



European Employment Observatory Review: **Spring 2006**



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Executive Summary

Introduction

This executive summary from the European Employment Observatory provides an overview of innovative labour-market practices and policies across the 29 European countries covered by the Observatory (25 European Union (EU) Member States plus Bulgaria, Romania, Turkey and Norway). It is based on articles written by the SYSDEM network of national experts from each country.

The overview also links developments at national level to policy developments and priorities at EU level, especially the new integrated guidelines¹ which refocus the Lisbon Strategy, proposed in April 2005 and adopted by the European Council in July 2005. The relevance of the national articles to Guidelines 18 to 24 is summarised below.

Guideline No. 18 — promoting a lifecycle approach to work:

- In Austria, gender mainstreaming continues to be a key focus of the labour market, reviewing progress at regional and local level.
- In Denmark, 'senior policies' have been strengthened to assist with the retention of older workers in the labour market.
- In Ireland, the Equal Opportunities Childcare Programme and the National Childcare Strategy have been introduced.
- In Lithuania, Youth Employment Centres have been introduced to integrate young people into the labour market.
- In Malta, measures are being introduced to increase the female workforce through the introduction of childcare services in the workplace.
- The Netherlands has introduced the Life Course Arrangement, enabling employees to vary the amount of time they spend on work, care, education and leisure.
- In Slovenia, 'Project Learning for Young Adults' is a preventative education programme, introduced for 15 to 24 year olds who did not complete school and are unemployed.

Candidate country

- In Turkey, analysis is being undertaken of the position of women, especially young educated urban women, to identify measures needed to increase female participation in the labour market.

Guideline No. 19 — ensuring inclusive labour markets:

- In Estonia, new employment services have been introduced for people with disabilities.
- In Hungary, changes to unemployment assistance now tie unemployment benefit to recipients' previous salary; levels of benefit gradually decrease over the nine-month eligibility period; those who find a job after three months receive half of the remaining benefit as a bonus.
- In Luxembourg, 'Job Coaching' has been introduced to provide individual mentoring for jobseekers.
- In Poland, support is available to prevent unemployment in rural areas.
- In Portugal, the application of 'EQUAL Principles' supports the development of employment and labour-market policies for disadvantaged people.
- In Slovakia, support has increased for disadvantaged jobseekers through the 'Contribution for Employing a Disadvantaged Jobseeker'.
- In Sweden, the 'Workplace Introduction Scheme' has continued to support the integration of immigrants into employment.

Accession countries

- In Bulgaria, the 'Overcoming Poverty Programme' has been introduced to improve employment in the poorest regions of the country.
- Romania has introduced changes to the unemployment benefit system.

(¹) Integrated guidelines for growth and jobs (2005 to 2008), COM(2005) 141 final, Brussels, 12 April 2005.

European Economic Area (EEA) country

- In Norway, performance-oriented financing schemes have been introduced to provide the Public Employment Service (PES) and external employment services with stronger incentives to identify groups most likely to be unemployed.

Guideline No. 20 — improving the matching of labour-market needs:

- In Greece, a network of Employment Promotion Centres has been established, and the Manpower Employment Organisation reorganised, in order to implement unemployment prevention policies.

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

- In Belgium, new measures have been introduced for large-scale redundancies and to improve the re-employment opportunities of those affected.
- In Finland, work is being undertaken to help people facing redundancy, or who have been made redundant.
- In France, the 'New Recruitment' measure aims to bring greater flexibility to the labour market.
- In Germany, labour market restructuring is supported through transfer companies for displaced workers.
- Spain's 'Agreement for Better Growth and Employment' will improve employment security and increase flexibility.

Guideline No. 22 — no new measures.

Guideline No. 23 — expanding and improving investment in human capital:

- In Cyprus, attempts to diversify the service sector and strengthen the research and development sector will also strengthen the education sector.
- The Czech Republic is comparing labour-market outcomes, i.e. employment, unemployment and wages, against educational attainment.
- Italy aims to reduce the number of early school leavers through a National Register of Students.
- In Latvia, work continues with EURES to support the free movement of workers within Europe.

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

- In the UK, several demand-led initiatives, including Regional Skills Partnerships, have been launched through the Skills Strategy White Papers to raise skills levels and meet employers' needs.

1 Attract and retain more people in employment, increase labour supply and modernise social protection systems

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

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

1.2 Promoting young people's participation

Measures implemented in Lithuania and Slovenia provide examples of innovative and successful approaches to tackling youth unemployment. The problems experienced by young people in both countries are similar in several ways: young people leaving secondary school face unemployment and have little information about the labour market, and vocational awareness is quite limited.

To address these problems in Lithuania, Youth Employment Centres (YECs) have been implemented to integrate young people into the labour market and raise awareness about employment opportunities. The YECs offer employment counselling and career planning. Prior to this initiative, young people were not encouraged to consider options while at school. Attendance at YECs is not compulsory, making them more attractive to young people and encouraging them to think about career planning at an earlier age.

Data on YECs show that in 2005, over 186,000 young people benefited from counselling and guidance, 17,600 used vocational information terminals, 86,000 used the Internet job-search facilities available, and 40,900 were given individual consultations on labour-market issues and career planning.

Slovenia has high dropout levels from secondary school as well as vocational learning. This results in a large number of young people without a basic education, who are therefore unattractive to the labour market. Many young people return to education as adult learners or through employment policy measures.

The 'Project Learning for Young Adults' (PLYA) programme has been developed to enhance employment opportunities, educational levels and skills of unemployed people, and to reduce professional and structural disparities.

Although PLYA deals with relatively small numbers of young people, it has demonstrated good practice, since very few programmes are available to deal with this target group. The programme has achieved 40% of the participants in education, 9% in regular employment, 15% in fixed-term employment, and 66% motivated to continue learning in the future.

1.3 Increasing participation of women

Continued progress to increase female participation is essential to reduce gender gaps in employment.

Austria has substantial gaps in the labour-market positioning of men and women, indicating several challenges facing women who attempt to achieve their employment potential. The Austrian PES has established three key objectives: to increase the participation, employment and earnings of women. Responsibility for achieving these goals rests with local and regional branch offices as well as the central Public Employment Service. Gender mainstreaming policies will be monitored to ensure effective implementation.

By 2006, a network of gender mainstreaming representatives for all local employment offices had been established. Other successful measures include guidance for young women on occupational choices, and incentives for mothers to return to work (i.e. cash benefits for childcare costs). These measures aim to reduce gender pay gaps, which are greatest in traditionally female-dominated fields of employment.

In **Ireland**, the National Childcare Strategy 2006 to 2012 has been introduced to extend childcare provision and help to increase female participation in the labour

market. Research has recognised that a large proportion of mothers choose to work part-time to avoid the relative increase in childcare costs associated with working full-time. It is hoped that the strategy will alleviate this situation through coordination with other strategies so as to promote increased labour-force participation rates.

Currently, the female activity rate in **Malta** stands at 37%. In an attempt to increase this figure, childcare places have been introduced into workplaces. The aim is to provide good-quality, affordable and accessible childcare to enable more mothers to remain under employment.

Candidate country

In **Turkey**, research has been undertaken to identify the measures needed to successfully integrate women into the urban labour market. At present, female unemployment stands at 26% in urban areas, and 44.5% of this group are long-term unemployed. Turkey differs fundamentally from some of the more urbanised parts of the EU and is still undergoing significant economic and social transition. Consequently, while policy development at EU level is generally applicable to Turkey, it is not always as relevant given the nature of the country's demographic and labour-market circumstances.

1.4 Increasing older workers' participation

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

In **Denmark**, older workers continue to leave the labour market before reaching the state's retirement age. Projections suggest that if this pattern continues, the labour force will shrink over the next 50 years, with the number of people in retirement significantly increasing. The primary delivery mechanism for the Danish Government is 'senior policies', which aim at improving the integration of older workers within the labour market. The measures include:

- funding of initiatives to support the integration of older workers in the labour market
- free consultancy services to all employers concerning senior policies
- 'senior' networks of older unemployed workers
- websites and campaigns to promote active ageing
- 'senior agreements' to discourage early retirement.

1.5 Planning for a life-course

Introducing a life-course approach to education, learning and career planning is increasingly recognised as good practice throughout Member States, thereby enabling citizens to have greater flexibility over their educational and training needs.

In the **Netherlands**, the Life Course Agreement offers all employed individuals greater flexibility over the time they spend on work, care, education and leisure. Additionally, individuals can make use of the Life Course Savings Scheme, which enables them to save part of their annual salary to finance a period of leave later on in life.

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

Active labour-market measures are encouraged so that people with special needs who face particular employment barriers are assisted to find work.

Estonia has introduced new employment initiatives for people with disabilities. Under the 2006 Labour Market Services and Benefits Act, disabled people can register as unemployed and participate in active labour-market programmes, regardless of the extent of their loss of capacity to work. Furthermore, all disabled people will be entitled to a personalised job-search plan. Four measures in the Act which focus on the employment barriers facing disabled people are:

- support to employers for adaptations to premises and equipment necessary for employing a disabled person
- support from PES employees or PES nominees to help disabled people at job interviews
- special aids and equipment provided to disabled people or employers, for use in the workplace, free of charge for up to three years
- support workers for disabled people who need additional help or guidance; support workers can be used for up to one year — full-time support for the first month, reduced to two hours' daily support after the second month.

1.7 Reviewing incentives and disincentives in the tax and benefit system

Hungary has introduced new measures to 'make work pay', with new incentives for both individuals and employers.

In order to address unemployment, the Hungarian Government has made changes to unemployment job-search benefit. Under the new legislation, the benefit is tied to the recipient's last salary and gradually decreases over a nine-month eligibility period; after six months, the benefit is reduced to 60% of the minimum wage for all recipients. To increase job-search efforts, individuals who find a job in the second period receive half of the unpaid benefit as a bonus.

Tax exemptions are available to organisations who recruit unemployed individuals, particularly older workers, long-term unemployed people, women on maternity leave, carers and young people.

1.8 Coaching and mentoring

In **Luxembourg**, job coaching has been introduced by the Luxembourg Confederation of Christian Trade Unions (LGCB) as a form of individual mentoring for jobseekers, for both LGCB members and non-members. The mentor assists the jobseeker with job search and contacting employers, and supports search activities such as writing letters, preparing CVs and giving interview practice. Over the two months during which the scheme has been running, 200 people have contacted the LGCB, largely from the building, transport and industrial sectors.

1.9 Tackling employment challenges in rural areas

Specific measures have been introduced in **Poland** to help to restructure employment in rural areas. These include: financial support for the development of agriculture and rural areas; restructuring former state-owned farms; promoting job creation in non-agricultural activities; providing loans to families to encourage them to start their own businesses; investments in technical infrastructure; and through education, training and micro-loans for the rural population. In addition, the Rural Areas Development Plan 2004 to 2006 aims to balance development in rural areas and to improve the competitiveness of the food and agriculture sector.

In **Portugal**, the application of 'EQUAL principles' is supporting the development of employment and labour-market policies for disadvantaged people, particularly to combat poverty and challenge low pay conditions for poorer working people. One example is Codessus, a Development Partnership demonstrating good practices which have since been replicated in other countries. Examples of innovation include the participation of single companies as partners, on-the-job training for the transport sector, and raising environmental awareness within the sector through 'environmental vigilantes'.

In **Slovakia**, a financial contribution for employing a disadvantaged jobseeker has been introduced to target disadvantaged jobseekers, who include school leavers/ graduates aged under 25, people over 50, long-term unemployed people, disabled people, single parents and people who have been granted asylum. The purpose of the initiative is to support, through public funds, jobs for vulnerable applicants. The employer is granted a financial contribution to cover the costs of employing the jobseeker for a minimum period of 24 months, particularly in regions with high rates of unemployment.

In **Sweden**, several measures have been introduced to facilitate the integration of immigrants into the Swedish labour market by improving educational and work opportunities and reducing unemployment. Initiatives include the Workplace Introduction Scheme and financial support for specialist agencies to encourage entrepreneurship among minority ethnic communities. The Government is also launching several anti-discrimination initiatives and campaigns to encourage the employment of immigrants.

EEA country

In **Norway**, performance-orientated finance schemes have been introduced to provide workers in the Public Employment Service and external employment services with stronger incentives to identify groups, who are most likely to become jobseekers, to assist vocationally disabled people to gain work, and speed the entry of jobseekers into work. The incentives include piece-rate payments for clarifying measures for vocationally disabled people, and bonuses for quick processing of applications for unemployment benefits. Bonuses are also available for buying employment services from external providers. These include bonuses to external employment service providers for achieving job placements for long-term unemployed people and vocationally disabled jobseekers.

Accession countries

In **Bulgaria**, the 'Overcoming Poverty' programme has been introduced to improve economic activity in the 13 poorest municipalities in Bulgaria. It includes specific approaches for disadvantaged groups, such as young people, long-term unemployed people, those with a low level of education or without qualifications, and unemployed people from minority ethnic communities. The programme includes literacy training, vocational training and subsidised employment or self-employment. The programme is implemented through approved projects developed by employers from the respective municipalities.

In **Romania**, changes to the unemployment benefit system have been introduced to reduce the amount of undeclared work and restore the basic principle of a social insurance scheme, in order to encourage participation in the formal labour market. The reform aims to create a stronger, more explicit link between the contribution base and contribution period and the duration for which the benefit is provided, as well as the amount paid. The benefit is awarded to people who register as unemployed with the local offices of the National Agency for Employment, provided that they meet the eligibility criteria. These criteria require a minimum period of uninterrupted contributions before people can apply for an unemployment benefit for a period of 6 to 12 months.

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

Strengthening labour-market institutions, in particular employment services at a national level, is imperative to enable more people to find employment and to better anticipate and resolve mismatches between demand and supply.

In **Greece**, the implementation of a policy emphasising prevention and early intervention has been connected with a modern network of Centres for Employment Promotion (KPA) and reorganisation of the Manpower Employment Organisation (OAED), the main government agency for implementing employment policies. The article reviews the process of PES modernisation in Greece, which began almost 10 years ago and which points to future options for further development.

2 Improving the adaptability of workers and enterprises

The Employment Guidelines (2005 to 2008) 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 ones and the introduction of new technologies have prompted adaptation. While these and other competitive pressures are inevitable, if economic benefits 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.

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

In **Belgium**, measures have been introduced regarding large-scale redundancies and the re-employment opportunities of those affected. Companies are now required to meet several criteria before they can restructure/downsize. Companies are required to consult with trade unions and develop a 'social plan' to see which staff can be placed on a bridge pension, and who can benefit from active measures for people aged 45+, such as individual career counselling and job-search plans. Workers eligible for a bridge pension and those workers who are older than 45, are obliged to attend re-employment workshops. After six months, unsuccessful workers are either dismissed, or (if aged 50 to 55) they can then go onto a bridge pension. However, they must still make themselves available for work while on the bridge pension. Bridge pensions are typically available to people aged 58+, but can also be available to people aged 50, 52 or 55 (whichever is agreed in the social plan) if they are affected by company restructuring and have a career of a minimum of 12 years.

In **Finland**, a new initiative called Change Security has been introduced to assist workers who have been made redundant or are facing redundancy. It provides laid-off workers, both permanent and fixed-term, with greater financial security during the transition stage between jobs, and fosters greater cooperation among employers, employees and the labour authorities.

Change Security offers financial incentives to dismissed workers who agree to an employment programme to enhance their chances of finding new employment. Specifically, a dismissed jobseeker with at least three years of work experience with the same employer or different employers is given the right to full-paid leave for job-search activity (the length of the paid leave depending on the duration of the employment relationship), an employment programme (an individual job-seeking plan), and a higher unemployment allowance.

In **France**, the New Recruitment Contract is available to small enterprises with fewer than 20 employees. It aims to bring greater flexibility to the labour market, and may make it easier to recruit employees into smaller enterprises.

The contract differs from those previously introduced since it can be terminated more easily within the two-year consolidation period. During this period, the employer does not have to provide reasons for terminating the contract, and the employee is able to resign at any point without giving notice. Once the consolidation period has expired, the rules of the permanent contract apply.

Data so far indicates that the contract has been successful with employers, with 270,000 intentions to recruit on the basis of the New Recruitment Contract announced between August and December 2005. The breakdown of this data comprises 71% in the tertiary sector, 18% in building and public works and 11% in industry.

2.2 Better anticipation and positive management of change, including economic restructuring

In **Germany**, a review has taken place of transfer companies — follow-up companies taking over a business which is to be closed down. This system was developed after unification to transfer workers, providing both job security and training during the transition phase. Previously, the programme was used as a bridge to early retirement. Now it has the role of a general flexicurity instrument. The Hartz reform implemented in 2003 shortened the maximum payment period from 24 to 12 months and introduced individual profiling of workers.

