people returning to employment should be better with the

CRP. In fact, the previous scheme, the retraining agreement, quite similar in its aims, significantly improved the rate of return to employment. Under the retraining agreement, it stood at 55% after 12 months of unemployment, and fell by 10 points when the retraining agreements were abolished.

But the results will depend, above all, on the public employment service ability to support the redundant employees. The results so far in terms of personalised support have not always been very good (see, for example, the PARE). Personalised support has had difficulty establishing itself within the ANPE agencies, which are organised predominantly to work with large flows.

Nevertheless, the public employment service is undergoing significant change. The law on social cohesion has introduced the *Maisons de l'emploi* (employment centres) and put an end to the ANPE's monopoly. Although the introduction of the *Maisons de l'emploi* has fallen behind schedule⁽²⁵⁾, the ending of the ANPE monopoly on the placement of jobseekers has led to a number of experiments with the private sector (companies specialised in individual support), developed on the initiative of Unedic. Moreover, more and more local and regional authorities (particularly *Conseils généraux*) entrust the support of beneficiaries of the RMI to private employment companies. The French employment service scene is clearly undergoing significant change.

Lastly, the intersectoral agreement on the CRP is valid as long as the current unemployment insurance agreement remains in force. This latter will be renegotiated at the end of 2005 with

a probable renegotiation of the CRP to follow. It would be appropriate, then, to evaluate its first six months of operation at that point.

In late 2004, within the framework of the reform of redundancy provisions, the Minister for Social Cohesion, Jean-Louis Borloo, entrusted a mission on the 'intermediate contract' to Yazig Sabeg, chief executive of CS Communication et Système. It officially completed its work in March 2005. However, taking account of the fact that the proposals in the Sabeg report on redundant employees seemed different from – and, on the face of it, more ambitious than – those negotiated by the social partners through the CRP, the report was not published in March 2005 as planned. The proposals which did become known after the negotiations between the social partners seemed to stress the need to increase the resources for support, with increased contributions from companies. This was unlike the CRP, mostly funded by Unedic.

As far as redeployment measures are concerned, the government may well, then, try out a 'CRP Plus' scheme. This is to be monitored in future EEO work.

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⁽²⁵⁾ Only 16 projects have been granted accreditation since the beginning of the year. The next accreditation commissions are set to convene in September and December 2005. Knowing that the aim is to create 600 *Maisons de l'emploi* in five years, it can be expected that barely 50 of them will be up and running by the end of the year.

Germany

Self-employment programmes for unemployed people

Introduction

By the 1980s Germany had already introduced a policy to promote self-employment among unemployed people. Being an exception at that time, the instruments were refined and extended and became the most important parts of active labour market policy of today. In particular the Hartz reform for 'modern labour market services' promoted these developments. These ideas were strongly based on the theory of transitional labour markets which puts the focus of policy action on the rising risk of transition. The switch into self-employment is such a period of high risk.

The following report reviews the existing knowledge about the programmes and presents some preliminary assessments.

Both benefits are provided to registered unemployed persons or participants of job creation programmes (Table 1). While the business foundation grant is means-tested (maximum annual income from self-employment EUR 25 000), the transition benefit is not. However, the transition benefit is only paid for six months, and the business foundation grant is given for up to three years (with sequential grant periods of 12 months). The two programmes also differ by the level of benefits: the transition benefit includes the previous unemployment benefit plus a flat-rate contribution to social security premiums (in general 65% of unemployment benefits). Social security insurance is not obligatory. The business foundation grant is a flat-rate benefit with EUR 600 per month in the first year, EUR 360 in the second and EUR 240 in the third. Social security is compulsory and has to be paid by the beneficiary.

Features of the self-employment programmes

Germany actually applies three policy instruments to promote self-employment among unemployed people:

- A transition benefit (*Überbrückungsgeld*; § 57 SGB III) which provides financial support for six months to unemployed people becoming self-employed;
- A business foundation grant (*Existenzgründungszuschuss*; § 421 I SGB III; named 'ICH-AG' ⁽²⁶⁾) which supports unemployed people for up to three years with low and decreasing benefits;
- An entry benefit (*Einstiegsgeld*; § 29 SGB II) which provides help for recipients of the new complementary unemployment benefit (*Arbeitslosengeld II*).

The first two benefits are provided by the Federal Labour Office financed with unemployment insurance resource. The third one was introduced by January 2005 as part of the 'Hartz-IV' reform. It is funded by federal and communal budgets. As no detailed results are yet available for this, the report will concentrate on the first two instruments.

The persons can choose between the two benefit schemes. As a general rule, unemployed people who receive higher benefits and expect a rapid increase of income above the limit of EUR 25 000 per year will select the transition benefit while people with low benefits and low-income expectations will select the business foundation grant (Koch, Wießner, 2003).

Beneficiaries of the business foundation grant are given preferential premiums in public social insurance. Nevertheless, the minimum monthly rate for pension, health and social care insurance is EUR 388 in eastern and EUR 425 in western Germany (BMWA, 2005). Great parts of the benefit therefore have to be used to fund social insurance costs. Beneficiaries of the transition benefit are free from public social insurance but also have to fund social insurance out of their own resources. For both schemes, the return to unemployment insurance is only possible if existing entitlements were not fully used. The remaining entitlement periods can be claimed within four years as long as the requirements for unemployment benefits are fulfilled.

Objectives

The two instruments have the same target group of unemployed people intending to become self-employed but they address different targets. While the transition benefit primarily aims at raising the employment rate and thus maintaining the employability of unemployed workers, the business

⁽²⁶⁾ The direct translation is 'Me-plc', and means an individual working as a business company. The notion does not indicate the legal construct of a firm.

Table 1 – Features

| | Transition benefit (<i>Überbrückungsgeld</i> §57 SGB III) | Business foundation grant (<i>Existenzgründungszuschuss</i> §421 I SGB III; ICH-AG) |
|-------------------------|---|--|
| Requirements | <ul style="list-style-type: none"> Entitlement for unemployment benefits (<i>Arbeitslosengeld I</i>) or participation in job creation programme Self-employment intended as main activity Professional assessment of business plan | <ul style="list-style-type: none"> Entitlement for unemployment benefits (<i>Arbeitslosengeld I</i>) or participation in job creation programme Self-employment intended as main activity Professional assessment of business plan (since 2005) Annual labour income up to EUR 25 000 |
| Benefits | <ul style="list-style-type: none"> Monthly benefit equals the unemployment benefit plus a lump-sum social insurance contribution (65% of unemployment benefits in general). Benefits are paid for six months. | <ul style="list-style-type: none"> Monthly benefits of EUR 600 in the first year, EUR 360 in the second, and EUR 240 in the third. Benefits are paid for three years at the maximum, but are granted sequentially for 12 months. |
| Social insurance | <ul style="list-style-type: none"> Social insurance is the responsibility of the beneficiary. No obligation to enter public social insurance. The benefit is free of taxes; self-employed incomes are due to normal taxation. Remaining entitlements to unemployment insurance can be claimed within four years. | <ul style="list-style-type: none"> Compulsory membership in public social insurance. Health and social care insurance are granted at preferential rates. After the support period, social insurance is the responsibility of the beneficiaries. The benefit is free of taxes; self-employed incomes are due to normal taxation. Remaining entitlements to unemployment insurance can be claimed within four years. |
| Limitations | <ul style="list-style-type: none"> Benefits are not paid for cut-off times or periods in which other social benefits are granted. Beneficiaries cannot apply for additional funding before 24 months after the end of the payment period. | <ul style="list-style-type: none"> Benefits are not paid for cut-off times or periods in which other social benefits are granted. Benefits are not paid if the annual income of the previous year exceeds EUR 25 000. Granted benefits do not have to be reimbursed. Beneficiaries cannot apply for additional support before 24 months after the end of the previous payment period. The validity period of the law is limited to 31 december 2005. |

foundation grant targets exploiting the demand for low-cost services and restricting the black economy.

Transition benefits were justified in the 1980s by the argument that unemployed persons intending to become self-employed will be confronted with severe barriers on the capital and product markets (Wießner, 2001). The benefits therefore paid

for subsistence needs of the self-employed during a transition period. It was not intended to substitute various public business foundation subsidies and was therefore paid in addition to these programmes.

However, the transition to self-employment was not the main task of labour market services, thus transition benefits were an

exception rather than a regular instrument of active labour market policy. This has changed with the new approach of the Hartz Commission developing all bridges to the labour market. The intention was and is to raise the overall employment level by directly extending the number of self-employed persons and indirectly creating additional jobs by these new entrepreneurs.

It was the idea of the Hartz Commission to suggest the 'ICH-AG' as a pre-stage to self-employed business (Hartz, 2002, p. 163). The federal government followed these ideas and implemented the business foundation grant (*Existenzgründungszuschuss*) in 2003. Based on the argument that Germany has five million black-economy workers and a great demand for household services provided by the black economy, a legal form of small-scale self-employment was recommended. The great potential of low-cost services should be used to open a bridge to full-scale self-employment. With compulsory social insurance and declared incomes, parts of the black economy should be transferred into an official business. It was suggested to support this business by low-income tax rates, simplified tax reporting rules, and tax deduction of household services for private customers.

Both instruments therefore follow three principal ideas, described below.

- Unused market potential should be exploited by promoting the entrepreneurial potential of unemployed people being able to create their own and preferably additional jobs. Thus structural transition of the German economy should be fostered with positive growth and employment effects, in particular in service sectors.
- Social insurance budgets should be improved by increasing the amount of legal low-income jobs at the expense of the black economy. Even at low tax rates the extension of the legal economy in low-income areas could positively contribute to public revenues.
- Unemployment should be reduced by opening the labour market for marginal jobs with low-volume (low-income) self-employment and marginal dependent employment in the form of 'mini-jobs'. The introduction of the business foundation grant therefore has to be seen in connection with the more liberal legal regulation of 'mini-jobs' and the suspension of the restrictive regulation on 'quasi-self-employment'.

(27) The new regulation under the so-called 'Hartz-IV-Act' distinguishes between unemployment insurance benefits (*Arbeitslosengeld I*) and complementary unemployment benefits (*Arbeitslosengeld II*) which merged the former unemployment aid and social welfare benefits to basic income for jobseekers. While the first one is financed through unemployment insurance, the second is funded by federal and communal budgets.

Implementation

Both programmes are part of active labour market policy in Germany and are run by the Federal Labour Office (*Bundesagentur für Arbeit*). As only unemployed people eligible for regular unemployment benefits (*Arbeitslosengeld I*) can be supported, no other institutions are involved.

The benefits are obligatory as far as unemployed people fulfil the requirements. This means that unemployment insurance has to pay the benefits on demand disregarding the budgetary situation of unemployment insurance.

Performance and achievements

In May 2005, the stock of beneficiaries of the two programmes was 330 000, 93 935 participants in the transition benefit programme and 235 936 in the business foundation grant. In relation to total unemployment in May 2005 the programmes' share is 7%. Measured by the number of participants, the two programmes are the most important part of active labour market policy in Germany. Early estimates of the potential for self-employment among unemployed people came to much lower figures. About 3% of all unemployed persons were expected to look for a self-employed activity (Pfeiffer, 1999).

In 2004, EUR 2.9 billion were spent through the two programmes (EUR 1.8 billion for the transition benefit and EUR 1.1 billion for the business foundation grant).

The number of entries into the programmes increased continuously until 2004. In particular, the entries into the business foundation grant doubled within a year. By the beginning of 2005 the number of participants decreased in both programmes due to changes in unemployment insurance regulation⁽²⁷⁾. The restriction of the programmes to regular unemployment insurance (*Arbeitslosengeld I*) reduced the number of eligible unemployed people considerably. Moreover, the anticipation of the programme changes triggered a run to the programmes – to the business foundation grant in particular – by the end of 2004.

Table 2 – Yearly entries

| Year | Transition benefit | Business foundation grant |
|------|--------------------|---------------------------|
| 2001 | 95 000 | |
| 2002 | 121 000 | |
| 2003 | 158 000 | 86 000 |
| 2004 | 181 000 | 164 000 |
| 2005 | 168 000 (*) | 121 000 (*) |

(*) Estimate on the basis of January to May 2005.

Source: Bundesagentur für Arbeit, Economix.

Early investigations of the socioeconomic structure of unemployed people considering self-employment showed more similarities to the characteristics of the self-employed than those of employees. More men than women were among them and more master craftsmen than craftsmen. While in the early 1990s the group considering self-employment among unemployed people was similar to employees, the rise of unemployment levels raised the attractiveness of self-employment. The selection rules of potential entrepreneurs amongst unemployed people changed as the transition to self-employment was opened more widely. The changes are also addressed in the introduction of the transition benefits which reduced the financial risks of an 'entrepreneurial adventure' (Pfeiffer, 1999).

Evaluation of transition benefits

The evaluation of the transition benefits undertaken at the Institut für Arbeitsmarkt- und Berufsforschung (IAB) by Wießner (2001) led to very positive results compared with other ALP programmes:

- 70% of the participants were still self-employed three years after passing the programme. The survival function was linear in relation to time, and it was very similar to foundations of non-unemployed business founders. A further 13% of participants were employed in a new dependent job, 11% were unemployed, and 6% were in training measures and other ALP schemes;
- 45% of the new entrepreneurs employed additional workers; on average one additional job was created by every beneficiary;
- 50% of the new companies were profitable in the first year, 66% in the second year and 74% in the third year;
- For one third of the participants incomes were higher than before; 50% had lower incomes;

- Average weekly working hours increased by 10 hours;
- Individual perspectives were positive: 87% wanted to remain in their self-employed position; 31% expected rising turnover of their company; only 8% expected a decline;
- Only 5% had no health insurance and 13% did not pay pension insurance premiums.

Many of the founders changed their sector of activity leaving agriculture or manufacturing and entering trade, insurance, and other services sectors. Thus the programme contributed to restructuring of the German economy. Occupational mobility was partial rather than total: 30% continued their former profession, 56% changed their occupational activity in part, 15% in total.

Deadweight losses were not significant. Only 14% of the beneficiaries would have taken their step into self-employment even without public support, 44% would have realised their plans with time lags or lower volume, and 42% would not have become self-employed without the benefits.

Among various success factors, some were particularly important:

- Vocational training as blue-collar workers and a leading position as master craftsman (*Meister*) were highly significant for the success;
- The external assessment of the business plan was very important;
- The volume of the seed-capital was important;
- Married founders and those living in partnerships were more successful than singles;
- Older workers (55 +) were less successful than younger workers;

- Foundations by men were more successful than those by women;
- The duration of unemployment spells negatively affected the success rates.

Most interestingly, a former management experience negatively affected the success rate as did former self-employment. This is addressed as a negative selection effect as these persons became unemployed in their former position. This indicates the possibility of a failure in their previous job.

The advantage of the instrument is the target group-oriented approach which selects potential entrepreneurs among unemployed people rather than a broad reduction of unemployment. Therefore, the positive selection of entrepreneurial characters among unemployed people strongly explains the success of the programme.

Business foundation grant

While the evaluation of the two programmes is currently undertaken by a research group including the IAB, first results on the performance of the business foundation grant are only available from an investigation of drop-outs by Wießner (2005). Following this report, 18% of the participants left the programme in 2004. These persons chose the programme because:

- It was financially superior to transition benefits (61% of respondents);
- It was recommended by the placement officer or consultants (40%);
- It allowed an unbureaucratic entry (35%) and, in 2004, there was no obligation to establish a business plan (24%);
- Regular unemployment benefits expired (10%).

This indicates that the drop-outs selected the programme mainly on financial considerations and easy entry rules. These results are certainly not representative for the participants but they reveal that the programme was not targeted sufficiently to block such entries. With the new regulation in 2005, all applicants therefore have to provide a business plan.

The drop-outs ended their self-employed activity due to lack of orders (57%) and/or lack of financial resources (48%). Moreover, 20% underestimated the cost of obligatory social insurance. One out of six evaluated the entrepreneurial idea with greater scepticism than before.

The investigation showed that self-employment was undertaken with strong commitments. For more than half of the drop-outs the activity was a full-time job, and only 5% had a second job. Similarly, 56% were experienced in the business from a previous job, and one third was burdened with credit obligations connected to the business.

These results confirm the impression that the recommendation to become self-employed and the support of such a redirection of activities should not be made too easy and requires critical assessment not only of markets but also of the personal profile of beneficiaries. Without anticipating the results of the forthcoming evaluation, some scepticism seems to be justified as concerns making the entry to self-employment too broad and too easy.

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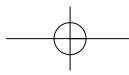
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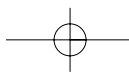
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Greece

Career offices at tertiary educational establishments in Greece

Introduction

Career offices are relatively new in Greece. The first ones were established during the early 1990s. Initially, career offices operated in 12 universities and were financed as pilot actions from EU resources (first Community support framework, 1989-93). During the second programming period (1994-99), career offices were extended to all tertiary education establishments (18 universities and 15 higher technological institutions). Currently they continue to operate with the financial assistance of the European Social Fund as part of the 'Operational programme for education and initial vocational training' (EPEAEK) under the third Community support framework (2000-06).

This paper discusses career offices at tertiary educational establishments in Greece.

Objectives

The main mission of the career offices is twofold:

- To advise and assist students and graduates about making decisions on career choices and to inform them about job opportunities, as well as academic programmes and scholarships that could enhance their qualifications; and
- To inform the educational planning bodies on recent labour market changes, thus enabling them to update curricula and bring them in line with current labour market needs.

In order to meet these objectives, career offices provide a full range of career and employment related services, including career counselling and placement services. The staff strives to:

- Help students to clarify and evaluate their career and educational goals with counselling and vocational guidance;
- Provide information on a wide range of subjects, such as the labour market, educational opportunities and scholarships, and training;

- Support the implementation of practical training programmes of students and graduates;
- Establish links and work in partnership with various actors including public and private sector organisations and agencies, foreign educational establishments and, of course, the academic community;
- Inform employers on the skills and competences of graduates;
- Collect data on the academic, personal and professional development of students and graduates and outcomes;
- Collect data on employment prospects in the labour market, analyse recent labour market changes and conduct forward-looking employment studies;
- Regularly conduct workshops and seminars on issues such as job search, resumés and coaching, interview skills, and personality and interest testing;
- Create links with secondary education schools; and
- Support the formation of alumni associations.

In short, career offices are dedicated to assisting students and graduates to develop their career and educational goals and pathways. They offer a career guidance system that uses the most current (computer-based) technology and information to teach students and alumni the skills necessary to achieve their career objectives. Career offices maintain up-to-date libraries containing occupational and other information, employer-related directories, job search guides, and graduate school information.

The Greek context

Career offices offer innovative services within the Greek educational and employment context in a number of areas.

Firstly, by providing periodic and up-to-date studies of the labour market, career offices are thought to contribute to closing the gap that currently exists between labour market needs and tertiary education ⁽²⁸⁾.

⁽²⁸⁾ Tertiary-level education in Greece comprises universities (18) and technological education institutions (TEIs, 15). The latter are non-university tertiary-level establishments, intended to respond to the labour market requirements.

Greece has a significant problem with widespread graduate unemployment. The transition from school to work takes longer in Greece in relation to most other EU countries, and long periods of unemployment following graduation are not uncommon. According to the latest national statistics ⁽²⁹⁾, the unemployment rate of university and TEI graduates is 9.83%, close to the national average of 10.2%. The situation appears to be particularly difficult for TEI graduates. Their unemployment rate is much higher than the national average (12.4% in contrast to the national average of 10.2%) and higher than the unemployment rate of any other educational group (including those without or with little schooling).

Numerous studies have focused on the problem of graduate unemployment. Their conclusion quite often was that the Greek tertiary educational system is, on the whole, not geared enough towards the needs of employers and the labour market. Therefore, at least at the beginning of the 1990s, one of the policy priorities was to reorient the educational system towards the needs of the labour market. In general, measures to increase links with the labour market achieved only modest success, as the educational system proved to be resistant to change, for reasons, among others, connected to traditional inertia.

Another area where career offices make a contribution is counselling and vocational guidance. Guidance services are not very well organised in Greece, as existing services mainly deal with people in secondary education. In contrast, there are no vocational guidance services for people choosing vocational training, as well as no services for large segments of the labour force (such as employed workers, older workers). The establishment of lifelong guidance structures, offering comprehensive advice and counselling, is still in its initial stage. Information needs, on the other hand, are certain to have grown recently, especially for university and TEI students and graduates. This is because tertiary education is currently expanding in Greece. Between 1996 and 2002, the number of first-year students increased substantially, from 49 394 to 83 050 persons, an increase of 68%. The sudden increase in the number of students at the tertiary level has revealed existing gaps in the provision of counselling and guidance services. By encouraging and facilitating participation of students and graduates in a learning process, combined with self-assessment and knowledge of the world of work, career offices are laying the foundations for the establishment of a lifelong vocational guidance system.

A third area where career offices are making a contribution is placement and mediation services. This is welcomed, as, for a variety of reasons, job search assistance is not very well organised in Greece. Up until the 1990s, both the design and the

implementation of active labour market policies, including job search assistance, were largely done by one government organisation, the Manpower Employment Organisation (OAED). The latter had a highly centralised structure, and, with a few exceptions, held a monopoly on job brokerage. During the 1990s this situation changed considerably. Today, OAED continues to be the main agency responsible for the integration of unemployed people, but there is much more variety in relation to implementation of active policies. Largely thanks to EU resources, a number of governmental departments and agencies have increasingly become engaged in designing and delivering proactive policies, mainly in the field of training, but also in the areas of counselling and advice, work experience, recruitment incentives, and business start-ups. In 1998, the state partly abolished its monopoly on the provision of employment services. As a result, private employment offices are now allowed to work with specific categories of workers.

Since at least 1996, OAED has been engaged in a major reorganisational effort, in an attempt to introduce and implement approaches based on prevention and early intervention. This policy has been connected with the modernisation of the public employment services (PES), or centres for the promotion of employment (KPA) in Greece. Today an adequate KPA network is in place and personalised employment assistance, involving individual action plans, has already covered a large segment of registered unemployed people. Yet in trying to establish modern employment services, OAED is thought to have lost its share of vacancies in the open market. As a result, the overwhelming majority of placements made by OAED are connected in some way with active labour market policies and subsidies. Raising the number of vacancies notified to KPA and improving the vacancy-filling performance is among OAED's future objectives. But in the meantime, career offices are the single most important instrument to help university students and graduates to get a job.

Organisation, implementation and funding

Career office activities are organised in 33 so-called 'vertical' actions and two 'horizontal' actions. Vertical actions are 33 career offices, each situated in a university or a TEI. Horizontal actions are consortiums of all universities and TEIs, aiming to:

- Support and strengthen career offices' activities within universities and TEIs;

⁽²⁹⁾ National Statistical Service, Labour Force Survey results for the second quarter of 2004.

- Save resources (both human and material) through the development of products and services to be used by all career offices;
- Study, organise and coordinate the running of a computer-based system (MIS) for the dissemination of information.

These general objectives are supplemented by a number of special objectives, including:

- Establishing a common framework for monitoring the profile as well as the needs of students and graduates seeking information and guidance;
- Developing a system for overseeing the activities of the career offices;
- Establishing common terms of reference for the labour market and other studies being conducted by the career offices;
- Providing continuing training of the personnel of the career offices;
- Raising the public image of the offices and the wider dissemination of achievements;
- Developing a common code of practice;
- Viability studies.

In practice, the two horizontal actions (one for universities and one for TEIs) operate as ongoing evaluation mechanisms. Their mission is to assess the performance of career offices, to identify problems stemming both from the initial planning and from the day-to-day running and to propose actions to increase effectiveness and efficiency.

Career offices receive funding from the 'Operational programme for education and initial vocational training' (EPEAEK), one of the operational programmes of the third Community support framework (third CSF, 2000-06). EPEAEK is one of the two main programmes on human resources⁽³⁰⁾. The implementation of these programmes is supported by the Structural Funds. The activities of the career offices are closely monitored by the services of the Ministry of Education, which is responsible for the implementation of the programme.

Career offices have a budget of EUR 13.1 million for the period of the third CSF (2000-06). This amount of money is expect-

ed to cover the operation of the 33 established offices. A separate budget of EUR 2.5 million has been set aside to cover the set-up of new offices in the four new universities and TEIs currently established⁽³¹⁾ as well as to cover the formation of seven or eight new branches in smaller towns where universities have recently opened new departments. Finally, the two 'horizontal' actions are to receive funding up to EUR 0.8 million each for the whole of the 2000-06 period. According to reports, the career offices are well on their way towards implementing the budget. It should also be noted that the career offices managed to implement the budget during the previous programming period (second CSF, 1994-99). So, at least financially, career offices appear to be successful.

Performance and achievements

A full-scale evaluation study of the career offices was commissioned by the Ministry of Education in 1999⁽³²⁾. This study shed light on the daily operation of the career offices and highlighted a number of policy options of the future. The study reached a number of conclusions, including the following:

- Career offices would certainly not have been created in all tertiary education institutes in the absence of EU support. This is because the main priority of tertiary education institutes was (and perhaps still is) to respond to a strong excess demand for student places. Thus, all investment and effort is guided towards creating more places.
- Career offices have left a lasting imprint as one of the steps towards changing thinking about the role of tertiary education and its links with the labour market. Because of career offices, university students and employers have come closer. The pursuit of such an objective was not evident at the beginning of the 1990s.
- The evaluation has noted uneven effectiveness of different career offices depending on whether the educational institution was university or non-university (TEI). The latter were more efficient as they traditionally maintained closer links with enterprises. Weaknesses were also noted in terms of gaining insights in local labour markets and in terms of reaching out and building relationships with the private sector and with employers in general. Career offices proved strong in providing information and assistance to students regarding postgraduate studies. This

⁽³⁰⁾ The other is employment and continuing training.

⁽³¹⁾ Universities of Peloponissos, Dytiki Makedonia, Sterea Ellada and TEI of Ionian Islands.

⁽³²⁾ Ministry of Education and Religious Affairs, 1999, *Evaluation of career offices* (in Greek).

should have been a secondary function of career offices but in the end, nearly 40% of requests for information were related to postgraduate studies.

More recent information on the activities of the career offices comes from a study on performance ⁽³³⁾. Although this is not strictly an evaluation study, it nevertheless permits useful insights on various aspects of career offices work.

According to the 2003-04 findings, 36 864 TEI graduates were registered in one of the 15 TEI career offices. During the same period, 17 532 graduates visited career offices either to register or renew their registration. Visits from current students amounted to 13 883 persons (the total number of TEI students is estimated at 86 659 for the academic year 2000-01).

The total number of beneficiaries (students and graduates) from career offices' promotional activities during the period 2000-04 is estimated at 34 529 persons. These persons participated in workshops (28), seminars (34), job fairs (8) and training courses (36). They have also benefited from publication of information material.

Regarding job search and placements during 2003-04, 2 699 graduates and 2 578 students requested information regarding vacancies. Of these persons, 1 232 graduates (45.6% of the total number of persons applying for a post), and 240 students (9.3%) have found work. In other words, around 30% of clients were successful in finding a job. The number of employers currently registered with career offices is estimated to be 8 900.

Finally, 8 267 students and 6 125 graduates requested information concerning postgraduate courses during the same time period (2003-04).

It should be noted that the total number of persons employed by the 15 career offices is just 67. Of these, 57% are full-time and 34% work on a part-time basis. It would thus appear that

career offices are cost-efficient. This is closely connected with the fact that most of the services provided are computer-based.

Comparing these with the previous results, it could be concluded that, although the information role of career offices is still dominant, the job-matching function has gained ground. Further strengthening this aspect of the work of career offices is certain to hold gains for both the student community and local employers.

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The websites of career offices can be accessed through the following links. Some career offices maintain their pages in English.

Ministry of Education and Religious Affairs:
<http://www.ypepth.gr>

Universities:
http://www.ypepth.gr/en_ec_page3824.htm

Technological education institutes:
http://www.ypepth.gr/en_ec_page3825.htm

⁽³³⁾ Chrysakis E., 2004, *Report on the activities of career offices in TEIs* (in Greek).

Hungary

The effect of a public sector wage increase on relative wages

Aspects of the inactivity rate in Hungary

Introduction

This article on policies in the Hungarian labour market discusses two important issues for the national economy. Perhaps the most significant labour policy regulation was the introduction of a one-time increase in the public sector employees' wages. This provision raised the salaries, overnight, of a large proportion of the employed workforce in 2002 ⁽³⁴⁾. The first part of the review takes into account the effect of this change on the relative wages between the public and corporate sector. It documents the changes in the relative wages, and it discusses what the effect of this increase could be on the level of employment in the overall economy in the short and long run. In the second part of the review, I argue that a group of the inactive population in Hungary will probably never get a job again, and discuss some reasons for the inactivity of middle-age individuals.

These subjects are crucial for Hungary, as they directly influence the employment rate, which is one of the most important concerns of labour market policy in Hungary. This is reflected in the recommendations of the European Council.

The effect of the wage increase of public sector employees

A few months after the governmental election in 2002, the Socialist-Liberal coalition decided to fulfil its promise and increased the wages of all public sector employees by 50%. As a result of this, in September 2002, over 800 000 workers (or about one quarter of the Hungarian labour force) received a large wage increase. Needless to say, this affected the economy in several ways, the direct impact being the increase of the relative wages in the public sector, compared to the private sector. This increased

the supply of labour for jobs in the public sector. In addition, it probably also raised wages in the private sector, because of wage tensions. If the private sector wanted to keep well-qualified and skilled workers, it had to offer them higher wages. As the three largest industries within the public sector are state administration, education and healthcare, a secondary effect of the wage increase is that the negative selection in these fields stopped. It has been argued that it takes place on two grounds. Firstly, many specialists left these sectors and became employees of private companies, and secondly, when high-school graduates decided which profession to pursue (and thus the university to apply to), there was a negative selection going on with respect to jobs that would probably lead to becoming a public sector employee. The lower level of the expected future salaries led individuals with higher abilities to choose jobs that would not tie them to the public sector, especially if the skills for the given job were highly specialised, and thus it is very costly to change profession. As more able individuals are more likely to get well-paid jobs in the private sector, *ceteris paribus*, the unfavourable wages in the public sector attracted a higher proportion of less able individuals to these jobs.

Hence, the wage increase could potentially have at least two positive effects. It increases the labour supply in the overall economy, and it increased – or it is going to increase in the long run – the quality of the workforce in the sectors predominantly operated by the state. This is in conformity with the recommendation of the European Council, namely that the investment in human capital, lifelong learning and the health of the workforce should be increased. As the two major sectors dealing with human capital are education and healthcare, the higher quality workforce of these is going to have a positive effect on the human capital of people. In addition, if we assume that there is a lower degree of discrimination against certain demographic groups in the public sector, the higher wages could attenuate the overall degree of discrimination in the country. For example, if the proportion of women is higher in the public sector, this group as a whole enjoyed the wage increase more than men.