Additionally, transfer companies are regulated in part by the Dismissals Act with regards to redundancy payments in the case of mass redundancies.

In **Spain**, negotiations have taken place to reduce temporary employment, while maintaining flexibility for businesses and job security for workers. The level of

temporary employment in Spain has never fallen below 30%, with women experiencing higher levels of this form of employment than their male counterparts.

The 'Agreement for Better Growth and Employment' aims to increase job stability and boost the creation of new employment through the following measures:

- promoting the use of open-ended contracts
- reducing the length of fixed-term contracts — a restriction on the duration of consecutive temporary contracts that an employee can have with the same company (24 months instead of 30 months).
- improving the protection of unemployed people and increasing the efficiency of active employment policies.

A temporary procedure, until January 2007, has been launched to reward the conversion of fixed-term contracts into open-ended ones. The benefits include social security reductions for men aged between 16 and 30, and for women who have been absent from the labour market for five years.

3 Increasing investment in human capital through better education and skills

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

However, setting ambitious objectives and increasing the level of investment is not enough. To ensure that supply meets demand, 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)

The article from the **Czech Republic** gives a description of the Czech education system, comparing labour-market outcomes against educational attainment.

In **Cyprus**, efforts are being made to diversify the service sector and strengthen the research and development sector, to reduce dependency on the tourist industry. This has implications for the education sector.

The education sector in Cyprus is to be strengthened through the following measures:

- reducing the outflow of foreign exchange involved in studying abroad
- increasing the inflow of foreign students and revenue from them
- creating appropriate conditions that will favour the establishment of a more animated research and development sector.

Considerable progress has been made in the tertiary education sector, with new legislation enabling existing colleges to become universities. Education and training systems are also becoming more adaptable. The aim is to encourage youth entrepreneurship and provide secondary school leavers with vocational training and experiential learning.

The number of early school leavers in **Italy** remains considerably higher than the EU-15 average. To tackle this problem, a Regional Students' Register has now been introduced. Regional governments have the responsibility of creating a Regional Students' Register in order to reduce early school leaving and improve coordination with the Public Employment Service. In addition, the National Register of Students will assess the extent of early school leaving and control state resources for schools. The register will allow monitoring, assessment and research into the complex issue of early school leavers.

In **Latvia**, the State Employment Agency has participated in EURES to support the free movement of workers within Europe. Key labour-market issues facing the country include segmentation of the economy and a lack of intra-country labour-force mobility, combined with increasing migration abroad. In order to achieve the EURES objectives within Latvia, a range of services have been provided. These include:

- a free online database listing the CVs of jobseekers and linking them to vacancies offered by employers abroad
- career advisory services and educational events such as employment seminars
- free reference guides and frequently asked questions (FAQ) handbooks for jobseekers going abroad
- participation in labour-market research projects.

Although no evaluation of EURES-Latvia policies have taken place so far, one is planned for late 2006, and the data available indicates that participation has been successful. In 2004, EURES enabled 4,531 consultations on job opportunities in the EU and EEA, and 6,033 consultations in 2005.

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

Encouraging demand-led training is one of the key aims of Guideline No. 24, to ensure that future skill needs of the economy are considered and met.

In the **UK**, the Skills Strategy White Papers have introduced a number of initiatives to raise skill levels. The intention is to use the public sector to help fund and commission training in partnership with employers, who are being called on to identify the most urgent skills gaps.

Regional Skills Partnerships (RSPs) are a key delivery mechanism for the Government's development of regional objectives and infrastructure. They aim to encourage demand-led training in each region across the private, public and voluntary sectors. RSPs do not deliver skills training; rather, they align the provision of publicly funded adult skills, business support, labour-market and productivity services with priorities identified in the Regional Economic Strategy.

A range of partners are involved in RSPs, which have maximum flexibility to put group and decision-making structures in place to reflect the specific needs of each region and its employers. Progress so far indicates that RSPs have successfully engaged partners from all levels, and from 2005–06 annual action plans are set up with a set of priorities against which progress is monitored.

EEO Spring Review 2006

National Articles on Innovative
Policies and Practices

Member States

Austria: Gender mainstreaming — at the forefront of the Austrian public employment service

1 The gap between women and men

There are substantial gaps between the positions held by women and men in the Austrian labour market. Some of these gaps are larger in Austria than in the rest of the EU-25, and some are smaller; however, most of the gaps are relatively close to the EU-25 average.

The gaps indicate that women face barriers when trying to make best use of their employment potential, which inflicts significant welfare losses to the Austrian economy. This is a blatant case of unequal opportunities for women, which goes against principles of inclusion, fairness and equity.

The metrics of the compendium of indicators, produced regularly by the European Commission (though with a significant time lag), show the following figures for gender gaps in Austria:

- gross employment rates — 9.2 percentage points
- full-time equivalent employment rates — 22 percentage points
- unemployment rates — 0.9 percentage points
- hourly earnings (for employees working more than 15 hours a week) — 20 percentage points.

The sheer size of these gaps (apart from unemployment) presents a challenge to Austria. In particular, the hourly earnings gap (i.e. the percentage difference over men's hourly earnings) suggests that the Austrian labour market offers fewer financial incentives for women to participate and invest in lifelong employability.

However, it is not just the size of the gaps that merits attention. An even more disturbing fact is the persistence of some of these gaps over time. Here again, the pay gap poses the greatest challenge, as it has hardly narrowed over the past 30 years.

2 The AMS gender mainstreaming programme

The AMS (Austrian public employment service) views the welfare losses caused by gender gaps as a challenge that deserves close attention and decisive action. Therefore, it has produced documents on gender mainstreaming in which it laid out objectives, strategies, targets and measures for the period 2002 to 2007. This period is now drawing to an end, raising expectations about results and future prospects. It is within this spirit that gender mainstreaming is moving towards the front of the priorities of the AMS.

The original gender mainstreaming documents (and their numerous updates) take the view that the AMS has to implement gender mainstreaming throughout its own organisation, in order to effectively support the goals of its wider programmes and measures — all of which are designed to help women to close the labour-market gaps. Hence, various documents deal separately with gender mainstreaming, both within the organisation and with respect to the wider Austrian labour market.

The intra-organisational section contains the principles and measures to be taken at each level of the organisation for each area of action. It essentially aims for at least 50% of women to participate in all organisational development activities. It further proposes specific actions aimed at removing barriers that female employees across the AMS might face with regard to participating in organisational development.

Overall, the documents interpret gender mainstreaming as a top-down process in which every level of management is directly accountable for the results achieved. For the wider Austrian labour market, these documents have set the objective of raising women's participation, employability and earnings.

To achieve these goals, the AMS has set out to:

- have at least, on average, 50% of women take part in programmes and measures
- have at least 50% of women to be part of the gender dimension in AMS budgeting for active labour-market programmes
- ensure that the design of programmes and measures does not (implicitly or indirectly) put women at a disadvantage
- offer programmes and measures that support women who face challenges seen as 'typical' for women in the Austrian labour market
- monitor how gender mainstreaming is implemented
- evaluate the impact of actions taken.

The responsibility for implementing these principles rests with each of the local and regional offices, and the central AMS organisation.

3 Performance and achievements

An evaluation of progress made was carried out in spring 2006. Most local and regional offices reported that the intra-organisational impact of gender mainstreaming has been positive and noticeable. It seems that a stable network of gender mainstreaming representatives from all local offices has been established.

On the more tangible aspects, such as women in top positions in the AMS, results have been more variable. Only two of the nine regional offices are directed by women, though one of these is Vienna, the regional office with (by far) the largest number of people on the register. Several local offices reported that the share of women in managerial positions reflected the overall share of female employees at the local AMS office (which count a majority of women on the payroll).

Regarding services rendered and the implementation of gender-based programmes, regional offices considered three points to be of particular interest for gender mainstreaming:

- the counselling of young women on occupational choices
- the return to employment by mothers

- a 50% participation rate for women in active labour-market policy programmes.

Concerning the *50% participation rate*, the AMS has decided that this should become an operative goal, closely monitored on a monthly basis.

The focus on *occupational choices for young women* is motivated by the gender pay gap, which is of an even greater disadvantage in occupations where female participation traditionally dominates. Hence, the AMS is seeking to encourage young women to take up occupations in which they stand a better chance of catching up with their male counterparts. In particular, the AMS promotes occupations in technical areas (deemed 'non-traditional' for young women) as being interesting options at all levels of education and skills.

The *return to employment of mothers* is a major area of AMS programmes, based on evidence that women's careers can be severely impaired if they stay away from the labour market for longer periods of time. The AMS offers qualification programmes specifically designed for women wishing to get back into the labour market. Moreover, women can get cash benefits for childcare if their employment does not pay well enough to cover childcare costs.

The AMS takes great interest in evaluating whether programmes have a positive impact on gender mainstreaming. To this effect, the organisation has its own monitoring system (AMS-GM-Syndx) to check the relative position of women and men in the Austrian labour market. The monitoring system is based on 20 sub-indices, which cover several dimensions relative to gender mainstreaming. To date, the overall degree of inequality between women and men (as measured by the AMS-GM-Syndx) has hardly changed. Between 1996 and 2004, the gap (standing at 30 index points in 1996) closed by only one percentage point. This is the result of diverging trends in different dimensions of inequality, in which growth in one area balances a fall in another.

'Impact' is not the only criterion on which the gender mainstreaming activities of the AMS have been evaluated. Take for instance the support that the AMS offers to young women entering apprenticeships following compulsory education. This is a critical point in occupational training, at which young women seem to receive less assistance from their parents than young men do. Indeed, when it comes to actively seeking an employer, around half the young men starting an apprenticeship (against only a third of young women) make use of their parents' personal networks to access an apprenticeship. The AMS thus compensates for this disadvantage by allowing young women to register with them (to a relatively higher degree than young men) to search for a suitable apprenticeship.

It is interesting to note that the apprenticeship support activities of the AMS have a twofold gender-mainstreaming effect:

- first, as already mentioned, the support activities benefit (relatively speaking) a larger number of young women than young men
- secondly, the impact of these support activities is more pronounced for young women than for young men — i.e. on average, young women gain bigger benefits from the AMS support they receive.

The capacity of women to make good use of the AMS programmes offered to them has been confirmed by an evaluation of support activities for mothers intending to return to work. The evaluation was oriented towards gender mainstreaming issues and used a control-group analysis method. The findings indicated sizeable effects in that:

- the difference in outcome between those women participating in support activities and those in the non-participating control group was as high as the gender gap itself. Or put differently — the gender mainstreaming impact of the programme on participants was as large as the gender gap.

4 Conclusions

The Austrian Public Employment Service pays close and continuous attention to the gender mainstreaming dimension of its activities:

- Within the organisation, every level of management has to take responsibility to actively pursue gender mainstreaming objectives; this includes regular monitoring and reporting.
- For the wider Austrian labour market, the AMS has implemented activities and programmes specifically designed to help women to catch up with men.

Evaluation studies show that the activities contained in some of the AMS programmes have positive effects in two ways:

- First, they pay greater attention to women than to men, which raises women's likelihood of taking part in AMS activities and programmes (relative to men).
- Secondly, the design of these programmes is such that women can draw greater benefits from taking part in them than men can (in relative terms).

The gender mainstreaming impact of AMS activities is:

- very strong on labour-market participation
- strong in terms of employment (based on annual numbers of days in employment)
- weak with respect to earnings.

Hence, the gender pay gap is still unlikely to close in the near future. Given that this gap is somewhat high in Austria, to narrow the pay gap would require a stronger commitment from employers.

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Belgium: New guidelines for large-scale redundancies and company restructuring

1 Introduction and objectives

Within the context of the Generation Pact and the policy debate on older workers remaining active in the labour market, in March 2006 the Belgian Government launched new legislation on large-scale redundancies and company restructuring.

The ultimate outcome of large-scale collective redundancies may not automatically be to steer older workers to a 'bridge pension'. On the contrary, they should be offered a chance of re-employment elsewhere. Managers, together with social partners, should therefore discuss and develop a social restructuring plan. Such a plan should contain, in addition to any measures on bridge pensions (normally allowed for people aged 58 and exceptionally in large-scale redundancies for workers aged 50, 52 or 55), substantial measures for older workers (45+).

Before the Federal Minister of Work can allow a company to place older workers on a bridge pension, and before its social restructuring plan is implemented, the Regional Minister of Work should ensure that the plan contains a substantial set of active measures, and agree on these. Every Regional Minister of Work should establish a list of evaluated criteria and procedures. In this spring's review, we explain the new federal law and elaborated on the Flemish criteria and procedures.

2 Belgian law on large-scale redundancies and economic company restructuring

2.1 Economic restructuring via bridge pensions, in seven steps

A company that wants to downsize needs to go through several procedures:

- According to the 'Renault law', the management has to consult and inform the trade unions.
- After the decision has been taken to reduce staff and dismiss people, 'a social plan' needs to be negotiated.
- This procedure should identify and acknowledge the firm as 'a company under restructuring'. For this recognition, a social plan with the following measures is a condition *sine qua non*:
 - o An alternative scenario to the restructuring and downsizing — i.e. is it possible to reorganise the division of labour or working time?
 - o Are there people who are willing to leave with a fair 'golden handshake'?
 - o Which people can be placed on a bridge pension?
 - o Active measures for people aged 45+, such as concrete possibilities for outplacement, and career consulting facilities.

- This social plan must be sent to the Federal Minister of Work and the appropriate Regional Minister of Work. Before the Federal Minister can make any agreement, the Regional Minister should evaluate the social plan. In this evaluation, the impact and volume of active measures are crucial. The Flemish Minister of Work has elaborated an evaluation framework.
- If the social plan is evaluated positively, the company will be allowed to put people on a bridge pension, but before doing so the firm has to create a 're-employment unit'. This unit should set up 'tailor-made plans for work counselling'.
- If after six months they are unsuccessful, people may be put on a bridge pension, but they are obliged to continue to make themselves available for the labour market.
- If, at a later stage, an appropriate work or vocational training opportunity is offered, they are obliged to take it.

2.2 What do 'large-scale redundancies' and 'company in restructuring' mean?

Belgian law defines a company under restructuring as:

- a company that has been severely loss-making for two successive years
- a company confronted with a period of economic underemployment for a one-year period, accounting for approximately 20% of the time
- a company confronted with large-scale redundancy, which is defined as follows:

Definition of large-scale redundancy	
Total labour force employed	Total labour force threatened with dismissal*
>=100	at least 10%
21>=99	at least 10 people
12>=20	at least 6 people
1>=11	at least 50%

* To calculate the total labour force threatened with dismissal, only employees with a service of at least two years, at the time the large-scale redundancy is announced, are taken into account.

2.3 When are people allowed to go on to a bridge pension?

Within the context of the Generation Pact, the age at which someone is entitled to go onto a bridge pension is fixed at 58. (The conventional bridge pension is a right according to a sectoral, collective agreement).

In the case of large-scale redundancy, people may leave at age 50, 52 or 55 (whichever is agreed in the plan) if they meet the following conditions:

- a career of at least 20 years
- a company service of at least one year at the time when the collective lay-off was announced
- were aged 50, 52 or 55 at the time when the collective lay-off was announced
- will participate in a re-employment unit for a period of six months, with a tailor-made plan of work counselling over the six-month period.

These criteria are much stricter than they were before the Generation Pact debate.

2.4 A re-employment unit — what's in a name?

A re-employment unit is organised at a company, sectoral or sub-regional level. At the sub-regional level, the Social Economic Council of the Region (SERR) takes the initiative, particularly for small and medium-sized enterprises (SMEs). Coordination of the unit is the responsibility of all social partners concerned and the Regional (Flemish, Brussels or Walloon) Public Employment Service (PES). The lynchpin is the 'social intervention adviser', who works for the PES and is responsible for all the practical work in engaging with the social partners concerned.

All employees who are older than 45, or all employees who are willing to go on a bridge pension at the age agreed (50, 52 or 55), are obliged to participate in the re-employment unit. For everyone else concerned and threatened with dismissal, and who is younger than 45, participation is voluntary.

Workers who are obliged to participate in the re-employment unit are not required to work, and receive a mobilisation bonus (their normal monthly wage) over the six-month period. They are obliged to take part in the tailor-made work counselling plan and activities. This

means that they have to attend training activities and must actively apply for jobs. If unsuccessful after six months they are dismissed, or they may go onto a bridge pension if they are aged 50, 52 or 55, depending on the age agreed in the social plan. Those who go onto a bridge pension are obliged to remain available for employment until they are aged 58. Therefore, if someone leaves a company on a bridge pension at the age of 52 and two years later the PES offers that person employment, they are obliged to accept it.

3 The regional component

Every region must comply with this law regarding restructuring, which also includes some regional components. Only the Flemish Government has decided on these, and has developed a regional checklist and plans for a script for economic restructuring, together with all social partners. To support the re-employment units, the Flemish Government is appointing 23 new social intervention advisers in the Public Employment Service. In addition, to develop a safety net for workers who fall victim of restructuring in SMEs with inadequate financial means to create a social or re-employment plan and unit, the Flemish Re-employment Fund will provide funding and intervene to set up outplacement procedures for workers. This will be in the form of a sectoral or (inter)regional re-employment unit that will be permanently established in the context of the SERR (see above).

3.1 Regional check of the social plan

Regional governments need to check the 'active content' of social plans before the Federal Minister of Work can authorise them. Without this authorisation and without the regional check, the firm will not be recognised as a company under restructuring, and will be unable to put older workers onto an early bridge pension.

After the Government Council on 19 May, the Flemish Government published the criteria checklist to screen the active content of social plans. According to the Flemish Government and Minister of Work, such a social plan, as a minimum, should contain the following,:

- a specified number of employees who may be put onto early bridge pensions
- a specified number of counselling measures for routes to new employment opportunities for those workers

- a concrete information plan
- counselling measures which must be individually tailored and time-bound.

Every plan is to be screened by an advisory committee set up in the Administrative Department of the Flemish Ministry of Work. The committee should formulate a response within 14 days.

3.2 A script for economic restructuring

The Flemish Government has decided to develop a script for economic restructuring. The overall procedure will be detailed and some useful examples will be developed, including examples of good practice for social plans. All social partners concerned will be involved in compiling the script.

3.3 New social intervention advisers

The Flemish Public Employment Service is engaging 23 full-time equivalent additional social intervention advisers. Once a re-employment unit is set up, they will organise management and take initial steps to aid workers threatened by dismissal. Together with the SERR, they will undertake practical work to set up counselling plans, training, job searches and career counselling activities for the affected workers.

3.4 The Flemish Re-employment Fund as an intervener

In some downsizing cases — mostly SMEs — managers do not carry out relevant actions to guarantee the rights of the workers concerned regarding outplacement and this is usually because of a lack of financial resources. In these cases, where it becomes obvious that no actions will be undertaken by managers to initiate procedures to develop a social plan or begin the re-employment process, the Flemish Re-employment Fund is authorised to intervene.

4 Global financial review

The total budget for the re-employment units and social intervention advisers is approximately EUR 2 million per annum. For the development of the script, a one-off budget of EUR 100,000 is foreseen.

5 Comments and evaluation

5.1 Relevance to EU guidelines

In its November 2003 report, the Employment Taskforce recommended that Belgium should 'better anticipate and accompany restructuring of enterprises'. The European Commission took up this issue in its 2004 country-specific recommendations.

Furthermore, Guideline No. 20 ('Promote flexibility combined with employment security') specifically mentions 'positive management of change, including economic restructuring'. This policy directly links to this issue, and also to the Generation Pact debate and the activation policy for older (45+) workers, who are now to be motivated to remain active in the labour market.

The first text case is the restructuring of Sylvania (Tienen) where 67 people (of the 628 employees) were dismissed and the first re-employment cell was established in July 2006 (Sylvania would have escaped the obligation to set up a re-employment cell if only 61 employees would have been dismissed).

Recently, Agfa Gevaert (around 1,000 dismissals) and Tessenderlo Chemics (around 500 dismissals) announced restructuring intentions.

For Belgian companies which are restructuring, this new legislation means a 'Copernican Revolution' — a major shift in thinking — a move away from bridge pensions. Moreover, people who are put on bridge pensions after a restructuring have to remain active in the labour market. Close analysis and monitoring of the PES mediation figures for the following years should show how 'active' these older people actually are, and how eager employers are to offer older people employment.

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Cyprus: Efforts to diversify the service sector and strengthen the research and development sector in Cyprus

1 Introduction and objectives

From independence in 1960 to 1974, Cyprus' economy was based on agriculture, secondary processing, light manufacturing and, increasingly, tourism. With the 1974 invasion, most of the tourist facilities concentrated in the north came under occupation. Some 72% of the tourist beds available were lost, along with 40% of the island's tourist facilities (restaurants, cafes, bars and clubs). Recovery and the so-called 'growth miracle' were largely based on re-establishing the tourist industry in the south. This push, along with the eventual decline in agriculture and manufacturing, meant that the economy was no longer diversified. Data from 2003 shows that tourism revenues reached 16% of gross domestic product (GDP), and that 13% of the country's gainfully employed people were working in the tourist industry. This dependence on tourism has intensified; tourism and tourism services constitute more broadly the largest source of value added and employment.

This situation could continue, provided that the lack of diversification does not pose any threats. However, the 1991 Gulf War demonstrated the economy's vulnerability to geopolitical events outside its borders. In the first quarter of 1991, incoming tourists fell by 60% compared with the same quarter a year earlier. The attack on New York and subsequent military operations in Iraq have also affected tourism flows to Cyprus. Arrivals continued on a downward trend until 2004, and revenues from tourism did not increase until 2005. Competition from other resorts in the general area is intense, and the Government is increasingly espousing the merits of diversification.

A new strategy has been articulated in documents (mostly on the tourist industry) and in less formal statements in various fora. The tourism industry will be shifted away

from 'sun and sea' services to more specialised and higher value-added activities. In addition, less well-documented plans are set up to strengthen and diversify the tertiary education sector and the research and development (R&D) sector. This push towards higher-skill services is consistent with the fact that (i) cheap, non-EU labour must now receive lower priority than more expensive labour from EU Member States, and (ii) Cypriots affected by the loss of physical capital following the invasion are determined to undertake training, often at great cost in the UK and the US. Generally, this abundance of skilled labour would be consistent with and would facilitate a shift to higher valued-added services, and education and R&D sectors in particular.

In the next section we describe the efforts made to diversify the economy in the above-mentioned directions. This is followed by an assessment of the progress achieved, and some conclusions.

2 Initiatives planned or taken

The *Strategic Plan for Tourism Development 2003–2010* puts forward the tourism diversification strategy. The number of arrivals, which stood at 2,470,000 in 2005, is thought to have a practical limit of 3,500,000 by 2010. It is hoped to increase the average length of stay to 11.6 days, and reduce seasonality by encouraging visits in the off-peak months of January to March and October to December. Repeated tourism is to be encouraged. The reasons for visiting Cyprus are to be broadened to encompass visits related to culture, conferences, agro-tourism, enjoyment of nature trails and hiking, sports tourism and cycling, yachting and sea cruises. It is hoped that these initiatives will increase the amounts spent per visit so that the overall revenues will rise.

Implementation of these objectives has already begun. Marinas and golf courses have been expanded, a number of agro-tourism establishments have begun to operate, and visits for reasons other than sun and sea holidays have increased. Arrivals from countries other than the traditional client countries (the UK and Greece) are being encouraged, with considerable increases in visits from France, the Netherlands, Germany, Russia and other Eastern European countries.

A second major direction in the new diversification strategy is strengthening the education sector, with a view to: (i) diminishing the outflow of foreign exchange involved in studying abroad, (ii) increasing the inflow of foreign students and revenue from them, and (iii) creating the conditions that will favour the establishment of a more vibrant R&D sector. This strategy is mentioned in the Lisbon Reform Programme for Cyprus, but does not appear to have been spelled out in a single document.

Considerable progress has been made in the area of tertiary education. The Technological University of Cyprus is moving forward with nearly CYP 9 million (EUR 15.7 million) of the planned expenditure for 2006. Appointment committees have been set up, interviews carried out and recommendations on appointments made. More positions are being advertised in a number of areas. The International Institute of Cyprus (a joint initiative with Harvard University) is scheduled to receive CYP 12.3 million (EUR 21.4 million) over the period 2005 to 2008. The Cyprus Institute is scheduled to receive CYP 1.24 million (EUR 2.2 million) over the period 2005 to 2007. The Open University has begun recruiting personnel. These initiatives are over and above public support for the University of Cyprus, which continues to expand into new areas (architecture, biology, law). In addition, legislation to allow existing colleges to become universities has been approved, and three colleges are in the process of obtaining the necessary permission.

In view of these initiatives, expenditure on R&D as a proportion of GDP has been increasing. The ratio of R&D expenditure to GDP, while considerably lower than that of the European Union, was that of 0.18% in 2002 and rose to 0.35% in 2003. Most of the R&D expenditure (72%) was in the public sector through its support to the tertiary education and research centres. The target for 2005 was 0.45% of GDP, for 2008 it is 0.65% of GDP and for 2010 it is 1% of GDP.

A tool for progress in increasing the private sector's involvement in R&D is the concept of business incubators. The programme for setting up high-technology business incubators in Cyprus was outlined in the New Industrial Policy (1999). It recommended the establishment of one or more business incubators and a centre for applied R&D in high-tech areas.

The first incubator was awarded a contract in April 2002. It is a for-profit company whose goal is to assist new businesses with innovative ideas to form limited companies in which both the proprietors of the idea and the incubator will participate financially (with both parties sharing capital and the government grant). In March 2002, the Ministry of Commerce, Industry and Tourism began a process that led to the establishment of four more business incubators.

Candidates for the incubators must submit a business plan. The main criteria for acceptance are innovation, technological viability, the possibility of developing the project within the time and budget constraints, the suitability of the team, the marketability of the proposal in a global context, and the possibility of securing a patent. The fields to be considered include information technology and telecommunications, electronics, biotechnology, the chemical industry, renewable energy sources and the environment. A government grant of up to CYP 120,000 (or just over EUR 200,000) is provided. So far, 27 project applications have been received, of which 19 have been approved. Twelve of the approved applications have proceeded to the implementation stage, and seven remain pending. Successful applicants may remain in the incubator for up to two years.

Finally, the efforts made to make education and training systems more adaptable should be mentioned. Schemes which are co-financed with the European Social Fund (ESF) aim to encourage youth entrepreneurship and provide secondary school leavers with vocational training and experiential learning. A scheme under Objective 3 of the Structural Funds and co-financed with the ESF will identify the needs of the older people and disabled, making it possible for them to offer their skills to the labour market. Measures under the EQUAL Community Initiative and co-financed with the ESF encourage flexible forms of employment. All these initiatives fit into the general strategy of strengthening human capital and making it more easily available to the labour market.

3 Performance and achievements

As tourism is an area in which the Government and the private sector have considerable experience, this aspect of a new strategy appears to be on the right track. A coherent strategy has been thought out and described in writing, and a tangible progress towards its implementation has been made. However, it remains debatable as to whether the target of 3.5 million visitors is too high, signifying no strong resolve to concentrate on quality rather than quantity.

In terms of the development of the tertiary education sector, the picture is more varied. This sector is tremendously important since it is the base on which the R&D initiatives must be developed. In addition, it has the capacity to stem the outward flow of foreign exchange to support students studying abroad, and to attract international students to Cyprus. Efforts to build up this sector have resulted in increased employment of skilled personnel (often repatriated), with promises of more to come. This change in the skill variety of the population is extremely important.

However, internal contradictions in the strategy exist. The University of Cyprus has barely been established, and its Engineering Faculty is still under development and without permanent facilities. Despite this, a new Technological University of Cyprus (TUCY) has also been established in another town. This institution will have to duplicate the infrastructure (governing bodies, libraries, laboratories, student support services, etc.) which is still very much under development at the 14-year-old University of Cyprus. Some faculties at the University of Cyprus have been unable to fill vacant positions with high-quality personnel, yet similar faculties (such as Business Economics) are being established at the TUCY. Considerable discussions should take place at the highest level to try to avoid the duplication of faculties between the two public universities. Meanwhile, the University of Cyprus remains a small institution with fewer than 4,000 students.

The University of Cyprus has the capacity and excellence to attract postgraduate students from abroad, thereby improving the quality of its students and research programmes, achieving internationalisation, attracting high-quality foreign teaching staff and bringing foreign currency to the country. Yet it is not allowed to cater specifically for foreign postgraduate students. While primarily teaching in Greek at undergraduate level may be understandable for a publicly supported institution, language restrictions at postgraduate level (where the ability to link up with the international research community is critical) are difficult to understand. At the same time, the private colleges which are becoming universities are able to offer any programme in whatever language they choose, even though their capacity to offer postgraduate degrees is limited.

There is also a lack of consistency in the process leading to the approval of new institutions. Some (e.g. the International Institute of Cyprus) are set up without a great deal of discussion or evaluation, while others languish in long and difficult approval processes. For instance, the colleges which hope to become universities have been complaining bitterly about the process they have had to follow so far.

Increasingly, there is a tendency to funnel all research-related decisions through the Research Promotion Foundation (RPF); for instance, the Cyprus Institute has been placed under the aegis of the RPF. While the RPF has initiated the important process of supporting research on a competitive basis, it is hampered by lack of experience and direction and by an extremely bureaucratic outlook. It attempts to define the areas of research needed in isolation from the imperatives of the international research community, which any serious scientist must follow. The RPF requires proposals to be submitted in Greek, thereby ruling out international refereeing. It is also unduly bureaucratic and restrictive in terms of how research must be conducted, making it difficult for researchers to replace lost personnel or redirect funding during the course of a project. All these practices differ depending on how international science foundations conduct their business.

It is too early to offer any assessment on other aspects regarding the drive to increase R&D activity in Cyprus. Details on the projects funded through the incubator process are not readily available. It is too early to judge which of these projects will result in commercial successes. The government knows that the success rate may be low, but it hopes that the benefits from the limited number of successful outcomes will be substantial enough to justify the original subsidy. The scheme is subject to the possibilities that funded applicants will do little more than consume the government subsidy, and that only those innovators who are least likely to succeed commercially will apply (if the application process is onerous and the actual subsidy modest relative to the expected rewards of good projects). It is not clear how the selection process deals with these potential problems. These problems loom larger in the context of an economy which is focused on low value-added services and where the manufacturing base is very small.

4 Conclusion

The drive to diversify the economy by encouraging more complexity in the tourist product and by stimulating the tertiary education and R&D sectors is well motivated. It has been better thought out and articulated in areas such as tourism, where the country has considerable experience and success. In areas such as tertiary education (where the first university only started to operate in 1992) and R&D (where little experience is available), the steps taken seem tentative, bureaucratic and unprofessional. It is unthinkable that major commitments should be made in these all-important directions without screening and evaluating through professional, open, competitive and accountable processes. It is mostly unusual for the country's Research Promotion Foundation to have no over-

seeing board of internationally acclaimed scientists to guide its objectives and chart its operating procedures.

It is particularly discouraging that there is no realisation among bureaucrats and politicians of how many problems exist in the conception and execution of these plans. The impression which is often given is that it is possible to build up high-quality education and the R&D sector simply by increasing the proportion of GDP spent on research. Decision-makers do not seem to understand that these areas can only be developed by following long-term planning, and by using high-quality scientists who will only be attracted to the country if they can continue to pursue their research in the international and highly competitive context that characterises these sectors.

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Czech Republic: Education and labour-market outcomes

Abbreviations used (Czech version in brackets):	
ALMP (APZ)	Active Labour Market Policy
ESA (SSZ)	Employment Services Administration
EU-15	Former 15 EU Members States before 2004 entry of NMS-10
LLL	Life-long Learning (continuing education and training)
MoL (MPSV)	Ministry of Labour and Social Affairs
MoS (MŠMT)	Ministry of Schooling, Youth and Sports
NÚOV	National Institute of Vocational Education

1 Introduction and objectives

This review describes the Czech education system and compares labour-market outcomes, i.e. employment, unemployment and wages, against educational attainment. However, caution is needed when forming conclusions about causal relationships based on simple group-level comparisons, as there is limited economic research on these causal effects.

2 Education system

The structure of the Czech education system is similar to that of other Central European countries (Table 1)², but with two major differences in enrolment patterns. Although the Czech Republic boasts one of the highest

upper-secondary school completion rates of Organisation for Economic Cooperation and Development (OECD) countries, its tertiary attainment rates in the adult population are around 12%, among the lowest in Europe. The high secondary-level attainment rate is supported by extensive apprenticeship and vocational programmes, while less than 20% of secondary-level students enter general academic secondary programmes ('gymnasias'), compared with 47% in a typical OECD country.³

The Czech primary education generally scores well against the internationally comparable cognitive skill tests PISA (Programme for International Student Assessment) and TIMSS (Trends in International Maths and Science Study), which focus on pupils aged between 10 and 15. Specifically, Czech pupils outperform those from average OECD countries and do better than pupils from most of the new Member States. However, no international evidence is available for recent upper-secondary and tertiary graduates, and studies of the adult population from the mid-1990s (Second International Adult Literacy Survey) are less favourable, especially in terms of Czech adults' ability to analyse texts.