⁽³⁴⁾ The government announced an increase of around 50%, but calculations on the basis of the Wage Survey Data of Hungarian workers (*béretarifa felmérés* in Hungarian) show that it was probably less than that, about 42% on average. In any case, the increase was very large.

A large wage increase, however, affects not only the supply, but at the same time the demand side of the labour market. As an answer to higher employment costs, private employers would decrease the level of hiring in the short run, and in the long run switch to labour saving technologies, both leading to job losses. Secondly, the increase of public sector wages put a huge burden on the state budget and thus the government started to construct strategies which would lead to a decrease in the number of public sector employees. Indirect evidence showing that this is actually happening is the creation of Law 122/2004, aiming to decrease the burden of public sector employees who lose their jobs.

The data used for the following calculations are the Wage Survey Data, a database that provides a representative sample of workers in the private and public sectors ⁽³⁵⁾. An important critique of these data is that small firms are underrepresented. As there is widespread evidence that large firms in general pay higher wages than small firms, the relative public corporate sector wages will be underestimated. If in the sample the small companies were represented according to their real weight in the economy, we would probably measure a larger public wage premium (or a smaller premium in the private sector). This caveat must be remembered in the discussion of the relative wages between the public and corporate sector. The average wages in May 2002 (several months before the wage increase) are compared with the wages in May 2004, the most recent available information on wages.

The relative wage can be defined as the average wage in the public sector over the average wage received by the employees in corporations. The composition of workers is very different in the two sectors. The proportion of highly educated workers in the public sector is much higher than in the corporate sector. Thus, looking at the relative wages between the two sectors does not provide much information. When people make their decisions about where to take a job, they take into

account the relative wages within their educational and demographic category, and not the relative wage of all workers. Table 1 shows the relative wages by type of education, one of the most important determinants of earnings.

In 2002, workers from each educational category had a negative wage premium in the public sector. Interestingly, the smallest difference in the wages in the two sectors is experienced by the least educated workers, those who have completed eight or fewer years of schooling. For this category the difference in wages is only 15.4%. This difference increases by type of education: those whose highest education is vocational school had a wage difference of 20.4% in 2002; those with a high-school diploma had 24.2%; and the most negative wage premium is measured for university graduates, who received on average a smaller wage, by 47.1%, in the public than in the private sector. In 2004, as a result of the public sector wage increase, relative wages increased dramatically, and in almost all educational categories public sector employees benefited from a wage premium. The magnitude of this premium is the following: 12% for elementary schooling, 10% for vocational, 5% for high-school graduates. The wage gap for university graduates decreased, but it was still largely negative: public sector employees with a university degree earned 25% less on average than workers with the same educational level in the corporate sector.

In conclusion, the wage increase by the same proportion for all public sector employees decreased only somewhat the wage differentials. For many employees it simply flipped the relative wage between the two sectors, and, after the increase, corporate sector employees earned significantly lower wages than similarly educated workers in the public sector. On the contrary, university graduates still earned much less in the public sector than their colleagues employed in corporations. While more elaborated analysis is required to compute more precisely the actual wage gap between the two sectors, taking into

Table 1 – Relative wages between the public and corporate sector

| Type of education | Relative wage | |
|-------------------|---------------|------|
| | 2002 | 2004 |
| Elementary | 84.6 | 1.12 |
| Vocational | 79.6 | 1.10 |
| High school | 75.8 | 1.05 |
| University | 52.9 | 0.75 |

Source: Wage Survey Data, 2002 and 2004.

Number of observations: 192 772 in 2002, 209 841 in 2004.

⁽³⁵⁾ State-owned corporations – such as the Hungarian Post and Railway – were not affected by the wage increase and are thus grouped together with the private corporations.

account not only the wage difference, but also other job characteristics, which provide utility for workers (job security, stress, hours worked, working conditions, the challenges involved with the tasks), from the analysis above we can conclude that it would have not been necessary to raise the wages of lower educated workers. This provision placed a great burden on the state budget, and it probably pressured wages in the corporate sector. A heterogeneous increase by level of education or type of job would have resulted in a much healthier – and cheaper to produce – wage structure of the overall economy.

Inactivity in Hungary: an assessment

In this section two issues related to the high economic inactivity rate in Hungary are discussed. The activity rate was 62.7% for the population between 15-64 years in Hungary, which is very low in comparison with the European Union average, which is higher by almost 10 percentage points (Eurostat). The importance of this characteristic of the Hungarian labour market is also reflected in the Lisbon report, which recommends that the government should find ways to increase the participation rate. Some features of the composition of inactive people, and the relationship between early retirement and middle-age inactive people, are discussed below.

Why is the inactivity rate so high?

The inactivity rate in Hungary has been rather stable in the last 10 years. In 1994, it rose above 40% for males and 57% for females (for the population above 15), and it remained at these high values until the present (Fazekas et al. 2004, Table 6.1). The question is why the rate is so high and stable.

There are some characteristics of the inactivity, however, which may alter the labour market policy importance of the low activity rate. Köllő (2005) analysed the composition of inactive people in 2000 by the year when these individuals last worked. In other words, he computed how the proportion of inactive people had changed by the time of job loss (or, what is the duration of the job loss in Hungary for current inactive people?). In general, this proportion should increase with age. The later someone lost his/her job, the more likely it was that this person could not find a new job. This regularity applies to the Hungarian inactive people, except for those who lost their jobs between 1989 and 1991, the years of the transition from the communist system (Figure 1). Köllő shows that there is a large mass of workers who lost their jobs during these years, and were unable to get another job by 2000, 10 years later. For example, out of the population aged between 25 and 74,

about 270d about 220 000 one year later, and these individuals never worked again. Without this group, the Hungarian inactivity rate would be about 8% lower, a figure that is comparable to the European Union average.

Unfortunately, this group is likely to remain out of the labour force for a long time. If someone has not been able to find a job for 10 years, they are very unlikely to find one for a number of reasons. Firstly, and most importantly, their skills are likely to have deteriorated during such a long period of time. This is typical of long-term unemployment (or inactivity) everywhere, but in quickly changing conditions of the Hungarian economy it is particularly harsh. These people worked only under the socialist system, so most of their skills are probably worthless 15 years after Hungary became a market economy. Secondly, these people have probably lost any hope of finding a new job; they have become completely discouraged and thus are not looking for a job at all, further lowering the possibility of getting one. Thirdly, there is probably a stigmatisation associated with long-term inactivity. If employers believe that this group of people has lower productivity than other workers, they may use the length of inactivity as a screening device to avoid workers who are less productive. If someone has not had a job for a long period, they will be unlikely to employ this person, even though it is possible that the individual is productive.

This is an important problem to be addressed by policy-makers. The fact that long-term inactive people are unlikely to get a new job should be taken into account in labour policy. These inactive people will most likely not re-enter the labour market and, consequently, their activity rates will be low for a long period. In conclusion, the policy aiming to raise the Hungarian activity rate should be primarily aimed towards those who are inactive but still have a chance of getting back into the labour market. These are people who left the labour force in the last few years, so they are still attached to the labour force, and also have a chance of getting a new job.

An important escape route: early retirement

There are several determinants of the inactivity of a person, one of them being the attractiveness of the alternatives to work. Obviously, if a person finds it hard to get a job – or is not satisfied with the wage he or she can earn – he or she may consider the alternatives of work, such as subsidies or early retirement.

Early retirement is rather widespread in Hungary. As Cseres (2005) shows, among women of 50 years of age, more than 15% are already retired, and 21% receive a disability pension. The proportion of old-age retirees does not change by age 55, but the proportion of disability pensioners climbs up to about 30%. For men, early old-age retirement is not a common

option at age 55, but by the age of 60 approximately 27% of men are retired. Disability retirement is already high at age 50 (21% of the total male population) and by age 55 it reaches 30%, declining somewhat by retirement age. Cseres compares the Hungarian figures with the United Kingdom and the Netherlands, and finds that the main difference between the countries in this respect is that in Hungary the retirement age is lower than in the two western countries. This difference is obvious for old-age pensioners, but it also applies to disability pensioners. Although the proportion of disabled people in the United Kingdom and the Netherlands is smaller within an age group, it is similar to the Hungarian figures if one compares them within groups which have the same number of years by old-age pension eligibility.

The old-age pension eligibility age is 62 years for both men and women in Hungary, but there are many exemptions. To ensure a gradual approach, for those women who were born between 1940 and 1946, the retirement age varies between 55 and 61 (those who were born in 1940, at the age of 55, and those who were born in 1946, at the age of 61), and, for those men who were born before 1938, the retirement age is 61. Also, those who have the number of worked years required for old-age pension (at least 20 years), and have less than five years missing from their age, can be granted. Those who worked under hard conditions are also eligible for early retirement ⁽³⁶⁾.

In conclusion, there are at least two ways by which the low participation rate of middle-aged people could be increased. Firstly, the overall retirement age could be increased. While the increase of women's retirement age up to the men's is a way

forward in this direction, the overall retirement age is still rather low. However, it is possible that the increase in the retirement age would increase the unemployment rate but not the employment rate, should the conditions of the economy be such that there is low demand for older workers. Secondly, disability pensions are rather widespread, and this can be attributed – at least partially – to either too light regulation or corruption. There is some evidence which shows that many people continue to work in the grey economy after they become eligible for this type of subsidy.

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⁽³⁶⁾ For a detailed description of pension eligibility, see the web page of the Hungarian Ministry of Finance: <http://www.fmm.gov.hu/main.php?folderID=3606&articleID=1602&ctag=articlelist&iid=2#paragr2>.

Ireland

Enterprise action plan in Ireland

Introduction

This paper discusses the commitment of the Irish national government to the implementation of the enterprise action plan, an initiative arising from the Enterprise Strategy Group. The group was established to advise on medium-term enterprise strategy, and to propose and prioritise national policy responses that will strengthen Ireland's competitiveness. The plan places labour market policy right at the heart of building on Ireland's competitiveness, and is unique in its outlook, having been devised predominantly by representatives from the private sector, rather than central government or academia. As a consequence, it centres on such themes as in-company training and lifelong learning, and signals a move away from more traditional labour market interventions.

The Irish context

Main working principles and features

The Enterprise Strategy Group's paper, 'Ahead of the curve – Ireland's place in the global economy' 2004, outlined the challenges and opportunities facing the enterprise sector in Ireland over the coming decade. It also proposed recommendations to the government on how the economy is to face these challenges.

The government, through the Department of Enterprise, Trade and Employment, committed itself to implementing 70% of the 51 recommendations proposed within 'Ahead of the curve' across each of these five critical success factors, and to delivering partial or modified implementation of all but two of the remaining recommendations. This was formalised within the enterprise action plan, launched in February 2005. The third of the factors identified as critical to building sustainable enterprise, concerning education and training and skills development, is clearly focused on innovative labour market policy development.

One of the major 'headline' labour market policy interventions to emerge from the recommendations of the Enterprise Strategy Group is the launch of the 'One step up' initiative, a national skills development programme facilitated by the

National Framework of Qualifications and targeted at those already in employment. This initiative is indicative of a general shift in focus towards increasing the adaptability of the existing labour force, ensuring that they can remain flexible to the needs of industry and continue in employment as particular sectors of activity decline and new sectors grow. For the first time labour market policy has been explicitly led by input from the private sector, and this has resulted in a move away from more traditional interventions delivered to those not currently in employment. It also, however, reflects the fact that Ireland's economy is experiencing near full employment, and attention must switch to maintaining this position and overall competitiveness in order to sustain this situation.

The 'One step up' initiative seeks to engage with the workforce as a whole, but places particular priority on people with low levels of qualification and in low-level occupations, which are least likely to receive sufficient access to learning opportunities. This targeting of assistance aims to address a major problem of previous education or training in employment, where evidence⁽³⁷⁾ in a series of studies indicated a correlation between the level of prior educational attainment and the participation in such education and training, meaning that those in the workforce in greatest need of further education and training are those least likely to obtain it.

The initiative will build on the recommendations of the Taskforce on Lifelong Learning, and an Inter-Department Committee will oversee progress in this regard. Foras Aiseanna Saothair (FAS) investment in education and training will increase by almost EUR 48 million in 2005 to support the 'One step up' initiative, with most of the additional funds being directed to in-company training. Another intervention that has been put forward as part of the initiative is the Workplace Education Fund, which will be established with a budget of EUR 2 million. Policy development discussions are also taking place between Foras Aiseanna Saothair, the National Adult Literacy Agency, and other agencies on the most appropriate interventions to increase basic skill in the workforce. This will target employees with the lowest skill levels and particularly those with difficulties with literacy and numeracy. Additional funding of EUR 12 million is being provided in 2005 to expand the existing FAS competency development programme, also aimed at those in employment. A further EUR 15 million is being provided in 2005 to provide a new in-company training

⁽³⁷⁾ 'The changing workplace: A survey of employees' views and experiences', ESRI/NCPP, 2004.
'Participation of the employed in education and training', R. Fox, *The Irish Labour Market Review*, Fás, 2003.

initiative to be delivered by Foras Aiseanna Saothair and others. These will also lever resources from the European Social Fund.

Further on this theme of a business-led approach to labour market interventions, the Enterprise Strategy Group recommended that training be provided for a range of occupations, for those not completing the Leaving Certificate, through new work-study programmes, relevant to the needs of the labour market. Qualifications from these programmes should be equivalent to Leaving Certificate standards. The enterprise action plan is putting this recommendation into practice by updating the apprenticeship system for existing trades by the NCCA. Foras Aiseanna Saothair is also moving 10 additional occupations towards formal apprenticeship training and qualification and is considering others. Furthermore the agency is developing options following its review of the traineeship programme. Implementation of these will commence during 2005.

The development of a strategic skills-based immigration policy in order to attract and retain the necessary highly-skilled workers from outside the European Union who will be required to support enterprise development was a further recommendation of the Enterprise Strategy Group. The enterprise action plan has put into place a mechanism to bring forward policy in this regard, with a consultation process involving the Department of Enterprise, Trade and Employment, FAS, ForFas, the Expert Group on Future Skills Needs and other national stakeholders. A policy statement is due out in the next few months.

Also proposed within 'Ahead of the curve' was a review of the continued relevance of community employment and training initiatives. Following a review of employment schemes and in consultation with the social partners, 25 000 places will continue to be available under three schemes: community employment, job initiative and the social economy programme. However, changes in the operation of these schemes have also been introduced.

Lastly, the Enterprise Strategy Group recommended that individuals should be facilitated to manage work, learning and caring commitments throughout their working lives, for example through a restructuring of pensions and other benefit schemes. The National Framework Committee for Work/Life Balance Policies is developing and supporting such policies at enterprise level.

Originality of approach

What makes these policies original is the fact that the Enterprise Strategy Group, who delivered the report 'Ahead of the curve – Ireland's place in the global economy', from which the

actions described were derived, was made up mainly of representatives from businesses. Managing directors from various companies, both indigenous and overseas-owned, combined with specialist academics from key learning institutions to produce this report, and the adoption of the recommendations highlights how their views on the needs of the economy are helping to shape labour market policy. This is an innovative approach as business is becoming an integral part of the policy-making process. Enterprise is now identifying changes that are perceived to be essential in order for their industries to compete and continue growing, and these have now been acted upon by focused government interventions.

Another original feature of recent labour market policy in Ireland has been the move towards a strategic skills-based immigration policy. Development of policy that is highly focused on the skills requirements of the economy has been identified as a major growth driver of Ireland's future competitiveness, and this approach differs in many respects from the development of immigration policy in other states.

Objectives

The Enterprise Strategy Group identified a need for change in the workings of the Irish economy, including labour market policy, due to changes affecting the business environment, including:

- Globalisation
- Global shift to services
- Rising costs
- Demographic changes in Ireland
- Growing importance of knowledge
- Changes in European Union policies
- Environmental issues
- The importance of infrastructure
- Access to finance

With regard to the labour market specifically, it was identified that the country's economic growth in the 1990s was facilitated by a significant increase in employment. This came from a number of sources: first-time entry into the labour market by school leavers and third-level graduates, a large pool of unemployed people available at the beginning of the period, increased

female participation and net immigration. However, there is less scope for the level of employment to act as a driver of growth in the future, with all but the latter of these sources of labour currently diminishing, posing a key challenge for the future.

ESRI labour force growth projections ⁽³⁸⁾ indicated that the labour force will have to expand by an average of 2% a year by 2010, increasing the size of the labour force by 315 000. In addition there will be a replacement demand of 106 000 due to retirements, leading to requirements for over 420 000 new workers over the period 2001 to 2010. Foras Aiseanna Saothair and the ESRI have estimated that 300 000 of these workers will require higher-level qualifications.

Other potential problems that need to be addressed are educational attainment levels. The Irish education system was instrumental in the growth of the economy but changes in the global economy mean that alterations now need to be made to meet new demands. One area targeted as an objective is the improvement of completion rates in upper secondary level education, with the Higher Education Authority recording that approximately 17% of young people are failing to complete the Leaving Certificate.

Taking account of all these factors, it was considered that in order for Ireland to remain competitive in the changing global environment, three objectives are clear with regard to labour market policy:

- The development of an adoptive and responsive higher education sector to create and exploit knowledge and produce the number and quality of graduates necessary to support the knowledge economy. This must involve investment in higher education and research to generate the intellectual capital required to fuel an innovation-driven economy, with the numbers entering higher education maximised;
- The upskilling of the existing workforce and raising educational levels to meet the demands of a constantly changing environment. The continual acquisition of knowledge, skills and competencies should be fostered, formalised approaches to lifelong learning should be introduced and corresponding delivery structures put in place. A particular priority should involve policy intervention to ensure the low-skilled are not left behind in the move towards a knowledge society;
- The expansion of the workforce to meet growth forecasts with an appropriate skills-based immigration strategy to meet the demand for skilled workers that cannot be satisfied from within Ireland or the European Union.

⁽³⁸⁾ 'ESRI medium-term review 2003-10', ESRI, June 2003.

Organisation and implementation

Organisation and implementation of the new policy has been delegated to a range of departments and agencies in line with their specific national remits. The Department of Enterprise, Trade and Employment has designated responsibility for delivery to government agencies such as Foras Aiseanna Saothair and Forfas. The National Qualifications Authority will work in partnership with FAS to ensure that the 'One step up' initiative is focused on providing fully accredited qualifications. An Inter-Department Committee will be established in tandem in order to oversee progress. The National Council for Curriculum and Assessment is also involved in delivering interventions targeting the development of the apprenticeship system. The National Framework Committee for Work/Life Balance Policies is also involved in assisting in delivering policy with regard to lifelong learning.

The funding for implementation of the enterprise action plan is from the Department of Enterprise, Trade and Employment's budget. As noted earlier in this paper, FAS investment in the 'One step up' initiative will increase by almost EUR 48 million in 2005. A Workplace Education Fund will be set up with a budget of EUR 2 million. Additional funding of EUR 12 million is being provided in 2005 to expand Foras Aiseanna Saothair's existing competency development programme. A further EUR 15 million is being provided in 2005 to provide a new in-company training initiative to be delivered by Foras Aiseanna Saothair and others.

Performance and achievements

Since the government's commitment to the implementation of the enterprise action plan is a relatively new development, having been established in February 2005, there is no evidence thus far with regard to performance and achievements. The plan does, however, build on some existing programmes and activity such as the competency development programme (CDP), delivered by Foras Aiseanna Saothair. Foras Aiseanna Saothair describes the aim of the CDP, community employment, job initiative and the social economy programme, all delivered by Foras Aiseanna Saothair. The new interventions and targeted investment will ensure that the implementing agencies will work with enterprise to a greater extent in the future. An agency like Foras Aiseanna Saothair, therefore, can

be expected to work with a base of businesses significantly greater than the 2 133 companies accessing their training support scheme ⁽³⁹⁾ in the last year for which figures are available.

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Italy

The Marche region's legislation on employment

Introduction

Since the end of the 1990s, the functioning of the Italian labour market was modified by two important laws, which have some distinguishing features and some complementary features. The first one was passed in 1997 (Law No 196, rules on employment development) and the second one in two different phases during 2003 (Law No 30, authorisation to the national government on employment and labour market issues; Decree No 276, implementation of the authorisations on employment and the labour market). The devolution process from the centre to the regional level with regard to the labour market and to educational and training systems also began at the end of the 1990s and was included in the general reform of the national state. The change in the Constitutional Law, finally passed in 2001, raised the need for new regional laws addressing key issues previously dealt with by the national government. Within the domain defined by these general changes, regional policies play a crucial role in determining the effects of the reforms of the labour market and of the educational and training systems. The examination of this reform process, which is still in progress as each region has its own time schedule, may provide useful examples for Member States undertaking similar processes.

The Marche region was the first one in Italy to pass, on 25 January 2005, a law governing the local labour market, in response to new duties delegated by central government. The Marche region's legislation on employment, safety and quality of labour, which defines an overall policy for the governance of the local labour market, must be assessed in relation to three main issues: the social, economic and cultural characteristic of the region; the speed of the institutional reform processes; the degree of transparency in decision-making and governance.

The main macroeconomic indicators of the Marche region highlight its specificities vis-à-vis the rest of the country. Population is growing, as immigration counteracts the domestic negative trend, but the proportion of older people in the population is above the national average. GDP per head is above and GDP per labour unit is below the national average; the activity rate (51% in 2003) and the employment rate (49% in 2003) are both above their national counterparts and the unemployment rate (3.8% in 2003) is less than a half of the national average. A significant change is taking place in the regional economic structure. Even though, in the 1990s, the industrial and service sectors increased in size, they remain characterised by the dominating presence of small and medi-

um-sized enterprises (SMEs). Employment diminished by 4% in the industrial sector and increased by 19% in the service sector. SMEs and subcontracting enterprises, lacking direct contact with the final market, must increasingly confront the challenges of international competition and the pressure of quality production from low-cost countries. The local advantages lie in low disparities in the division of wealth, a low degree of social tension combined with a high level of social cohesion, and a communication network favouring the transmission of new ideas and capabilities, generating in their turn innovative solutions.

The region is characterised by a strong and cohesive institutional system with a tradition of effective government which has been widely studied and which is generally considered as a model to imitate. For this reason, its local institutions can perform the new duties delegated to regions by the central government more efficiently and effectively than other local entities experiencing harsher socioeconomic realities and less positive experiences of local government. Along with the projects that have been undertaken and the evaluation of their results, the choices that have been made and the approved standards are all well documented and accessible. Local administrators communicate in detail their intentions and activities through the local press and other networks (the high-quality region's website is an effective and speedy source of information), thus encouraging public involvement.

The Italian context

The text of the legislation under examination is divided into 38 articles and three main titles: institutional structure, the regional service system for its implementation and active labour policies. Active policies refer to training, the inclusion of disadvantaged and disabled people into the labour force, combating undeclared and illegal labour, intervention policies in the event of unemployment crises, incentives for corporate social responsibility, interventions to encourage workplace safety and actions favouring compatibility between working time and sick leave allowances. The legislation defines a system of governance that identifies policy objectives, funding instruments and resources, and rules for evaluation and auditing.

Tools include:

- Public centres for recruitment, vocational guidance and training; these are assigned the role of contacting final

users and providing several services: information, vocational guidance and mediation between employment requests and job offers, consultancy services to companies, personalised plans for entering the labour market, initial and ongoing training, recruitment of disabled people, cultural mediation for immigrants, personnel selection for public administration, unemployment status certification, skills certification;

- Authorisation, accreditation and evaluation systems for private agencies acting as intermediaries, selectors and recruiters of personnel;
- The Marche's regional information network; it supports administrative procedures, facilitates the diffusion of information on job vacancies, collects and analyses data on market trends, and monitors the running of the system;
- The Regional Trust for the Employment of the Disabled offers employers' contribution rebates to companies employing disabled people, and to agencies and training institutions offering specific training.

The activities offered to final users, besides recruitment and the placement of disabled people, are:

- Contributions to workers' participation in ongoing training courses and for work experiences by school and university students;
- Research study grants and placement of workers holding diplomas or university degrees;
- Contributions to people excluded from the labour market (the financial situation of beneficiaries is taken into account and they must be enrolled in special work projects); to enterprises employing disadvantaged workers, people at risk of social marginalisation, women, and workers above 50 years of age; to companies investing to improve workplace conditions and safety;
- Financial support for the creation of new enterprises and the start-up of self-employed activities;
- Financial support to enterprises and public administration initiating innovative activities seeking to balance 'work time with leisure or care time';
- Contributions for an unemployment supplement reserved for employees fired by enterprises employing less than 15 employees.

The legislation promotes positive actions such as corporate social responsibility, and disincentivates negative ones by revoking benefits from firms not respecting national, regional, territorial and company labour contracts, for example. Its most innovative aspects are, however:

- The definition of a governance system involving all stakeholders and identifying the responsibilities of the region and the provinces, as well as defining the operative areas and rules that oversee private initiatives in the labour market;
- Income support (for a limited period) to workers excluded from the labour market and enrolled in special re-employment projects;
- Income support to workers involved in collective redundancy in firms with less than 15 employees;
- Regulations governing the recruitment of disabled people (for example, the Region regulates agreements between private companies and social cooperatives employing only disabled people)⁽⁴⁰⁾.

These activities aim at increasing social protection, especially of more vulnerable groups of workers, and of those at risk of marginalisation. But the more innovative aspect of the legislation is the definition of governance tools and the involvement of stakeholders (entrepreneurs, SME associations, unions and associations of disabled people).

Objectives

The regional legislation focuses on the following targets:

- Diffusion of an institutional practice allowing social entities and the representatives of civil society to participate in institutional decisions, programming and the allocation of public resources;
- Definition of rules and instruments governing performance, quality and correctness of private agencies operating as intermediaries, selectors and recruiters of personnel;
- Minimisation of the negative effects of 'atypical' labour contracts on human capital and local development;
- Provision of public support for the stable and dignified employment of disabled and disadvantaged people, immigrants, women and older workers (over 50 years old);

⁽⁴⁰⁾ This point de facto limits the impact of national legislation, which releases private companies from the obligation to directly employ a percentage of disabled people, if they sub-contract this obligation to social cooperatives.

- Provision of public support for the growth of corporate social responsibility.

Proper running of the labour market is thus seen as a necessary step towards equity and a form of development based on innovation and quality, rather than a system based on low wages and undignified working conditions.

Organisation, implementation and funding

The model of governance designed by the regional legislation involves:

- Regional Board, Regional Council, Regional Commission, responsible functionaries;
- Provincial Board, Provincial Council, responsible functionaries;
- Regional Labour Commission: chaired by the Regional Councillor and consisting of a total of 31 people. These people are representatives of social partners, the regional equal opportunities advisor and associations of disabled people;
- An Inter-institutional Coordination Conference: chaired by the Regional Councillor and consisting of the presidents of the provinces, representatives from local councils and mountain communities, the regional director of the Ministry of Education, and a representative from the university;
- Provincial Labour Commission: chaired by the president of the province and consisting of eight employer representatives and eight union representatives, one equal opportunities advisor, and two representatives from associations of disabled people;
- Public employment centres: director and responsible functionaries.

The definition of labour policy activities foresees the following routines for decision-making.

- The 'Three-year regional active labour policy plan', approved by the Regional Council upon proposal by the Regional Board, contains the programme and the allocation of resources.
- The 'Annual programme for employment and work quality', approved by the Regional Board after hearings of the

Regional Commission, the Regional Labour Commission and the Inter-institutional Conference, contains the criteria and priorities for the allocation of available funds.

- The 'Annual programmes for labour policies' are approved by the Provincial Council upon a proposal by the Provincial Board and after consultation with the Provincial Commission for Labour regarding regional policy directions.

The legislation is the result of a nearly two-year effort based on multilateral and bilateral meetings promoted by the region or by the social bodies (trade unions and employers' associations). The text that was initially proposed was widely debated upon and the formulation of the articles was modified more than once. The involvement of social bodies and the active participation of employers' associations and unions in defining the programmes is a bullet point of the legislation and of the Marche's overall institutional situation.

For the year 2005, the legislation received funds from the regional budget amounting to EUR 50 433 218.42. The funding for successive years will be established on a year-to-year basis. The funds come from the EU, the state (under vocational and training, and active labour policies), and in a limited part by the region's own resources.

Performance and achievements

This regional policy coordinates and integrates in a single framework the best practices of the territory. The region evaluated the provinces' experience in managing employment centres after the 1997 legislative reorganisation of the labour market. The employment centres absorbed the previous experience of public centres managing initial, ongoing and permanent vocational training courses. The evaluation of the activities regarding employment applications and job offers, placement of disabled people and the management of training courses enabled modification and improvement to the final policy offer. The research and evaluation activity of previous policies focused on: the employment of women; the need to replace older managers and technicians with 'new generation' personnel in SMEs; the functioning of the regional labour market; causes of long-term unemployment; the effects on employment of the relocation of local production. The region is of course equipped with appropriate structures in order to monitor and evaluate the use of public funds in accordance with EU regulations, and the evaluation of results and procedures is included in the work objectives of both internal and independent auditors. The control of the policy's actual performance is entrusted to a public organisation endowed with a solid professional record. The governing structure which

allows stakeholders to participate in decision-making offers them the opportunity to control the effective performance of the measures. The opportunity to express their opinions and to verify through their representatives the actual way policy is conducted allows stakeholders to favour the proper management of policies.

Even though the system was established only recently, many significant steps have already been made in order to allow for evaluation. In particular, all the consultation meetings with stakeholders have been scheduled and two important issues have been thoroughly addressed: the definition of professional entities suitable for the training of apprenticeship; regulations governing the authorisation to private agencies to act as recruiters and labour market intermediaries. The SMEs have identified indicators able to measure the initial situation and the progress of companies adhering to the corporate social responsibility initiative. In the next 18 months another 20 deliberations by the Regional Board will deal with specific aspects of policy which are currently the objects of negotiation with the social partners.

All this activity supports the widely shared belief that the region's correct running of employment services and vocational training will be favoured by it being a cohesive local community. This community is benefiting from a high level of social capital, decisions being reached through well-functioning mechanisms formally represented within institutions, but also supported by tradition and by a highly developed collaboration and information exchange network. Moreover, the region's success with activities promoted by the EU has positively influenced the activities and capabilities of local administrators.

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Latvia

Development of local employment plans in Latvia

Introduction

This paper discusses and analyses the development of local employment plans by the State Employment Agency (SEA) together with local municipalities and social partners in Latvia. The policy was introduced in 2003 with the aim of designing local employment plans that reflect local needs. In 2003, employment promotion plans were created for 65 towns, 14 amalgamated municipalities and 462 rural municipalities. In 2004, some of the procedures were modified, some innovative features added and action plans were developed for 63 towns, 19 amalgamated municipalities and 443 rural municipalities.