The economic transition from central planning has brought about two major changes in the education system. Firstly, private secondary schools now provide about one fifth of all secondary education in the country. Secondly, although private tertiary education is minimal, there has been a rapid expansion of public tertiary education as the number of students graduating from public universities doubled between 1989 and 2005. However, the backlog of demand for public tertiary education means that a large number of university applicants continue to be turned down each year. It is expected that only about one third of today's 19-year-olds will achieve a tertiary degree, a figure that lags behind that of most OECD countries. This figure contrasts with almost two thirds of the 19-year-olds who graduate from secondary

(²) A detailed description of the system is provided by EURYDICE at http://www.eurydice.org/ressources/eurydice/pdf/041DN/041_CZ_EN.pdf and http://www.eurydice.org/ressources/eurydice/pdf/047DN/047_CZ_EN.pdf

A comprehensive review of the achievements and challenges of the Czech education system can be found in Goglio (2006).

(³) Given this educational structure, it is perhaps not surprising that international comparisons highlight the high degree of Czech social stratification in the tertiary education. The difference in the chances of Czech students whose parents have or have not graduated from university with a tertiary diploma is much larger when compared with the USA or Finland for example.

programmes with the 'maturita' exam, a prerequisite for tertiary education.

Over the last decade, positive changes in enrolment patterns, i.e. an increase of secondary students in general programmes, have been largely due to the decline in the youth population because of low fertility rates in the Czech Republic. Despite the growth in the tertiary education, Czech universities are more under-funded (per head) than Czech secondary or primary schools, when compared with other EU countries. It is unclear if there is a strong policy agenda in place affecting the structure of the Czech education system.⁴

In addition to the high secondary and low tertiary completion rates, a number of other features of the Czech education system relate to the labour-market outcomes: the lack of nursery schools for children under the age of four, the regionally rigid supply of pre-school facilities, and the strong ability-based streaming of pupils from as early as the sixth grade. Another feature is that enrolment rates differ substantially by gender. The number of women who pass the maturita exam exceeds the number of men, and the share of women in tertiary education is now also over 50% and has been increasing steadily for several decades. This is largely because male pupils, when compared to female pupils, are more likely to enter apprenticeships and vocational programmes that do not offer the maturita exam, and hence preclude tertiary education. This statement holds true even with males and females with comparable study aptitude, as indicated by Matějů and Straková (2006). Hence, in our review of labour-market outcomes, we always consider men and women separately. Finally, the system of vocational education is highly stratified (by field) and quite rigid. This, combined with a low Czech mobility, results in a staggering regional mismatch.

Compared to the initial education, much less is known about life-long learning (LLL) in the Czech Republic. A recent study by the National Observatory (NVF, 2005) provides one of the first international comparisons. This study found that participation in LLL remains at very low

levels in the Czech Republic when compared with the EU-15 economies, though it is not dramatically different from other new EU Member States. Although the participation of highly educated Czechs in LLL is close to the EU-25 average, fewer educated Czechs participate in comparison to other EU countries, and low-skilled and disadvantaged people in the Czech Republic essentially do not participate at all. Similarly, when compared with most other European countries, the participation of Czech unemployed people in LLL is very low, possibly because of the limitations of retraining services offered by the Labour Offices⁵ and the lack of emphasis by the Czech welfare benefit system on activation measures for unemployed people.

3 Labour-market outcomes⁶

In this section, we describe the relationship between standard labour market status indicators, such as employment and wages, and formal initial education in the Czech Republic. It is important to bear in mind that these relationships only reflect the causal relations between education policies and outcomes in part since some of the observed heterogeneity in outcomes is due to streaming individuals of different abilities into education and the labour market.

3.1 Participation, employment and unemployment (Labour Force Survey)

A number of existing comparative surveys, e.g. the EU Compendium 2006⁷, show that participation and employment rates in the Czech Republic are relatively high compared with most of the ten new Member States (that entered in 2004) and almost identical to the EU-15 average.⁸ Employment rates for less-educated Czech women are particularly favourable in international comparison.

(4) The self-governing public tertiary system faces major challenges in improving the quality of education, and appears to be unable to respond to the changing nature of student demands regarding subjects. Despite some recent improvements, it continues to lack an effective bursary scheme for disadvantaged students.

(5) The retraining courses offered by Labour Offices are typically short-term programmes. They are aimed at short-term unemployed people. The opportunity to retrain increases with individuals' education.

(6) As noted in Section 2, education outcomes differ by gender in the Czech Republic. Since the structure and content of education have changed over time, partly because of the collapse of the communist regime, we explore education-specific labour-market outcomes not only by gender, but also by age.

(7) Indicators for monitoring the Employment Guidelines 2006 Compendium, European Commission, DG Employment, Social Affairs and Equal Opportunities.

(8) In the second quarter of 2005, the activity rates of Czech men and women aged 15 to 64 stood at 78.2% and 62.1% respectively. This is similar to the 78.9% and 63.1% reported for the EU-15. The Czech/EU-15 difference in terms of employment rates was also similar, at 73.3% and 56% for Czech men and women respectively, compared with 72.9% and 57.5% for the EU-15.

Within the Czech economy, Table 1 presents a set of participation, employment and unemployment rates for four basic educational levels, four age groups, and both genders. In addition, a comparison of 2003 and 2005 outcomes is provided. The table is based on the Central Statistical Office's (CSO) Czech Labour Force Survey (LFS) statistics.

Although the labour-market outcomes of those with only a primary education are extremely poor, this group of workers is very small.⁹ Similarly, the proportion of adults in the labour force with tertiary education is also relatively small. Hence, the two categories of upper-secondary education (i.e. programmes with and without the matura exam (Table 1) dominate most age groups.

As expected, a higher education supports people's chances of employment and participation and lowers their risk of unemployment. There are sizeable gaps between all three types of rates, even between the two major types of secondary education. According to the Ministry of Labour (MoL) (2006), 71% of all registered unemployed people have not passed the matura exam.¹⁰

For women, the relationship between educational attainment and participation rates is mostly pronounced among older women, while women aged between 15 and 29 without a matura exam faced unemployment rates of over 20% in 2005 (Table 1). They also experienced the largest percentage increase in unemployment between 2003 and 2005.¹¹ However, it is clear that the rapid growth of the Czech economy is reflected in the increasing employment rates of women with at least secondary education, in the two mid-age groups.

Table 1 also presents similar comparisons for men. Although male participation and employment rates are significantly above those of women for all age groups by education, the pattern of relative differentials across the groups is similar. Men having an education below the tertiary level who acquired their initial schooling during

the communist era face particular difficulties in the labour market. Overall, there have been only minor changes in the employment pattern of men during the last three years.

One trend standing out from Table 1 is that, during the last decade, improved access to initial education¹² in general and tertiary education has substantially affected the participation and employment rates of younger people. As a consequence, the rates shown in Table 1 for the 15 to 29 age group provide a misleading picture of the changing labour-market situation for young workers, because the group of young Czechs absent from school is selected from the less able. There has been a strong increasing trend in the participation of young people in education (staying on longer) and this is not a policy problem as they become more active overall in labour market terms. Therefore, to eliminate possible bias, the reader is referred to Table 2, which presents an alternative set of rates by omitting individuals in initial education¹³ from the age-specific population group in the denominator for each rate.

Participation and employment rates for 20 to 24-year-olds are almost as high as those of the middle-aged population. Educational attainment plays more of a role in labour-market outcomes for young women than for young men. Specifically, the employment rate of women with secondary education without the matura exam is 67% compared with 81% of women of the same age who have passed the exam (Table 2).

Participation and employment rates decline rapidly after the age of 60, as shown in the lower part of Table 2, which presents labour-market indicators for age groups near retirement age. The size of the decline is closely linked to educational attainment. There is no rigorous research in this area, but anecdotal evidence suggests that the majority of workers who retire from their original job re-enter the labour market after a short period. This re-entry, however, is into low-paid jobs and in less productive and inferior professions. The partici-

⁽⁹⁾ For example, men with only primary education constitute 8% and 4% respectively of the Czech labour force in age groups 15 to 29 and 30 to 34.

⁽¹⁰⁾ It is likely that the productivity and corresponding wage rates of low-skilled people are not high enough to compete with the Czech welfare benefits available.

⁽¹¹⁾ Whether this is because of the changing structure of labour demand or the changing ability of those who do not reach schools with the matura exam is an open question. Similarly, it is not clear what the role of fertility patterns by education is for the participation and unemployment rates of Czech women.

⁽¹²⁾ By 'initial education' we mean all stages of formal school-based educational levels attained in sequential order by younger people before they enter full-time labour market. This means nine years of 'basic school', three to four years of upper-secondary school and three to six years of tertiary school. 'Initial' excludes life-long learning (education obtained later when people return to school from the labour market or on-the-job studies).

⁽¹³⁾ We therefore exclude full-time students in higher professional schools and universities, and college students who take longer than usual to complete their studies. (Transfers across colleges' mid-studies are very common in the Czech Republic.) To make rates more comparable across age groups and gender, the denominator also excludes women on maternity and parental leave.

pation and employment rates of older workers (especially those aged 60 to 65) is of considerable importance for the sustainability of the Czech PAYG (pay-as-you-go) pension system, which faces a more rapid process of ageing than that expected in other EU economies.

3.2 Other sources of information on employment and unemployment

The LFS data on labour-market outcomes presented in Tables 1 and 2 can be supplemented from other sources. It is tempting to use unemployment registry data to study vacancies by education. However, it is difficult to rely on this data because of the Registry's categorisation of vacancies for low-skilled jobs, and because the number and structure of reported vacancies has increased considerably because of the fines being imposed on employers who fail to report vacancies. Similarly, the incidence of long-term registered unemployment by education cannot be identified from statistics published by the MoL.

Unemployment rates of recent school/apprenticeship graduates by subject and region collected by NUOV (National Institute of Technical and Vocational Education) (2005) provide useful information on whether the education system reflects labour-market need.¹⁴ The incidence of registered unemployment among these recent leavers is high, but has declined over the last two years against a booming economy and stricter conditions on unemployment registration imposed in 2004. An interesting finding is that within types of school, the field-specific unemployment rates of recent leavers are somewhat similar.¹⁵ However, unemployment differences across school types (levels) are dramatic. Unemployment is lowest among those leaving gymnasia with the maturita exam, but even the unemployment rate of those leaving technical (vocational) schools with the maturita exam is only 12.2%. On the other extreme there are apprenticeship programmes, with an unemployment rate for those on shorter programmes reaching 32.6%.

Trhlíková et al (2004) implies that less than half of the young employed people with upper-secondary education work in an occupation corresponding to their field of study. This finding, together with the homogeneous field-specific unemployment rates within types of school,

suggests that the specific curricular content of vocational and apprenticeship programmes is less important for employment than the general curricular content in these programmes.

Finally, the educational structure of retraining unemployed people accounted for 13% of the total budget for active labour-market policies (ALMPs) in 2005, according to the MoL (2006). The Employment Services Administration (ESA) argues that retraining programmes organised by district labour offices are effective in combating unemployment, because a high proportion of retrained unemployed people find new jobs. It is unclear, however, what the causal impact of retraining is, because ESA does not account for the selective participation of unemployed people in retraining. While ESA often states that retraining targets low-skilled and long-term unemployed people, this statement is contradicted by statistics published by the MoL. In particular, the proportion of retrained unemployed people with upper-secondary education but without the maturita exam is 40%, although the figure for this group within those who are unemployed exceeds 70%. Similarly, the proportion of retrained unemployed people who were long-term unemployed before they retrained is 23%, although the proportion of long-term unemployed people in the unemployment total exceeds 40%. Targeting short-term, more employable unemployed people may be optimal, given that the majority of retraining courses are shorter than three months. However, it may be that the high employment rate among retrained people is because of their higher capability, not the effect of the retraining course.

Table 3 combines the group-specific employment rates of Table 1 with the education structure of the Czech population to show¹⁶ the shares of each education group within the total employment. It also shows education-specific working time and wage levels, which are the focus of the remaining part of this article.

3.3 Wages

Together with employment opportunities, wages provide the main indicator of labour-market outcomes. Table 4 presents differences in hourly wage rates for workers

⁽¹⁴⁾ One important caveat to these unemployment rates is that low-skilled graduates are likely to claim unemployment and other benefits while working in the shadow economy.

⁽¹⁵⁾ Although some fields exhibit different rates, these are insignificant in terms of enrolment.

⁽¹⁶⁾ There is little variation in the working time across education and gender, which is partly related to the small proportion of part-time jobs in the Czech labour market.

with different educational attainment. Workers with general academic secondary education (gymnasium) are used as a comparison group.¹⁷ The table shows that even gymnasium graduates who do not continue to tertiary education enjoy wage rates higher than those graduates from other secondary schools with the *maturita* exam. There is also a clear wage disadvantage for not holding the *maturita*, which is surprisingly similar even when comparing employed primary-educated people to those with an apprenticeship diploma. Workers with primary education are as productive as those holding an apprenticeship diploma. However, workers with higher tertiary education enjoy wages which amount to almost the double of those people with secondary education plus the *maturita*.

The table also shows that similar education/wage differentials exist for young workers when comparing those with secondary and lower education. The smaller wage gaps between college and secondary education are driven mainly by differences in labour-market experience (years in employment).¹⁸ Summarising these differences, Jurajda (2005) argues that returns on education measured in Mincerian wage regressions are high when compared internationally, and that the Czech college/high-school wage gap is particularly high. This is perhaps unsurprising given the relatively low supply of highly skilled workers in the Czech labour market.

Several related points are worth mentioning. Firstly, the variance in wages in the large group of secondary-educated workers without the *maturita* is small (see Table 3). Wages for this group are constrained by wage floors stemming from both the statutory minimum wage legislation and welfare benefits available. Secondly, marginal effective tax rates on labour income as well as total tax are very high for low-wage, low-skilled workers; however, the recently approved minor modifications to personal income tax, effective from 2006, could have some positive impact on the employment of low-skilled workers.¹⁹ Thirdly, although the overall mobility levels of the population are low, there is anecdotal evidence suggesting that college graduates may be more likely to stay in the region or city where their college is located, which may contribute to increasing regional differentials relating to education.

4 Conclusion and policy agenda

Although the overall employment rates in the Czech Republic are similar to those of the EU-15, education-related wage and employment differences in the Czech Republic are notable. One of the main problematic areas is the large share of apprenticeship and vocational secondary programmes without the *maturita* (Abitur/GCSE-type) school-leaving examination. There is little targeting of ALMPs to low-skilled workers.

On the policy front, there appears to be a lack of strategic and project coordination between the MoL and the MoS. The involvement of social partners at a regional level is in an early stage of development. Regional governments have been recently made responsible for governing state-sponsored secondary schools. Anecdotal evidence suggests that they are subject to local lobbying aimed at preserving the existing structure of upper-secondary schools, namely the high share of vocational and technical programmes at the expense of general curriculum programmes.

Tertiary education is in the jurisdiction of the MoS, but colleges and universities are independent in their governance and face an excess of demand by state-sponsored students. The MoS has recently started to distribute funds with respect to the quantity and quality of universities' research output, but it is not clear whether these attempts are well designed and run. A recent sociological survey revealed that the general public are satisfied with the structure and content of education. Hence there is little political pressure for reform either from students or from service providers (over-subscribed universities).

(¹⁷) These statistics are based on a survey of employers, and correspond to administrative social-security wage records. The results are weighted by the size of the firm so as to reflect the differing sampling probabilities.

(¹⁸) To account for the shorter labour-market experience of university graduates compared to those with upper-secondary education, the bottom line of Table 4 compares average wages of university graduates aged 25 to 29 with those of people aged 20 to 24 with upper-secondary education (these two age groups share labour-market experience of approximately the same length).

(¹⁹) Our Pre-Lisbon Reform Programme assessment provides more details on this issue.

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Table 1: Key employment indicators of the Czech labour market								
WOMEN								
Year	2003				2005			
Age group	15–29	30–44	45–59	60+	15–29	30–44	45–59	60+
Panel A: Participation rates								
Primary	9.1	72.7	58.6	2.2	9.2	70.8	60.3	1.9
Secondary w/o matura exam	65.3	83.1	71.5	4.0	63.9	83.2	72.1	3.6
Secondary w/ matura exam	57.7	85.4	78.8	9.7	53.5	84.4	81.3	9.4
Tertiary	73.9	83.8	89.1	21.6	70.7	83.3	91.5	.
Panel B: Employment rates								
Primary	5.0	53.5	50.0	2.1	5.1	49.1	49.7	1.7
Secondary w/o matura exam	53.8	71.8	65.3	3.9	50.7	72.4	65.2	3.3
Secondary w/ matura exam	51.8	79.8	75.2	9.4	48.5	79.5	77.4	9.2
Tertiary	69.0	81.7	88.3	21.3	65.7	82.4	89.8	21.6
Panel C: Unemployment rates								
Primary	45.3	26.5	14.8	3.3	44.6	30.6	17.5	8.9
Secondary w/o matura exam	17.7	13.6	8.8	3.9	20.7	12.9	9.5	6.9
Secondary w/ matura exam	10.1	6.5	4.5	2.5	9.3	5.8	4.8	2.6
Tertiary	6.7	2.5	0.9	1.4	7.0	1.1	1.8	.
MEN								
Year	2003				2005			
Age group	15–29	30–44	45–59	60+	15–29	30–44	45–59	60+
Panel A: Participation rates								
Primary	15.0	81.4	72.4	4.0	13.7	82.9	71.6	.
Secondary w/o matura exam	93.6	96.3	86.8	10.8	93.6	97.1	88.0	11.9
Secondary w/ matura exam	68.3	98.2	92.2	17.4	66.4	98.1	92.6	19.6
Tertiary	89.4	98.6	96.6	32.4	87.9	98.7	97.5	32.8
Panel B: Employment rates								
Primary	9.9	61.1	59.3	3.9	7.9	56.3	56.9	4.6
Secondary w/o matura exam	84.1	91.9	82.3	10.4	82.7	92.4	82.6	11.7
Secondary w/ matura exam	63.1	96.0	89.5	16.6	61.5	96.4	89.1	19.1
Tertiary	84.9	97.6	95.2	31.8	84.7	97.3	95.5	32.2
Panel C: Unemployment rates								
Primary	34.2	25.0	18.1	3.1	41.9	32.0	20.5	.
Secondary w/o matura exam	10.2	4.6	5.2	3.5	11.6	4.8	6.1	2.2
Secondary w/ matura exam	7.6	2.3	2.9	4.8	7.4	1.8	3.8	2.5
Tertiary	5.0	1.1	1.5	1.7	3.7	1.5	2.1	1.6

Source: CSO, Zaměstnanost a nezaměstnanost v České republice podle výsledků výběrového šetření pracovních sil — roční průměry [Employment and unemployment in the Czech Republic in the *Labour Force Survey* — annual averages].

EDUCATIONAL ATTAINMENT MEN				
		w/o maturita exam	with maturita exam	Tertiary
Men 20–24	Participation rate	97.2	97.4	.
	Employment rate	80.0	82.3	.
	Unemployment rate	17.7	15.5	.
Women 20–24*	Participation rate	83.2	92.7	.
	Employment rate	66.7	80.6	.
	Unemployment rate	19.9	13.1	.
Men 25–29	Participation rate	97.3	98.2	99.7
	Employment rate	90.6	95.2	97.7
	Unemployment rate	6.9	3.1	2.0
Women 25–29**	Participation rate	77.1	89.1	95.0
	Employment rate	61.8	82.9	93.7
	Unemployment rate	19.8	6.9	1.4
Men 50–54	Participation rate	89.7	94.2	98.1
	Employment rate	83.9	91.8	94.3
Women 50–54	Participation rate	85.1	91.7	92.7
	Employment rate	78.1	86.9	92.3
Men 55–59	Participation rate	79.7	86.4	96.9
	Employment rate	75.1	82.7	94.7
Women 55–59	Participation rate	40.1	55.8	76.4
	Employment rate	36.3	53.5	74.8
Men 60–64	Participation rate	24.1	38.4	60.1
	Employment rate	23.5	36.3	60.1
Women 60–64	Participation rate	9.5	15.9	32.1
	Employment rate	7.9	15.9	31.2

Source: Own computations based on *Labour Force Survey, 4th quarter 2004*.

Notes:

The population reporting attainment of the upper secondary education with maturita exam excludes the population studying at tertiary level.

Rates of the age group 20–24 years with tertiary education are not statistically representative.

* Denominator excludes 6% of women in the age group 20–24 being on maternity or parental leave.

** Denominator excludes 24% of women in the age group 25–29 being on maternity or parental leave.

Table 3: Employment shares, remunerated working time, average and median wages in 2005 (by gender).

EDUCATION	Employment shares [v %]			Working time1) [hours/month]			Average wage2) [EUR]			Median wage2) [EUR]			Coefficient of variance
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	
TOTAL	100.0	57.1	42.9	172.0	173.6	169.9	788	883	663	676	737	598	0.78
Primary and less	8.1	3.4	4.7	171.3	175.1	168.6	515	604	452	465	558	416	0.52
Upper secondary w/o maturita	39.0	26.6	12.4	173.0	175.1	168.7	615	675	489	584	643	458	0.39
Upper secondary w/ maturita	35.2	16.6	18.6	171.2	172.2	170.2	810	919	713	727	825	664	0.59
Higher vocational and BA	2.1	0.9	1.2	172.2	172.7	171.7	917	1,079	788	801	948	723	0.62
MA	14.6	9.0	5.6	171.7	171.6	172.0	1,338	1,522	1,041	1,034	1,177	882	0.86

1) Real working time covered by salary.

2) Exchange rate [CZK/EUR] 27.5

Source: ISPV — Informační systém o průměrných výdělích [Information system on average earnings]. <http://www.mpsv.cz/cs/1928>

Table 4: Percentage differentials in average wages by education and gender

	Age 20–24 MEN – WOMEN		Age 25–29 MEN – WOMEN		Age 15+ MEN – WOMEN	
Lower secondary (A,B,C)	-20,9	-24,7	-32,5	-41,2	-40,6	-36,6
Apprenticeship (E,H)%	-15,8	-21,9	-26,0	-39,1	-33,2	-35,3
Vocational (D,J)%	-22,1	-28,2	-34,4	-40,7	-33,0	-30,6
Technical w. maturita and certificates. (L)%	-5,1	-10,0	-9,0	-22,9	-12,3	-15,3
Gymnasium (K) (-base group)%	0	0	0	0	0	0
Professional with maturita exam (M)%	-2,4	0,4	-0,7	-8,0	-0,7	-0,7
Lower tertiary (N,R)%	8,9	5,1	15,7	10,5	34,5	15,9
Higher tertiary (T)%	9,1	7,5	35,0	33,1	81,8	79,5
*)			80,9	83,2		

*) Compares groups with the same labour market experience.

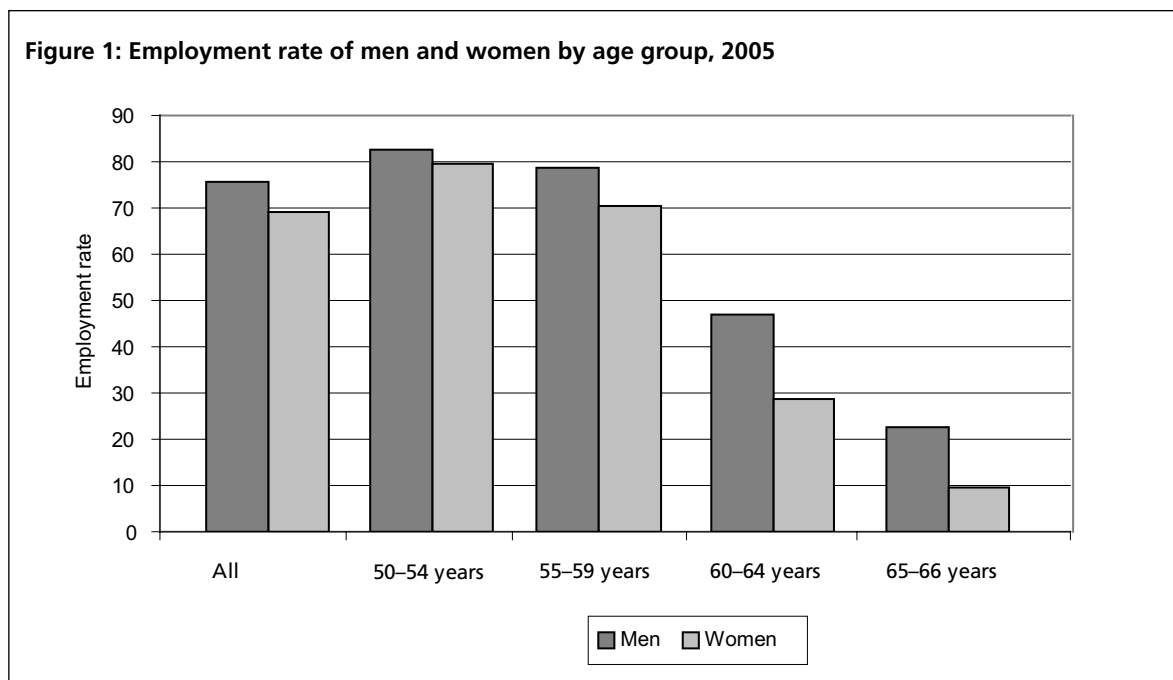
Source: Own computations based on ISPV Trexima database, 2004.

Denmark: Policies to retain older workers in the labour market

1 Introduction and objectives

As in other EU Member States, the issue of keeping older workers in the labour market is important in light of the changing demographic composition of the population. In a 2005 report on ageing and employment policies in Denmark, the Organisation for Economic Cooperation and Development (OECD) pointed out the fact that in some respects Denmark is better placed to meet the challenges of ageing population than many other OECD countries. This is because ageing population is less rapid; older people's labour-market participation rates are already among the highest of OECD countries; and disincentives to continue working and the employability of older workers have already been addressed. Nevertheless, many older Danes continue to pull out of the labour market well before reaching the official retirement age. If nothing is done, Denmark's labour force will shrink over the next 50 years, while the number of those in retirement will increase significantly.

Measured by the employment rate, the labour-market situation of older workers up to the age of 59 is not very different from that of other age groups. As indicated by Figure 1, the employment rate for workers in their 50 is actually higher than the average. However, the situation changes for workers aged 60 and over; their employment rate drops to a level that is half or less than that of younger aged groups. This difference is often attributed to Voluntary Early Retirement Pay (VERP), which allows workers aged 60+ to retire at a benefit level similar to unemployment benefits, if they fulfil certain conditions for contribution and duration of membership of an unemployment insurance fund. Also, the Danish Welfare Commission, which submitted its final report in December 2005, focused strongly on the role of the VERP and proposed a rapid reduction in the programme (Velfærdskommissionen, 2005).



Source: Databanks of Statistics Denmark.

It is commonly agreed that the employment of older workers is not just about economic incentives; it is also related to the environment for older workers provided by employers, and the risk of age discrimination. Thus the decision to retire is influenced by many different economic and non-economic factors (Jensen, 2005). As exemplified by a large-scale political compromise on welfare reforms in June 2006, Danish policies in this area therefore try to combine reform of economic incentives and other policies, which are often lumped together under the heading of 'senior policies'.

The strengthening of senior policies is the target of a number of campaigns, including the latest initiative of November 2005, which focused on the concept of the 'senior agreement' as a tool for negotiating a balance between the needs of the older worker and the employer. Another example of an innovative policy is public support for 'senior networks', which are networks of older unemployed workers who assist each other in getting back to work. The focus of this article is a closer look at the recent and innovative aspects of these national policies. It should be noted that in addition to the senior policies and programmes at a national level, numerous projects at regional or local level also target older workers. These are financed by private organisations, local and regional government, and the European Social Fund (ESF) (see the website of the ESF in Denmark: www.socialfonden.net).

2 Overview of senior policies in Denmark

As joint ventures of the Ministry of Employment and the Ministry of Social Affairs, a number of activities and campaigns have been launched since the mid-1990s to stimulate the employment of people with various forms of disadvantage as far as their employability is concerned. The social partners have supported this development. In collective agreements since 1995, the so-called 'social chapters', have been included in most agreements, implying that almost 90% of the wage earners are covered. These chapters recommend employment with special conditions (working time, wages etc) for people with disadvantages, including older workers.

Under the heading of 'senior policy', a number of special initiatives by the Ministry of Employment have, since the late 1990s, been targeted at achieving better integration of older workers in the labour market (Det Seniorpolitiske Initiativudvalg, 1999). In this context, older workers are generally defined as those over 50. At present, these initiatives include the following elements.

2.1 Funding of initiatives to support-older workers' integration in the labour market

A special fund has been allocated for initiatives that support the integration of older unemployed workers and maintain older workers in employment. Support may take the form of influencing the hiring practices of firms, highlighting the qualifications of senior employees, or general information campaigns that disseminate examples of best practice. Recipients of support can be private or public employers, social partners and other organisations.

2.2 Free consultancy service on senior policy to all employers

All employers have access to five hours of free consultancy services for developing their own senior policy, human resource development for older employees, and the creation of networks with other employers. The National Labour Market Authority finances this scheme, and 10 consultancy firms are connected with the programme. Their assistance can include general introductions to the tools of senior policy, analysis of a firm's needs for senior policy, and advice on the use of the so-called 'senior agreements' (individual agreements between an employer and an older employee, specifying conditions relating to tasks, working time and pay, etc.).

2.3 Senior networks of unemployed older workers

A separate and innovative activity which has developed over the last decade is the building up of local and regional networks of older unemployed workers — the so-called 'senior networks'. The first networks were created by local initiatives. Since 2000, under the name of 'self-activation for older workers', the National Labour Market Authority (NLMA) has given financial assistance to groups of unemployed workers aged 50+ to support their creation of networks and activities to develop new areas of employment. In 2006, this funding amounted to EUR 1 million. About 25 of these networks based on self-activation are now in operation all over Denmark. Two coordinators, financed by the NLMA, assist the networks with advice and inspiration concerning organisation and concrete activities, and support the activities of the individual networks. Furthermore, a national website has been established; it provides an overview of the networks and their activities, and links to the websites of the individual senior networks (www.senior-erhverv.dk).

In 2003, the activities supported by the NLMA in 2002 were evaluated (Discus, 2003). A total of 24 networks with about 1,800 members were included in the evaluation, which showed that around 500 members found a job during 2002. Network members are typically among the more resourceful of unemployed people, with two thirds having a long cycle of education and more than half having formerly been employed in management positions.

The tools applied by the networks in getting their members back to work include training in writing applications and CVs. They also establish contacts with the Public Employment Service (PES) and local employers, including site visits to firms. Another important activity is attracting media attention to the network in order to draw job offers from public and private employers. Furthermore, the network itself supports members by providing a social environment and help with their traditional job-search activities.

The evaluation showed that 32% of the jobs were found through traditional channels, 22% through tools and contacts from the senior network, 18% through own networks, and 11% through site visits to firms.

2.4 Websites and campaigns

An important tool for implementing the Ministry of Employment's senior policy is a special website (www.seniorpraksis.dk), which has separate sections for employers (e.g. human resources managers), works council members and trade union representatives, and individual employees. This website gives an overview of a number of the programmes and activities described above. It also contains concrete examples of tools and case studies from individual firms, which can act as an inspiration for the development of a senior policy at company level, and for individual senior agreements.

Furthermore, the websites of the Ministry of Employment and the NLMA have individual sections on senior policy, with information about the different programmes and funding possibilities. From time to time, the Ministry also launches special media campaigns focusing on specific aspects of senior policy.

2.5 Senior agreements

An example of one such targeted campaign was that for the promotion of senior agreements, launched by the Ministry of Employment in late 2005 under the heading 'A couple of years make a difference'. A senior agreement is an individual agreement between an employer and an older employee, aimed at making it attractive for the worker to stay in the job instead of retiring

(for instance on the VERP). There is no fixed format for such an agreement, which may concern different aspects of working life for the senior worker, such as:

- more flexible or reduced working hours
- new work tasks providing new challenges, or less demanding tasks
- new or reduced responsibilities (for instance, by shifting from managerial obligations to advisory positions)
- further education to upgrade skills for the present or new job functions
- a more flexible work contract (for instance, part-time or a temporary contract).

By allowing senior workers to have a working life that is more adapted to their abilities and interests, and which allows for a better balance between work and family life, it is expected that older workers will be willing to postpone their withdrawal from the labour market.

The campaign tools used were, firstly, traditional media activities such as TV spots and adverts in journals and newspapers. Secondly, a number of regional get-togethers for employers were arranged, where the Minister of Employment met with employers and a number of concrete examples of successful arrangements with senior agreements were promoted. The total cost of the campaign was about EUR 1 million.

3 Recent evaluation of senior policies at company level

As exemplified by Discus (2003), a number of reports and publications have evaluated different programmes and individual projects. A recent study by the Danish National Institute for Social Research summarises the results from four large-scale qualitative and quantitative studies of the ways in which firms recruit and retain older workers (Larsen, 2006).

The Larsen study found that almost half of the private and public workplaces make special efforts to retain workers aged 60 and over. One in four of these workplaces reported that their efforts are 'to a high degree'. The most common tool for retaining older workers is further education and training. This is followed by a range of tools consisting of individual dialogues with senior workers, a shift to less demanding work tasks,

and more flexible working hours. In two out of three workplaces, the policy is implemented through individual solutions (thus following the concept of the senior agreement).

The general assessment of employers is that their efforts are working according to intentions. One in five employers stated that their activities to retain older workers have succeeded to a high degree. On the other hand, one in five has found no positive effects. The study also indicates that the effect of local senior policy is related to the extent of the effort made by workplaces.