Objectives

The unemployment rate in Latvia has declined in recent years and employment has increased. However, the country still experiences significant disparities in socioeconomic development at the regional level and, within the regions, differences between urban and rural areas. In particular, stark differences in employment and unemployment rates remain. In order to identify better solutions to employment-related issues, the branches of the SEA, representatives of municipalities and social partners have formed so-called Counselling Boards with the aim of developing policies that would address unemployment-related problems at the local level.

The broad objectives of this policy correspond to overall objectives of Latvian employment policy, such as the target of a 70% employment rate by 2010. The specific objectives are to:

- Develop local employment plans and give particular attention to measures reducing high unemployment rates, especially among long-term and young unemployed people;
- Prevent the unemployment of groups at risk of social exclusion (people with disabilities, people at pre-retirement age, and young people with low levels of basic skills);
- Involve unemployed people in employment activities which reflect their needs;
- Increase the employability of the population by improving educational and training opportunities and by promoting geographic mobility and access to training;

- Establish preconditions for the improvement of employment opportunities at the regional and local level;
- Facilitate fast growth of job creation in regions with lower levels of economic development.

The local employment plans are implemented by the SEA in collaboration with local municipalities and other institutions. They are intended to provide measures and solutions that are tailored to the needs of specific regions.

The Latvian context

The basic types of services provided by the SEA in collaboration with the Latvian Municipality Union (LMU), individual local authorities, the professional career selection centre (PCSC) and other social partners are:

- Providing workplaces for unemployed jobseekers. This is done in cooperation with regional chambers of crafts and commerce to ensure a fair distribution of available workplaces;
- Developing vocational education and continuing training. In 2004, a modular education scheme, described below, was established;
- Developing programmes to increase the competitiveness of unemployed people, with a number of training activities provided via outsourcing;
- Offering subsidised short-term social jobs and workplaces to people unable to find a job for various reasons;
- Additional measures to support certain groups of people, such as disabled or older unemployed people.

Training of unemployed people is a key feature of the above package. In 2004, the existing vocational training system was restructured and a new modular and decentralised training system was developed. Modular education was developed separately from local employment plans. In fact, local plans for employment, as developed by the Counselling Boards, could put forward a demand for specific courses. As mentioned above, the decentralised system is based on individual initiative, and any person who went through the special education courses offered by the SEA can become a licensed course provider.

The new system is built around 21 modules, providing both contemporary literacy skills (such as English, German, Latvian languages, computer literacy, project management) and specialised professional skills (such as barbers, accountants, joiners). The content of each specific module is the result of analysis of the demand for certain skills and qualifications, based on research into the local labour market. The SEA undertakes a market analysis of the supply and demand for different professions in local areas, which then provides a basis for the modules.

Unemployed people can choose any three of the 150-hour-long training modules which match their development needs. They are assisted by professional career selection centres via a variety of professional-orientating tests, but remain entirely free to choose among available courses.

Modules in higher demand (such as computer literacy) receive increased funding, and modules which are less demanded (florist skills, for example) receive less. Training providers are allocated more resources for higher demand modules and thus can provide more places. Modules in higher demand in the labour market are based on regular labour market surveys undertaken by SEA.

As part of the new modular system, unemployed people are also benefiting from a career-guidance test to identify better their aptitudes and career aspirations.

The new training system is decentralised in terms of both the availability of the courses and of financing. The delivery of the modules is worked out in collaboration with the Latvian Association of Local Governments and the professional career selection centre. Providers of training modules are often local, for example a teacher from a local district school can become a licensed provider of the training module after following a special training programme. Local provision cuts transportation costs for unemployed people. High transportation costs and an under-developed road network is a significant factor preventing unemployed people from participating more actively in the labour market and educational activities. On the other hand, local providers do not necessarily have modern equipment to provide certain modules, for example computer literacy courses. Thus, decentralised delivery of modules can lead to a decrease in the quality of the modules offered.

Although local municipalities do not finance the modular courses, they do formulate the budgets and send them to the SEA. Later, the consolidated budget of all the courses is sent to the Ministry of Welfare for approval. In fact, all courses have received the financing so far.

Another innovative feature of jointly developed employment policy in Latvia is the social awareness-raising programme. It includes discussions of employment-related issues on the Internet, in television, radio and other media and a summer

pilot project on teaching work-related skills to students during the summer holidays. The aim of the project is to introduce students to the practical needs of the professional labour market and let them acquire basic work skills. In addition, because the jobs offered on this scheme are low-skilled, it is expected that the experience will foster the motivation for higher education and increase socio-geographic mobility.

In 2004, 3 000 places for students were provided, and 9 000 are expected to be arranged in 2005. In 2004, all places were taken up. Although no direct feedback from the students has been available, according to SEA officials, the main insights and benefits of the experience for the students were experience and perceptions of the real world of work.

Organisation, implementation and funding

In February 2004, the State Employment Agency was restructured into a three-tier system designed to facilitate the implementation of local level employment policies:

- SEA head office, responsible for the overall coordination of work processes in the SEA;
- 28 branch offices (26 district branches and two branches for Riga and Jurmala); responsible for regional coordination and implementation of local employment policies; and
- 31 special regional units aimed at assisting employment policy implementation in the most difficult regions, mostly small rural districts with the worst unemployment situation in Latvia.

In each of the SEA branches, the Counselling Boards have been created as intermediary units between different local stakeholders. The Counselling Boards have 8 to 10 members drawn from SEA representatives (14%), local authorities (32%), the Latvian Federation of Free Trade Unions (14%), employers including the Latvian Confederation of Employers (nearly 10%), representatives of educational institutions (10%), and NGOs (19%). In 2004, the Counselling Boards met on 86 occasions and were involved in the creation of local employment plans for nearly all of Latvia's local authorities. Such local partnerships are new in the Latvian context. The Counselling Boards serve as an intermediary unit between the SEA, the local authorities, and the social partners, but are not responsible for implementation of local employment plans. The implementing institution is the SEA and its local branches.

This process was led both by the central SEA and its local branch offices. Only a small minority (15 out of 540) of Latvian local authorities did not participate in this process.

Allocation of funding to the local employment plans is difficult to determine. It is difficult to determine allocation of funding because this information is not included in the SEA annual reports. Main sources of funding are ESF (75-80%) and state budget (20-25%). One way of interpreting the local employment plans is as a device that improves the effectiveness of the existing set of measures offered by the SEA by matching the supply/mix of measures better with local needs.

According to the SEA 2004 annual report, the following amounts were spent on the measures supported by the local employment plans:

- LVL 1 193 269 (EUR 1 697 869) went to modular education for unemployed people, e-qualification measures and upgrading of qualifications;
- LVL 535 996 (EUR 762 654) were allocated to measures devoted to increase the competitiveness of unemployed people;
- LVL 1 823 271 (EUR 2 594 281) went to the funding of subsidised short-term social jobs; and
- LVL 1199629 (EUR 1 706 918) went to measures for specific target groups.

The sums allocated represent 0.7% of Latvian GDP which is quite high for active labour market measures. According to the SEA, due to the ESF resources, there is no shortage in funds available for such measures.

Performance and achievements

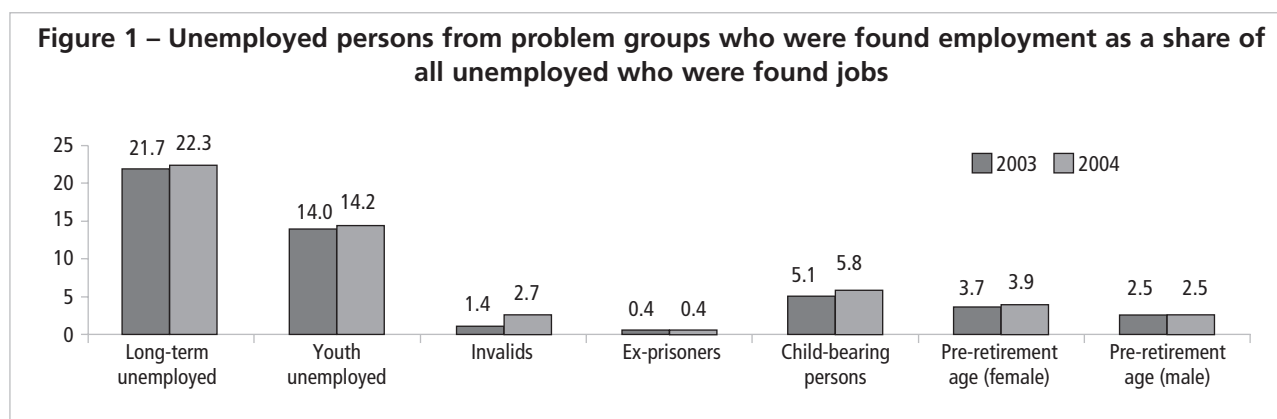
The local employment plans implement the policies of the State Employment Agency, but in a way that matches the specific needs of each locality. Disaggregated measures of local performance are not available. However, the SEA reports on a number of measures of overall performance which can be divided into employment-related measures and indicators on modular training.

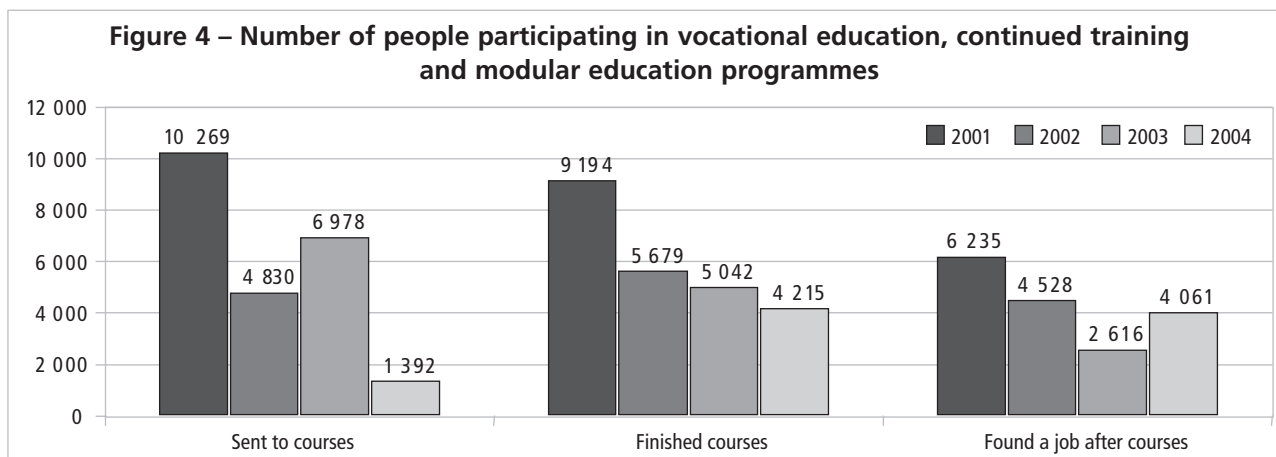
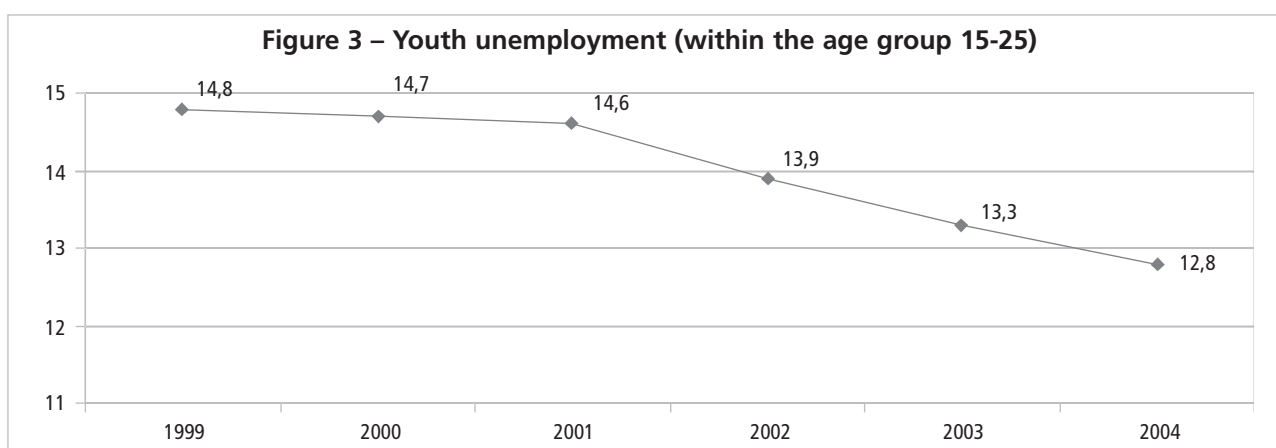
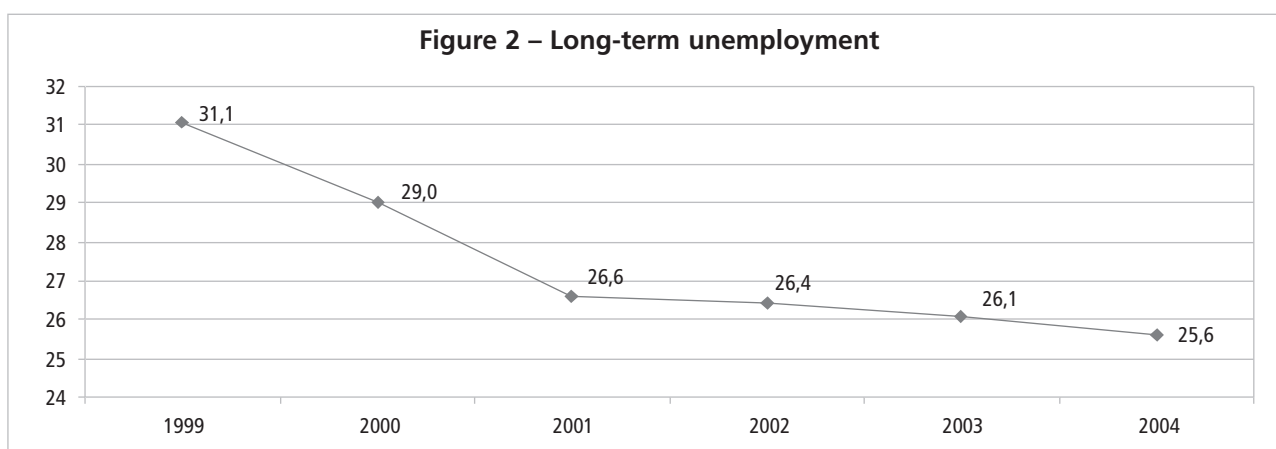
Employment-related measures

The Counselling Boards devote much attention to developing relationships between the SEA and employers. In particular, employers provide the SEA with information on vacancies and also projected labour demand for the nearest future. In 2004, 61 906 vacancies were registered at the regional branch offices of the SEA. This is 11.5% more than in 2003. At the same time, 41 843 jobseekers got a job in 2004, which was 18% more than in 2003. Figure 1 shows that the number of employed jobseekers increased in virtually all socioeconomic groups in 2004 as compared with 2003.

The effectiveness of local employment plans to tackle problems of long-term and youth unemployment is best assessed through the dynamics of these variables presented below. Long-term and youth unemployed are regarded as specific problem groups in Latvia. Moreover, there is a certain focus on youth and long-term unemployment since the State Employment Agency regards them as some of the most severe types of unemployment.

Figure 1 – Unemployed persons from problem groups who were found employment as a share of all unemployed who were found jobs



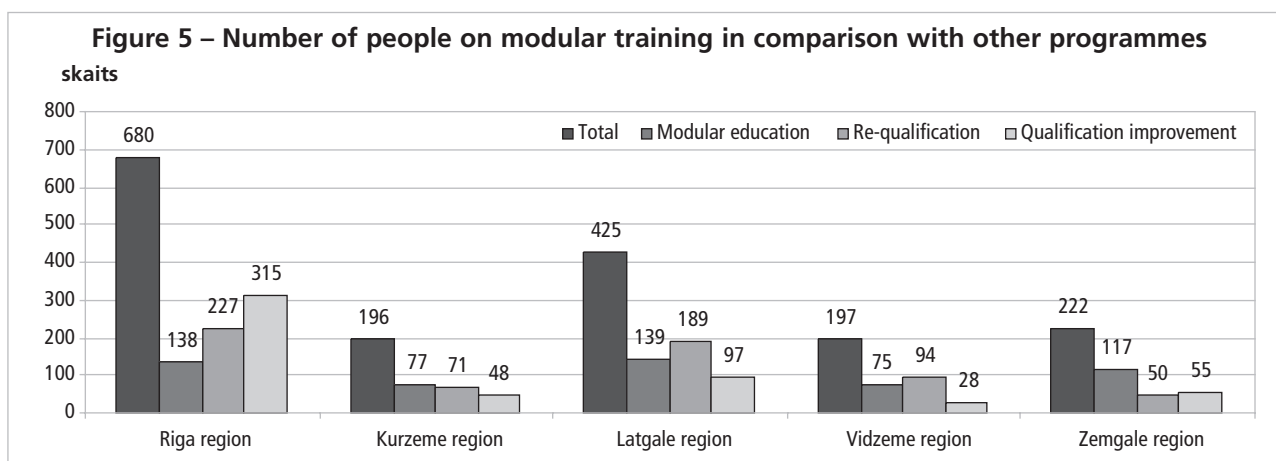


In 2004, both long-term unemployment and youth unemployment decreased by 0.5% on a yearly basis. Figure 2 reports the share of long-term unemployed in registered unemployment. Even more interesting is the Labour Force Survey where the long-term unemployed rate has nearly halved from 7.9% in 2000 to 4.3% in 2004, as compared with a fall in overall unemployment from 13.7% in 2000 to 9.8% in 2004. In other words, in 2000 about 58% of the unemployed were long-term unemployed and now it is just over 40%. On the other hand, youth unemployment remains higher than general unemployment and has fallen to a lesser degree.

Proper analysis is needed to attribute the impact of SEA measures and local employment plans on these trends.

Indicators on modular training

The development of vocational training, continued training and modular training is designed to increase skills of unemployed people and to improve their competitiveness on the labour market; 90 new providers were accredited to deliver these programmes in 2004, representing an increase of about



20%. The number of people who participated in the programmes is shown in Figure 4.

According to SEA standards, the main indicator of efficiency of the modular training programme is the number of unemployed who participated in these courses, and afterwards either obtained a permanent job or went on to enrol in further courses to improve their qualifications.

In 2004, 4 233 unemployed were sent on modular training programmes. The most popular were foreign language courses (1 445 people) and computer literacy courses (1 402 people); 605 people became employed after the modular education programme.

In 2004, modular training was highly demanded in the Kurzeme and Zemgale region; the qualification improvement programme was the most popular in the Riga region; and in the Vidzeme and Latgale regions the re-qualification programme was preferred.

Regional variations can be attributed to different region labour force characteristics. For example, education levels in the Riga region are higher than in other regions, thus unemployed people do not choose modular education (they do not need the basics of any language, or computer literacy skills because these courses are well developed in the secondary schools of big cities), but they choose courses that would improve their qualifications. However, a deeper analysis of labour structure is needed on a regional basis in order to understand regional choices.

The distribution of the number of people who took the modular education programme in comparison with other available programmes is shown in Figure 5.

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Lithuania

Local employment initiatives in Lithuania

Introduction

The labour market policy in Lithuania from the early 1990s has concentrated on the implementation of traditional passive and active labour market policy measures, with only a few innovative practices and measures implemented. The key reasons for this are the insufficient readiness of policy-makers to innovate, moderate financial means ⁽⁴¹⁾, high unemployment rates, low motivation of unemployed people, and the significant impact of shadow economy on employment.

In this context, local employment initiatives (LEIs), first introduced in Lithuania in 2001, could be seen as a revolutionary step in the national labour market policy. They widened the repertoire of labour market policy measures available and increased work opportunities for local communities. Yet, the first steps in implementation of LEI projects, already well-known and applied by 2001 in other European countries (such as Ireland, Denmark and Poland), turned out to be quite complicated in Lithuania. In 2001, the Committee for Social Affairs and Labour of the Parliament of the Republic of Lithuania reduced the funding for LEI projects from proposed LTL 3 million (EUR 869 500) to LTL 1.2 million (EUR 347 800). The difference – LTL 1.8 million (EUR 521 700) – was allocated to the National Labour Inspectorate for the strengthening of its administrative capacities. This demonstrated a certain reluctance amongst policy-makers to support LEI projects.

Nevertheless, during 2001-05 confidence in the LEIs was regularly increasing both among politicians and the local communities. Every year, funds assigned to the LEIs from the national budget, the number of funded projects and newly established job places were growing. The practical implementation of LEIs showed their efficiency and significant impact on the local economy and employment (at the ward and municipal level) as well as their role in the consolidation of the social partners at the local level and in improving social cohesion.

Over the entire 2001-04 period, 211 LEI projects were implemented and 1 915 new workplaces were established in Lithuania. The average cost of one newly established workplace is approximately LTL 11 500 (EUR 3 330). In 2005, LEIs are expected to fund 71 projects and establish about 420 new workplaces.

The Lithuanian context

LEI projects support unemployed people by helping to fund new jobs for them. By establishing new workplaces for unemployed people, LEI projects contribute to the consolidation of efforts by the local communities and social partners to increase employment of certain groups in individual municipalities. LEI projects are implemented in those municipalities (wards) where a proportion of unemployed individuals at able-to-work age exceeds (or is likely to exceed in future) the national average by 1.5 times.

In accordance with the newly drafted Law on Employment Support for Jobseekers, employers who establish workplaces under LEI projects and provide jobs for the unemployed are given a grant. Its amount may not exceed 20 officially declared average gross monthly wages over the last year per establishment of one workplace.

The employer should cover at least 35% of job establishment costs and maintain the established workplace for three years after employment of unemployed individuals appointed by territorial labour exchanges (TLEs). If such workplaces are liquidated, the employer should fully or partially reimburse the grant.

An official procedure for the 'Implementation of the projects of local employment initiatives' was established. The procedure defined the criteria for selection and evaluation of the projects, their organisation, structure of implementation, the functions of the participating institutions, the requirements for granting state support, and the procedures for control and monitoring.

Uniqueness and originality of the practice in terms of the national labour market policy stem from a close cooperation of TLEs, the municipalities, and the representatives of employers and employees in implementation of the LEI projects. Decisions on the assignment of grants for the establishment of new jobs are taken by the commissions which are formed at the territorial labour exchanges and act on the tripartite principle. Decisions are taken with a direct participation of the local social partners. Territorial labour exchanges undertake to provide the necessary labour force to the employer, who has received state support, for a period of three years. In addition, they provide consultancy to employers and other assistance.

⁽⁴¹⁾ In 2004, only 0.42% of GDP was spent on the implementation of the labour market policy measures.

The development and implementation of LEI projects 'propel' local business potential, facilitate the development of less economically developed areas, and integrate people with the least employment opportunities (e.g. long-term unemployed people, disabled individuals) into the labour market.

Objectives

Although initially LEI projects did not get adequate attention and recognition, they are clearly aligned with objectives of the Lithuanian labour market and economic development. This is demonstrated by the fact that the Ministry of Social Security and Labour and the Ministry of Economy cooperated in the establishment of the legal framework for the LEI projects. Implementation of the LEI projects was intended to contribute to:

- Creating new workplaces in order to increase employment and to reduce long-term unemployment;
- Creating better opportunities for the local population to participate in economic activity and to assist them in finding independent solutions to socioeconomic problems by harmonising economic and social objectives;
- Minimising differences of economic and social development between different areas;
- Improving development opportunities in areas more remote from main economic centres;
- Developing more active and mature local communities and the facilitation of cooperation between social partners.

It should be noted that, in 2001-03, LEI projects were seen more as projects for developing small and medium-sized businesses. However, from 2004 their relevance to the needs of the local community, improving the opportunities for certain target groups (particularly disadvantaged people) and strengthening social and territorial cohesion are more often emphasised in the implementation of LEI projects.

LEI projects serve not only to increase employment and production, but also contribute very efficiently to other objectives of national policy. They are an important element of regional policy, as they reach the most remote rural territories and reduce the concentration of economic activity in the biggest cities. LEIs also tackle negative outcomes of social exclusion. This is particularly the case in rural areas and territories with underdeveloped service and industrial infrastructure, where long-term unemployment rates are very high and job supply is very low. LEIs contribute to agricultural development by facilitating the production of agricultural products. They also encourage alternatives to agricultural activities (e.g. ostrich

breeding, growing of various fruits and herbs). Concurrently, it is worth noting that the implementation of the LEI projects facilitates the cooperation of authorities (TLEs and municipalities) with local communities. Such cooperation in Lithuania is quite fragmented and superficial.

Successful implementation of the LEI projects often triggers an impulse for growth. As a result of LEI projects, more than 10 companies operating in Lithuania, which used to employ three to five staff members, have 20 to 36 employees each. Their turnover increased by 9 to 12 times. LEI projects help to have more cohesive economic development and more even development of human resources. The implementation of the LEI projects in Lithuania addresses the objectives of the employment, economic and social policies, and facilitates the development of areas with the highest unemployment rates.

Organisation, implementation and funding

An entire system of responsibilities between the institutions at different levels was established in Lithuania to implement the LEI projects. The system consists of the Lithuanian Labour Exchange (LLE), TLEs and tripartite commissions/committees formed by social partners at these labour exchanges. The roles and responsibilities are divided as follows.

- **Tripartite Commission at the Lithuanian Labour Exchange** defines target territories where LEI projects shall be implemented.
- **Commissions for Selection and Evaluation of the projects of local employment initiatives** are formed by social partners and function at the territorial labour exchanges. Their key task is to evaluate and select the project applications submitted, on the basis of the defined criteria and taking into consideration the specifics of the situation in the labour market.
- **Supervisory Committee for projects of local employment initiatives** is also formed from the social partners and functions at the LLE. The Committee makes the final list of funded projects and forwards this list to the LLE.
- The direct administration of the projects is carried out by **territorial labour exchanges**. They publish information about LEI projects in the press; provide project developers and beneficiaries with information about implementation of the LEI projects, and consult them on the issues of project preparation and implementation; accept and register

applications of project developers; approve the list of funded projects submitted by the commission and forward this list to the committee; enter and sign contracts with beneficiaries; recommend unemployed individuals registered with the PES to the beneficiaries; approve interim and final reports of the beneficiaries; transfer funds to the beneficiaries; and make reports on the implementation of the LEI projects.

- **Lithuanian Labour Exchange** coordinates and supervises the activities of the TLEs in the administration of LEI projects, provides a final evaluation of the applications, approves the final list of funded projects, as submitted by the committee; and defines and approves rules of procedure of the committee and commission.

LEI projects are funded from the national budget and Employment Fund. The beneficiary should cover at least 35% of the workplace establishment costs.

In general, the mechanism of LEI funding is simple and clear. The beneficiary signs a contract with the TLE. Then, the beneficiary receives an advance amount of 30% of the total grant in support of the project. When the beneficiary uses up no less than 50% of the funds assigned for the project and satisfies other conditions, he or she may apply to the TLE for interim payment (50% of the total amount assigned by the state in support of this project under the contract). After completion of all activities set forth in the contract, the beneficiary may apply for the remaining part (20%) of the state's support.

Performance and achievements

From the first years of LEI implementation there were a number of reservations about their efficiency. Much attention was devoted to financial control of projects. First of all, a relatively strict mechanism for controlling project implementation was created:

- The project contractor regularly informs the TLE about the progress of the project and utilisation of financial resources;
- TLE verifies the utilisation of the funds in accordance with their purpose, entering into permanent employment contracts with workers;
- Relevant sanctions are established for cases where an established workplace is liquidated.

However, the efficiency of LEIs is mostly due to the nature of their implementation, rather than control procedures because of the following reasons:

- The projects are initiated by representatives of local communities themselves;
- Projects are relevant to social and economic needs and potential of the local area;
- Financial resources of the project contractors are used for project implementation.

The Lithuanian Labour Exchange regularly evaluates the efficiency of LEIs at national level. For this purpose, research was carried out in 2003-04. It showed that LEI is a highly efficient labour market policy measure. Funds from the national budget used for implementation of such projects come back to the national budget two-and-a-half to three years later, with additional benefits. Furthermore, the research showed that LEI generates a positive multiple effect. The establishment of 10 jobs out of LEI projects' funds leads to the establishment of one additional workplace in other activities. Various studies proved the following positive outcomes of LEI projects:

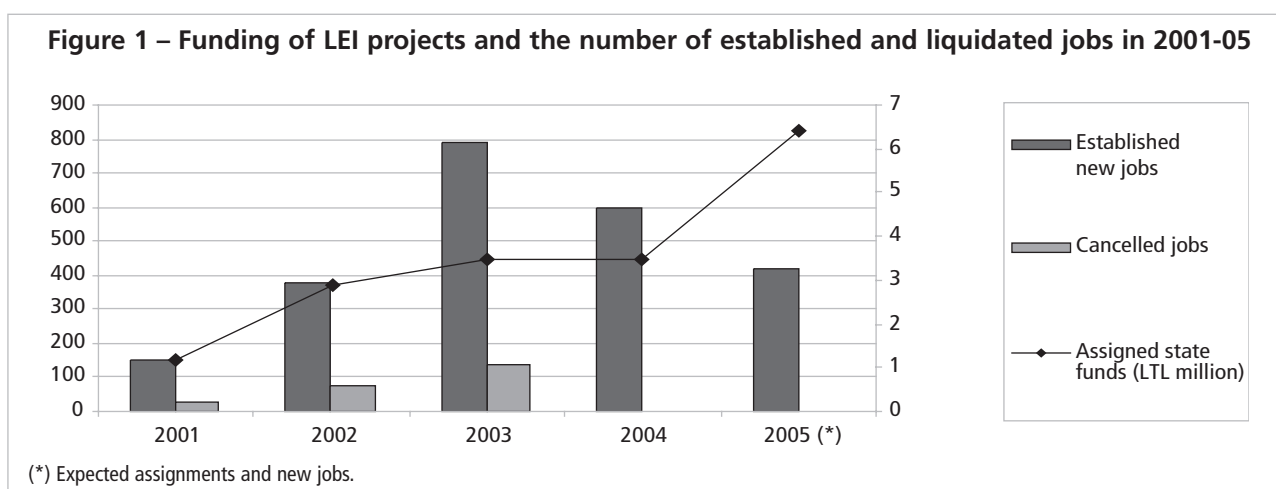
- Reduced unemployment rate and the number of long-term unemployed individuals and beneficiaries of social assistance;
- Minimised regional social differentiation;
- Facilitated growth of small and medium-sized businesses;
- Increased cooperation among the social partners; and
- The development of the local community.