According to employers, the main barriers for recruiting and retaining older workers are:

- lack of expectation of recruitment problems in the future
- lack of economic resources for senior policies, or the view that older workers are too expensive for the firm compared with younger workers (for instance, because of seniority-related pay schemes)
- a perception of older workers as being less motivated and adaptable, having fewer competences and being less healthy than younger workers
- the existence of the VERP, which creates an expectation among employers that older workers will have a high probability of leaving the job after a relatively short period
- a lower priority given to older unemployed workers by the PES, and the possibility for older workers to opt out of activation under the present rules (a situation which will change as part of the Welfare Reform of June 2006).

4 Conclusion

The motives behind early retirement from the labour market are complex and involve both economic and non-economic factors. While the public debate often focuses on the economic incentives of different pension arrangements, there is no doubt that senior policies — which affect the attitudes and perceptions of both employers and older workers — can also play an important role in increasing older workers' labour-market participation. The Danish experience indicates that it is possible to design national policies that can have an impact in this regard and, when implemented at local level, will assist in retaining older workers. Important elements are senior networks and free consultancy services to employers, along with campaigns to raise awareness of the possible tools that can be applied at company level.

While evaluations show that such activities can have positive effects, they also indicate that there is room for improvement in a situation where about half of the workplaces have not yet implemented any efforts to retain older workers. Although this share has been falling in the recent years — perhaps also as a result of the senior policies already in place — a further reduction is a key objective for Danish senior policy in the coming years.

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Velfærdskommissionen, *Fremtidens velfærd — vores valg (The welfare of the future — our choice)*, København, 2005.

6 Relevant websites

www.bm.dk

Ministry of Employment, with special section on senior policy

www.ams.dk

National Labour Market Authority, with special section on senior policy

www.senior-erhverv.dk

National website for senior networks

www.seniorpraksis.dk

The Ministry's special website on senior policy

www.socialfonden.net

Overview of projects supported by the ESF

Estonia: New employment services for disabled people in Estonia

1 Introduction and objectives

This article discusses a new package of active labour-market policies aimed at enhancing the employment of disabled people in Estonia. The package was introduced at the beginning of 2006, when the new Labour Market Services and Benefits Act came into force in Estonia. The measures foreseen in the act were worked out and piloted in the framework of a PHARE twinning project on disability employment, carried out in cooperation between the Governments of Estonia and the UK in 2003 to 2004.²⁰ As part of the project, UK experts analysed the situation of disabled people in the Estonian labour market, and made recommendations to develop labour-market and rehabilitation services and train a number of officials and employers to support disabled people in their search for work (European Commission, 2004). Previously, no special measures were available for this target group.

In Estonia, disabled people are defined as people with a disability or people who are declared permanently incapacitated. According to the Social Benefits for Disabled Persons Act, disability is the loss of or an abnormality in an anatomical, physiological or mental structure or function of a person. Several degrees of disability status are distinguished according to the extent of disability. Disabled people might also be permanently incapacitated and apply for pensions for incapacity to work.²¹ The extent of the loss of capacity to work and the degree of severity of the disability are determined by the medical examination commission, which is part of the Social Insurance Board.

The number of people who were inactive because of sickness or disability more than doubled between 1991

and 2002. According to the 2002 Estonian Labour Force Survey (LFS), which included a special annex 'Health and Ability to Work', 201,300 people of working age (15 to 64) had longstanding health problems or disabilities. However, only about half of these (96,500) were classified as disabled in terms of the labour market, as their disability or longstanding health problems affected the type/amount of work they could do, and/or their ability to travel between home and work. Of these, 71,300 were unemployed, though most of them (90%) were inactive rather than unemployed. The 2002 LFS employment rate in Estonia for disabled people of working age was 26%, compared with an overall employment rate of 62%. The relatively low employment rate for disabled people was thus associated with low labour-market participation and the 'discouraged worker' effect rather than with high unemployment (European Commission, 2004).

The number of disabled people has also increased according to the Social Insurance Board's records. Around 60,000 people received pensions for incapacity to work in 2005 — about 7,000 more than in 2000. However, this number does not include disabled people in retirement, as they receive old-age pensions. Approximately 100,000 people received disabled adult allowance in 2005 (approximately 14,000 more than in 2001), and about 14,000 of them had a serious disability (Ministry of Social Affairs, 2005).

There are therefore around 60,000 to 90,000 disabled people in Estonia (approximately 9% to 14% of the labour force) who can be seen as the potential target group for the new active labour-market measures. Estimates show that Estonia needs around 60,000 to 70,000 new jobs to achieve the EU employment rate target of 70% by 2010 (from the 64% rate in 2005). Hence, disabled people form an important target group for increasing the overall employment rate.

⁽²⁰⁾ <http://www.pite.ee>

⁽²¹⁾ For more detailed information on definitions of disability and incapacity to work, see the Social Benefits for Disabled Persons Act and State Pension Insurance Act.

2 Organisation, implementation and funding of the policy/practice

In general, the new Labour Market Services and Benefits Act has introduced three major changes for people with disabilities. Firstly, all disabled people can register as unemployed, despite the extent of their loss of capacity to work.²²

Secondly, all services are offered based on the appraisal of individual needs. During the first meeting, a case manager assesses the skills and competences of the unemployed person and his/her ability to find a job, and draws up an individual job-search plan. This plan specifies the steps necessary for job search, including participation in active labour-market policies.

Thirdly, the Act provides 13 different labour-market services, of which four new active labour-market policy measures are aimed at overcoming disability-related barriers to employment. These services include:

- support for employers for adaptations to premises and equipment necessary for hiring disabled people. This support can reach up to 50% of workplace adaptation costs, which are reimbursed to employers after the disabled person has started work. The upper ceiling for the support is EEK 30,000 (around EUR 1,900) per workplace. Employers are obliged to return the support if they terminate employment during the first three years, unless the reason for termination is a breach of duties by the employee, loss of trust in the employee, an indecent or corruptive act by the employee, or if the worker's skills or health are not suitable for the work
- communication support at interview, where employees of the Public Employment Service (PES) or people designated by the PES help disabled people at job interviews
- special aids and equipment necessary to overcome barriers at work resulting from disability, provided to disabled people or employers free of charge for up to three years. However, the equipment should

strictly be used to assist a disabled person to cope with the job, and not for work in general or for everyday life

- support workers for disabled people who need additional help or guidance resulting from disability. Support workers can be used for up to one year if the employee has a contract with unlimited duration. The use of support workers is limited to eight hours per day during the first month of employment, four hours per day during the second month, and two hours per day for the remaining period. The compensation for support workers is EEK 40 (around EUR 2.60) per hour.

In addition to these special services, disabled people can participate in other active measures such as information on the labour-market situation and the possibilities for employment training, employment mediation, vocational training, vocational guidance, employment subsidies for unemployed people to start a business, wage subsidy for employers' community placements, basic work-skills training and apprenticeship programmes.

These measures are jointly financed by the state budget and European Social Fund (ESF). At the end of 2005, 11 projects targeted at disabled people and financed by the ESF were running. One of the biggest projects, 'Development of Employment Opportunities for Disabled People', is run by the National Labour Market Board. The project was launched in October 2004 and will be terminated by the end of 2006. It has two major goals: see <http://www.tta.ee>

- Integration of disabled people in the labour market with the help of active labour-market policies. In the project framework, case managers — in cooperation with a network of experts (see next bullet point) — assess the skills and needs of disabled people and direct them to suitable active labour-market policy programmes. This is accompanied by job-creation schemes.
- Creating a network for supporting the return of disabled people into the labour market. The network aims to unite local employment offices, local municipalities (including the departments of social work and health), family doctors, rehabilitation centres, vocational schools, employers, the Chamber for Disabled People, the Social Insurance Board, the Pension Board, technical aid centres for

⁽²²⁾ Previously, the right to register as unemployed and participate in active labour-market programmes depended on the extent of the loss of capacity to work.

disabled people and the Estonian Confederation of Physical Therapy. In addition to the support for disabled people, the network will organise information campaigns, provide counselling services and prepare information sheets.

It is anticipated that 930 unemployed people will be involved in the project, and it is expected that 30% of them will have found a job one year after taking part.

3 Performance and achievements

As the new measures for disabled people were only introduced in January 2006, insufficient information is currently available to evaluate the performance of these measures in general as well as the programme run by the National Labour Market Board. Furthermore, there is no tradition of evaluating the effectiveness of active labour-market programmes in Estonia, and the impact of these programmes generally remains unclear. Therefore, it is unclear whether the measures introduced for disabled people will be evaluated using contemporary statistical and econometric methods.

The statistics available from the National Labour Market Board show that in 2003–2004, 3,818 partially incapacitated people were registered as unemployed by public employment offices. At the end of May 2006, there were 1,409 registered unemployed disabled people. However, it should be noted that these numbers are not comparable as the definition of disabled unemployed people has changed. Most of these disabled people have participated or currently participate in different training programmes (427 people) and vocational guidance (250 people). Only 31 disabled people have started work with the help of support workers, and 10 have received communication support at job interviews. There have been no cases of provision of special aids and equipment, or of support to employers for adaptations to premises and equipment necessary for hiring a disabled person. The evidence also indicates that since January 2006, 272 disabled people have found employment independently or through the PES. Hence, only a few people have used the special services for disabled people up to now. One reason for this could be the shortage of information available about the new services (National Labour Market Board, 2006).

As the measures were devised within the framework of the PHARE twinning project on disability employment (in cooperation with UK experts), and relied on the UK experience of the Access to Work (AtW) programme²³, the UK experience can be used to shed some light on the possible impact of such measures. The evaluation of the AtW programme carried out by the Institute for Employment Studies in 1997 indicated that half of the recipients reported that participation helped them a great deal, and a quarter responded that the programme helped them a little in securing employment. Employers were more positive towards the programme: one in six said that they would not have kept disabled employees on without the intervention. The evaluators also found deadweight effects associated with the programme, but these were declining compared with the first evaluation. Additionally, there was evidence of a latent demand for the support provided, as a significant proportion of job applicants were unaware of the programme before they applied and would have liked support earlier (Hillage et al, 1998).

4 Conclusions

Estonia has made considerable efforts in recent years to support employment opportunities for people with disabilities. There are approximately 60,000 to 90,000 disabled people in Estonia whose integration into the labour market would contribute to achieving the EU employment target for Estonia, for which about 60,000 to 70,000 additional workers are needed according to the estimations.

The systematic development of employment services for disabled people started in 2003 with a PHARE twinning project on disability employment, in cooperation with the Governments of Estonia and the UK. A new definition of disabled unemployed people and special services recommended by the UK experts were launched in January 2006 with the new Labour Market Services and Benefits Act.

It is too early to evaluate the performance of the new measures. However, the information available suggests that, for now, most disabled people participate in universal services rather than special services.

⁽²³⁾ Access to Work is a programme run by the Employment Service, and is designed to provide support for people with disabilities to help them to obtain or maintain employment. It was introduced in 1994 and brought together a series of separate programmes which individually provided money to (for example) purchase special equipment, adapt workplaces or help with fares to work, to enable people with disabilities to compete on equal terms with their non-disabled colleagues (<http://www.employment-studies.co.uk/summary/summary.php?id=a2w>)

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Finland: Change Security — helping dismissed workers back into employment

1 Introduction and objectives

The Finnish Government's main economic and employment policy goal is to raise employment by at least 100,000 during the current electoral period, which began in 2003 and ends in 2007. This would imply a cumulative employment gain of slightly more than 4% during this period. The Government intends to raise employment rates and reduce unemployment in each of Finland's 15 Employment and Economic Development Centres and, moreover, to reduce regional differences in unemployment. The goal is to establish a strong basis for employment growth, so that an employment rate of 75% is achieved by 2011. This would help to secure fiscal sustainability during a time in which a rapidly ageing population is putting considerable pressure on social welfare costs.

In addressing the objective of full employment, the Government recognises that social cohesion and labour-force participation must be promoted. An important area of focus in this respect is preventing unemployment and ensuring that those who do lose their jobs remain closely attached to the labour market and quickly become re-employed. To that end, an innovative policy called 'Change Security', whose aim is to accelerate the re-employment of people made redundant for economic or production-related reasons, was agreed as part of the centralised wage agreement reached at the end of 2004 by the social partners.

Change Security provides laid-off workers, both permanent and on a fixed-term contract, with greater financial security during the transition stage between jobs. It also fosters greater cooperation among employers, employees and the labour authorities. Specifically, a dismissed jobseeker with at least three years of work experience with the same employer or different employers is given rights to full pay during job search (the length of paid leave depending on the duration of the employment relationship), an employment programme (individual job-search plan), and a higher unemployment allowance. This innovative policy therefore addresses some aspects of the EU Employment Guidelines, such as retaining more people

in employment and improving the adaptability of workers and enterprises. Moreover, Change Security works as an active and preventative labour-market measure by offering strong financial incentives to dismissed workers to agree to an employment programme that enhances their chances of finding new employment. Thus, it supports Guideline No. 19 to some extent. Overall, Change Security comprises a small move towards the Danish employment model, particularly with regard to promoting re-employment.

1.1 Organisation, implementation and funding of the policy

As part of the tripartite wage agreement for 2005 to 2007 signed on 29 November 2004, the Government agreed to a series of tax cuts, amounting to 1% of the gross domestic product over the next three years, as a concession for the moderate wage increases agreed to by the central labour organisations. It is hoped that the moderate outcome of the wage agreement, combined with the tax cuts, will promote employment growth, low inflation and gains in purchasing power, and maintain the competitiveness of enterprises. This incomes policy agreement also includes the Change Security measure, providing greater security for people laid-off for economic or production-related reasons. Change Security, which came into force at the beginning of July 2005, provides clear benefits for those facing dismissal, though it raises employers' costs in the form of paid time off for job search and because employers are responsible, collectively, for funding the higher unemployment allowances under Change Security.

The organisation and implementation of Change Security involves the employer, employment office and dismissed worker(s). In connection with the cooperation procedure for dismissals (between the employer and employee representatives), the employer must submit to its staff a proposal for negotiation in writing and an assessment of the scale of dismissals involved. The employer must also notify the employment office regarding the start of the cooperation negotiations. If a dismissed employee agrees, the employer informs the employment office immediately about the employee's education, duties performed at work and job experience. This is meant to facilitate the

employment office’s task of producing an employment programme for the jobseeker. When dismissals threaten 10 or more employees, the employer is obliged to produce an action plan describing how it intends to support these workers in finding employment and training opportunities as well as benefiting from public employment services.

Once the employment office receives notification that cooperation negotiations have begun, it starts to help employers and the workers involved to put Change Security into motion. Trained consultants from the employment office help workers to produce a so-called *employment programme*. This is an individual job-search plan which is meant to speed up re-employment by offering vocational and other labour-market training, for example. The employment programme also includes an agreement in which the jobseeker consents to look for work independently and use public employment services to support this process.

Once covered by an employment programme, jobseekers are entitled to a higher unemployment allowance, also known as the employment programme increase, provided they have been a member of an unemployment benefit fund for at least 10 months. The increase in unemployment allowance is significant, and provides those laid-off with a big financial incentive to have an employment programme. The employment programme increase amounts to 65% of the difference between a worker’s daily salary and the basic daily allowance. If a worker’s salary exceeds the basic daily allowance by a factor of 90 (EUR 2,084 per month), the employment programme increase falls to 37.5% of the amount beyond this threshold.

For instance, workers earning EUR 2,000 per month would see their unemployment allowance rise from 56% of the gross pay to 70%, an increase of around EUR 280 per month. Workers earning the nationwide average of EUR 2,400 per month would receive an increase of more than EUR 350 thanks to the higher unemployment allowance, while graduate professionals earning on average EUR 3,350 per month would see their unemployment allowance rise by around EUR 500 per month.

Examples of the increase in unemployment allowance from Change Security				
Gross salary	Earnings-related daily allowance		Percentage of gross salary	
EUR/month	EUR/day		%	
	Normal	EPI	Normal	EPI
1,000	32.6	36.8	70.2	79.2
1,500	42.6	51.2	61.0	73.3
2,000	52.5	65.5	56.4	70.4
2,500	59.2	76.3	50.9	65.6
3,000	63.6	84.5	45.6	60.6

Note: EPI denotes the employment programme increase.
Source: AKAVA, EK, ETLA.

The employment programme increase is not automatic — it requires activity on the part of the jobseeker. The increase can be received for 20 days provided the jobseeker looks for work independently, but up to 185 days if the jobseeker enrolls in job-application training and other labour-market training in accordance with the employment programme.