The sociological survey of LEI project contractors showed that, despite some problems, all of them found the process of LEI organisation efficient. They evaluated the scale of impact of the projects (i.e. influence on minimisation of social exclusion, increased employment of long-term unemployed individuals, development of a social dialogue) at 7.2 points on average out of a maximum of 10.

Figure 1 provides information about funding of LEI projects and the number of established (planned to be established) jobs in 2001-05.

Existing LEI research and assessments of LEI projects from the Lithuanian Labour Exchange show that efficiency of these projects depends on both objective and subjective factors. The following objective factors have been identified:

- The level of integration of particular LEI economic activity into the local socioeconomic system. For example, as it was shown in the experience of LEI implementation, a sewing company in a rural area may only have short-term perspectives. However, the installation of refrigerators for fruits/vegetables or renovation of a water mill are often



much more promising, with better opportunities to develop and 'propel' all the local community;

- A feasible and properly developed business plan;
- Sufficient own financial funds of the project contractor;
- A transparent performance of economic activities; and
- The stability of the economic and social environment.

The following subjective factors have been identified:

- Education and professional experience of the project contractor;
- Business experience of the project contractor (general and relevant economic activity);
- Project contractor's social capital;
- Personal characteristics of the project contractor; and
- Project contractor's relations with the local community.

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Luxembourg

Personalised approach to jobseekers in Luxembourg

A combination of innovative initiatives

The public employment service (ADEM) in Luxembourg has developed personalised forms of job placement addressing the needs of different jobseekers. These forms of placement are further supported by a policy aimed at welcoming consultants from the private sector into ADEM. A recent draft law aims to reinforce this approach. The entire procedure is the result of a tripartite agreement between the government and the social partners.

These three practices mean that the approach taken to job placement in Luxembourg represents an original way of dealing with jobseekers.

ADEM placement service

The placement service is the most popular amongst ADEM clients. Matching job offers to jobseekers is also its central mission. The staff in the placement service work continuously to improve ADEM activities. The main tasks of the staff are:

- Personalised support for jobseekers (reception, collection of information, processing of case files);
- Regular monitoring of each case;
- Practical advice to jobseekers;
- Rapid and professional processing of offers of employment;
- Knowledge of the personnel needs of employers;
- Improving relations between ADEM and employers.

There are, overall, 46 staff members assigned to the placement service to fulfil these tasks. Another team in ADEM with a substantial workload consists of seven consultants, who are human resource specialists. They are seconded to ADEM from various sectors of activity (such as industry, commerce, the building trade, craft industries, the financial and temporary work sectors). Their main task is to establish relations with employers, to

canvass businesses, and to provide advice and assistance to the placement staff when selecting appropriate candidates.

Since 2001, a social assistance service has also been incorporated into the placement service. Two social workers have responsibility for those jobseekers who need specific assistance in relation to housing, financial or family problems, or problems dealing with administrative authorities.

In addition, seven 'motivational' workshops have been organised. These workshops are intended to prepare the ground for recruitment initiatives and are the responsibility of a special staff member.

In terms of supply and demand, the service registered 14 040 vacant posts in 2004, against 12 456 in 2003. This represents a monthly average of 1 170 offers of employment, against 1 038 in 2003. There were, moreover, 55 344 attempts to place jobseekers ('referrals'), which represents an increase of 6 948 over 2003. This represents a monthly average of 4 612 referrals made during 2004.

Maintaining regular contact with jobseekers to enable continuous and individual monitoring is extremely important in the placement process. Jobseekers are, in fact, called in to see their placement officers at least once a fortnight. In 2004, 243 644 recorded contacts were made, which corresponds to 20 303 per month or 8 121 contacts per placement officer per year, or 32 contacts per working day per placement officer. The failure of a jobseeker to turn up to such a meeting without proper justification is normally penalised by a partial withdrawal of unemployment benefit.

Overview of the activation measures organised by the ADEM placement service

During 2004, the placement service, in close collaboration with various companies, organised information and recruitment seminars. These seminars are organised either at the request of the companies or on the initiative of the placement service.

The aim is to provide jobseekers with the necessary information about job offers, and to do so, in most cases, in the presence of a representative of the company concerned. In this way, the employer can even have use of ADEM's offices to make a first personal contact with the potential candidates who have attended these seminars.

Workshops on jobseeking strategies are also organised. These are directed mainly at motivating jobseekers to look actively for employment. The following elements are included in the programme:

- A general survey of the current labour market situation;
- ADEM's information brochures;
- The rights and duties of jobseekers;
- Employment assistance;
- The various possibilities for seeking an offer of employment;
- Analysis of the profile of the jobseeker;
- The preparation of job applications; and
- The particular expectations of employers and preparation for the job interview.

The National Ministry of Education and Vocational Training (MEN-FP), together with the placement service of ADEM, the National Centre for Continuing Vocational Training (CNFPC), the Ministry of Labour and Employment (MTE) and the companies concerned, have implemented several redeployment and retraining measures aimed at unemployed people. This vocational training has been developed exclusively to meet the specific needs of companies and implemented jointly with them. Its aim was to help unemployed people to find or return to employment.

Personalised support service for jobseekers

The placement service, which deals with individual cases, is further supported by another ADEM service, which goes even further in the personalisation of the monitoring of jobseekers. This is the 'Jobseekers' personalised support service' (SAPDE).

Back-to-work counselling by SAPDE is generally a short process. The person who accesses this service is, *prima facie*, relatively functional in socio-psychological terms. An attempt to reintegrate the person into the labour force would other-

wise be difficult. The counselling sessions lead to the establishment of an assessment regarding the jobseeker's employability. This activity is complementary to the activity of placements and is an indicator of the likelihood of a successful return to work process. The activity leads to the production of protocols that enable a good assessment to be made of the degrees of exclusion of jobseekers in the most objective way possible, in order to determine the precise state of their employability.

This is the starting point that indicates the jobseeker's aptitude to follow a programme of increasing his/her employability. In 2004, around 30-40% of jobseekers who were assessed individually had extremely low levels of employability, due mainly to precarious social and family situations or unrealistic, if not indeed non-existent, career prospects. In order to increase its employability, this group requires quite different support. Every monitoring activity is thus structured around the assessment made during the individual interviews. In the period January to December 2003, counsellors gave systematic support to the jobseekers concerned; 341 women and 386 men (in this group of 2 236 jobseekers) were given more intensive support both in terms of time and in their jobseeking activities. An assessment about their entry into employment was drawn up for 34 young women and 26 young men. The findings obtained will be analysed and presented later in 2005.

The SAPDE is also developing an internal 'job club'. In 2004, 972 jobseekers were registered in it (437 women and 535 men). During 2004, the job club was contacted 7 868 times by jobseekers registered with ADEM. In order to give even better support to the jobseeker, the job club operates as follows. A jobseeker who wishes to join the job club has an initial interview with a social worker or psychologist who explains how the club operates and briefly analyses whether the jobseeker possibly requires an additional, more personalised form of support. Following this interview, the jobseeker may join the job club and will have been informed previously that he or she can at any point make contact with, or seek assistance from, the social worker or psychologist who carried out the initial interview. This latter will be his or her main contact in the SAPDE.

The general measures of SAPDE in collaboration with ADEM's other services

Depending on the results of the assessment, each jobseeker was offered personalised support aimed at preparing for his/her reintegration into the labour market. Among these are measures that obtain work for the jobseeker immediately.

The SAPDE guarantees an optimal delivery of training for all forms of training offered. This is done from the moment of candidate registration in the presence of a counsellor, to the operation of the courses themselves by the monitoring of attendance. The training takes place in a language centre or at the National Centre for Continuing Vocational Training (CNFPC) and may consist of the provision of adult learning courses.

The workshops organised by ADEM provide significant support in the search for employment. For example, information and recruitment workshops may lead to a revival of offers of employment for the jobseeker. The workshops on jobseeking strategies consist, as mentioned above, in giving further support to the unemployed by teaching enhanced jobseeking methods.

There is also the 'Employment support' scheme, intended to boost job offers for the jobseeker. Various strategies may be used to this end, such as establishing contact between the jobseeker and an ADEM consultant, modifying the nature of the jobseeker's registration, giving specific forms of advice, or improving mobility.

Lastly, personalised support consists of personally monitoring the jobseeker in the steps they take leading towards employment. It is, above all, a question of providing information and advice regarding method or career orientation, such as advice on the drafting of a CV, career projects, and the planning of intensive approaches. Seminars on returning to employment, in which small group programmes are applied, also come under this heading. The use of this option is based on a large number of studies that confirm the efficacy of group approaches where reintegration into employment is concerned.

The use of private sector consultants

A 1997 audit suggested privatising the ADEM placement service. After this was rejected on political grounds, it was decided to incorporate a private element into the placement service.

At a meeting of the Tripartite Coordination Committee, the MTE put a proposal to the employers that various companies should second human resources specialists to ADEM. They could help the placement staff of ADEM in canvassing for job offers and in better selecting those jobseekers motivated to work. Seven consultants with responsibilities for different sectors were seconded from various employers' representative organisations and companies.

This has enabled advisers/placement staff to support jobseekers more effectively and has provided ADEM with a presence within companies.

While awaiting the modification and adaptation of the legal framework, four consultants recruited since 2 March 2005 have been employed on so-called 'expert contracts'. These people currently have a precarious status, since the expert contract cannot be renewed beyond a term of three years.

Providing a legal basis for the secondment of consultants both from private companies and from employers' representative organisations will make it possible to eliminate the element of precariousness, and to give the consultants access to meetings of personnel directors organised by the representative employers' organisations. This is the aim of a new bill, which was adopted by the government in council on 27 May 2005. This will, of course, have to be debated and then voted on in the Chamber of Deputies before it becomes a law.

Given the rise in the unemployment rate and the increase in the number of jobseekers, ADEM's placement officers cannot both canvass companies and deal with people searching for work.

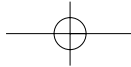
The consultants do valuable work for ADEM. Close collaboration between consultants and placement officers makes it possible to better pre-select candidates before they are presented to employers who will make a choice of candidates to be directly recruited or retained for additional training after being selected by the employer.

This pre-selection work is important, since a distinction can be made at this stage between the more and the less motivated people. For example, an intensive exercise was carried out between September and December 2004 for the Goodyear tyre company in the Colmar-Berg area in Luxembourg's central region. Here, 743 people were called in and 133 were pre-selected, 56 of whom were subsequently hired by Goodyear. This example illustrates the need for the pre-selection and selection process that ADEM has to carry out before bringing the jobseeker and employer together.

The product of collaboration

Thus, the personalised treatment of jobseekers in Luxembourg is the outcome of a common policy carried out by a range of actors.

The new draft law reinforcing the practice of using private sector consultants, for example, is an idea of the National Tripartite Coordination Committee. This committee was created by a law of 1977 authorising the government to take measures that would stimulate economic growth and maintain full employment. It is made up of four members of the government, four representatives appointed by representative trade unions at



the national level, one of whom represents the public sector, and four representatives from the employers' organisations.

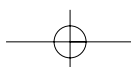
In short, the basic initiative comes from both the social partners and the government, meeting in tripartite discussions. This method of operation is not new, but has produced very positive effects in Luxembourg since the economic crisis in the iron and steel industry in the 1970s. This is why the approach is still being used 30 years on.

This initiative has enabled a genuine collaboration between the public and private sectors. The two sectors are not cut off from each other, but collaborate to ensure the employment of jobseekers. The jobseekers are, in the end, employed by companies due to the assistance of consultants coming from the industry. Those consultants bring their entire professional experience to the personalised approach to jobseekers.

The tripartite approach, reinforced by collaboration between the public and private sectors, makes it possible to personalise the monitoring of jobseekers, which is the final stage of this collaboration. This is a practice that can certainly be extended to other countries in the European Union, though it will naturally be dependent on the way tripartite relations are organised in those countries.

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Malta

Gender equality action plan

Tax credit for women returners to work

Introduction

Malta has by far the lowest female employment rate in Europe. Eurostat data for 2004 show that Malta's female employment rate stood at 32.8%. When compared with the EU-25 average of 55.8%, this indicates a very low participation rate. It also has the greatest difference between male and female employment rates, with a gap of 42.4%. An important reason behind the low female employment rate can be traced to the Maltese traditional culture which dictated a strict division of labour with men as the only breadwinners and women relegated to childbearing and homemaking activities. Up to the early 1980s, females in the public sector had to resign from their post upon marriage. As these values started being increasingly challenged, more women joined the labour force during the last two decades. However, many still thought about jobs as a temporary activity whose main, if not sole, purpose was to financially help to build and furnish their home. Indeed, many working women tended to leave their job on the birth of the first child.

Unlike trends in several EU countries, the female employment rate in Malta did not register a significant increase in recent years. In line with the Lisbon agenda, the Maltese government committed itself to increasing the female employment rate to 40.7% by 2010. This target was viewed as more realistic than the EU target of 60%. The joint action plan (JAP) and, subsequently, the national action plan for employment (NAP) (2004) added impetus to the government's commitment to increase female participation in the world of work and to enable men and women to strike the ideal work-life balance.

In order to implement its plan, among others, the government strengthened the legal framework meant to eliminate gender differences in Maltese society. The recent Employment and Industrial Relations Act (2002) and the Equality for Men and Women Act (2003) are the most important laws in this regard. In 2003, the Employment and Training Corporation (ETC), Malta's public employment service, set up a Gender Equality Unit responsible for promoting equal opportunities in employment and training. This paper will examine one of the interesting initiatives taken by this unit, namely the 'Gender equality action plan' (GEAP). Besides, it will also highlight the government's new tax credit measure given to women returning to employment.

The Maltese context

The first GEAP was developed by ETC officials together with other experts and covered the period 2003-04. Several of its suggested actions were planned to be delivered in partnership with other entities. The Maltese government has emphasised the need to involve social partners and the civil society to achieve its employment goals. The ETC used the GEAP to promote the utility of partnership to achieve greater gender equality in the field of work. This served to remind the public about the government's agenda. GEAP was thus useful to increase awareness about the need for greater gender equality.

The government had started implementing measures aimed at enhancing gender equality much before the drafting of this plan. The GEAP served as an important tool which outlined such measures and initiatives in a more comprehensive way. The gathering of such information in one document created a greater focus on the most important aspects of such a complex topic. It clarified many questions relating to the current scenario of female employment in Malta. Furthermore, it reviewed the crucial issues for Malta. Finally, and most importantly, it listed a set of programmes and initiatives meant to address the various issues highlighted in the document. The success of the first GEAP led to the drafting of a second GEAP for the period 2005-06. This GEAP was used to evaluate the success of the first GEAP.

The GEAP can be viewed as a supplement to the NAP focus on gender equality. Among the numerous measures listed in the NAP there was an interesting one stating that women who have been inactive for at least five years will be given a 'one-off tax holiday' in the first year of their employment in the private sector. This measure was also mentioned in the 2005 budget speech by the Prime Minister in his capacity as Minister for Finance. This measure was formally labelled 'Tax credit (women returning to employment) rules' (2005) and formed part of the income tax (CAP. 123). It came into effect on 1 January 2005. Apart from having been absent from the labour market for at least five years, in order to benefit from this credit, women must have been in employment for at least 24 consecutive months prior to leaving the labour market. These women may benefit from a tax credit of MTL 700 (EUR 1 630) in respect of profits from employment. This credit may be availed of over two consecutive years commencing from the year when the return of employment takes place.

Objectives

The ETC Chairman described the measures in the GEAP as aiming 'to give women and men a real opportunity to freely choose the way in which they balance family life and work'. The initiatives listed in the first GEAP were grouped under four objectives:

- General measures meant to mainstream gender issues throughout the corporation. This objective derives from the assumption that policies and measures are rarely gender neutral, and therefore require to be evaluated in terms of how they affect both genders;
- Promoting equal access to employment. The ETC seeks to reduce gender segregation and create an environment where males and females have similar work opportunities;
- Facilitating retention of employment. This objective seeks to decrease the number of women who quit work, especially due to an inability to reconcile work and private life;
- Enabling progression at work. Very few women occupy high managerial and administrative posts in Malta. The ETC seeks to enable more women to break the 'glass ceiling' and progress in their career.

The same themes of the first GEAP remained as the guiding objectives behind the second GEAP. The GEAP 2005-06 lists 17 key initiatives that should be taken within the two-year working period.

The initiatives earmarked for 2005 include the launch of an ESF project scheme designed to encourage employers to open childcare centres at the workplace. The first part of the project involves the training of childcarers. The training programme consists of both theory and practice in a childcare facility. The second part provides for a package of incentives for a variety of providers to start and run childcare services. The incentives include the provision of childcare expertise to entities wishing to provide such services and a start-up grant which covers expenses to providers involved in rendering the property safe for children as well as the educational and play materials necessary for proper childcare. The grant also includes half the salaries of trained childcarers.

Other initiatives to be taken in 2005 include: the setting of a register for part-time workers; a new training and employment scheme for women; the launch of a manual for employers; gender-related training to ETC staff within the Employment Section; a telework study and seminar; a parental leave awareness project for men; research of work segregation and career outcomes.

The proposed initiatives listed for 2006 comprise: a seminar for fifth formers from area secondary schools; a project meant to increase gender sensitivity among journalists; further training of guidance teachers and ETC staff; a conference on women and work in southern Europe; a new entrepreneurship scheme and training for women; a qualitative study on early school leavers.

The 'Tax credit (women returning to employment) rules' (2005) are being offered by government to encourage more women to return to the labour market. Both GEAP and the tax credit rules are in line with the NAP's objectives.

Organisation, implementation and funding

The Employment and Training Corporation (ETC) is the organisation responsible for the GEAP. However, in order to achieve the plan's goals, it needs cooperation from other social partners and civil society. Most of the initiatives listed in the GEAP 2005-06 are solely funded by the government. A few others are in large part funded by the European Social Fund.

The Inland Revenue Department is responsible for the implementation of the tax credit measure. The measure is funded by the government. In order to complement such a measure, the ETC is concurrently organising several back-to-work training programmes designed to assist women who wish to join the labour market after an absence of five or more years. The programmes include training in a combination of job-specific skills and empowerment skills.

Performance and achievements

The measures in the GEAP 2005-06 were drafted on the experience of the GEAP 2003-04. The last GEAP served to highlight the actions that were taken between 2003 and 2004. The ETC is in charge of evaluating the progress achieved in the execution of the GEAP's planned actions. According to the Gender Equality Unit, the majority of measures listed in the first plan were implemented. It states that some of the listed initiatives were modified, while some others unforeseen in the first GEAP were carried out in order to meet emerging needs. The unit, however, admits that some of the initiatives never materialised for reasons beyond its control. The GEAP requires collaboration from other entities which is not always forthcoming. This is considered to be its major weakness.

The tax credit measure is still in its early stages. ETC officials believe that this measure needs to be given greater publicity among women and have started working on a promotion campaign. The number of women who benefited from such measures will be calculated by the Inland Revenue Department in 2006, after collecting the 2005 income tax reports.

The implementation of the GEAP measures and the tax credit measure can go a long way in challenging the cultural values in a small country with a strong traditional Catholic outlook. However, they have not yet resulted in a substantial increase of the female participation in the labour market. According to the Labour Force Survey of April 2005, the female employment rate stands at 35.1%. On the other hand, one may argue that the increase in female employment is the final outcome resulting after the gradual change in people's mentality and should not be expected to happen rapidly. People's mentality, especially that of the younger generations, is in fact changing. This can be seen from the postponement of marriage to an older age, the bearing of fewer children, and the continuation of studies beyond compulsory schooling by an increasing number of women.

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Netherlands

The corporate tax reduction measure in the Netherlands

Introduction

The 2005 tax plan of the Netherlands contains tax proposals that are in direct relation with the government coalition agreement and the 2005 policy package. Priorities include targeted income support, strengthening the Dutch business climate and greener taxes. In this paper we deal with one of the policies, namely a reduction in corporation income tax.

The paper is structured as follows: first, the content of the measure is presented. Then, we point out what the objectives of the measure are. Implementation aspects are then dealt with, followed by the estimated impacts.

Content

According to the measure, corporate tax will be reduced in three stages from the current 34.5% to 30% in 2007. Starting from 1 January 2005 the rate was cut by 3 percentage points to 31.5%. In addition, tax on profits under EUR 22 600 will drop in three stages from the current 29% to 25% in 2007.

A reduction in corporate tax would put self-employed persons at a disadvantage as the latter group pay personal income tax. As a result more people may decide to work for a company instead of being self-employed. Therefore, the tax burden on self-employed persons who pay income tax will be eased by means of a phased increase in the self-employed person's allowance. As a result, the maximum allowance (for profits up to around EUR 13 000) will be EUR 6 585 in 2004, EUR 9 258 in 2005, EUR 10 193 in 2006 and EUR 10 738 in 2007.

The measures are listed in Table 1. In addition to the tax reduction policy, Table 1 contains two other (small) measures. The latter measures have been taken to compensate for some undesirable effects occurring as a result of the policy.

Objectives

The tax cuts for business are essential to improve the attractiveness of the Netherlands as a business location. A reduction in corporate tax is required in the near future to attract foreign investment. Domestic companies also need a reduction in corporate tax to make them more competitive compared with competitors from countries with lower tax rates. Moreover, small and medium-sized businesses will be able to take on subcontracted work if more foreign companies set up in the Netherlands.

The rate of the corporate tax in the Netherlands is now higher than the European Union average. The 10 countries that recently joined the European Union have an average rate of 21%. However, there is also a downward trend in the remaining 15 Member States. Austria, for example, is cutting its rate to 25% in 2005. Germany will head towards 38.6% in 2005 ⁽⁴²⁾.

In the battle for investment, corporate tax is becoming more important than other factors. The significance of physical location is diminishing as transport costs fall and ICT becomes more important. More and more countries have good infrastructure, a well-educated labour force and knowledge of foreign languages. The importance of corporate tax can be seen from the sensitivity of capital flows to differences in corporate tax.

Implementation

The Dutch Ministry of Finance is responsible for the implementation of the measures, in particular the Tax and Customs Administration which is part of the Ministry.

Entrepreneurs who are liable to corporate tax (public and private limited companies) will on average be EUR 475 million better-off in macro terms. The share of self-employed persons in the measures financing these cuts will be budget neutral and will be channelled back to this group of entrepreneurs.

⁽⁴²⁾ See: *Werken aan winst – naar een laag tarief en een brede grondslag*, Fiscaal vestigingsklimaat, Tweede kamer, vergaderjaar 2004-05, 30 107, No 2, p. 16.

Table 1 – Reduction in corporate tax: financing and impact on the budget (in million EUR)

| Measure | 2004 | 2005 | 2006 | 2007 |
|---|-------|---------|---------|---------|
| 1. Reduction in general rate of corporate tax (%) | 34.50 | 31.50 | 30.50 | 30.00 |
| 2. Reduction in corporate tax rate on profits of up to EUR 22 600 (%) | 29.00 | 27.00 | 26.00 | 25.00 |
| 3. Self-employed person's allowance (EUR) | 6 585 | 9 258 | 10 193 | 10 738 |
| 4. Increase in MIA budget (*) | | 15 | 20 | 30 |
| 5. Compensation for disabled people due to abolition of commercial vehicle tax facility | | 5 | 10 | 10 |
| Financing | | | | |
| 6. Abolition of exemption from motor vehicle tax for commercial vehicles | | 480 | 580 | 580 |
| 7. Abolition of car and motorcycle tax (BPM) exemption for commercial vehicles | | 200 | 400 | 600 |
| 8. Increase in energy tax | | 470 | 550 | 625 |
| 9. Increase in final levy on salary savings for employers | | 100 | 100 | 100 |
| 10. Revision of BPM accessory list | | 130 | 130 | 130 |
| 11. Effect on tax base due to abolition of private PC and double salary savings schemes | | 60 | 60 | 60 |
| 12. Measures to combat artificial VAT arrangements | | 50 | 100 | 100 |
| 13. Increase in contributions to General Unemployment Fund | | 200 | 200 | 200 |
| 14. Cuts in grants to business | | 0 | 105 | 125 |
| Total | | 1 690 | 2 225 | 2 520 |
| Application | | | | |
| of which available to reduce general rate of corporate tax | | - 1 185 | - 1 580 | - 1 775 |
| of which available to reduce corporate tax rate on profits of up to EUR 22 600 | | - 55 | - 80 | - 105 |
| of which available to increase self-employed person's allowance | | - 400 | - 545 | - 630 |
| of which available to increase MIA budget | | - 15 | - 20 | - 30 |
| of which compensation for disabled people due to measures affecting commercial vehicles | | - 10 | - 10 | - 10 |
| Balance | | 25 | - 10 | - 30 |
| (*) MIA stands for environmental investment deduction | | | | |

Source: *Wijziging van enkele belastingwetten (Belastingplan 2005)*, Tweede kamer, vergaderjaar 2004-05, 29 767, No 3, pp. 11-12.

The tax cuts will be budget neutral. That is to say they will be offset by measures affecting other business taxes. Foremost among these will be the discontinuation of the scheme whereby vehicles bearing special 'grey' commercial registration num-

ber plates attract certain tax advantages. The use of such number plates by private individuals, which had never been intended, will also be stopped. There will also be a rise in energy tax. Glasshouse growers will be compensated for these rises by an

Table 2 – Long-term effects of the corporate tax reduction package on macroeconomic indicators

| | Percentage change |
|------------------------|-------------------|
| Gross domestic product | + 0.6 |
| Employment | + 0.5 |
| Unemployment rate | – 0.4 |
| Public debt | – 0.4 |

Source: National Bureau for Economic Policy Analysis (2004).

increase in the tax credit for environment-related investments. Table 1 sums up the sources from which the policy is financed.

Estimated impacts

The Netherlands Bureau for Economic Policy Analysis has simulated the effects of the policy. According to the Bureau, cuts in tax on profits result in more growth in the long-term than cuts in any other taxes. In the long term, the simulation results indicate a rise in gross domestic product with 0.6 percentage points and a fall of the unemployment rate with 0.4 percentage points (Table 2).

The calculations by the Bureau also indicate that the policy does not have a big impact on industrial structure. Although manufacturing industry benefits more from the policy than the construction industry and tertiary services, the effects for the latter industries are also positive.

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Poland

Retaining older workers in employment in Poland

Introduction

In Poland, older workers (over 50-year-olds) have been increasingly withdrawing from the labour market because:

- Their skills are not high enough to fulfil the requirements of the labour market;
- There is discriminatory treatment of older age workers by their employers;
- There is easy access to early retirement schemes and to pre-retirement allowances.

This article presents the recent developments in the field of increased retention of the labour force in the Polish labour market. The activities concerned have been included into a special programme targeted at people over 50.

The Polish context

The primary instrument to advance the extended working life in Poland is the government programme presented in November 2004: '50 Plus – Programme of increased participation of the over 50-year-olds in the labour market'. Its strategic objective is to increase the rate of employment in the over-50 group while maintaining the necessary social security schemes with regard to persons disadvantaged in the labour market. These objectives will be satisfied through:

- Promotion, by employers, of non-discriminatory employment policies towards workers and jobseekers aged over 50;
- Active pro-employment policy pursued by the state with regard to employees eligible for early retirement schemes and pre-retirement allowances, with a view to retaining them in the labour market;
- Greater focus on increased participation in the labour market of unemployed persons aged over 50 with the aim of increasing the numbers in paid work or in active labour market programmes;
- Assistance provided to the over 50s who, after being made redundant for employer-related reasons, may soon find themselves in a difficult position with regard to their employment status.

Beneficiaries of the 50 Plus programme are over 50-year-olds who are unemployed or vulnerable to redundancies, and those who, following reclassification, have lost their rights to benefits, for example to a disability pension on account of their temporary inability to work.

The 50 Plus programme in Poland is innovatory for two reasons.

Firstly, there has been no government programme so far, either at the regional or local level, whose final beneficiaries are older people. Their employment problems used to be solved by redundancies or by their withdrawal from the labour market which was either done on a voluntary basis or enforced by employers. The maintenance costs of the older age group of the working population used to shift between the pre-retirement allowance system, the social security system or the Labour Fund.

Secondly, the programme has been developed by the government, and it is mostly implemented by labour authorities (Marshals on the level of Voivodships and Starosts), and by the labour market institutions (mainly the public employment services). Its novelty contribution has the potential to include social partners into its task implementation process, for example employers, trade unions or NGOs.

Objectives

The labour market in Poland is characterised by a very low employment rate (in 2003 it amounted to 51.2% compared with 64.3% in the EU-15, and 62.9% in the EU-25 Member States). This is, to a considerable degree, due to the low participation of older age groups in the labour market. The employment rate regarding 55- to 64-year-olds in Poland amounted to 26.9%, and therefore it was, by 14.8%, lower than in the EU-15 Member States, and by 13.3% lower than in the EU-25 Member States. What is noticeable is the fact that in the years 1997-2002 this rate revealed a clear downward trend.

The European Council in Stockholm in 2001 assumed that in the year 2010 the employment rate for the older age group (55-64) should reach 50%. The gap between the actual rate of employment of this age group in Poland in 2003 and the rate recommended for 2010 amounts to as much as 23.1%.

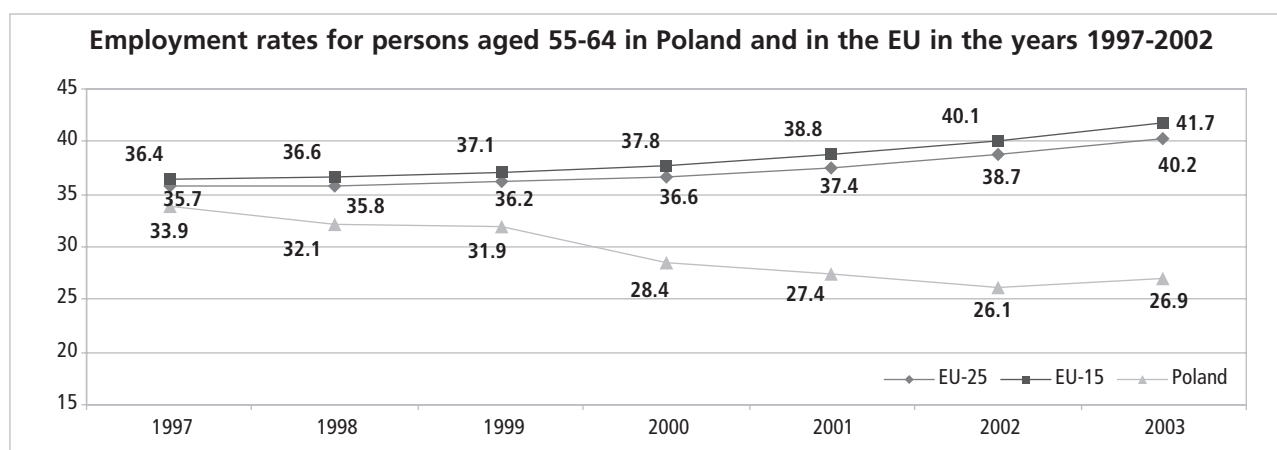
Longer-term observations show that in Poland the participation in the labour market of people over 50 decreases. In the years

1992 to 2004, the decrease in the employment rate was the biggest with regard to persons aged 60 to 64 (from 26.5% to 17.4%) as well as 65 and over (from 13.1% to 6.6%).

The decrease in the rate of employment of persons aged over 50 in that period resulted from employment policies pursued by the state authorities. Faced by increased unemployment, they lowered the actual retirement age through the option of eligibility for pre-retirement allowances offered to some groups of the labour force. It was an instrument intended to regulate the labour market and to mitigate the consequences of unemploy-

ment and of the restructuring of industry. Therefore, the retirement system functioned as an insurance against unemployment. Additionally, in 1997 an option of pre-retirement allowances was offered to persons who did not meet all the criteria required for retirement ⁽⁴³⁾. Confronted with few job offers, older people often decided to withdraw from the labour market.

What is also noticeable in Poland is the low average age of withdrawal from the labour market. In 2003 it was three years lower than its equivalent in the EU-25 Member States, and 3.4 years lower than in the EU-15 Member States.



Source: *Employment in Europe 2004*.

Trend of employment of persons aged over 50 in Poland in 1992 (November) and in 2004 (fourth quarter)

| Age | 1992 | 2004 | Difference 2004-1992 |
|-------------|------|------|----------------------|
| 50-54 | 62.9 | 56.7 | - 6.2 |
| 55-59 | 41.2 | 33.0 | - 8.2 |
| 60-64 | 26.5 | 17.4 | - 9.1 |
| 65 and over | 13.1 | 6.6 | - 6.5 |

Source: National data – BAEL (LFS).

Average age of withdrawal from the labour market in Poland and in the EU

| | 2001 | 2002 | 2003 |
|--------|------|------|------|
| EU-25 | 59.9 | 60.4 | 61.0 |
| EU-15 | 60.3 | 60.8 | 61.4 |
| Poland | 56.6 | 56.9 | 58.0 |

Source: *Eurostat Yearbook 2004*.

⁽⁴³⁾ Pre-retirement allowances were cancelled in 2002.

The primary objective of the labour market policy in Poland is lowering the very high level of unemployment. As specified in the 2005 National Action Plan for Employment, the unemployment rate must be lowered to 15% in 2006, but the expected level of employment was not determined in the plan, with merely the need for an increase in the demand for labour emphasised. An increase in employment is crucial to improve the condition of the Polish labour market, as well as to increase the household income, to lower the off-payroll labour costs, to decrease the budget deficit and to restore the balance in public finance. It is also vital to achieve the objectives laid down under the Lisbon strategy, as supplemented. We should also be aware of the demographic processes resulting in the ageing of populations to a degree challenging the safety of the social security systems. One of the methods to increase employment is promotion of the concept of prolonged working lives, through offering adequate incentives to the older age group to resume or continue their employment, among others.

- Promotion of temporary working arrangements and job rotation, by labour offices;
- Incentives to employ unemployed people;
- Financial incentives to reduce passive attitudes in the labour market;
- Standard services provided by labour offices (employment agency, EURES services, vocational guidance and information, assistance with active jobseeking, etc.);
- Monitoring group layoffs;
- Training courses;
- Assistance in vocational retraining;
- Regional programmes for retention of workplaces.

Organisation, implementation and funding

The 50 Plus programme provides for a supplementary formula of operation of institutions assisting disadvantaged people in the labour market. The measures taken under the programme include local and regional projects.

The programme provides for three separate courses of action:

- Increased participation of unemployed people in the labour market;
- Assistance with retaining employment status;
- Facilitating reintegration within the labour market.

Activities within the scope of **increased participation of unemployed people in the labour market** regarding persons aged over 50 comprise:

- Priority treatment given by labour offices;
- Individual action plans pursued by labour offices with regard to long-term unemployed people;
- Reinforced instruments of assisted employment used by labour offices;
- Prevention of social exclusion by means of public works organised by labour offices, of extended duration (up to 12 months);

Active policies aimed at **facilitating reintegration with the labour market**, provided for people losing their rights to pensions or allowances under early retirement or social security systems or the Labour Fund, generally do not differ from the above. However, they need to be applied prudently since, on most occasions, once a person starts receiving a pension or its equivalent he or she adopts a passive attitude in the labour market. Completion of vocational training and the psychological readiness to take up a job by a person from this age group resembles the situation of a long-term unemployed person. Consideration should also be given to the fact that such individuals have already benefited from different forms of social support which do not encourage them to become integrated in the labour market.

The 50 Plus programme provides for implementation of additional **projects of integration of the over 50-year-olds within the labour market**. Such projects are selected for implementation by competitive bidding. The bidding process is intended to select:

- Projects targeted at the over-50s facilitating their access to events improving their prospects of taking up jobs and staying in work or starting their own business activity;
- Projects suggesting specific solutions, at the local level or above, taking advantage of binding statutory solutions, and new, innovative measures addressed to this target group.

Such projects may be submitted by the following entities: Voivodship and Poviats labour offices, organisations of employers, trade unions, training institutions, employment agencies, Gmina-level self-governments or institutions supervised by Gmina self-governments, and NGOs (funds, associations) whose statutory activity provides for combating unemployment,

increasing participation in the labour market and local development, and which cooperate with their Gmina self-governments or with PES.

Performance and achievements

Activities launched under projects submitted within the framework of the 50 Plus programme, as a rule, do not exceed the statutory measures of counteracting unemployment. They only supplement such measures with individual action plans for older unemployed people or with special support groups established for them.

One of the **projects of integration of the over 50-year-olds within the labour market** which was accepted for implementation under a competitive bidding procedure was prepared by a partnership made up of: Fundacja Rozwoju Gminy Zelów (Zelów Development Foundation) and two Povi at labour offices in Tomaszów Mazowiecki and Bełchatów (Łódzkie Voivodship) ⁽⁴⁴⁾. The project is targeted at providing comprehensive support and assistance for a group of 270 unemployed persons aged over 50 in a manner that enables them to find their own path leading to employment or to starting their own business activity. The project comprises the following operations:

- Workshops intended to increase participation in the labour market, called *Nowe Horyzonty* (New Horizons), to be prepared and conducted;
- Vocational training courses and training courses in conducting a business activity;
- Visits to employers' workplaces combined with job searches;
- Apprenticeship served at local employers enabling testing of the skills gained during vocational training, to obtain new skills connected with working for a new employer, and to display one's skills before such a new employer;
- Establishing support groups for people who have not found jobs for themselves.

The 50 Plus programme together with its individual projects is currently under way; therefore it would be too early to discuss

its achievement. It is assumed that it will contribute to integration within the labour market of about 50 to 80 000 unemployed people and those under the pre-retirement allowance scheme (including about 10 000, i.e. 30%, of people annually eligible for pre-retirement allowances), and to lowering the number of redundancies affecting older groups of the working population.

The fact that it is the first time that special measures have been targeted at an older age group of the working population should contribute towards making it a successful initiative.

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⁽⁴⁴⁾ The project is to be implemented from 1.3.2005 to 31.11.2005. The budget of the project amounts to PLN 299 093, out of which the subsidy from the Ministry of Economy and Labour accounts for PLN 237 200.

⁽⁴⁵⁾ GUS: the Central Statistical Office in Poland.

Portugal

Innovation in the Portuguese labour code

Introduction

This paper focuses on analysing and describing the Portuguese innovative policy introduced in the country's labour code.

- As a consequence of the first innovation, the establishment of the **individual right to training** (IRT) which can be exercised directly by the worker in case the employer fails to provide continuous training on its own.

The Portuguese labour code: innovative features

The previous Portuguese national government (2001-04) undertook a significant legislative reform in the labour relations context. Previously, labour legislation was dispersed amongst all kinds of legal instruments, some of them clearly outdated, making it very confusing to employers and employees to understand the full range of the law.

Also, previous legislation was, in general, criticised (mostly by employers) for its lack of adequacy regarding globalisation and the information and knowledge society, mostly with respect to fixed contracts and lack of flexibility in firing procedures and working-time arrangements.

Previous legislation was strongly protective of employee rights, as they were considered weaker when compared with employer rights.

Finally, in 2003 the new labour code was published. For the first time, over many decades, a single document covers all the legislation needed to regulate relations between employers, employees and social partners. In July 2004, further implementing regulations were published, including those with particular interest for this article.

The main innovative features of the labour code are:

- The legal **obligation for all employers** to promote **20 hours** of continuous training for **10% of the workforce** (except those on fixed-term contracts) per year (35 hours/year in 2006 and following years);

An attempt to influence continuous training demand

The continuous training market in Portugal is far from being governed by simple rules of alignment between supply and demand ⁽⁴⁶⁾. Right after integration into the European Community, Portugal started to use public funding to stimulate initial and continuous vocational training (CVT).

With respect to CVT, for the last 20 years, the market has been strongly influenced by a supply-sided orientation in terms of funding. This situation has created a CVT market where particularly SMEs have very low motivation to invest directly in training, since CVT has been heavily marketed as a zero-cost investment by many training providers.

Over the years, Portuguese authorities have tried to better regulate the CVT market, particularly in 1997 with the creation of INOFOR ⁽⁴⁷⁾ and the accreditation system, which made it mandatory for training providers wishing to access public funding for vocational training to submit their capabilities to an accreditation process.

Today, there are 1 500 accredited training providers in Portugal compared with more than 2 000 when the system was created. Nonetheless, the CVT market is still dominated by supply and investment in training and human capital and in general needs to be more stimulated in a more positive and more business-oriented way.

The influence of supply in the CVT market has been so strong that even larger enterprises, in some cases multinationals, find it difficult to invest in training without applying for public funding. Thus, the obligation for all employers to promote CVT for their workers is a strong attempt to influence market dynamics between supply and demand, clearly trying to stimulate a more demand-led market.

⁽⁴⁶⁾ As is the case in many other European countries.

⁽⁴⁷⁾ Institute for Innovation in Training, now renamed the Institute for Quality in Training.

It is fair to say that, even with this supply-sided market, Portugal is far from the 2010 objective of engaging 12.5% of active population in CVT. The current situation does not even achieve 5%.

A new challenge for individual demand

The intention to stimulate demand for CVT is not only oriented towards enterprises. The IRT clearly aims at motivating individual workers to assume responsibility for their lifelong learning pathways.

The fact that each worker can activate its IRT in case the employer fails to provide it is a relevant innovation and it will be very interesting to observe how employers and employees will manage this issue.

It must be said that individual access to training is not new in Portugal. All the relevant public programmes that fund CVT integrate the possibility for individuals to apply for a subsidy. What happens is that very few workers have taken advantage of this possibility.

Responsibilities, funding and goals

The responsibility for implementation of this innovative policy remains with the Ministry of Labour and Social Security.

Since the beginning of 2005, the question of how enterprises should fund CVT has been at the top of the agenda and there are still some important issues to resolve.

The previous government had been preparing for some time a new vocational training law (VTL), which would articulate with the labour code on the CVT issue. Negotiations with social partners were very difficult and one of the biggest areas of conflict was created around the question of who should fund CVT.

The first versions of VTL proposed that enterprises should fund all CVT on their own, which was badly received by the employers' negotiators. At this moment, VTL is at a standstill and there is considerable uncertainty around future developments.

Very recently, the state itself has been stimulating enterprises to comply with the minimum annual certified training hours by

means of public programmes ⁽⁴⁸⁾ which make it possible to subsidise this investment in human capital up to 75%. Public seminars have been held all over the country and the labour code is clearly used as an argument to stimulate CVT, especially for SMEs.

Of course, this effort undertaken by the government may be interpreted as a sign that the legal obligation set by the labour code has not yet been sufficiently effective in order to increase demand for CVT.

What seems relevant here is that it appears to be somewhat confusing to first stimulate demand and then argue over the very low-cost supply by the state itself.

Another grey area seems to be the lack of legal support in what concerns sanctions for employers who fail to comply with the labour code in terms of CVT. Even the implementing regulations of 2004 were unclear on the issue of sanctions and who is responsible for controlling the compliance of CVT legal obligations.

Results so far

It is still very early to assess the impact of the innovative measures from the labour code in relation to CVT. Indeed, 2005 is the first year in which employers and employees are faced with their respective obligations and rights.

Even so, it is possible to make a first and informal evaluation of what has been the reaction to change in legislation in the following aspects.

Impact on CVT demand by enterprises, particularly SMEs

Using an informal network of national training professionals and experts (which resulted from a national thematic network within the Equal programme in Portugal ⁽⁴⁹⁾), the author of this paper solicited these professionals to answer the following question:

'How would you assess so far (given available information), the impact in CVT demand by enterprises of the legal obligation imposed by the labour code to promote a minimum of 20 hours of certified training for, at least, 10% of employees?'

The overview of responses is provided overleaf.

⁽⁴⁸⁾ See <http://www.prime.min-economia.pt>

⁽⁴⁹⁾ National thematic network No 4 – Organisational innovation and on-the-job training.

| Responses | Proportion of respondents (%) |
|--|-------------------------------|
| Demand has been increasing | 25 |
| Demand has been declining | 0 |
| Demand is the same when compared with previous years | 58 |
| I don't have enough information to answer properly | 17 |

Unsurprisingly, the majority of training professionals consider that impact on demand is not yet visible. Nevertheless, one member in four reports an increase in demand, although not necessarily related or exclusively related to the labour code.

Impact on CVT demand by individuals

There is no reliable information on this aspect. One of the panel members thought there had been a slight increase in this kind of demand.

Further information

The following links provide additional information on the labour code:

<http://www.mts.gov.pt>
<http://www.prime.min-economia.pt>
<http://www.cefamol.pt>
<http://www.crisform.pt>
<http://www.cenfim.pt>
<http://www.citex.pt>
<http://www.equal.pt>
<http://www.cencal.pt>
<http://www.iefp.pt>
<http://www.inofor.pt>
<http://www.ctcv.pt>

Slovakia

Support for self-employment Graduate practice in Slovakia

Introduction

An ambitious reform of the social system and labour market was launched in Slovakia at the end of 2002. It aims to raise the effectiveness of labour market policies through improvements in employment legislation, reforms of institutions and new motivating policies. The main idea of the new set of policies was to give incentives to people who find and keep jobs. One year after the new approaches have been in place, it is possible to provide a preliminary evaluation of their impact. Two measures – support for self-employment and graduate practice (hereafter referred to as work experience of school leavers) – proved to be particularly successful in attracting vulnerable groups, mainly long-term unemployed people and school graduates, to the labour market.

The purpose of this article is to discuss the nature and objectives of the two practices in the national and EU contexts, their organisation and main achievements.

The Slovakian context

Both measures, support for self-employment and graduate practice, were established in Act No 5/2004 Coll. on employment services, effective since 1 February 2004. The act on employment services is connected to the act on the state administration authorities in the field of social affairs, family and employment services and the act on social insurance, which regulate the rights and responsibilities of people benefiting from the employment service.

Support for self-employment

A significant proportion of jobseekers want to start their own business and become self-employed. The key condition to do this, apart from requisite skills, is the necessity to have starting capital. However, a majority of unemployed people do not

have sufficient funds and their income situation reduces their access to commercial credits. Therefore, a lack of finance may become a serious obstacle to starting a business. Financial support for the creation of self-employment jobs may not be particularly innovative, but in Slovakia it is definitely a key incentive for many jobseekers to set up a small business.

The contribution to self-employment is a financial benefit that may be granted, upon written request, to a jobseeker who has been registered with the Office of Labour, Social Affairs and Family for at least four months, providing that he or she will commence and continue performing self-employment activities for at least two years. The contribution is intended to cover expenses linked together with self-employment activities. The contribution may be granted up to 100% of the sum corresponding to 24 times the minimum cost of the employee⁽⁵⁰⁾, which is in force at the end of the calendar month preceding the calendar month of disbursement of the contribution.

The sum of the contribution depends on a number of factors:

- The type of the region entitled to receive state aid⁽⁵¹⁾;
- Whether the jobseeker belongs to a group of disadvantaged jobseekers (for example, long-term unemployed people, citizens below 25 and above 50 years of age); and
- The average unemployment rate in the relevant district.

Unemployed people in less-developed regions receive higher support. Decreasing regional disparities by investing more funds in disadvantaged regions appears to be necessary, but should be of a temporary nature only. Otherwise, equality of opportunities becomes skewed. In the long term, regional decisions about entitlements and levels of state support should preferably be taken at the local level.

The contribution is granted by the respective territorial office at the place of creation of the self-employment job. The office concludes a written agreement with the jobseeker for granting the contribution, which includes *inter alia* information on the

⁽⁵⁰⁾ For the purposes of the act on employment services, the minimum cost of employee is defined as the sum of the minimum wage, and the sum payable by the employer on account of his or her employees' health and social insurance premiums, as well as of his or her contribution to their old-age pension savings.

⁽⁵¹⁾ Two types of regions are distinguished. One group is regions where regional GDP per capita, adjusted to purchasing power parity, reaches less than 75% of the EU average, and the other one is where the GDP is 75% and above.

type of self-employment activity, the sum and the method of payment of the contribution, the date of commencement of the operation or performance of self-employment, method of return of the contribution or its parts in case of non-fulfilment of agreed conditions.

The conclusion of the agreement is contingent upon completion, by the jobseeker, of preparatory courses organised by the office for his/her self-employment operation or performance. Subsequently, the jobseeker must submit a valid trade licence and a business plan, including the estimated costs of commencing the operation or performance of his/her self-employment activities. The specific format of the business plan is determined in an internal regulation issued by the Central Office of Labour, Social Affairs and Family (Central Office).

The beneficiary who liquidates the self-employment place before a period of two years must return a certain part of the contribution ⁽⁵²⁾.

Disabled people are entitled to a similar type of contribution for self-employment in a sheltered workshop or at a sheltered workplace. They can be reimbursed also for additional expenses related to adjustment of the workshop or workplace, such as fitting the workshop with equipment, work aids, installation of machines, leasing of a motor vehicle ⁽⁵³⁾. Despite higher financial support, the interest of disabled people to start their own businesses is relatively low. Offices of employment, social affairs and family reported that 108 out of 18 000 disabled registered jobseekers made use of the contribution in 2004. A representative of the Association of Organisations of Disabled Citizens, however, sees an encouraging trend compared with previous years, when concerns about entrepreneurship were much more widespread among disabled people.

Support for the work experience of school leavers

Although youth unemployment has been decreasing in recent years, young people remain one of the most vulnerable groups in the labour market. The transition from school to work is problematic, due to skills and geographical mismatch. Employers point out that school leavers are insufficiently prepared for the labour market. One of the schemes of cooperation between the state and the business sector is work experience for school leavers.

The act on employment services defines graduate practice as the acquisition, by a school leaver, of professional skills and practical experience in the workplace which correspond to the attained level of the graduate's education. Graduate practice can be regarded also as the acquisition or deepening of professional skills or practical experience by jobseekers up to 25 years old that will widen their career options in the labour market.

Graduate practice is established on the basis of a written agreement between the respective territorial office and the graduate (who has been in the register of jobseekers for a minimum of four months), and by a written agreement concluded between the office and the employer ⁽⁵⁴⁾. The office thus acts as a mediator between the requirements of employers and professional interests of the school leaver.

The graduate works 20 hours a week, with the employer determining the start and scheduling of working time. The graduate is entitled to time off of 10 working days. After finishing the work experience, the employer issues a certificate of completion of graduate practice to the graduate.

The respective office gives a monthly lump sum of SKK 1 500 (EUR 40) to the graduate in order to cover personal expenses. In addition, the office gives compensation of the accident insurance premium if the graduate has taken out such insurance. The employer receives a monthly contribution of SKK 1 000 (EUR 26) per graduate to cover the employer's unavoidable expenses related to the work experience. As from 1 January 2006 it is proposed that the contribution for a graduate will be increased to SKK 1 700 (EUR 45), while the contribution for the employer should be abolished. The Ministry of Labour, Social Affairs and Family claims that the contribution to the employer is not necessary because even without it companies create enough jobs for graduate practice.

Objectives

The overarching objective of the two practices is to raise the employment and employability of vulnerable groups.

Support for self-employment measure seeks to prevent long-term unemployment and facilitate access and re-entry of the unemployed people to the labour market. The measure attempts to increase the motivation of people receiving unem-

⁽⁵²⁾ The return of the contribution is not required when the operation or performance of self-employment is terminated due to illness or other specified health reasons.

⁽⁵³⁾ The reimbursement of additional documented costs, similarly as the contribution to self-employment, should not exceed 100% of the sum corresponding to 24 times the minimum price of work.

⁽⁵⁴⁾ The main requirements of the agreements are specified by the act on employment services.

ployment support and social assistance to establish themselves on the labour market through self-employment.

Small businesses play a key role in Slovakia's economy in terms of share in total production (52%) and employment (66%)⁽⁵⁵⁾. A vigorous small business sector is considered the core of a healthy economy. Independent experts agree that SMEs have the highest potential to further boost employment because of their flexibility and adaptability. This fact is reflected virtually in all major strategic and conceptual documents, relating to economic and labour market policy issues in Slovakia. Creation of supported self-employment jobs contributes to this goal by attracting disadvantaged individuals to enter and remain on the labour market.

The main objective of graduate practice is to support the entry of school graduates and young people into employment by granting them opportunities to gain experience and skills in a real working environment. In addition, this measure seeks to prevent a risk of long-term unemployment and social exclusion with an individual approach to the circumstances of the young person. A specific goal of the policy is to improve cooperation between the private (including non-profit) and public sectors in the area of labour market policy.

When assessing school leavers, employers often mention their skills mismatch, insufficient preparedness for practical work, and a lack of ability to make decisions independently. The Slovak education system does not always teach the skills necessary for the labour market. The result of this mismatch is that many school leavers become unemployed. Despite a decreasing trend, youth unemployment remains almost twice higher than the average unemployment. Many documents, including the national action plan for employment, point to the need to strengthen links between employers and schools. New schemes of cooperation between the state and the business sectors in training the future and current labour force are planned. Publicly supported graduate practice has currently become the most popular tool.

Organisation, implementation and funding

The two practices are important parts of the national projects implemented under the sectoral operational programme 'Human resources' (projects realised on the entire territory of Slovakia

except the Bratislava region) and the single programming document NUTS II Objective 3 (projects realised in the Bratislava region). The Ministry of Labour, Social Affairs and Family is the managing body for the projects. The Central Office of Labour, Social Affairs and Family is responsible for monitoring, evaluation, control, and publicity of the projects at the national level⁽⁵⁶⁾.

The organisation and implementation of the policies is mostly carried out by the respective territorial offices of labour, social affairs and family (46 offices). The offices receive and process applications, sign agreements with recipients, grant contributions, keep financial records about the project, monitor and supervise the project, submit physical and financial data to the Central Office, and provide the evaluation of the project.

Both contributions are claimable, i.e. the jobseeker is entitled to receive the contribution upon meeting the specified requirements. An important change occurred in the provision of the contribution for self-employment from 1 January 2005. The European Commission agreed to a request of the Slovak Ministry of Labour, Social Affairs and Family to allow *advance* lump-sum contributions for self-employment, which are co-financed by the European Social Fund (ESF). Previously, unemployed claimants were reimbursed retrospectively for provable costs occurred in the setting up and operating of a self-employed job. This has proved to be an obstacle for many jobseekers since they had to borrow money. In several cases their expenses were not reimbursed due to the decisions of officials. The legislative change has caused a rise in applications.

On the national level, both policies are co-financed from the state budget and the European Social Fund. Table 1 shows the main financial indicators for the respective national projects, under which the measures described are implemented (contribution to self-employment under national project I; graduate practice under national project IX, as of 1 July 2004).

Table 2 shows basic indicators for these measures in 2004.

Performance and achievements

Both measures build on similar ones implemented before 2004. Contribution to self-employment has existed in various forms and programmes for more than 10 years, while graduate practice was introduced in 2002. The current shape of the measures is the result of a process of removing obstacles and refining the rules.

⁽⁵⁵⁾ Source: National Agency for Support of Small and Medium-Sized Enterprises, Slovak Tradesmen Union.

⁽⁵⁶⁾ The Central Office is also responsible for the implementation of the project graduate practice in the Bratislava region.

Table 1 – Financial indicators (2004-06, in SKK thousand)

| Financing/source | National project I <i>Support for employment of unemployed with emphasis on long-term unemployed and disadvantaged groups on the labour market</i> | | National project IX <i>Graduate practice</i> | |
|---------------------------|---|----------------------------|---|----------------------------|
| | SOP HR | SPD NUTS II Objective 3 | SOP HR | SPD NUTS II Objective 3 |
| Own sources of applicants | 431 438 (38.5%) | 19 800 (40%) | | |
| State budget | 172 213 (15.4%) | 14 850 (30%) | 15 080 (20%) | 3 744 (50%) |
| European Social Fund | 516 639 (46.1%) | 14 850 (30%) | 60 320 (80%) | 3 744 (50%) |
| Total | 1 120 289 | 49 501 | 75 400 | 7 488 |

NB: SOP HR – Sectoral operational programme 'Human resources' (Slovakia except Bratislava region), SPD NUTS II Objective 3 – Single programming document NUTS II Bratislava Objective 3 (Bratislava region).

Source: National Action Plan for Employment for the period 2004-06.

Table 2 – Financial indicators (2004)

| Selected policy | Number of persons involved | Agreed total sum of financial sources (SKK) | Average agreed contribution per 1 person involved (SKK) |
|--|----------------------------|---|---|
| Contribution for self-employment | 5 618 | 320 083 467 | 56 975 |
| Contribution for graduate practice | 14 462 | 199 879 537 | 13 821 |
| Contribution for self-employment to a disabled citizen | 108 | 10 748 968 | 99 527 |
| Total | 269 257 | 1 854 362 804 | 6 887 |

Source: Central Office of Labour, Social Affairs and Family.

The measures are regularly monitored and evaluated by the territorial offices and the Central Office. From 1 February 2004 to 25 May 2005 a total of 10 236 self-employing jobs were created (5 618 in 2004 alone). Almost the entire number of jobs (98%) was created in the framework of the sectoral operational programme 'Human resources'. Due to the focus of the policy on disadvantaged groups, the number of participants from the Bratislava region (single programming document NUTS II Objective 3) was low, with only 209 supported self-employing jobs in the analysed period. The total contracted sum was SKK 602 649 000 (of which SKK 7 751 000 was in Bratislava).

A closer view on the policy shows that 38% of contributions were granted to women, and 66% to disadvantaged groups (of which 94% were long-term unemployed) in 2004. Most of the supported jobs were created in the Presov, Zilina, and Banská Bystrica regions ⁽⁵⁷⁾; the least were created, as already mentioned, in Bratislava. Most jobs were created in the service sector, mainly in accounting services, retail trade, construction, restaurants. The change from retrospective reimbursement of expenses to advance lump-sum payments (from 1 January 2005) has significantly increased the interest from the jobseekers in the contribution. The measure is becoming the

⁽⁵⁷⁾ The Presov and Banská Bystrica regions have the highest unemployment rates in Slovakia.

dominant policy in creating new jobs. This raises the question of financial sustainability of the policy, i.e. whether the contribution in the form of a subsidy will not be replaced by some type of low-cost loan.

The positive impacts of the measure are related to the breaking off of the inactivity period and the regaining of working habits and social contacts by unemployed people. The macro-economic effects are associated with the reduction of paid unemployed benefits, social assistance benefits, and increased state budget income due to taxes paid by the self-employed.

As of 25 May 2005, offices have received a total of 9 896 requests from employers for the granting of the contribution for graduate practice at 23 629 jobs for school graduates. Offices have concluded 8 813 agreements with employers on 17 154 graduate practice jobs. The total concluded sum represented SKK 249 588 710. The low interest in the Bratislava region – 580 agreed jobs (3.4% of total) – indicates that young people in the capital city and neighbouring districts have less problems to find a job, and/or that the relatively low contribution is an insufficient incentive for them to participate in the measure.

Out of the total number of 14 462 jobseekers participating in graduate practice in 2004, 68% were women, while 83% belonged to the group of disadvantaged jobseekers (of which 89% were school graduates). Roughly every 20th participant has eventually found a permanent job. Graduate training is

most frequently used by employers in the Presov region of eastern Slovakia.

The interest of young people to participate in graduate training is growing. The practice helps to address the critical skills mismatch and improve occupational flexibility and employability of young people. As reported by young jobseekers from the less-developed regions, apart from the symbolic financial contribution, they appreciate the opportunity to improve their qualifications and thus increase their chances of finding a permanent job.

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Slovenia

'Programme 10 000 +' – a programme for entering formal education and acquiring national vocational qualifications' certificates for unemployed people ⁽⁵⁸⁾

Introduction

Among the main characteristics of the Slovenian labour market in the last decade are relatively large educational, occupational and regional gaps between demand and supply, and high shares of unemployed people without (or with inadequate) vocational education and of long-term unemployed people.

This is particularly true for the older labour force, which lacked the opportunity to renew the knowledge acquired in formal education decades ago and which dropped out of formal education (and are thus without any vocational qualifications).

One of the programmes established at the Employment Service of Slovenia (ESS) in 1998 in order to reduce the proportion of

Table 1 – Characteristic groups of registered unemployed

| Year/ month | Average number of registered unem- ployed per- sons | Average shares of characteristic groups of registered unemployed (%) | | | | | |
|----------------|--|--|-----------------------|-------|---|--|-----------------|
| | | Aged under 26 | First job- seekers | Women | Unem- ployed for over one year | Without vocational qualifica- tions | Aged over 40 |
| 1995 | 121 483 | 32.2 | 19.7 | 46.7 | 61.9 | 46.6 | 34.0 |
| 1997 | 125 189 | 29.1 | 18.3 | 48.8 | 57.4 | 47.1 | 40.8 |
| 1999 | 118 951 | 25.8 | 18.7 | 50.6 | 63.7 | 47.5 | 48.5 |
| 2000 | 106 601 | 23.4 | 17.9 | 50.7 | 62.9 | 47.2 | 51.7 |
| 2001 | 101 857 | 24.1 | 18.8 | 50.8 | 58.9 | 47.0 | 50.5 |
| 2002 | 102 635 | 24.0 | 19.6 | 51.2 | 54.4 | 47.0 | 49.4 |
| 2003 | 97 674 | 26.1 | 23.2 | 52.8 | 48.6 | 44.2 | 44.1 |
| 2004 | 92 826 | 26.2 | 25.2 | 53.1 | 46.2 | 41.6 | 42.8 |
| 2005 I-V | 92 056 | 23.5 | 24.2 | 52.9 | 46.4 | 41.2 | 44.0 |

Source: Zavod Republike Slovenije za zaposlovanje (Employment Service of Slovenia) (2005b).