Another major benefit of Change Security to dismissed workers is paid leave (5 to 20 days) during their notice period to conduct job-search activity. The length of the leave depends on the duration of the employment relationship (see table below). The leave can also be taken in shorter time spans, so long as the total period of leave corresponds with the full number of days allowed in terms of working hours. Paid leave can be used for independent job search, attending an interview, or participating in outplacement services. If a dismissed employee is entitled to an employment programme, then the paid leave can be used for producing the employment programme and taking part in measures agreed to in it, such as labour-market training. People on fixed-term contracts are not entitled to paid leave because their contracts end without a notice period.

Length of paid leave under Change Security		
Length of paid leave	Notice period	Duration of employment relationship
5 days	maximum of 1 month	under 4 years
10 days	2 to 4 months	4 to 12 years
20 days	more than 4 months	more than 12 years

Source: Ministry of Labour.

Change Security is financed by employers and from state appropriations. Employers fund the employment programme increase collectively through increases in their unemployment insurance contributions. According to recent projections, some 30,000 people per year would normally be entitled to a higher unemployment allowance. Half of these are expected to find work independently, so only 15,000 people per year are projected to receive the employment programme increase. Under these assumptions, employers’ unemployment insurance contributions would rise by 0.04% (EK 2005). Employers also incur the full wage costs of paid employment leave for dismissed workers.

Change Security also requires more resources on the part of employment offices, which have to offer training to consultants to help in providing job-search and employment services, labour-market training and other services to develop vocational skills, in accordance with dismissed workers’ employment programmes. State appropriations

for this expanded role of employment offices amounted to EUR 24.7 million in the Government's 2005 supplementary budget. The budgeted amount for 2006 is EUR 49.6 million. European Social Fund resources are not used for this purpose.

2 Performance and achievements

The best instrument in place to ensure activity among dismissed workers is the financial incentive of receiving a higher unemployment allowance if they participate in an employment programme. The employment programme probably has a positive impact on the likelihood of finding employment, at least over the longer term. On the other hand, employers face greater costs through higher unemployment insurance contributions and paid leave, which in turn could have a negative impact on labour demand in general. To follow the impact of Change Security, the best indicator in the Commission's compendium is the so-called *transitions by employment status* indicator (No. 17.8) to monitor inactivity. Moreover, since Change Security acts as an active and *preventative labour-market measure* which enhances laid-off workers' chances of finding new employment, good indicators in this context are numbers 19.1 to 19.5.

At present, it appears that the extent of involvement in Change Security has not met prior expectations. One reason for this, however, may be that in 2005 labour demand grew at its fastest rate since 2000 in response to strong economic conditions, thus perhaps curbing the need for employers to lay off workers to the extent envisaged earlier. State appropriations widely exceeded the expenditure needed by employment offices to implement Change Security in 2005. According to the Ministry of Labour, approximately EUR 1.52 million was used for labour-market training for 860 people. Those entitled to an employment programme received higher unemployment allowances totalling to an estimated EUR 1.4 million. These figures rose in the first five months of 2006, with EUR 6 million reserved for expenditure on labour-market training to assist 2,026 people. Furthermore, the amount received in higher unemployment allowances is increasing to an estimated EUR 5.5 million during this period. There have been some complaints by the Ministry of Labour that small and medium-sized enterprises in particular are not sufficiently informed about Change Security. Moreover, in some cases employers and workers are unfamiliar with the rules regarding dismissed workers' paid leave during the notice period, with many dismissed workers not even having the chance to an interview for a new job.

Without micro-level studies conducted as yet, it is difficult to assess the impact that Change Security has had in terms of preventing at-risk workers from slipping into unemployment, and perhaps staying unemployed for an extended period of time. The literature suggests that labour-market training often has a negative impact on the probability of becoming employed in the short term, though a positive effect emerges over the longer term. For example, a recent study by Kauhanen et al (2006) suggests that 'lock-in' effects (i.e. those in training do not seek employment, while those not in training are active jobseekers) are sizeable in the short term. Over the longer term, however, the authors find that there are positive effects of labour-market training on job attainment. Moreover, the authors find that vocational training has a greater impact on the probability of obtaining employment than other forms of training. Change Security provides a strong financial incentive for dismissed workers to take part in an individual job-search employment programme, which can include labour-market training and vocational skill-building. It will take several years for any positive effects from this training to become more visible.

3 Conclusions

By promoting faster re-employment of dismissed workers, Change Security takes Finland a small step closer to the employment model practised by Denmark, where activation measures are specifically targeted to prevent marginalisation and ensure that unemployed people remain qualified for work. Denmark enjoys a higher employment rate and a lower unemployment rate than Finland. But stark structural differences between Denmark and Finland — such as Denmark's much smaller geographical size and thus higher labour mobility, more lenient dismissal notification processes, greater wage flexibility and more labour-intensive production structure — mean that it is not possible to extrapolate Denmark's experiences to assess the implications for the Finnish labour market.

Although the net benefits of Change Security are expected to be positive for Finland, much more needs to be done to tackle the country's labour-market problems. Typically, a broad, sweeping reform process is more desirable than a step-by-step approach, as the latter tends to benefit only some parties while simultaneously imposing costs on others. This, in turn, tends to create much frustration and strong counter-currents in the reform process. In the current case, Change Security improves the position of those who are dismissed, but raises the costs to firms on firing redundant labour.

Finland's high labour taxes raise the costs to all employers, and make low value-added services (for example) very expensive, thereby dampening the potential for job growth in this labour-intensive sector. Strong protection against dismissal also curbs worker turnover. Change Security, combined with a sweeping reform process addressing these and many other inflexibilities, would likely lead to much more desirable labour-market outcomes.

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France: Le Contrat Nouvelle Embauche (new recruitment contract)

1 Introduction and objectives

The *Contrat Nouvelle Embauche* (CNE) (New Recruitment Contract) is a new employment contract available only to small enterprises with fewer than 20 employees. It was established by a ministerial order of 2 August 2005. The aim of this contract is to bring greater flexibility and fluidity to the French labour market, which is largely regulated by legislation that many be regarded as highly restrictive. Its aim is to make it easier to recruit new employees in small enterprises, which in France play the greatest role in job creation.

The origin of this development in labour legislation lies in the work of the 'Tous pour l'emploi' (All for Employment) network, created in 2003 by the Minister for Small and Medium-Sized Enterprises, Renaud Dutreil. This network, which brings together 180,000 professionals from chambers of commerce and chambers of trade, chartered accountants, approved management centres and all the associations working alongside very small enterprises (VSEs), drafted an outline employment contract in which the conditions for laying off workers were made more flexible — a blueprint, in other words, for the future CNE.

Up to that point, there were only two main types of employment contracts:

- **the permanent contract** (*contrat à durée indéterminée* (CDI)), which is the common law employment contract. This usually includes a trial period lasting generally one to four weeks in total for workers and supervisory staff, and up to six months for managerial staff. The trial period may be renewable if the collective bargaining agreement makes provision for it.
- **the fixed-term contract** (*contrat à durée déterminé* (CDD)), which cannot be used where the person concerned is doing a job that is part of the normal, permanent activity of the enterprise. Such a contract can only be made for the execution of a precise, temporary task, and only in the cases specified in the labour code (replacement of an employee,

temporary increase of activity or seasonal labour, assisted contract, or the so-called 'customary fixed-term contract'). The trial period in this case may not exceed two weeks for a six-month contract. Beyond that, the period is a maximum of one month and is non-renewable.

The CNE, therefore, is a new kind of contract since it may be terminated more easily within a two-year period (known as the consolidation period). During that period, the employer does not have to give grounds for terminating the contract, and the employee can resign at any point without giving notice. Once the first two years are over, the common rules of the permanent contract apply.

The other differences between the CNE, the fixed-term contract and the permanent contract relate to the termination of the contract and the ensuing consequences. These are highlighted in the following table.

	Permanent contract	Fixed-term contract	CNE
Termination of the contract	After the trial period, the employer must give grounds for dismissal, whether economic or personal. The employer must observe a period of notice laid down by the collective agreement or the employment contract.	The contract cannot be terminated except where there is serious misconduct on the part of the employee or the employer, force majeure or an agreement between the two parties. If the termination is not justified, the employer has to pay the employee the whole of the remaining wages due, together with any terminal payments.	For two years, the employer can terminate the contract without giving grounds for the decision, with a period of notice that depends on the length of time worked (no notice up to one month; two weeks' notice between one and six months; one month's notice for more than six months). The employee may resign at any point without giving notice.
Indemnities payable in the event of termination	If the employees resign, they do not receive unemployment benefit. In the event of dismissal, indemnities are paid, after two years of working, to the tune of one tenth of the monthly salary for each year of working, augmented by one fifteenth beyond 10 years of working, and doubled in the case of redundancy on economic grounds.	10% of the total gross remuneration received since the beginning of the contract. A collective convention or agreement at sub-sector, company or plant level may limit this to 6% when compensation is offered to employees, particularly in the form of privileged access to vocational training.	Except in the case of serious misconduct, the indemnities payable on termination by the employer are 8% of the total sum of the gross remuneration received from the beginning of the contract. The employer must also pay 2% of the same sum to ASSEDIC (Association pour l'Emploi dans l'Industrie et le Commerce) to finance support activities for the employee by the Public Employment Service.

2 Organisation, implementation and financing of the measure

The CNE was implemented very quickly, with the decision to use the ministerial order route rather than the introduction of a new law (which would require debates in the National Assembly) facilitating its speedy implementation. It seems to have met with success among employers very quickly, with some 270,000 intentions to recruit on the basis of the CNE contract being announced between August and December 2005, according to ACOSS²⁴: 71% in the tertiary sector, 18% in building and public works and 11% in industry.

More precisely, two-thirds of this recruitment was concentrated in seven sectors:

Sectors	Recruitment intentions 2005 (August–December) in descending order
Hotels, catering	51,800
Construction	48,800
Retail	30,500
Consultancy	23,300
Operational services (excluding temping)	16,800
Wholesale trade	12,800
Agriculture and food	12,200
Total	196,200

Source: ACOSS

⁽²⁴⁾ Agence centrale des organismes de sécurité sociale (Central Agency for Social Security Organisations).

By comparison with permanent and fixed-term contracts, it seems that CNEs are used slightly more in the building and public works sector. The proportion of CNE recruitment in this sector is higher than the proportion of permanent or fixed-term contracts.

It is, however, a success that is difficult to evaluate. According to a survey carried out every six months by the 'Tous pour l'emploi' network on companies with fewer than 20 employees, around 500,000 CNEs had been signed by the end of April 2006, while ACOSS gives a figure of 440,000 intentions to recruit on CNEs at the end of March 2006. For its part, the FIDUCIAL network, in partnership with the IFOP polling institute, estimates the proportion of CNEs entered into by VSEs between August 2005 and March 2006 at 7%; this would put the number of CNEs at around 250,000.

Since implementation, according to ACOSS, there would seem to have been 60,000 intentions per month on average to recruit using the CNE. However, the figure has been falling over the recent months. This fall can be explained mainly by the First Job Contract (CPE) (the same type of contract directed at young people) being withdrawn from equal opportunity law, and by the first findings of industrial tribunals. In May 2006, recruitment intentions were half of what they were in January (36,300 as opposed to 63,500). It would seem that the legal standing of this new contract is not entirely clear as yet. For example, in a judgement of 28 April 2006, the Industrial Tribunal²⁵ of Longjumeau reclassified a CNE as a normal permanent contract (CDI), on the grounds that the ministerial order by which the CNE was created contravened ILO Convention No. 158. In a decision of 19 October 2005, the Council of State had taken the opposite view. All in all, the order establishing the CNE is not 'exempt from defects that might cancel or at least attenuate its effectiveness,' according to certain experts who recall that, 'absence of motivation is not absence of motive'. This constitutes an 'abuse of law', a notion which the court of appeal used to rely on before the 1973 law on redundancy, which introduced the concept of a 'real and serious cause'.

The survey by the 'Tous pour l'emploi' network shows that the proportion of CNEs in recruitment seems to be growing and could soon exceed 10%. However, it actually represents 20% of recruitment when fixed-term contracts of less than one month are omitted, according to research carried out by DARES, the research and statis-

tical unit of the French Ministry of Employment. This survey also shows that it is largely VSEs with fewer than five employees and a turnover of less than EUR 90,000 that have recourse to the CNE. Moreover, the survey shows that there is still an enormous potential for development for the CNE, as only 7% of VSEs (almost 150,000 companies) have used this form of contract so far.

Another finding emerging from the DARES research is that the CNE is more often for full-time working (76% of cases) than the fixed-term employment contract (54%). The figure for the CNE is quite close to that for permanent contracts (70% of which are for full-time working).

The research carried out by DARES in an attempt to make a first evaluation of the CNE shows that²⁶:

- in 67% of cases, the object of recruitment is the creation of a new job
- in 30% of cases, it is to replace employees who have left their job for good
- in 3% of cases, it is for the short-term replacement of an absent employee.

These findings are quite close to the results for permanent contracts, but they differ from the findings for fixed-term contracts — 16% of such contracts are made to replace a temporarily absent employee. From this point of view, employers are not treating the CNE very differently from the way they treat the permanent contract.

The main reasons why an employee is recruited on a CNE rather than a different form of contract are:

- so that the person's skills can be tested for longer; in 80% of the cases, employers regarded this reason either as important or very important
- so that there is less risk in case of a slowdown in company activity; this reason was mentioned in 70% of cases
- to have a simple administrative procedure available in case of termination of the contract; this was given as a reason in 70% of cases.

It also emerged from the DARES research that companies recruit more often using CNEs than fixed-term contracts

(²⁵) An entity comprising employee and employer representatives that has jurisdiction in France over all questions of labour law involving an employee and his/her employer.

(²⁶) DARES, 'Le contrat nouvelles embauches', 2006.

when there has been sustained activity over the last 12 months, or where activity levels are difficult to predict; companies whose level of activity is difficult to forecast more often recruit workers on CNEs rather than on permanent contracts. Uncertainty over future levels of activity seems to be the dominant factor in choosing the CNE.

3 Performance and achievements: contrasting findings

The number of employees actually employed on CNEs falls below the level of recruitment intentions declared by the employers, mainly due to termination rates. Contrary to the prime minister's statement that 90% of those recruited on CNEs were still in post, the research by DARES (on the basis of a survey of 3,000 VSEs) showed that 30% of the employees recruited on CNEs in October 2005 were no longer working in the company by March 2006. Most of these contracts were terminated within the first three months. As a result, rather than 500,000 CNEs being currently operative — the number of such contracts that have been signed — the figure is probably more likely to be around 350,000. According to estimates made by the FIDUCIAL network, 250,000 such contracts are currently operative. **This data confirms that there is currently no proper statistical count of employees on CNEs.²⁷ It is, as a result, difficult to make a serious evaluation.**

The termination rate for CNEs seems relatively high. It is higher than that of permanent contracts (20%), but lower than the rate of fixed-term contracts (35%) according to the study held by DARES. The study also shows that almost half of the terminations of CNEs (45%) were initiated by the employee alone, which is lower than for permanent contracts (61%), whereas 40% were initiated by the employer (as against 18% for permanent contracts); the rest (15% of cases) arose as a result of a collective decision between the employer and the employee. In 21% of cases, the reasons for terminating permanent contracts were because of the reach towards the end of the trial period, whereas those grounds for termination do not apply in the case of the CNE.

Where companies initiated the termination of the contract, in 50% of cases they mentioned the unsuitable profile of the employee or the employee's inadequacy, and in 25% of the cases they cited a slowdown in the company's activity.

The substitution effect also seems relatively high with this type of contract. In the DARES survey, when asked, 'If the CNE hadn't existed, would you have recruited for the same post?' VSE managers replied that in 70% of cases they would have recruited on the same date using a different form of contract. In that case, the worker would have been employed on a permanent basis (44% of cases), on a fixed-term contract (52% of cases), or on an assisted contract or as a temporary worker (4% of cases).

In only 10% of the cases did the managing directors state that they would never have recruited if the CNE had not existed. In 20% of cases the CNE made it possible to fill the post more rapidly. In the absence of the CNE, employers said that they would have waited before recruiting for the need of the particular post to be firmed up, or for a candidate with a different profile to be found.