⁽⁵⁸⁾ On 14 July 2005, the Slovenian government adopted the 'Programme 10 000 +' for the school year 2005-06. The part related to the preparation and verification/certification of national vocational qualifications was excluded from the programme. The explanation provided was that certificates are publicly valid documents and do not change the education level of the individual. The processes of preparation and verification/certification of national vocational qualifications are usually shorter and thus not bound to the school year. Since the role and procedure for the preparation for and verification/certification of national vocational qualifications are defined in main documents related to the development of the Slovenian labour market, the government stated that it is not necessary for those processes to be included as part of the 'Programme 10 000 +'. They will be carried out separately.

those without vocational qualifications (which stayed for many years around 47% of all registered unemployed – see Table 1) and of long-term unemployed people was 'Programme 5 000'. Its intention was to help at least 5 000 unemployed people without vocational qualifications to acquire training through participation in formal educational programmes.

Later, the programme became part of active labour market policies started in Slovenia in 2002. These policies launched to enable unemployed people to acquire elementary, general, vocational and university level education. After initial positive results in reducing the share of unemployed people without vocational qualifications in the year 2003-04 (see Table 1), 'Programme 5 000' was transformed into 'Programme 10 000' and into 'Programme 10 000 +' in 2004-05, anticipating the inclusion of 11 140 unemployed people into the programme.

The Slovenian context

The current 'Programme 10 000 +' is divided into three groups.

(a) Publicly valid educational programmes for adults

'Project learning for young adults' – aims at increasing the motivation for education and work of young adults who dropped out of formal education;

'Programmes for enhanced life efficiency – a bridge to education' – aims at training people with special needs. The target group are adults with milder forms of mental disabilities who finished their schooling in special classes at elementary schools with the help adapted programmes, and who are currently unemployed or included in the training programmes for work in the workshops for disabled people or in special workrooms for disabled people.

(b) Formal educational programmes for adults at different levels (elementary, general, vocational, and university level)

An unemployed person can enter the programme in two different ways: (a) as a member of the specially formed 'classes of unemployed' – with adjusted educational programmes or (b) individually in vocational secondary education (when there is no organised education in the local environment, or when the person cannot participate in 'classes of unemployed' due to family or health reasons) and at post-secondary or university level.

(c) Certificates – preparation for and verification/certification of national vocational qualifications

The innovative feature of the 'Programme 10 000 +' in the national context is the inclusion of a certification system. The

certification system is a relatively new way (introduced in the year 2000) of giving opportunities to people without recognised educational attainment to acquire national vocational qualifications through formal education or to go through the process of assessment and accreditation of prior learning.

It is expected that the certificate system will increase employability especially of those individuals with years of experience and without adequate vocational qualifications. Moreover, at a time when the Slovenian labour market is facing ageing of the labour force and is expecting to reduce its size in the future, the older labour force should be able to remain in the labour market and be more flexible and competitive.

Objectives of the programme

As part of active labour market policies, 'Programme 10 000 +' seeks to accomplish a number of strategic and national goals. The main goals are reflected in the specific objectives set for priority No 2: knowledge, human resource development and employment in the single programming document 2004-06 for Slovenia.

The main objectives of the programme are:

- Increasing the employability of unemployed people;
- Raising educational and qualification levels;
- Reducing occupational and structural discrepancies in the labour market.

Likewise, several groups of unemployed people were identified as priority groups:

- All unemployed people without vocational or technical education (co-financed by the European Social Fund);
- All unemployed women (also co-financed by the European Social Fund);
- People older than 40 years who had not completed vocational education – enabling them to get national vocational qualifications through the certification system;
- Unemployed people with vocational or technical education, that are unable to find a job in the adequate field and are registered at the Employment Service for more than six months.

The main aim is to recruit 70% of unemployed people without vocational or technical education into the programme. It is also possible to include in the programme people that have

lost their employment due to economic reasons and who had a training contract with an employer.

Organisation, implementation and funding

The 'Programme 10 000 +' is an initiative of the Ministry of Labour, Family and Social Affairs and Ministry of Education and Sport, adopted by the government and delivered by the Employment Service of Slovenia (ESS). The programme defines the type of education and the number of posts in the school year, as well as the criteria for inclusion and funding. The type of education and the number of participants are defined on the basis of estimates on employment and education needs at local/regional level, prepared by the local and regional offices of the ESS and representatives from the Chamber of Craft and Chamber of Commerce and Industry.

One of the prerequisites for an unemployed person to participate in the programme is the preparation of an individual employment plan.

During the educational period the programme participants have the status of a participant in education, whilst their status as an unemployed person is suspended including all related rights (unemployment benefit and unemployment assistance). On the other hand, the ESS covers all expenses of participants for education, acquiring certificates of the national vocational qualification (up to five minimum wages per school year), living and travelling costs, health insurance, and provides a scholarship according to the regulations.

Total costs of the 'Programme 10 000 +' for the year 2004-05 are estimated at SIT 4 888 686 141 (EUR 20.4 million). The majority of the activities⁽⁵⁹⁾ will be covered by the Ministry of Labour, Family and Social Affairs (SIT 4 108 668 007), while the Ministry of Education and Sport (SIT 780 018 134) is covering expenses of education at elementary school level, project learning for the young adults programme, additional training of teachers, and the programmes for enhanced life efficiency. Some of the activities will be co-funded by the European Social Fund.

There are several incentives envisaged for different actors in the programme:

- (a) For unemployed people, there are motivational programmes ('Project learning for young adults'), providing information, vocational guidance, preparing for continuing education, and so on;
- (b) For educational providers, additional training is provided as well as the information on the success of previous educational programmes;
- (c) For employers, there are subventions for opening vacancies to include unemployed people into 'dual system' programmes and providing information about unemployed people who successfully finished education.

Performance and achievements

The 'expanded' 'Programme 10 000 +' is built on seven years' experience and the relative success of the previous 'Programme 5 000' and 'Programme 10 000'. At the same time it is only one of the many programmes⁽⁶⁰⁾ established in recent years by the Ministry of Labour, Family and Social Affairs and delivered by the Employment Service of Slovenia, to improve educational level, employability and flexibility of the Slovenian labour force.

The great majority of programmes are intended for the unemployed registered at the ESS, which, on the one hand, has tightened control and supervision over the registered unemployed. This, together with some positive incentives, ensures that the drop-out rate from the programme is very low (4.1% in the year 2002-03).

On the other hand, indicators are developed for monitoring the performance and effects of the programme. They cover three areas: (a) number of participants in the programme (seven indicators); (b) success of the participants at the end of the educational programme (six); and (c) success of the programme measured by the number of participants that found employment during or after the educational programme (eight).

In spite of the relative success of the programme in recent years, there is still some room for improvement. This is especially the case for the introduction of the certification system and enabling people to acquire national vocational qualifications. Due to some technical difficulties in the preparation of the

⁽⁵⁹⁾ Including the subventions to the employers, promotion costs and the evaluation of the programme, performed by the Slovenian Institute for Adult Education.

⁽⁶⁰⁾ In 2004, a total of 24 035 unemployed people were involved in various education and training programmes, from which 7 006 were in the 'Programme 10 000'.

Slovenia – 'Programme 10 000 +' – a programme for entering formal education and acquiring national vocational qualifications' certificates for unemployed people

certification system and some lack of clarity about the role in the educational system, only 25 unemployed people (intended 603) were included in the process of certification in the year 2004. In the first five months of 2005 the number of participants in this 'sub-programme' of 'Programme 10 000 +' rose to 207.

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Spain

The regularisation of illegal immigrants in Spain

Introduction

The arrival of a substantial inflow of immigrants in the last years has completely changed the picture of migration in Spain. In fact, Spain has changed from a country of emigration to one of immigration. The number of foreigners currently living in the country is more than 3.5 million, equivalent to 7% of total population. Furthermore, the extraordinary rate of growth in migration is noticed if compared with the number of immigrants living in Spain six years ago (750 000, representing 1.9% of the population).

The extent of this transformation called for adequate policy responses. This is especially so when taking into account that, after the implementation of several contentious measures (such as the setting of annual quotas or stricter border controls) in the past, the flow of illegal immigrants has not diminished.

As a result, in autumn 2004 the new socialist government announced another regularisation campaign for illegal immigrants in Spain. In any case, the Minister for Employment, Jesús Caldera, refused to call it a 'regularisation process', but rather a 'process of normalisation', since it is a way of recognising the rights of those people who were already working and will continue to do so for at least another year.

This report is structured as follows. The next section focuses on the specific features of the normalisation process, remarking on its innovative aspects. The third section discusses the main objectives of this policy and the links to related policies or goals. The fourth section is devoted to issues regarding the organisation and implementation of the process, whereas the fifth section reports the main outcomes and achievements so far.

Interesting features of the regularisation process

On 3 December 2004, the government passed the New Regulation of the Alien Law (*Reglamento de la Nueva Ley de Extranjería*), after reaching a consensus with the employers' organisations, trade unions, the autonomous regions and the federation of municipalities. This new regulation established a regularisation process for foreign immigrants working outside the regular labour market as long as they meet certain conditions.

The regularisation process started in February 2005 and applications were accepted until 7 May 2005. Two categories of cases had different application procedures. For the first category, the *general authorisation of residence and work*, the employer who intends to employ a foreign worker had to present the application to the authorities. The second category concerns workers in the domestic service sector who only work several hours for several different employers. Because such workers do not have a single employer, they could hand in the application themselves. They should be able to prove that, in total, they work at least 30 hours per week.

The process of regularisation is completed only if certain requirements for both the employer and the worker (immigrant) are met.

Employers are required to fulfil the following conditions.

- The company applying must be registered in the corresponding social security scheme and be up-to-date with all tax obligations and social security payments and the conditions of the work contract must comply with the corresponding regulations for the activity.
- The employer should have signed a work contract with the migrant worker for a minimum period of six months. For the construction and hotel sector, however, the six months do not need to be worked consecutively. What is crucial is that within a period of 12 months, the migrant worker needs to have worked for a total of six months.

In the agriculture sector the minimum work contract period is reduced to three months. In case of part-time work, the length of the work contract must be increased proportionally to the reduction of the working day, so that the total equals at least that of a full-time contract for a minimum period of six months.

At the same time, workers must meet the following requirements:

- Having an original and full copy of their passport or travel document;
- Being registered at a municipal population register in any Spanish town before 8 August 2004 and having stayed continuously in Spain during this period;
- Show accreditation of officially approved degrees or certificates or proof of their capacity to perform their profession;

- Having a clean criminal record, either in Spain or in other countries in which he or she may have lived in the past five years, translated and legalised by the diplomatic mission or consular office of the country of origin;
- Not having been prohibited entry into Spain, unless this prohibition stems from an expulsion due to irregular residence or work in Spain.

There are two features that make the current process different from previous ones. First of all, it applies to a large number of irregular immigrants currently living in the country. Secondly, the application for legalisation must be made by employers by means of a formal commitment to employ an irregular immigrant. In fact, the absence of such a commitment to employ an irregular immigrant means he or she is not eligible for a work or a residence permit.

Objectives

The goal of the measure is to ease the path of immigrant workers into the regular labour market, as they are actually working in a clandestine situation without paying taxes and social security contributions. From this perspective, the regularisation process is purely based on economic grounds, and aimed at tackling the large black economy in Spain, whose growing importance has been fuelled by a substantial inflow of immigrants in recent years. In other words, the campaign is targeted more at illegal employment than at irregular immigration.

In addition, large numbers of irregular immigrants (nearly 1 200 000 currently living in Spain, according to the Spanish government) implies that the government does not collect their taxes and social security contributions. According to Jesús Caldera, the Minister for Employment and Social Affairs, the process of normalisation is expected to add more than EUR 750 million to the social security budget this year, which will probably increase to EUR 1 500 million in 2006.

The Ministry has also claimed that more than 90% of the Spanish undeclared economy will surface after the implementation of the scheme. In order to ensure the maximum number of applications, employers declaring the hire of an illegal immigrant are not prosecuted. A reduction in the chances of being exploited by an employer is therefore also expected.

Indirectly, the regularisation programme will also yield useful information about the demographic and labour market participation of migrants which might be useful for controlling irregular immigration inflows in the future. In this sense, the programme will also promote a better planning of health and education, as a step towards the integration of these new residents.

The programme aims at making it harder and more costly to hire irregular immigrants, so that the demand for irregular labour and the incentives to immigrate irregularly into Spain will weaken.

From the analysis of the priorities in the Spanish National Action Plan for Employment it may be concluded that the direction of the process is fully coherent with the guidelines. More specifically, one of the guidelines is aimed at promoting the integration and combating the discrimination against people at a disadvantage in the labour market, amongst which immigrants are considered a target group.

As far as the links with other policies currently undertaken in Spain are concerned, the 'Fighting discrimination operational programme', co-financed by the European Social Fund, must be necessarily highlighted. The three objectives (and basic contents) of the programme are the following:

- Integrated employability programme pathways for immigrants consisting of an assessment phase (personal interview), initial training (language learning, social skills), and social and employment guidance, vocational training, support for self-employment and some extra basic assistance;
- Professional training specifically designed for immigrants, offering theoretical and practical training for problems related to immigration;
- Awareness-raising, studies and conferences on immigration.

Organisation and implementation

Some issues concerning the organisation and implementation of the process in terms of the allocation of different responsibilities deserve special attention.

As for the requirements to be met by the worker, registration in the Population Register before 8 August 2004 seems the most relevant obstacle to eventually obtain the regularisation. It is necessary to point out that, once the process was in progress, there was initial confusion due to uncertain interpretation of the '*empadronamiento por omision*' (registration by omission). The registration by omission means that a worker might be registered with the Population Register (and, hence, eligible to be granted the regularisation), even though the migrant may not be in possession of such a document as long as he or she is able to show any other formal registration. The measure put some pressure on the municipalities, which were responsible for deciding which documents were valid in each situation,

with the ensuing degree of arbitrariness. In order to clarify the issue, on 21 June 2005 the Population Register Council met and specific guidelines about valid documents were given, so that municipalities were relieved from that burden.

Once registration in the Population Register and the other requirements were met, the documents were to be handed to either a social security office (in the vast majority of the cases), or at other governmental offices.

If the migrant fulfils the requirements, an identity card for foreigners (*Tarjeta de Identidad de Extranjero – TIE*) is issued for a year, as long as he or she is registered with the social security office within a month. On the contrary, if the requirements are not met, the immigrant remains illegal unless he or she is placed under the procedure of *arraigo laboral* which is to be implemented on 8 August 2005. The limited validity of the card issued poses a potential danger that, once the card expires, the immigrant is likely to fall back into an irregular situation.

There is thus a demand for the immigrant to be registered in the Population Register for two years, as well as proof of having worked at least for one year.

Performance and achievements

Spain has completed what is probably one of the largest special regularisation campaigns of irregular immigrants to this date. According to updated information released by the Ministry of Labour and Social Affairs on 7 June 2005, the number of applications collected at the social security offices and government (and sub-government delegations) amounted to 690 679, of which 604 357 (i.e. around 88%) were provisionally admitted. The figure is relatively close to the government expectation of 700 000 to 800 000 applications.

On 1 January 2005, 2 357 056 regular migrants between 16 and 64 years old lived in Spain. Among them, 1 197 383 did possess a certificate of residence before the programme was launched, which means that irregular migrants accounted for 1 156 673. Assuming an activity rate of 70% (an estimate provided by the Bank of Spain, and which is 9 percentage points higher than that of Spaniards), it is possible to estimate the active immigrant population at 811 771. If the admitted applications are taken into account, there remain 121 092 irregular immigrants in the country.

As far as the country of origin is concerned, more than 20% of the applications came from Ecuadorian citizens, whereas the Romanians ranked second (17.22%). Sectoral patterns highlight the relevance of domestic work (31.67%), further above construction (20.76%), agriculture (14.61%) and hotel industry

(10.36%). Workers in these four economic activities make up 77% of total applications.

More important than the number of applications is the number of registrations with the social security. To this respect, the number of registered immigrants has increased to 157 333, which constitutes 22.7% of total applications.

It is too early to say whether the regularisation process has attracted more migrants to come to Spain. In any case, it is worth mentioning that earlier measures have not led to significant increases in immigration.

Finally, concerning the instruments in place to control the remaining irregular workers, more than 500 000 work inspections are due in 2005 so that those employers failing to prove the regular status of their workers will be heavily fined. Experience from other countries suggests that this is an effective way of combating illegal employment.

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Sweden

Innovative restructuring in Sweden

Introduction and background ⁽⁶¹⁾

As in most of the other EU-15 Member States, restructuring is at the centre of the public policy discussions in Sweden. While a concern about redundancies is widespread, policy initiatives to specifically address the problems of restructuring have been limited ⁽⁶²⁾. Other actors such as bipartite organisations, the restructuring firms and outplacement agencies are now playing a more important role. Another recent trend is that it is becoming less meaningful to speak of specific restructuring cases but rather to view restructuring as an ongoing process. Several larger companies are setting up units within the firm to deal specifically with restructuring issues and new actors continually being involved in restructuring work. This is discussed throughout the article.

The tradition of relatively good labour relations, typical of the Swedish model, remains. There is, at the very least, some serious social dialogue between the parties in practically all restructuring instances. In explaining this climate of serious negotiation one should not only refer to such concepts as social norms or tradition, but realise that there are aspects of Swedish employment law that are highly conducive to meaningful negotiation. Most important in this respect are the seniority rules in the Employment Protection Law ⁽⁶³⁾. While the grounds for dismissal for economic reasons are very liberal (essentially being the sole prerogative of the employer), the selection rules about which workers are to be dismissed are quite simple and strict. The main criterion in the law is the 'last-in first-out' (LIFO) principle. The law stipulates, however, that the parties may agree on other selection criteria. Generally speaking, the employers do not want to select according to the LIFO principle. This means that the employers have a strong incentive to negotiate derogations with the trade

unions and that the LIFO rules provide the trade unions with an important lever in these negotiations.

Innovative institutions and actors

As mentioned in the introduction, there have been very limited public initiatives to deal with collective dismissals. However, the government has encouraged the extension of the bipartite approaches to restructuring. Also, the deregulation of temporary work agencies in the 1990s enabled the emergence of new actors dealing with outplacement services.

Expansion of the job security councils

Collective agreements established bipartisan bodies, job security councils, from the late 1970s to cover the entire private white-collar and state (central government) sectors ⁽⁶⁴⁾. Their role is to facilitate the reallocation of workers after restructuring. There is little innovation in the measures applied, which comprise severance pay, and, more importantly, active measures. However, the close cooperation of management and unions within these bodies may enhance the efficiency of restructuring processes, in particular an early start and good information on the quality of the dismissed workers. However, an evaluation of the councils has not yet been carried out. These activities are financed by the participating firms paying a fee to the councils based on labour costs. The agreements are formulated in a general manner and give the actors a high degree of freedom in the implementation of the agreements in practice. The boards of the job security councils which administer and facilitate the support consist of employer and union representatives.

⁽⁶¹⁾ This paper draws extensively from Bergström and Storrie (2003), Bergström (2005) and Edstöm and Sabel (2005).

⁽⁶²⁾ This contrasts sharply with the extensive government measures (active labour market and industrial policy) that accompanied the decline of heavy manufacturing industry (for example, shipbuilding) in the 1980s. One should point out, of course, that publicly financed active labour market policy measures are widely available for the unemployed in Sweden but are not specifically designed for those effected by restructuring.

⁽⁶³⁾ One should also note that the relatively long periods of statutory notice provide the time that is necessary to conduct successful restructuring practices.

⁽⁶⁴⁾ *Trygghetsråden or trygghetstiftelse* in Swedish.

An important expansion of the job security council system occurred in 2004 when similar bodies were set up for the blue-collar workers in the private sector ⁽⁶⁵⁾. Thus currently almost the entire labour market is covered by these agreements, with blue-collar municipal workers constituting a major exception. In contrast to the system for white-collar workers, severance pay for the blue-collar workers in the private sector is paid as a lump sum. Moreover, the new blue-collar agreements are organised rather differently. There is no permanent in-house organisation to implement the outplacement activities. Instead, these are outsourced to a number of outplacement companies, including temporary work agencies and the white-collar outplacement services. It is too early to provide an evaluation of the system for blue-collar workers.

Outplacement and temporary work agencies

As temporary work agencies were previously illegal in Sweden, the total deregulation of the sector in 1993 has enabled a significant increase in the use of agencies in restructuring. The development of private outplacement and temporary work agencies provided opportunities for employers to externalise the redundancy problem. The most common forms of service are placements of temporary workers, recruitment and outsourcing. But there are also other services more directly related to restructuring. For example, some agencies specialise in providing communication or information services at an early stage of restructuring. There are also agencies providing counselling services to workers made redundant by their employers. The outcome of the early experiences of agencies was not always satisfactory mainly due to the initial lack of experience of agencies. In several cases, it was revealed that temporary work agencies placed redundant workers on assignments with their former employer.

Employers have developed new strategies to respond to the outplacement industry. First of all, they tried to develop clearer criteria for buying outplacement services and to be more particular about who they would engage in their programmes. Furthermore, employers now to a lesser extent outsource the whole programmes to outplacement agencies. It was argued that, in order to take social responsibility, they needed to be in control of what happens to their employees. Outplacement agencies are now hired to provide counselling services for particular occupational groups. Temporary work agencies are now engaged to place workers with particular skills or needs.

There are also other aspects of the adjustment programmes which resulted in outsourcing. In some cases whole business units, for example IT services, including all employees in that

unit, would be taken over by outsourcing firms. They would develop the operations, retain the workforce and sell back services to the former owner of the unit. The most common form of outsourcing was, however, related to the training and education of the workers. In many cases training programmes were bought from private training providers. This was common for specific IT skills or other forms of professional training. This was often organised in partnership with the public employment services. In some cases, employers set up partnerships with universities to provide opportunities for more, long-term, higher education for employees.

The growth of private outplacement and temporary work agency industry has, to some extent, put a pressure on the job security councils and the public employment services. There were several examples of large employers, for example the Ericsson plant closure in Norrköping 2000, choosing not to use the services of the job security council even if it was already paid for. The council was regarded as old fashioned, using old methodologies and outdated concepts. As a consequence the council initiated an internal change programme in 2001. The image of the councils has changed somewhat since. New methods have been introduced and a strategy emphasising long-term partnership with employers has been developed.

Innovative company practices

By the end of the 1990s the nature of the workforce adjustment problem changed. Even if the economy was growing, many organisations still faced problems of restructuring. Several firms needed workers with higher and new skills, while at the same time needing to reduce the number of workers with obsolete skills. Furthermore, many firms had problems with an ageing workforce, which in part was due to the consequences of the restructuring of the early 1990s. More importantly, several organisations began to regard restructuring as a continuous problem.

Proactive instruments

There have been several efforts from employers to be more proactive in relation to the problem of workforce reduction and to solve the problems of employability within the organisation. The idea has been to support and develop mechanisms that would create a flow of workers within the organisation.

⁽⁶⁵⁾ Trygghetsfonden TSL (Job Security Fund TSL): the contractual partners are Svenskt Näringsliv (Confederation of Swedish Enterprise) and Lands Organisationen (LO). It covers 950 000 workers employed in the private sector.

Telia (previously a public monopoly telephone company) was at the forefront of the development of this approach to workforce adjustment. The aim of the new programme was to deal with workers who were not needed any more in a way that would avoid dismissals. Instead they would reuse and develop the competences of workers for future employment in the company or elsewhere. For this purpose, a new division (a so called 'Division Personnel Support') was set up in a firm. It employed all workers in the company (23 000) and lent them back to the other divisions. This was a way to identify which workers were not needed any more. For those employees, training programmes, counselling services and apprenticeship programmes were installed in order to support their recruitment to new jobs within Telia or to find jobs elsewhere.

The generous conditions provided to the workers at Telia contributed to setting the norm of how to work with workforce adjustment for other companies in Sweden. Several large Swedish companies were to follow. For example, Vattenfall, a state-owned power company, initiated a programme based on similar principles. The programme was called 'Competence shift', aiming at supporting internal mobility and competence development.

Voluntary dismissal

Another direction was to develop methods of workforce reduction that would support voluntary decisions to leave the company. The idea was that if workers would voluntarily choose to leave it would be possible to avoid the LIFO principle. Moreover, it was argued that by making dismissal an individual choice, the experience of uncertainty among workers created by the large-scale reduction programmes would be minimal. Instead of regarding leaving the organisation as a failure, it was suggested that it would be regarded as an opportunity and a challenge.

The first, and most distinctive, programme of this kind was set up by Swedbank. The bank was the result of a merger between two major savings banks. Both banks had previous experience of large-scale workforce reduction programmes in the early 1990s. In 1992, the banks had 19 000 employees in total but by 1998 they were down to 14 000. Even if pension programmes were used, management felt that they lost too many young and highly-educated workers. This was regarded as a problem for the future profitability of the firm. When planning the merger it was stated that the new bank needed to reduce the workforce by 3000 employees, while at the same time recruiting 800 new workers with the competences needed for the future. The problem was how to design a programme that made it possible to dismiss those workers who were not needed anymore and retain those workers who were needed.

As a result of negotiations with trade unions, Swedbank offered to all 14 000 employees the choice to leave the bank

and the banking sector voluntarily. It was stated clearly that those who left would get access to a generous programme, including severance pay for six months, individual counselling, job-search training, medical examination, networking meetings and an upgrading of the individual's IT skills. There were also generous opportunities to get bank loans for those who wanted to start a new business. Older employees were offered a voluntary early retirement programme. The offer was combined with an extensive information and dialogue campaign. According to the employer, employees should know what it would mean to stay within the bank and what it would mean to leave. Staying meant accepting the new business logic, customer focus, using new technology and developing new services and products. In order to support this decision-making process, managers were trained in developing a supportive dialogue with their employees.

The result of this extensive information campaign was that 1 373 employees chose to leave the organisation. Those who left were put in the so-called 'resource bank', an administrative support unit serving as the employer for workers during the extended dismissal period. In contrast to previous programmes, the resource bank was not organised as a physical development centre. Instead, Swedbank chose to let workers stay at home as it would not have been cost effective to set up development centres in all cities affected by the reduction. It was also regarded as offensive towards the remaining workers to let the workers leaving the organisation stay in the offices during the dismissal period. The outcome of the programme was regarded as successful. Only a few of the 1 373 workers leaving the organisation were reported as going into open unemployment.

However, this new approach received some criticism. Representatives of the bank estimated that of the 1 373 workers leaving the organisation, 5% were employees that they rather wanted to stay. Furthermore, it was argued that, however well-informed, the choice to leave the organisation was not always voluntary. In some workplaces it was reported that branch managers gave hints to some workers that they should carefully consider the offer. However, in general the programme was highly appreciated among workers. The image of Swedbank as a generous and socially responsible employer was spread in the public domain. As a result, several employers tried to imitate this model in their workforce adjustment programmes. For example, the workforce reduction programme of the Swedish national postal service – Posten Futurum – may be regarded as one of the most successful restructuring programmes in Sweden.

The Postal Service has reduced their workforce by 4 000 people avoiding traditional redundancy procedures, providing generous readjustment programmes to individuals and securing entry into new job opportunities with a success rate of 90%. However, the Postal Service introduced an important addition to the concept in order to control better who was

Table 1 – Swedbank's 55+ programme

| Age | 55 + | Medical care Exercise during work Health examinations | On-the-job training Individual development plan |
|-----|------|---|--|
| | 58 + | Reduction in working time (80% of working time for 90% of wages) Extra days (three) free from work | |

made redundant. According to the Postal Service, experiences from other companies showed the danger of providing general and too generous programmes, since it could contribute to losing the employees that they wanted to retain. As a response to this dilemma, clear-cut selection criteria for those who were given the offer were established. The basis was that the participant of the outplacement programme was employed at a workplace where redundancy was identified. Furthermore, there were also particular criteria for age and level of qualifications of the worker. In particular, priority would be given to low-skilled and older workers. Thus, the programme of the Postal Service differs from that of Swedbank, since it more clearly determined the target group of the programme.

Dealing with the older workforce

As an effect of previous workforce adjustment programmes and recruitment bans, several firms have recently had problems with an ageing workforce. This may partly be due to the results of the LIFO principle, which means that previously senior workers were not exposed to dismissal to the same extent as younger workers. However, since the end of the 1990s further dismissals meant that older workers would need to be dismissed as well. This posed new problems for employers, since there was no systematic experience of how to deal with the particular conditions of older workers coping with redundancy. As a response to this, a new generation of programmes targeted specifically at this group of workers was developed.

There is no systematic account of company practices to maintain an active elderly workforce. However, the Swedbank 55+ programme could be considered an example of best practice.

By 2003, 26% of Sedan's employees were older than 55 years of age. In January 2003, the bank introduced the 55+ programme to keep and develop their older workers. The programme is summarised in Table 1.

The medical care programme entails an annual health control. The exercise at work measures are broadly defined and can be, for example, walking or weight training. One hour per week is allowed for these activities. The option to reduce working time does not affect the occupational pension rights. The extra days are not to be used in combination with holidays. The idea is to be able to take a day off from work occasionally to recuperate.

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United Kingdom

A demand-led skills agenda

Introduction

Historically, UK employment policy (including skills policy) alternated between two models. During periods of high unemployment, when lack of demand was seen as the main constraint on growth, the emphasis was put on job creation through macroeconomic demand management and regional and sectoral policies. The objective was to increase the **quantitative demand for labour** and drive unemployment down. During periods of low unemployment, when lack of supply was seen as the main constraint on growth, the emphasis was put on employability and skill creation through 'return to work' programmes and the provision of appropriate training for an expanding workforce. The objective was to increase the **quantitative supply of labour**. Allied to this were policies designed to increase investment through direct and indirect state aids and the provision of appropriate training to meet the needs of new investment. The objective was to increase the qualitative supply of labour and drive up productivity.

Although each was clearly different and appropriate to different points in the economic cycle, they had in common that they were centrally driven. Government saw its task as to predict and provide for the labour market, which it did through central ministries and their respective delivery bodies. The involvement of the labour force during periods of excess supply or of employers during periods of excess demand was secondary. Therefore there was an under-attention paid to what the market wanted to sell or buy and intervention concentrated on market instruments at the expense of market forces. In this cycle, however, as the overall volume of unemployment has fallen, there has been a subtle, but **fundamental, shift in priorities and approach**. Whilst employment and 'employability' concerns are still evident in policy, especially for those most disadvantaged in the labour market, contributing to 'productivity' improvements and skills as a means for increasing the competitiveness of the UK have become more explicitly stated as policy drivers.

Productivity improvements are seen as one of the most challenging aspects of the UK economy today, and skills have a key role to play.

A strand of analysis behind the productivity gap suggests that the skills agenda historically has been too supply-driven and not demand-led; that is that vocational education and training provision have inadequately reflected the skills needs of

employers, business and ultimately the economy. **The current policy intent is to create what is fundamentally a cultural, strategic and infrastructural shift in provision and in the responsiveness of the 'system' to demand and sensitivity to market forces.**

To achieve this end, change is being instituted on a number of fronts:

- High-level policy statements;
- Shift in strategic planning of key delivery agents;
- Changes to the institutional architecture;
- Investment in demand-side research and intelligence;
- The creation of new training providers;
- The implementation of new models of training to meet employer needs.

The following offers some illustrations of these elements. However, the real innovation here is the strategic intent. It is the objective and strategy to bring about fundamental change in the infrastructure, behaviours and investment decisions of associated actors that is innovative and expected to make the difference to productivity and economic performance in the future rather than the impact of any one strand or initiative.

Policies and practices: the platform for change

Strategic intent

The demand-led agenda is increasingly reflected in the key planning documents of the nations, regions and key institutional funders/providers. Thus the Department for Education and Skills, Department for Trade and Industry, Department for Work and Pensions and Treasury joint sponsored White Paper, 'Skills: Getting on in business, getting on at work' (March 2005 ⁽⁶⁶⁾) builds on the government's first skills strategy published in

⁽⁶⁶⁾ Department for Education and Skills, 'Skills: Getting on in business, getting on at work', Skills White Paper, March 2005; <http://www.dfes.gov.uk/publications/skillsgettingon/docs/SkillsPart1.doc>; <http://www.dfes.gov.uk/publications/skillsgettingon/docs/SkillsPart2.doc>; <http://www.dfes.gov.uk/publications/skillsgettingon/docs/SkillsPart6.doc>.

2003. The White Paper focuses on the skills of the current workforce, putting employers' needs at the heart of the design and the delivery of training and reform of education and training provision so that it can better match supply and demand. The 'Skills and employment action plan for Wales', 2005, states its intent to develop a sector-based approach to addressing the demand for skills. Scottish Enterprise in its strategy for training makes explicit the difference between provision that is focused on productivity and employer skills-demand and that based around 'employability' and improving access to the labour market for individuals. The Learning and Skills Council for England, with its budget of GBP 9.3 billion, states it will focus on encouraging providers to deliver what employers need now and in the future, making provision more demand-led and transforming further education so that it attracts and stimulates more business investment.

Understanding demand – the 'employer voice'

The intent to be demand-led is only achievable if there is a more robust understanding of demand not just now but for the future. Greater investment is being made in the provision of enhanced labour market intelligence on demand: the Leitch Review of Skills is consulting on the nature of skills required in the economy and demanded by employers to 2020; Wales is to invest in the setting up of a labour market and skills observatory; Scotland has FutureSkills Scotland; and the 'Skills for business network' is investing in a programme of research not only on defining the volume and detail of skills demand but also exploring how skills and productivity improvements are linked and measured.

New actors are being introduced into the education and skills infrastructure to explicitly access and provide a platform for the 'employer voice' – the articulation of demand. The 'Skills for business network' covers all sectors of the UK economy and has been set up to raise skill levels across industry and to make a contribution to reducing the productivity gap between the UK and other, comparable countries. The network has some 25 sector skills councils (SSCs) that have the direct backing of employers within their sector. Credibly representing the demand side, this gives the sector skills councils the basis on which to identify and develop practical solutions to the skills and productivity challenges within their sector and the leverage to influence government, the education sector and skills providers to deliver demand-led change.

Sector skills agreements (SSAs) are critical to the work of the 'Skills for business network'. The specification for the scope and delivery of the SSAs further described the agreements as 'a means whereby employers and employees in each sector can

identify skills and productivity needs, the action they will take to meet those needs, and how they will collaborate with providers of training and skills so that skills demand can directly shape the nature of supply' ⁽⁶⁷⁾. The agreements are therefore key tools in the shift to a more demand-focused skills agenda. The SSAs are more than planning documents; they are based on a clear articulation of need by employers but are also directly negotiated plans between employers, trade unions, education and training providers on how their collective roles and investments can work to best effect to meet the needs of the sector. The SSAs also have the potential to leverage real and significant change, for example e-skills UK has raised GBP 22 million of matched funding support for its Computer Club for Girls in schools – offering the potential to influence the gender imbalance in the IT workforce for a whole generation of girls. Skillset (the SSC for the audiovisual industries) has also effectively gained the commitment of GBP 5 million from the film industry to invest in setting up screen academies.

Creating new means of meeting employer needs – changes to the design and delivery of training

An over-arching objective in the UK is to reforming the supply-side infrastructure and its operations so that it better meets employer needs. This includes improved planning and funding regimes, investment in the skills and competences of provider staff, the creation of new qualifications/diplomas and the greater implementation of credit-based qualification accumulation systems within the context of sector-based qualifications strategies. Highlighted below are additional initiatives that involve the creation of new providers and new models for training provision that expressly attempt to engage employers in skills investment.

The creation of centres of vocational excellence (CoVEs) forms part of the government's strategy to modernise the role that colleges and work-based learning providers play in the national economy, by creating a network of CoVEs to develop new, and enhance existing, high-quality provision focusing on the level 3 vocational skills needs of employers.

Building on this idea of targeted sector-specific providers is the creation of national skills academies. At the Skills Summit 2005, the Secretary of State for Education and Skills, Ruth Kelly, announced the publication of a prospectus describing the

⁽⁶⁷⁾ 'Specification for the scope and delivery of sector skills agreements', SSDA.

government's vision for a new network of national skills academies, an innovative approach to meeting employers' needs for training. The prospectus invites expressions of interest from employers and sector skills councils to create four national skills academies opening for business by September 2006. The aim is have 12 national skills academies in place by 2008. Over time there will be a national skills academy for every major sector of the economy, each sponsored by business and industry.

Employer training pilots (ETPs) were introduced in September 2002 to test the effectiveness of an offer of free or subsidised training to employees without a level 2 qualification, wage compensation (of various levels) to their employers for giving time off to train plus access to information, advice and guidance. The pilots are administered by learning and skills councils in partnership with local business links (business support agencies focused on small and medium-sized enterprises) and other agencies through a network of local brokers or learning advisers and training providers.

Evaluation of the second year of the pilot showed that the ETP was popular with employers and employees (Platform for progression, 2005). Employers saw a range of benefit: employees with more confidence and possessing important business skills. However, the evaluation suggests that employers were more inclined to see gains in relation to the employees than the business as a whole. Interestingly the report suggests that it is not the wage compensation that is most attractive to employers but the provision of flexibly provided, free or subsidised training and especially brokered training.

The success of the pilots has resulted in the introduction of the national employer training programme (NETP). This is to be implemented as a demand-led mechanism for changing the way in which training is delivered. Key features of the NETP are: a brokerage service working on behalf of employers (to be designed by local partners at the regional level); it will encompass a wider range of training priorities; delivery of free training to a first full level 2 qualification; support for training to level 3 technician, advanced craft and associate professional skills, including a matched funding pilot with employers in two regions; support for leadership and management will be developed for small and medium-sized enterprises.

Another example of demand-led provision is Ambition. Ambition was an initiative jointly sponsored by Jobcentre Plus and the National Employment Panel in the UK. It was designed to test a demand-led approach to training and to achieve higher performance outcomes than mainstream New Deal provision. The demand-led approach aims to engage employers in the design of training and work experience and use their hiring requirements to define programme content and the basic standard of job readiness. The programme follows evidence from the United

States that demand-led approaches achieve consistently high performance outcomes ⁽⁶⁸⁾.

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Bulgaria (accession country)

Reintegration of poor long-term unemployed people through the provision of employment in Bulgaria

Introduction

The innovative labour market policy discussed in this article is the 'From social assistance to employment' (FSATE) programme which proved to have a strong impact on reducing unemployment. The characteristics of the programme, the major results from its application during 2002 to 2004 and an outline of the perspectives for its future after 2005 are discussed in this paper.

The major reasons for the initiation of the programme in 2002 were the high overall rate of unemployment and, in particular, of long-term unemployment⁽⁶⁹⁾. These were, mainly, uneducated/illiterate people and people with a basic educational background. Upon expiry of the entitlement to unemployment benefits period, the long-term unemployed poor could start receiving social assistance payments. Still, laws stipulated (and still stipulate) that, in order to be entitled to such payments, the people of productive age should be registered at the labour offices as looking for jobs. Due to this fact, an increase was registered in both the numbers of long-term unemployed people and of those receiving social assistance benefits⁽⁷⁰⁾.

Research data showed that a large proportion of the above-mentioned unemployed people were treating the social assistance payments as a source of stable and sufficient income and had lost motivation for starting work and seeking employment. Another proportion had found employment in the shadow economy, but were still receiving social assistance benefits as supplementary income. Yet a number could not start work because of caring responsibilities towards seriously sick family members. These people did receive benefits and, thus, had sufficient income to satisfy some basic needs. Still, they did not have many opportunities for finding professional employment and for accumulating contributions to social insurance.

In this way, the major goal of the FSATE programme is the provision of employment for all the groups of people outlined above. At the same time, the programme is in line with the EU

accession requirements for the social integration of the long-term unemployed and people from risk groups through the provision of employment opportunities. The FSATE programme includes initiatives for both employment and social integration. These are the provisions of employment with a duration of up to 36 months (with the possibility of remaining at work with the same employer) (while for those employed during the pilot phase, the duration of employment is up to 40 months⁽⁷¹⁾): income, social insurance and inclusion, professional service, as well as vocational training and literacy classes for the unemployed receiving social assistance benefits.

Innovative features

The programme allows adoption of an active approach towards the people who want to start and are capable of working. They are provided not just with employment, but also with vocational training and literacy skills, through combined schemes of part-time work (up to five hours) and literacy classes (within an overall duration of eight hours per day). Simultaneous employment with more than one employer is also allowed.

The programme stimulates the creation of real and active social partnerships between the local authorities, employers, state institutions and other social partners. The employers' project proposals submitted are in the area of mutually beneficial activities and evaluated by the tripartite employment commissions at the regional councils. Later, they are presented for final approval by the Employment Agency. The goal of this process is to rationalise the distribution of state funds for financing of regional projects.

The FSATE programme is based on the principle of reciprocal relations between the state, the employers and the hired employees. A pre-condition for the participating employers is that they are neither indebted to the state nor involved in shadow economy activities. In the cases of dismissals for breaches of the discipline or for refusal to accept job offers

⁽⁶⁹⁾ The total number of unemployed had reached 17.7% of the labour force in productive age; 50.7% of these people were on the labour market for longer than one year and as many as 31.4% for longer than two years.

⁽⁷⁰⁾ In comparison with 1999, the numbers of people receiving social assistance payments increased by 51% in 2002. For the same period, the social assistance expenditure in the state budget increased two-and-a-half times.

⁽⁷¹⁾ The temporary employment programmes applied prior to the FSATE programme offered employment for up to five months.

under initiatives of the programme, unemployed people are deprived of the right to register with the labour offices and to receive social assistance benefits for a period of 12 months.

The programme is designed so that it allows priority to be given to the inclusion of particular groups of people, without breaking the equal opportunities principles (in line with the Law on Protection against Discrimination). The created job positions are offered with priority to long-term unemployed people, who receive social assistance benefits; to unemployed people who have been looking for jobs for longer than two years; to families in which both spouses are unemployed; and to single-parent families. The consecutive application of the programme showed that it attracts large numbers of people from the Roma minority. The equal access to education and literacy classes is guaranteed by the provision of stipends and the payment of transport and accommodation costs, in cases where such expenses are incurred (i.e. when training is delivered outside of the place of residence).

The programme has a broad scope of beneficiaries. It is also open to qualified workers who are unemployed but do not receive social assistance benefits. Still, this group cannot exceed 20% of the total number of those hired under the programme.

The social impact of the programme is yet another aspect which should not be underestimated. It allows for the completion of a wide variety of work and services that would have, otherwise, been in short supply due to the unavailability of disposable municipal funds. More precisely, these are communal and public works and services; activities targeted at the maintenance of public property; protection of the environment and of cultural monuments; and provision of social services and assistance to disabled people. Part of the programme also deals with the protection and restoration of the Bulgarian forests. Other similar activities include the re-cultivation of abandoned and eroded lands or marshlands. Those employees who are forced to terminate their employment under the programme because of reasons beyond their control are entitled to again start receiving social assistance benefits.

The design of the programme, itself, presupposes considerable flexibility and creativity during its implementation. Several major modifications have been made. Private employers have been included, at first for the non-profit activities, but later for their main production activities. Reduced working hours have been adopted for the purpose of achieving higher efficiency of labour inputs. The employment in communal and public works has been reduced at the benefit of enlarging employment in agriculture and in agricultural processing. The regional councils (at NUTS II level) have also been included as employers. The 'personal and social assistance' services have been separated into a special programme 'Assistance to people with

disabilities' for continuation and future administration in March 2005. Subsidising of the insurance payments for paid leave was introduced.

Objectives

As already mentioned, the initial goal of the programme was the provision of employment and, thus, the achievement of social integration for unemployed people who receive social assistance benefits. The envisaged means for attaining this goal was the creation of job opportunities in communal activities, agriculture, processing of agricultural production and the production process at companies with no state/municipal share ownership. In 2004 another priority was added – increasing the employability of 'covered' people through their inclusion into vocational and literacy courses. This change was adopted because of the necessity to improve the employability of long-term unemployed people.

Organisation, implementation and funding

The institution responsible for setting the priorities and determining the target beneficiaries of the programme is the Ministry of Labour and Social Policy (MLSP). It sets the criteria for the evaluation of project proposals; provides funding and methodological advice; controls and coordinates all activities. The role of the Employment Agency (EA) is also crucial. It develops the criteria for the evaluation of project proposals and is responsible for the determination of the conditions for inclusion of employers into the activities carried out under the programme. In addition, the EA collects the project proposals and participates in their evaluation. It carries out continuous control over the implementation of the programme. The employees of the regional offices of the EA are responsible for the selection of unemployed people to be included in the programme. Other institutions that are involved in the administration of the programme are the Ministry of Education and Science, the Ministry of Agriculture and Forests, the Agency for Social Assistance and the Chief Labour Inspectorate. Support is provided also by the United Nations Development Programme.

The programme is financed with funds from the state budget and through additional funds provided by the employers. The employed receive the official minimum remuneration. Although it is low ⁽⁷²⁾, this salary is accepted as appropriate in

⁽⁷²⁾ The minimum wage is only the lowest level of the wage that could be received. The employers could pay higher wages than those at the subsidised level.

view of the qualifications of the participants. In addition, it is believed that most of the beneficiaries would otherwise not be able to find unsubsidised employment even at such levels of pay. From another point of view, in absolute size, the minimum salary received by the employed under the programmes is about three times higher than the social assistance payments for people of productive age.

An important issue is the payment of insurance contributions for those hired under the programme. By subsidising the provision of annual paid leave and of paid sick leave, the state acts as a good employer. It could be considered that, at the same time, it performs 'counselling' activities, since it 'teaches' the newly hired employees their rights. It can be expected that they will be demanding the same attitude/observance of the provisions of the labour code from their future employers. In addition, this attitude could act as a limitation to looking for employment in the shadow economy.

The persons employed under initiatives of the programme are not insured against unemployment only. The purpose is to prevent possible returns on the labour market after nine months of work (this is the limit set for the right to receive unemployment benefits). In addition, in this way the state avoids paying twice for the same groups of people – once by subsidising

their employment and, the second time, in the form of unemployment benefits (although the entitlement would be the minimum possible amounts).

Performance and achievements

The FSATE programme is based, among others, on the experience accumulated during the application of previous temporary employment programmes (providing employment for up to five months). The results of the programme can be illustrated with the data in Table 1.

The Labour Inspectorate exercises control compliance with the labour legislation and the health and safety at work requirements. The social partners are represented at the Commission on Employment and the cooperation councils at the labour offices. Both bodies participate in the monitoring and control over the implementation of the programme, facilitate the application of particular measures and participate in the evaluation of project proposals. The employers are obliged to provide for all the payments that are not subsidised by the state.

Table 1 – Main indicators about the programme 'From social assistance to employment'

| Year | From the beginning of the year | | |
|---|--------------------------------|---------|---------|
| | 2003 | 2004 | Q1/2005 |
| Measures and programmes in the labour market | | | |
| Included unemployed, in total | 178 262 | 187 249 | 77 014 |
| Hired unemployed, in total | 94 609 | 117 600 | 96 935 |
| Expenditure (million BGN), in total | 150.0 | 187.3 | 33.4 |
| National programme 'From social care to employment' | | | |
| Included unemployed | 117 761 | 125 609 | 59 170 |
| Hired unemployed | 79 439 | 93 633 | 58 910 |
| Expenditure (million BGN) | 129.2 | 156.3 | 24.3 |
| Relative share of the national programme 'From social care to employment' | | | |
| Included unemployed | 66.1 | 67.1 | 76.8 |
| Hired unemployed | 84.0 | 79.6 | 60.8 |
| Expenditure (million BGN) | 86.2 | 83.4 | 72.5 |

Source: Employment Agency.

The FSATE programme has made a major contribution to the considerable decrease in the rate of unemployment after 2002.

Evaluation

Continuous monitoring and evaluation is conducted throughout the implementation of the programme. The bodies responsible for the management of the implementation process exercise continuous quality control of the activities under the financed projects, the effectiveness of the spending of funds, and the observance of labour law and discipline.

The numbers of people hired under the programme vary for the different regions. They are the highest in the regions with the highest rates of unemployment. Where the numbers of announced vacancies are very limited, labour demand is mostly for qualified labour and the people who are covered by the programme have no alternative but to agree to be included. In this respect, it could be concluded that the deadweight effect is minimal.

Critical perspectives

The most serious argument against the programme is that it uses almost the entire financial resources available for active labour market policies. Due to the lack of sufficient labour demand in the economy, not all of the people terminating their employment under the programme are able to find new jobs. Moreover, the financing of the municipal communal and public works can be treated as a hidden subsidy. Some employers could not create conditions for the improvement of the effectiveness of the labour of hired people.

As already mentioned, the programme targets those unemployed people who receive social assistance benefits. Still, unemployed people who are just above the poverty line and, thus, are not entitled to such payments are also in need of assistance, but are not covered by the programme.

Another criticism is the insufficient transparency at the latest stage of project evaluation. It is done at the central level, without the participation of the social partners.

The future of the programme, after 2005, is subject to discussion. The major doubts about the necessity for its continuation come from those who favour the application of liberal labour market policies. However, at present FSATE remains a critical factor for the creation of jobs for low-qualified people. Even if the ongoing economic growth proves to be sufficient for stimulating the further increase in employment, the labour demand created will rather be for qualified and expert personnel and the state will have to, again, subsidise the employment of those without vocational qualifications. It can be expected that the programme will not be fully terminated. Still, its scope could be narrowed to the coverage of about 40 000 to 50 000 people.

One possible change that could be introduced is to focus the programme on the private sector. In this way, it could be expected that the opportunities for keeping a job after the expiry of the subsidised period will increase. Yet another possible modification could be the increase of funds for vocational and literacy courses and, thus, the increase in the number of participants who receive training.

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Romania (accession country)

Extending free vocational training in Romania

Introduction

Romania's population lives overwhelmingly in the rural areas⁽⁷³⁾. Employment in subsistence farming forms the majority of the so-called 'household production for its own final consumption' sub-sector of the non-observed economy. It is still the second-largest contributor to total employment⁽⁷⁴⁾. Measures aimed at improving the quality of the rural/agricultural labour force and enhancing its mobility by investing in its skills and knowledge are a top priority.

Taking into account the recommendations made in the JAP Progress Report 2005, the PES (National Agency for Employment, NAE) has promptly drafted a series of amendments to Law 76/2002 that regulates unemployment insurance and the measures for the reintegration of unemployed people on the labour market. A new law (No 107/2004) extends both the scope and the coverage of the active labour market policies pursued by the NAE. Most of them are specifically aimed at increasing vocational training as a high-value added ALMP, focusing on those groups that were most disadvantaged in accessing such measures. Several disadvantaged groups were targeted, including residents from the rural areas not registered as unemployed with the employment offices but having an income equal or below the level of unemployment benefit.

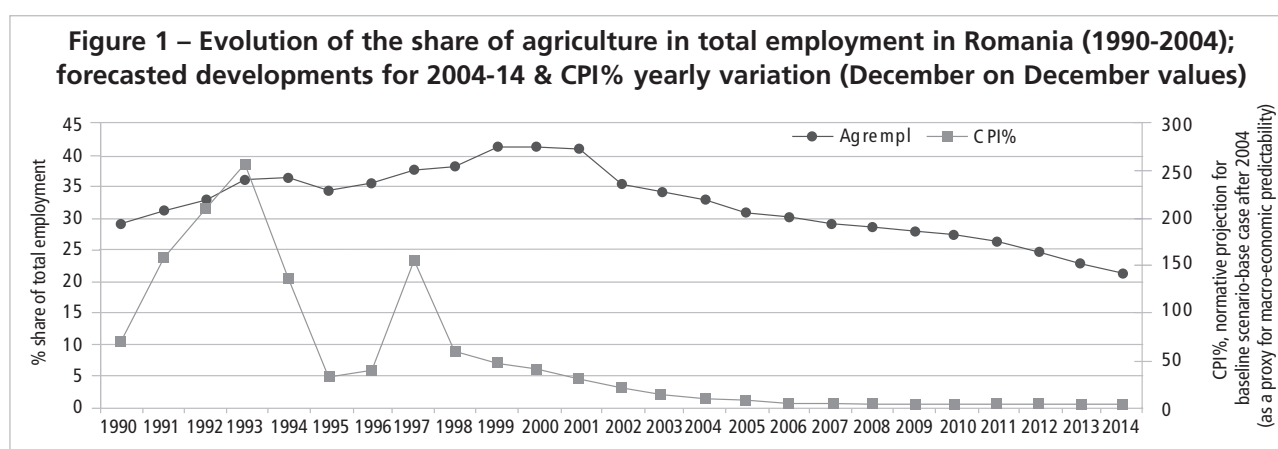
This paper examines the content of this measure, its innovative features, while subsequently attempting as much as possible,

given the scarcity of data, to assess the results and forecast its prospective impact. A view of the financial arrangements will be also given. However, the budget breakdown of the NAE does not specifically identify this measure. This is a major shortcoming which is bound to impact negatively upon any independent assessment.

The Romanian context

Romania's agricultural employment is very high by EU standards (see Figure 1). Even when compared with the 10 new Member States, the difference still remains stark. Compared with the other major agricultural countries of the region, the difference is of no less than 13.2 percentage points⁽⁷⁵⁾. Compared with the EU-15, the difference in the share of agriculture in total employment between France (the most important country in the Union in terms of agriculture) and Romania is a staggering 27.5 percentage points.

Today's employment in agriculture in Romania can be considered as 'under-employment'. Most of it is in small, subsistence family farms. As such, these production entities are providing employment in a highly precarious manner, in a 'quasi-non-monetised economy'. This creates huge barriers for the mobility of this specific segment of the labour force, which finds itself 'trapped' in these small-scale production units. They



Source: National Institute of Statistics data; calculations of the author from the MITGEM macroeconomic and labour market forecasting model.

⁽⁷³⁾ 47.9% of the total population, according to the data of the last population census in 2002.

⁽⁷⁴⁾ Preliminary annual LFS data released by the National Institute for Statistics (NIS) show it at 31.6% of total employment.

⁽⁷⁵⁾ Eurostat data.

provide for the basics of life at a low cost, but deny their members access to high value-added goods and services, essential in a modern society and economy, while prohibiting them from entering the mainstream economy and labour market. As a result, these people are actually living and working in a 'lower tier' of the economy and the labour market. There are no opportunities for further development in a subsistence economy, and these people suffer from perpetual 'poverty in employment'. Due to the close links between the rural and urban environment as well to insufficient competition in the economy, the role of this sector remains high and largely beneficial. By selling their products mostly in the peak season, small farmers largely depress volatile food prices, thereby contributing to the disinflation process. However, as competitive pressures will increase, their survival will be endangered, negatively affecting not only the labour market but also jeopardising hard-achieved macro-stability and the prospect of long-term sustainable growth of the economy.

Until now, this segment of the labour force, which comprises both self-employed workers as well as non-paid family workers in almost equal proportion, was virtually excluded from ALMPs financed from the unemployment fund, due to their

status. The new Law 107/2004 gave this group and, especially non-paid family workers, largely women (see Figure 3), access to publicly funded vocational training.

This does not mean that until now members of such family farms were totally excluded. Administratively at least some of them might have been registered as unemployed, while in the meantime the LFS recorded them as being employed. Still, the vast majority remain in a 'no man's land' between employment and unemployment, with practically no or very little monetary income, with no pension provisions and with only theoretical access to the public health services. The almost complete absence of monetary income deprived them from accessing even the most basic forms of vocational training. Whatever skills they had, they had become obsolete, except for basic farming skills.

Consequently, this particular measure opens the system of adult vocational training to a large group of the Romanian labour force, comprising around 1.25 million of non-paid or 'contributing' family workers in agriculture, out of which almost 70% are women (according to preliminary 2004 LFS annual data).

Figure 2 – Employment structure by status of the employed (total employment and agricultural employment – preliminary LFS data for 2004)

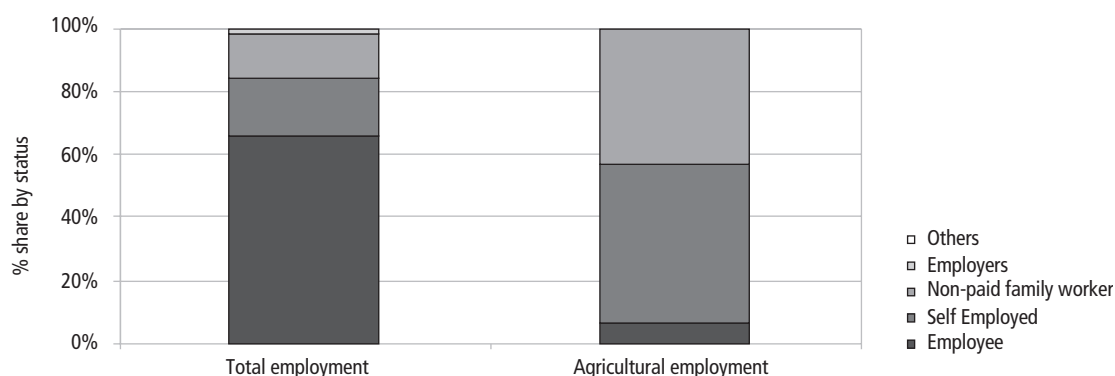
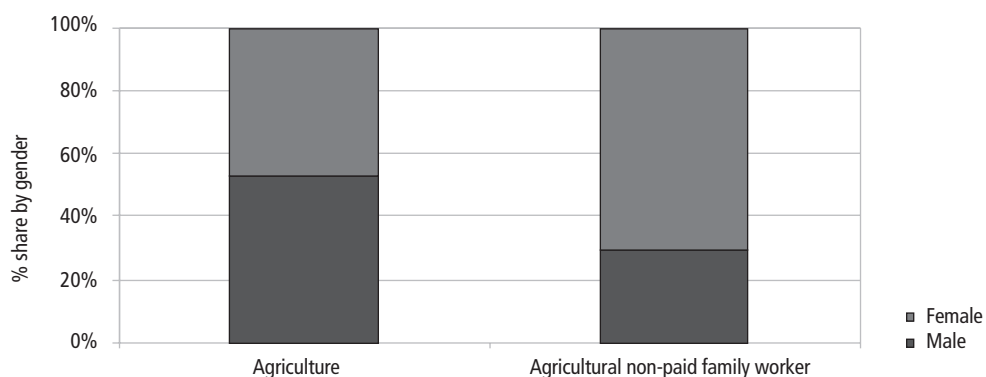


Figure 3 – Gender structure of agricultural employment and of the non-paid agricultural family workers (preliminary LFS data for 2004)



Source: National Institute for Statistics.

Its further innovative character is that, while providing access to vocational training, it also addresses practical barriers of access faced by this particular target group due to its very low or non-existent monetary income. The measure ensures that people on vocational training programmes organised by the NAE get free transportation as well as the possibility for those living further than 50 km from the place of training to benefit from free accommodation as well as from a lump sum to cover their other expenses.

This measure reaches the largest disadvantaged group in the Romanian labour market.

Objectives

The main objectives of this policy are consistent with the overall aims of the Romanian employment and broader labour market policies aimed at increasing economic participation and employment rates, especially by raising the number of individuals in paid, formal, salaried jobs. It is hoped that more individuals will enter the mainstream labour market, leave the informal economy and be less tempted to resort to illegal/irregular emigration. This should also increase the number of contributors to the public social insurance scheme ⁽⁷⁶⁾. Increase in salaried employment should also lead to stable, predictable and almost exclusively 'monetary income', allowing for an overall increase in the solvency of the aggregated domestic demand and thereby stimulate the interest of the investors, which in their turn will generate new and higher value-added jobs. Obviously, the increase in both the number and share of those earning a largely or exclusively monetary income will contribute to a rise in living standards.

By providing them not only with free access to a scheme to improve their employability but also with a range of incentives that tackle the major obstacles faced by the group, the policy makes a significant contribution. The policy will contribute to a future increase in real economic participation of a group that accounts for 14% of total LFS employment and around 12% of the labour force.

Meanwhile, as it will mainly address women, it will also make a contribution to Romania's achievement of the Lisbon target of full female employment.

Thirdly, the policy responds to a more general need to boost the investment in human resources and strengthen the local training industry. Targeting a large group, until now mostly neglected, the new policy creates scope for further development of public provision of training. It therefore creates a market niche for several small, local training providers. The fact that small local providers deal with public authorities, which employ certain quality standards and provide the beneficiaries of the training programmes with nationally recognised diplomas, will greatly contribute to an overall increase in the quality standards in the Romanian training industry.

This policy is aimed at a group living in small communities, usually around small towns which generally do not have training providers. Although operating under budget constraints, this should trigger a move of the training industry towards areas that have been up until now blank spots on its map. This would ensure that providers will start slowly developing economies of scale and scope in providing vocational training.

Organisation, implementation and funding

The measure is currently implemented by the NAE through its *judet* and local employment offices and of course in conjunction with local authorities in rural localities (communes and villages). This measure has been applied since October 2004.

Individuals belonging to the target group ⁽⁷⁷⁾ have to contact the local employment offices and submit a valid proof that they are residing in a rural locality (ID card) as well as a proof or declaration that their income is less or equal to unemployment benefit. Then they are registered by the local offices and are invited to enrol on an available vocational training course, which has clear employment and/or job-placement perspectives and corresponds with their previous educational background. While being registered with the employment offices, individuals in this particular group can only benefit once from such a provision ⁽⁷⁸⁾. This in itself cannot be considered a weakness as it is highly unlikely that a significant number of individuals will ever attempt to abuse the system. Financing is

⁽⁷⁶⁾ It has dangerously narrowed their base during the last years, as salaried employment declined, being replaced by non-salaried, informal employment.

No confusion should be made between 'informal employment' which is entirely legal, although attributed to the 'non-observed' economy and the so-called 'undeclared work', which takes places illegally and is actually attributed to another distinct sector of the 'non-observed' economy, the so-called 'underground sector', according to specific SNA terminology.

⁽⁷⁷⁾ Members of the rural communities not registered as unemployed but having an income that is either equal or below the unemployment benefit.

⁽⁷⁸⁾ Of course, there is no such limitation that, once a person has been employed and has then subsequently become again unemployed and returned to the labour market status that allows him to benefit once again from such a provision, he or she cannot benefit.

provided from the budget of the Unemployment Fund which has a separate allocation for the financing of the training-related expenditure. At the time of writing this article, no data and information were available from the NAE on the amount spent on this particular measure. There was also no information on the amount spent on all the measures/policies enacted through Law 107/2004. The budget breakdown of the Unemployment Fund provides scarce information on the way in which funds of vocational training are allocated and spent. This is an important weakness which seriously hampers not only impact assessment efforts but also prevents an increase in the quality of the PES services.

Performance assessment and achievements to date

Assessment of performance to date for this particular policy has to be limited to the data currently provided by the NAE, which only covers the period in between October and November 2004. The results as such are dismal. Throughout the country, of the entire target groups being the focus of the policies and measures enacted through Law 107/2004, only 557 individuals have benefited from access to free training courses financed from the Unemployment Fund. As for the particular policy that is the focus of this paper, only 36 beneficiaries had accessed it, all of them coming from the one county and most probably the same locality⁽⁷⁹⁾.

Although the time for the implementation of the measure has been very short, still, taking into account the potential numbers of beneficiaries, the results are more than disappointing. Several explanations are possible for such results.

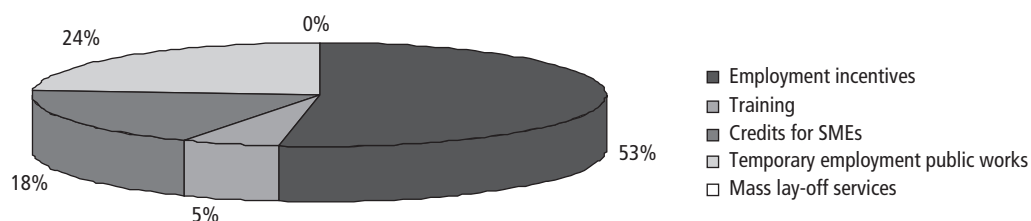
First of all, the adoption of the law was badly timed. It was enacted just before the general election and the government that enacted it lost the elections. The new government needed time to organise itself. For a few months, while this was happening, the administrative mechanisms slowed down.

Secondly, some structural deficiencies still plague Romanian administration and the PES. These pertain to a serious gap between the design and actual implementation of a policy. The design of the new measure was genuinely innovative. It responded to a clear and real demand and the needs of a particularly large disadvantaged group. Yet, its implementation seems to have been fraught with deficiencies and severely hampered by a lack of adequate preparation.

Furthermore, in many cases the PES needs to reach disadvantaged groups outside the mainstream of the labour market in a tailored manner. This is a 'part and parcel' of the very design and implementation process of any labour market policy. Women that work in the rural household are not likely to have ready access to the media and cannot be reached by leaflets produced for the PES stocked almost exclusively in the PES offices. A door-to-door, 'village hall' grass-roots campaign has to be developed by the PES in order to reach these people and to attract them into a process. Partnerships with local authorities in remote, isolated localities have to become an integral part of the activities of the PES as should mobile employment offices. Media shows may no longer be sufficient to reach such groups.

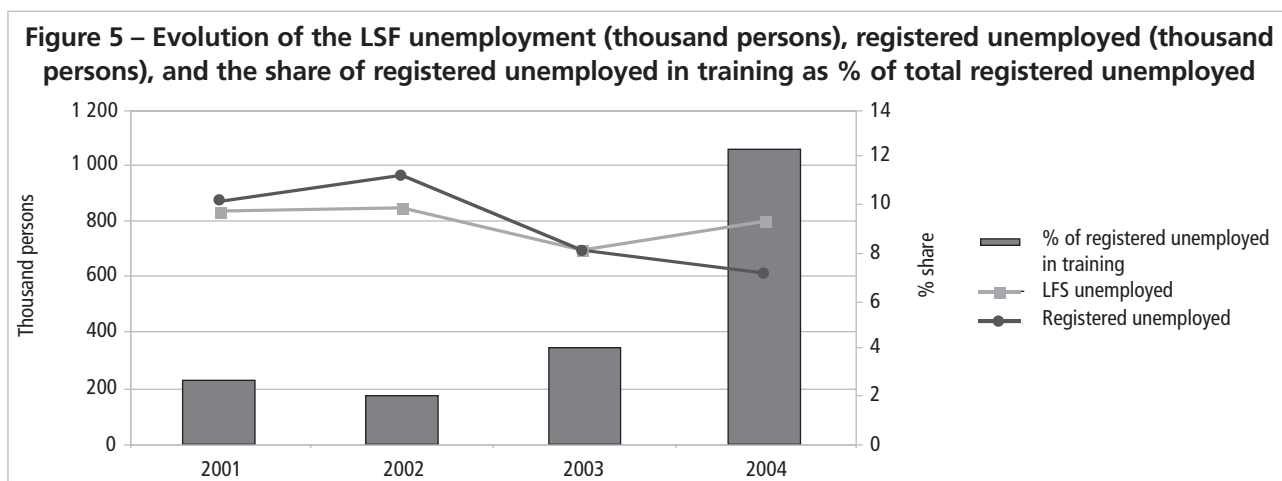
On the other hand, there are deeper structural reasons for the discouraging results so far, related to the current structure of the Romanian economy and labour market. In several communities the lack of monetary income is the main barrier in accessing even basic labour market, employment and/or vocational training services. However, in most rural communities this is no longer the case. Migration for employment abroad, even on an irregular, sometimes illegal, basis has opened a

Figure 4 – Distribution of active employment policies expenditures (2004 – % share of total active measures' expenditure from the budget of the Unemployment Fund)



Source: National Agency for Employment.

⁽⁷⁹⁾ Bistrita Nasaud, Romania's central region, the historical province of Transylvania.



Source: National Institute of Statistics and NAE data.

tremendous window of opportunity for the huge numbers of 'under-employed' people. They have used the geographic proximity in order to harness the opportunities in the western European countries. The labour market effect of this trend is such that the only people who still try to use the PES are the most disadvantaged people. Therefore, there is the need to incorporate into innovative policies an effective means of reaching these people.

However, this assessment has been conducted shortly after the start of implementation of such measures. There is still time for these measures to yield real, tangible and hopefully positive results. It is in this respect commendable that the NAE is already in the process of commissioning an assessment study to look at all the active measures undertaken under the Agency since its establishment in 1999. This assessment will also look at policies enacted by Law 107/2004, including the measures discussed in this article.

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Turkey (candidate country)

New labour laws in Turkey

Introduction

This article focuses on the new Turkish labour code (2003), which replaced a long-standing law and introduced a number of innovations to change the existing labour market practices in Turkey.

The Turkish context ⁽⁸⁰⁾

The process of EU accession has provided strong incentives for various institutional changes in Turkey. Labour market regulations and employment policies have been one of the most important areas for Turkey in the adoption of the EU *acquis*. These recent changes in the Turkish labour code will alter the functioning of the labour market significantly, with critical outcomes for workers, firms, and long-term economic performance.

What makes the new Labour Act original for Turkey is that it finally introduces flexibility and atypical forms of employment in accordance with the Community *acquis*. Such forms were not recognised in the previous labour law.

Prior to the new Labour Act, Turkey had rigid employment protection schemes and no legally-regulated flexible work arrangements. This was one of the factors contributing to the flourishing of informal employment arrangements. Employers demanded flexible employment regulations. Labour unions were hostile to the proposition as they claimed that it would worsen working conditions and reduce unionisation rates (which have been decreasing) ⁽⁸¹⁾. Therefore, a balance had to be struck between the aims of making enterprises more competitive and productive through flexible forms of employment and satisfying workers' demands for job security. This is indeed a very European dilemma.

Labour market flexibility in the new Turkish law

This section discusses the flexitime and flexible work arrangements under the new Labour Act No 4857 ⁽⁸²⁾. Employers have favoured flexible work arrangements, whilst unions opposed deregulation, flexibility and privatisation. Importantly, there are no regulations in the new Labour Act covering home workers, domestic workers, and unpaid family workers.

Working-time flexibility

Flexitime

Demand of employer associations for greater flexibility in working time that would enable them to eliminate overtime (and reduce labour costs) was satisfied in the new labour code, despite the opposition from the trade unions. As long as normal weekly working time does not exceed 45 hours and daily working time does not exceed 11 hours, the arrangement of weekly working time is left to a mutual agreement between the employer and employee. Regular work can be increased or decreased as long as the average time worked over a few months remains as stipulated above.

Compensatory work and short-time working

The objective for the arrangements for short working time was to allow a temporary decrease in working time in order to prevent an imminent lay-off. Compensatory work may be undertaken by workers within a two-month period to compensate for work stopped by the employer for compelling reasons (e.g.

⁽⁸⁰⁾ Some parts of this article are based on Ercan and Tansel (2005).

⁽⁸¹⁾ Two years ago, in 2003, public sector collective bargaining covered 420 000 blue-collar workers. This year's bargaining process will cover 385 000.

⁽⁸²⁾ Further details may be found in Sural (2005b) and TISK (2005).

due to a general economic crisis), extension of national or public holidays, and leave conferred on a worker upon his or her request. Compensatory work cannot be considered overtime work and cannot be performed during rest days (all workers are entitled to at least an uninterrupted 24 hours in a given week for resting). Employers on short-time working arrangements have to declare their reasons to the Employment Office and to the trade union. Workers on short working-time arrangements are considered employed and receive short-time work benefits from the unemployment insurance fund (if they qualify). The short-time work period cannot exceed three months.

Flexibility of employment mode

Flexible modes of employment, also referred to as atypical or non-standard work, include part-time employment, fixed-term contracts, and temporary employment.

Fixed-term contracts

A fixed-term contract has been defined as an employment contract whose end is determined by objective provisions such as reaching a specific date or completing a specific task. Fixed-term contracts cannot be renewed unless there is a strong cause requiring their renewal. In case of renewal, it will be reclassified as an open-ended labour contract. This is expected to prevent the misuse of successive fixed-term contracts.

Part-time work and on-call work

A part-time worker's normal hours of work are substantially less than the normal hours of work of a comparable full-time worker as in the rest of the industrialised world (20 hours a week). The law simply recognises and regulates this work form. On-call work is part-time employment where a call to work is made by the employer. The duration of work has to be at least four consecutive hours in a day unless otherwise specified by the parties.

Temporary employment

In a temporary employment relationship, employer, interim work agency and the temporary worker are involved. The worker has a contract with the agency rather than the company. During the negotiation phase, proposal for this form of employment met with great opposition from the trade unions and the opposition party. In the end, its scope was changed. An employer may hire out his or her workers to another work-

place for at most six months to be utilised in a similar job. This is renewable only twice. This is referred to as temporary work in the Turkish labour code.

Job security regulations in the new Turkish law

All of the following schemes are for the formally employed and benefits are based on defined contributions. There are no means-tested social transfer programmes for those in need in Turkey. The poverty survey of the State Institute of Statistics (SIS) in 2002 identified the (socially excluded) poor as non-participating (rural) women; an uneducated (unskilled) component of the labour force across all age groups and both genders; and casual daily wage workers who are not covered by any social security scheme.

Termination of employment ⁽⁸³⁾

Termination by an employer with a written notice of dismissal has two sets of rules. One is for workers who are provided with increased job security and another for workers who are not provided with increased job security. The distinction is made to stimulate growth and job creation in small and medium-sized enterprises.

Increased job security is provided for workers employed under an open-ended labour contract. They must have been working for a period of at least six months in the establishment where at least 30 workers are employed. Depending on the tenure with the firm, the duration of advance notice is set. If the employer does not wish to comply with the notice period, he or she has to pay a compensation. Expiration of the fixed-term contract is the second mode of contract termination.

Increased job security provisions stipulate that an employer cannot terminate the employment of a worker unless there is a valid reason related to capacity or conduct of a worker, or based on the operational needs of the workplace. The worker may apply to the labour court within a month of the receipt of the written notice of termination. The burden of proof is on the employer. If the arbitrator or the court declares the termination invalid, the worker is reinstated. If the employer does not reinstate a worker, he or she will be ordered to pay adequate compensation amounting to four to eight months' wages.

A worker who is not covered by increased job security provisions may be dismissed for any reason or for no reason. The

⁽⁸³⁾ Further details of employment termination practices may be found in Sural (2005a), TISK (2005) and Tunali et al. (2004).

employer may not dismiss abusively, but the burden of proof of abusive dismissal lies with the worker. The worker will be entitled to severance compensation if he or she has had at least one year of service with the employer.

Dismissals with a just cause could be applied to both open-ended and fixed-term labour contracts. In this case, there is instant termination and no notice periods are observed. Just causes could be related to health reasons, serious misconduct and immoral behaviour by the worker (which disqualifies the worker from demanding severance compensation), other compelling reasons, and absenteeism due to detention or arrest.

Severance compensation

Severance compensation was very important in the Turkish labour relations system because there was no unemployment insurance system before 1999. The fact that there were no amendments to the existing system in the new Labour Act is due to trade union opposition.

Severance compensation is a lump-sum payment made to a worker if he or she worked for at least one year and if his or her labour contract is terminated according to the specifications. These specifications are: death of worker; worker's compulsory military service; old-age pension, retirement, disability benefits; female worker giving up her position due to her getting married; the worker's termination of employment for a just cause; employer's termination of employment except for reasons of serious misconduct and immoral behaviour; worker's termination of employment upon completing the required social insurance period for old-age pension but not reaching the prescribed age.

Severance compensation is 30 days' pay (last daily gross wage) for each year of service at that workplace. This may be increased by individual or collective agreements. There is a ceiling on severance compensation, which is the retirement bonus of the highest-ranking civil servant (the undersecretary to the prime minister). This is a popular benchmark public position in Turkish labour practice.

Unemployment insurance scheme

Act No 4447 governing unemployment benefits was enacted on 25 August 1999. Payments began in March 2002. Insured blue-collar workers who lose their jobs benefit from the unemployment insurance system but not the civil servants or the self-employed. The amount of monthly compensation is 30

times half of last net daily income of the worker. It cannot exceed net minimum wage.

In order to be eligible for unemployment benefits, a worker must have been formally employed and insured for at least 600 days during the three-year period before contract termination. He or she must have been continually employed in the final 120 days prior to contract termination. In order to qualify, the worker must also register with the Turkish Employment Office in person, seeking a new job. Payment duration depends on the length of employment and it ranges from 6 to 10 months.

In addition to insurance payments, unemployed people may also receive health and maternity insurance coverage, vocational training, vocational development and retraining services, and job-search help. These activities are carried out by the Employment Office.

It soon became obvious that far too few workers could meet these stringent eligibility requirements. The fund grew at a much faster rate than the benefit payments. Very recently, an amendment was enacted to relax eligibility criteria and increase benefit levels and durations.

Objectives

The aim of the commission, first convened in June 2001, was to implement a new labour law complying with the EU regulations, and at the same time address the concerns of employers and trade unions. The new law thus sought to address labour market flexibility and job security issues in the national employment and labour market policy context.

The resultant Labour Act No 4857 came into effect on 10 June 2003. It replaced Law No 1475 which was in place for decades. The Job Security Act (No 4773) was passed before the general elections in November 2002 to become effective on 13 March 2003. Later it was incorporated into the New Labour Act⁽⁸⁴⁾. The ILO convention on the termination of employment was the model for the Job Security Act. It increased protection against dismissal by improving the previous Labour Act and still existing Unions Act. The Job Security Act was severely criticised by the Turkish Confederation of Employer Unions (TISK) for having gone too far in protecting workers against dismissal.

The importance of the flexibility issue is self-evident in the sense that labour flexibility is typically implicitly or explicitly

⁽⁸⁴⁾ The Job Security Act was initially a part of the new labour law, but it was deemed expedient by the government to be separated and passed as a law separately just before the elections.

associated with economic growth. However, as the long-standing European debate on the issue attests to, this is controversial unless one is also willing to address the concerns over job security. Therefore, the government's economic stability and income growth ambitions (which are consistent with long-term employment growth) are tempered by the short-term goals to protect jobs by the trade unions⁽⁸⁵⁾. In the two years it took to finalise the code (from June 2001 to June 2003), there was intense lobbying by both the trade unions and the employers' associations.

Since economic growth came after years of hardship and it came without jobs, there were newly-introduced firing restrictions for larger establishments (previously enjoyed by union members only) and severance pay remained as a labour market institution. In addition, labour unions' lobbying was successful in that the regulations for temporary employment agencies were revised in their favour.

Employers' lobbying was successful in the sense that job security regulations were limited to establishments employing 30 or more workers. Over 90% of the manufacturing sector establishments in Turkey (not to mention enterprises in the trade and services sector) operate below this level.

Overall, it appears that the flexibility argument has won over job security. This is further discussed in the section below.

Performance and achievements: preliminary assessment

Recent Turkish economic experience has been of global and domestic crises, chronic high inflation, and IMF supported stabilisation programmes (the last of which seems to have succeeded at a certain social and political cost). This has largely determined the provisions of the new employment law. If it were not for the recent crisis environment and ensuing unem-

ployment problem, policy-makers might not have been bold enough to consider new possibilities in working time and modalities of employment, regardless of the required adjustments in the EU accession process.

It is still early for a thorough evaluation of the new law in terms of creating formal jobs. It has been in effect since the summer of 2003. This is a short time for adaptation after many decades under the previous labour act. Moreover, this first phase of implementation coincided with the jobless recovery period after the severe financial crisis of 2001 and early 2002. This leaves 2004 data for a preliminary evaluation.

The important message from the 2004 State Institute of Statistics (SIS) Labour Force Survey (LFS) data is a long awaited improvement in labour market outcomes. The unemployment rate has finally come down from 12% at the end of 2003 to 9.3% at the end of 2004. The fast recovery (partially caused by a change in survey methodology) was well received by government officials, despite the fact that the non-agricultural unemployment rate stayed at 13.6%⁽⁸⁶⁾.

In 2004, the employment level started to increase after decreases in 2001 and 2002, and stagnation in 2003⁽⁸⁷⁾. Most of this increase, however, was in the unregistered economy. In the third quarter, employment went up by 400 000 (Turkish labour force in 2004 was 24.2 million) almost totally in the unregistered sector (mostly in seasonal agricultural jobs that did not have any social security coverage). In the fourth quarter, employment went up by 1 million, but 700 000 of these jobs were unregistered.

Overall figures for 2004 show that new employment creation was 644 000. The unregistered component of the workforce (those not covered by some social security organisation) went up to 53% from 51.7% in 2003. This suggests that less than 30 000 people were newly-employed in the formal sector. In urban areas, 37% of those who work have no social security coverage⁽⁸⁸⁾. The unemployment rate fell slightly in 2004 to 10.3% from 10.5% in 2003, yet the number of unemployed people increased slightly from 2.493 million to 2.498 million from 2003 to 2004.

⁽⁸⁵⁾ The concept of flexicurity has been discussed in Europe for some years. In contrast to the US model of flexible labour market institutions and relatively weak employment protection, Europe has been developing the concept of 'flexicurity'.

⁽⁸⁶⁾ Agriculture's share in total employment is high in Turkey (35%). Because of unpaid family workers, participation and employment levels are high in agriculture. This affects the overall labour force figures favourably. Meaningful comparisons with the EU should thus be made over urban non-agricultural labour market statistics.

⁽⁸⁷⁾ LFS results available at <http://www.die.gov.tr> > News Bulletins. This and the following paragraph are based on Ercan (2005).

⁽⁸⁸⁾ This is the secondary segment of the labour market. It is sometimes proposed that labour market adjustments during the frequent crises were done in this flexible informal segment of the labour force that lack job security. LFS (2004) reports that 40% of the non-agricultural employers and self-employed are in the informal sector.

These results may not be considered a success in terms of formal employment, which the new law sought to expand by introducing flexible labour market institutions. However, informal (unregistered) economy does not necessarily mean small and clandestine. In many otherwise formal establishments, it is common practice to register workers at the minimum wage and provide additional compensation in the so-called 'envelope wages'. This is because of the high tax wedge on wages in Turkey. Net pay is about half of gross wage and only 40% of net take-home pay in large formal private manufacturing is related to actual hours worked. The rest is fixed overhead⁽⁸⁹⁾. In addition, the lack of marketable skills (low levels of education) of most Turkish workers means the work environment is conducive to unregistered work.

Non-compliance with the rules allows for flexibility (minimal hiring and firing costs) for unskilled workers in low added-value, low-productivity activities such as working from home in the garment industry, and clothing industry production of brand names in small firms. The smaller the firm, the more unlikely it is to comply with the labour and tax regulations. Enforcement against undeclared work is weak in Turkey.

High employment taxes and weak enforcement of labour laws made flexibility (in terms of falling real wages and employment losses inclusive of informal labour market arrangements) emerge as the clear winner. Starting and re-entry wages have fallen. Many college graduates pursued postgraduate degrees and temporarily exited the labour force.

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⁽⁸⁹⁾ In 2003, in the formal large unionised private sector, the gross hourly wage per hour per worker was 7.1 TRY (new Turkish lira) (USD 5.1 at 1.4 TRY/USD or EUR 3.9 at 1.8 TRY/EUR) (TISK, *Annual survey of wages*, 2004, <http://www.tisk.org.tr>).

Norway (EEA country)

The Norwegian IA agreement ('inclusive working life', *Inkluderende arbeidsliv* – IA)

Introduction

The government and social partners concluded a tripartite intention agreement on a more 'inclusive working life' (*Inkluderende arbeidsliv*, IA), the IA agreement, on 3 October 2001, aimed at reducing sick leave by at least 20% from the second quarter of 2001 to the end of 2005, increasing employment among persons with reduced activity, and raising average retirement age. This paper presents the design, background, objectives, implementation and the preliminary results of this policy.

The Norwegian context

The IA agreement was entered into by the government, the Norwegian Confederation of Trade Unions (LO), the Federation of Vocational Unions (YS), the Federation of Norwegian Professional Associations (Akademikerne), the Confederation of Norwegian Enterprises (NHO), the Federation of Norwegian Commercial and Service Enterprises (HSH) and the Norwegian Association of Local and Regional Authorities (KS).

The agreement involves a mutual obligation from all parties to work towards a more inclusive working life. The intentions were to reduce sick leave and the use of disability pensions and to better utilise the resources of older people in working life.

The operational aims were to:

- Reduce sickness absence by at least 20% from the second quarter of 2001 to the fourth quarter of 2005;
- Employ far more workers with reduced activity (vocationally disabled workers, workers on rehabilitation programmes, reactivated disabled pensioners);
- Raise the average retirement age.

The innovative content of this agreement, at least in a Norwegian context, is the comprehensiveness of the agreement and the shifting of the focus from sick leave as an almost private question between the doctor and the employee to one of working capacity and adjustments in the workplace. The IA agreement shifted the focus from compensation levels to how the work is organised and how it can be changed to prevent sickness and to better utilise disabled people and older workers.

Cooperation between the government and the associations of employers and employees are a tradition in Norway. The IA agreement, however, is of a dimension never tried before, with obligations from all parts to actively participate, both on a regulatory national level, with the establishment of public work placement centres and at the enterprise level.

Objectives

When the IA agreement was established, the sick leave benefit scheme in Norway entitled all persons with occupational activity above a certain low level to daily cash benefits in case of sickness. A condition was that the person is not capable of working due to the sickness. Employees received 100% of income from their labour from the first day of sickness and up to one year. An upper level for the daily benefits applied. Employees could declare themselves as sick for up to three consecutive days four times a year. Longer or more frequent spells had to be certified by a doctor. The employer had to pay the cash benefits during the first 16 calendar days. After that, the national insurance scheme paid the benefits.

The number of sick leave days paid by the National Security decreased at the beginning of the 1990s, reaching a bottom level in 1994 with 13 600 thousand days. Some say that this decrease was due to cooperation between the social partners. Some of the low level in 1994 may also be a consequence of late registration of some incidents. These should have been registered in 1994 but were transferred to 1995. Anyhow, in the mid-1990s a strong increase started. From 1994 to 2001, the number of paid days doubled. The costs of all kinds of sick benefits reached dramatic heights, corresponding to about half of the petroleum incomes.

This development triggered a rather hot debate about what to do to reduce absenteeism. Some argued that the sick leave scheme is too generous and that sick pay should be reduced and the period covered by employers should be extended. Others argued in favour of keeping the sick pay unchanged, along the lines that it is unfair to let the sick pay the costs that may be a consequence of a bad working environment.

Some would argue that self-certified sick leave had become a kind of 'right' which you could take during a year. However, it was not the self-certified sick leave that increased. It was the medically certified absence.

In the spring of 1999, the government assigned a commission to sort out the arguments and suggest a solution, and among the proposals in their report on 'An inclusive working life' from September 2000 they gave support to a reduction in the sickness benefits for the first 16 days. This was obviously not well received by the unions.

Finally, an alternative way was agreed upon, as part of the IA agreement. A precondition for the unions to participate in this agreement was that the existing sick pay scheme was left untouched during the four-year agreement.

The IA agreement is, however, more than a fight against rising sick leave. Closely connected is a trend of increasing numbers of persons on disability pay. Norway has one of the highest rates of workers on disability pay among the OECD countries. The cost of the disability pension equals about half the cost of the old-age pension. To break the trend of increasing numbers of persons on disability pay, stricter rules for undergoing rehabilitation before being granted the disability pension, and measures to reactivate disabled pensioners, have been tried during several years. In addition, a reform of the disability scheme was implemented from the beginning of 2004, with a new kind of temporary disability benefit. The disability benefits in this scheme are in some cases lower than in the permanent scheme and last one to four years. The aim of the reform has been to utilise what is left of the capacity to work and to avoid the fact that people with some capacity, with restored or restorable activity, are permanently kept out of the labour market. This IA agreement has as the important task to following up this aim.

Organisation, implementation and funding

The IA agreement commits the parties to direct efforts towards its aims.

At the central level, the partners are motivating enterprises and employee representatives to participate in IA activities. They provide courses and written information/guides. The largest associations allocate full-time staff working primarily on IA issues. The National Insurance Administration has established working life centres in all the 19 counties.

Incentives are provided to establish agreements at the enterprise level. Enterprises who enter into an agreement with a local work placement centre earn the right to call themselves an 'inclusive workplace enterprise'. These enterprises get their

own contact at the work placement centre and will benefit from lower social insurance contributions. The enterprises are allowed increased use of active sickness absence, which means that the absentee may work to some degree without losing sickness absence benefits. The employees in these enterprises get a more flexible scheme for self-certified sick leave. The local work placement centre provides the enterprises with practical and financial help in their work for a more inclusive work life.

The individual employees have to provide information about their own work capacity when they get sick, so that relevant actions can be taken as fast as possible. The employees are required to enter into a dialogue with the employer about adjustments in work that can help prevent sick leave and facilitate the return to work.

Employers should facilitate adjustments necessary for employees to function properly and discuss with absentees their needs for adjustment. This can be to try other kinds of work, reduced pace or shorter hours, and the implementation will be the responsibility of the employees as well as of employers and doctors.

Work placement centres are established in all 19 counties.

By spring 2005, 7 600 enterprises had entered into an IA agreement, which covered well over 1 million employees in Norway.

Performance and achievements

The IA agreement was concluded in the fourth quarter of 2001, and the aims of the reductions in the sickness absence rate were based on the figures from the second quarter of the same year. The sickness absence rate was at that time 7.0%, according to Statistics Norway. The rate is defined as the number of man-days lost due to sickness absence as a percentage of all scheduled man-days for employees in the age group 16-69. Absences due to children's sickness, maternity leave or work of a caring nature are not included.

The quarters following the IA agreement brought disappointing news about further increasing sick leave. Because of seasonal changes in sick leave, with a higher rate during the winter, the interesting changes are from one quarter to the same quarter another year. From the second quarter of 2001 to the same quarter in 2003, the rate increased 13%, up to 7.9. There was a similar increase from the fourth quarter of 2001 to the same quarter in 2003.

The annual increase continued up to the second quarter of 2004. From then on, the trend seems to have turned. The rate fell by 9% from the second quarter of 2003 to the same quarter of 2004, by almost 25% from the fourth quarter of 2003 to the fourth quarter of 2004 and by 15% from the first quarter of 2004 to the first quarter of 2005. The sickness absence rate was, in the fourth quarter of 2004, 15% lower than in the same quarter in 2001 when the IA agreement was concluded. The initial aim of at least a 20% reduction from the second quarter of 2001 to the end of 2005 seems to be within reach.

The self-certified absence has been fairly stable on 0.85% through the whole period, which is about 12% of the total absence. The initial increase in the total rate and the decrease starting in 2004 is stemming from sickness absence certified by a doctor.

The statistics on doctor-certified sickness leave is from the Sick Leave Register of the National Insurance Administration. These statistics provide separate numbers for IA enterprises and enterprises without an IA agreement. The IA enterprises generally have higher sick leave than the non-IA agreement enterprises. Both groups have experienced increasing sick leave from 2001 and through 2002 and 2003 and both groups have experienced a decrease in 2004. The decrease from the fourth quarter of 2001 to the fourth quarter of 2004 is slightly larger for IA enterprises with an IA agreement before 5 March 2003

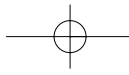
than for other enterprises. But the decreases from 2003 to 2004 do not differ much between enterprises without or with an early agreement or with a new agreement.

The statistics give no clear evidence of a positive impact of the agreements on the enterprise level so far. Possibly a more effective measure has been the stronger demand on the sick leave scheme.

In the agreement, it was decided to evaluate the policy in autumn 2003. ECON prepared a report in 2003 (report 47) revealing that companies with an IA agreement find that it provides them with useful tools to reduce sick leave. However, the report also finds that the companies have given limited attention to the other two objectives of the agreement. In April 2003 all together 2 570 enterprises had an IA agreement, covering one third of the total labour market.

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