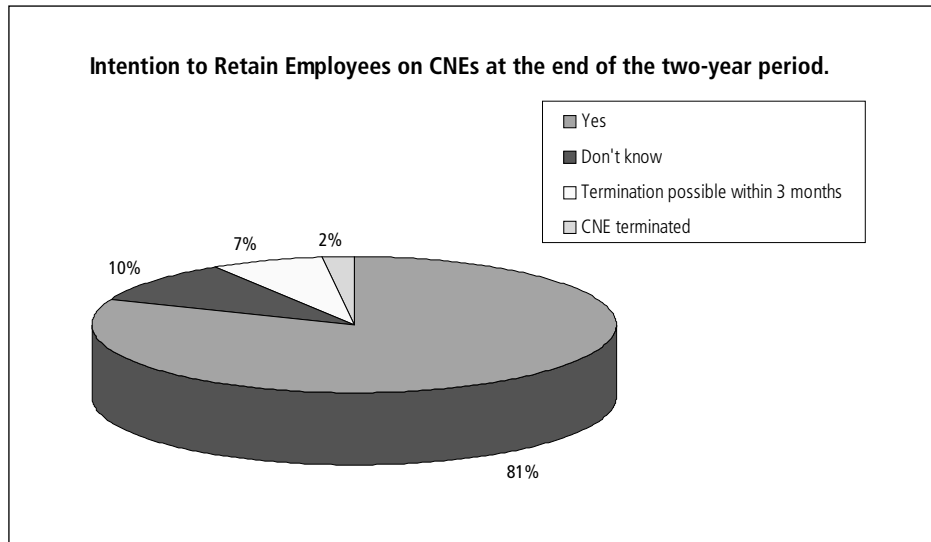
According to DARES, these findings suggest that 30% of CNE recruitments can, on the face of it, be said to correspond to additional recruitment in the short term, with 20% being jobs created ahead of time and 10% being truly new jobs. However, on the basis of these findings it is not possible to really evaluate the CNE's effect on job creation.

A survey conducted by the FIDUCIAL network with the IFOP polling institute came up with very different findings on the CNE's substitution effect. According to this study, 48% of recruitment carried out on the basis of the CNE would not have happened if that contract did not exist. Furthermore, it asserts that only 2% of CNEs have been terminated. Moreover, according to this survey, 81% of VSEs were planning to retain their new workers at the end of the two-year period (see figure below).

4 Conclusions

The results presented above do not enable us, in the current state of research, to confirm the added value of this new type of contract. On the other hand, implementation of the CNE has the virtue of preparing public opinion for developments in labour legislation, particularly around a single employment contract. For this purpose, a parliamentary debate on this question would have been necessary. We may, in principle, accept the use of the ministerial order (which allows for rapid implementation) for the purposes of experimentation, but on condition that that experimentation can be evaluated. On this point, the contrasting results presented above

⁽²⁷⁾ No change has yet been made to this effect in the annual declaration of social data that companies are required to complete every year.



clearly show the limitations of the exercise. Other research findings are expected in the summer (from UNEDIC and the Union Pour l'Artisanat), which will undoubtedly enable us to refine the initial analyses.

At the time of writing, we do not know whether or not the CNE will become a lasting part of the French labour legislation. After the Government's climb-down in the winter over the CPE, the trade unions are very tempted to launch another protest movement. But they are probably waiting for industrial tribunal results before contemplating more significant, large-scale action in September.

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Germany: Transfer-companies — a major labour-market restructuring instrument

1 Objectives

The massive outplacement from eastern German companies after unification led to the idea of transferring workers to *Beschäftigungsgesellschaften* (job-creation companies), which provided both job security and training during the transition phase. Most of these jobs were publicly financed through the *Arbeitsbeschaffungsmaßnahmen* (job-creation programme). In parallel, the instrument of 'structural short-time work' was mainly used in western Germany to reduce the labour-market risks of company closures. However, 'passive' use of the programme — predominantly as a bridge to early retirement — initiated the reform of these instruments. In 1998, training measures became compulsory for workers in the structural short-time work scheme, to facilitate the transition to new jobs. With the Hartz reform in 2003, the maximum payment period was shortened from 24 to 12 months, and individual profiling of workers was introduced (Hartz III).

These developments were strongly influenced by the theory of transitional labour markets, which focuses on periods of change in individual employment careers and demands for public support during these phases. Through the instrument of short-term work, German labour-market policies have absorbed cyclical changes of employment for decades. However, the new approach addresses the decline of companies and sectors and is targeting the structural transition of labour markets. The instrument focuses on training and retraining of at-risk workers. Transfer short-time work, as it is now termed since the Hartz reform, should raise employment flexibility by reducing labour-market risks. It is a typical 'flexi-curiosity' instrument.

2 Organisation, implementation and funding

2.1 Legal regulations

The existence of transfer-companies is based on two legal principles included in the Dismissals Act: the regulation of redundancy payments in the case of mass redundancies, and the provision of transfer benefits in the social code.

2.1.1 Redundancy payments

Following the *Kündigungsschutzgesetz* (Dismissals Act, section 17), all dismissals of more than 30 people within 30 days have to be reported to the local labour agency and the firm's works council. The local labour agency can postpone dismissals for a maximum of two months, taking into account the interests of the employer and the workers, and referring to the situation of the sector and the regional labour market.

The works council has to be informed about:

- the reasons for the dismissals
- the number and occupational groups of workers affected
- the number and occupational groups of workers employed
- the timing of dismissals
- the selection criteria
- possible redundancy payments.

The works council has the right to negotiate on the dismissals with the employer and take action to avoid it or reduce the negative consequences. Similar rights exist in the case of changes to the firm, such as closure of locations, mergers or separations. Additionally, works councils have to be involved in the case of major reorganisation of the work or the introduction of new technologies. If there are conflicts between the employer and the works council, an arbitration committee will take the decision.

The selection of workers to be dismissed must consider their social protection requirements rather than their profitability, as this is the principle of German dismissals regulation (Kündigungsschutzgesetz section 1). A dismissal is unjustified if the employer does not adequately consider job tenure, age, maintenance obligations for dependants or disability. However, workers who are indispensable to the company can be excluded from the selection. The works councils are obliged to control the selection.

In the case of Betriebsänderung (changes to the firm), negotiations take place with the works council on a Sozialplan (social plan), which should compensate the disadvantages for workers resulting from the changes. This obligation exists for firms with more than 500 employees or more than 60 dismissals. Companies founded within the last four years are excluded from this regulation.

The social plan has to regulate redundancy payments, remuneration for relocation and training costs and other issues. The redundancy regulation must include income, job tenure and age. Beyond these basic regulations, companies and works councils are free to negotiate on different agreements. In some cases (e.g. recently at AEG Nürnberg), employees strike to enforce an adequate agreement.

2.1.2 Transfer benefits

As a special type of unemployment benefit, the Transfer-Kurzarbeitergeld (transfer benefit) is provided to employees affected by the closure of businesses. Two types of payments exist:

- **transfer measures**, which help to reintegrate employees in the primary labour market. These measures are subsidised to the tune of 50% of the total costs and a maximum of EUR 2,500

- **transfer benefits**, which are paid for a maximum period of 12 months. The level of payment is 60% to 67% of the former net wages, as with regular unemployment benefits. The precondition for this type of benefit is that the workers affected by company closure are brought together in a self-contained company. All workers have to undergo a placement assessment (profiling), which helps to forecast their placement probability.

These regulations involve three parties for the funding of mass redundancies:

- *employers* have to pay redundancy compensation based on individual and social criteria
- *public unemployment* insurance supports the transition phase through transfer benefits
- *employees* disclaim on parts of their net incomes.

European Social Fund (ESF) resources are used by public unemployment insurance to finance participants' orientation courses, continuing training and travel costs. According to an evaluation of the ESF programme run by the German Federal Labour Office, 42,600 participants were in training measures in the period 2000 to 2004 (Deeke, 2005).

2.2 Transfer-companies

Based on these instruments, an extensive outplacement business has grown up in Germany. In the course of the rapid decline in manufacturing, large companies and the human resources (HR) consulting business developed the transfer-company into one of the major restructuring instruments. While this type of HR consulting initially concentrated on senior managers, it is now used for a broad range of specialists and entire staffs of compa-

Table 1: Outplacement instruments

Instrument	Costs	Target group
Outplacement		
Individuals are prepared for making job applications and placed with potential employers. This service is provided during the period of notice.	EUR 2,500 to 5,000 per employee, paid: <ul style="list-style-type: none"> • 50% by employer • 50% by public unemployment insurance 	Workers with a high probability of placement
Transfer company		
Those employees who do not find a new job during the notice period switch to the newly founded transfer company on a voluntary basis. A position in the transfer company is provided for 3 to 12 months. Employees receive outplacement services and training.	80% of the former net wages: <ul style="list-style-type: none"> • 60 to 67% of net wages are paid by public unemployment insurance (transfer benefit) • the rest is paid by the employer through redundancy payments and shorter notice periods 	Workers with a lower probability of placement

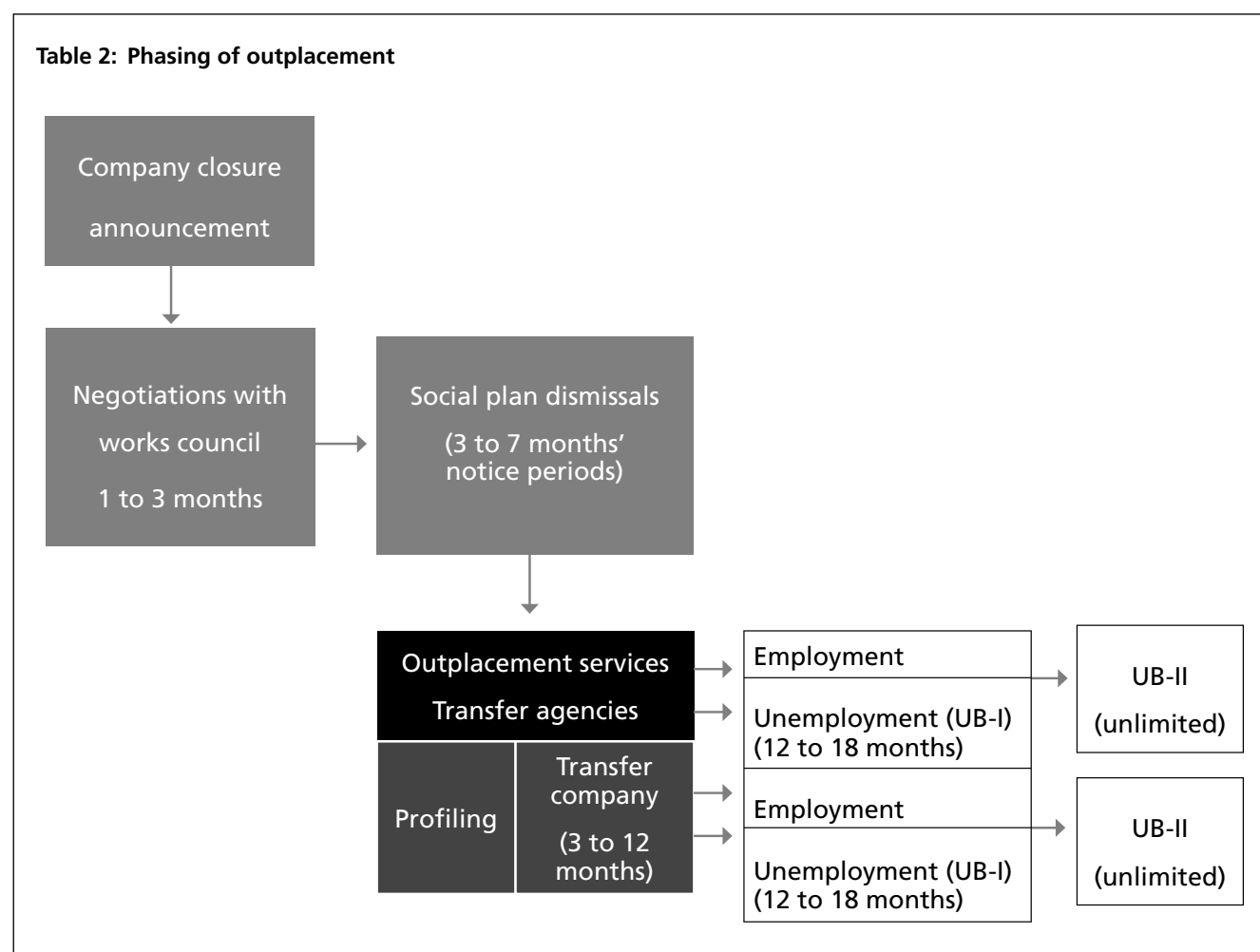
Source: Karent (2005).

nies or business locations. According to a study by the Federal Union of Business Consultants, 30% to 40% of large German companies have used outplacement services in recent years.

In principle, there are two types of outplacement instruments, as shown in Table 1.

The most comprehensive outplacement instrument is the *Transfergesellschaft* (transfer company); this is based on the foundation of a follow-up company taking over a business which is to be closed. By using unemployment benefits and other public transition subsidies, the transfer company guarantees incomes for a limited period and provides outplacement services to the staff.

The timing of such a transfer company is shown in Table 2.



Source: Karent (2005).

After the decision to close a location or company, the management starts negotiations with the works council as described above. This takes one to three months and results in a social plan defining the number of dismissals and redundancy payments. Once the social plan is agreed, outplacement services can begin. Through individual consultation, workers are profiled and placed in other companies as far as possible. These activities are often organised by transfer agencies.

Through the foundation of the transfer company, employees are able to receive training and — most importantly — extend their unemployment benefit periods

from 24 to 30 months with similar income conditions. This provides a substantial reduction of unemployment risks in the case of mass redundancies.

With the voluntary entry into a transfer company, employees partially give up their entitlements regarding the period of notice and redundancy payments. In the case of early exit from the transfer company, they receive the remaining sums of redundancy payments. A 'sprinter premium' rewards those workers who leave the transfer company for a new job before the expiry of their fixed-term contract.

Outplacement services include informing workers about dismissals, social plans and job opportunities. Moreover, training on job applications is provided in combination with competence profiling. Workers are individually consulted about job opportunities and application strategies. In large companies, jobcentres are established to provide these services.

In general, workers receive 80% of their former net income. This consists of 60 to 67% from the transition benefits paid by the Federal Labour Office. In addition, employers have to pay:

- add-on wages (13 to 20%) to achieve the 80% level
- social contribution rates
- training costs
- administration of the transfer company.

These elements add up to 50% of the former labour costs. In many instances, this is co-financed in exchange for shorter periods of notice and lower redundancy payments.

2.3 Use of transfer short-time work

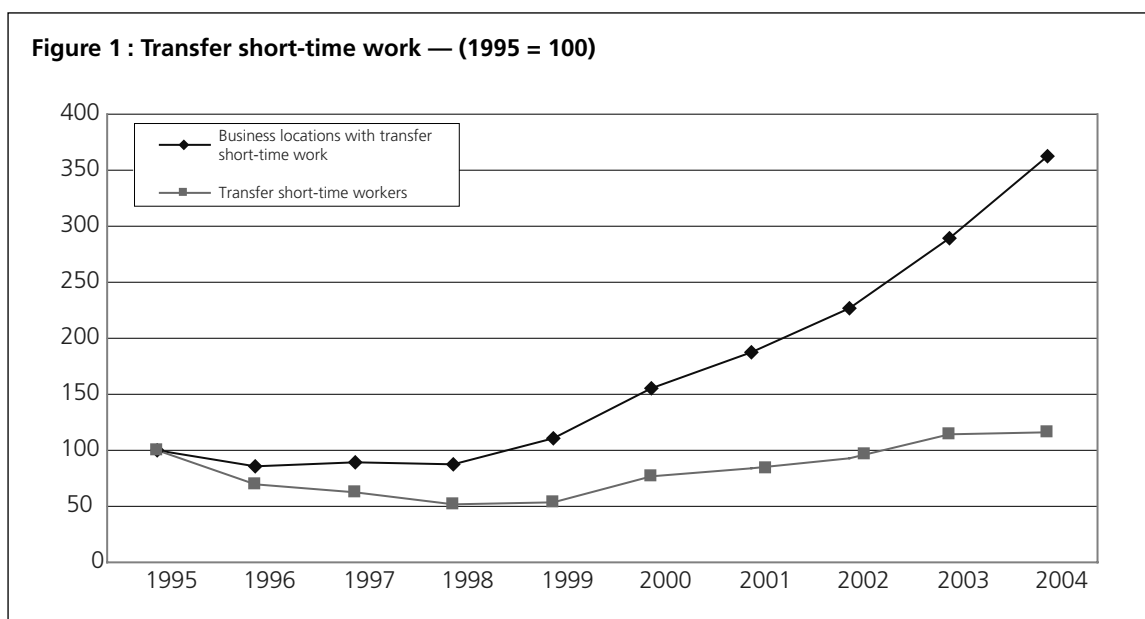
There is no statistical evidence for the number of transfer companies in Germany. However, the number of companies using transfer short-time work is well documented. There are also figures of workers in this scheme. In addition to use by transfer companies, the figures include the use of this instrument in cases of partial closures of locations or separations. Statistical information for

North-Rhine Westphalia, for instance, indicates that 90% of transfer short-time workers are employed by transfer companies (Gesellschaft für innovative Beschäftigungsförderung (GIB), 2005).

As Figure 1 shows, the use of transfer short-time work rapidly increased with the new regulation in 1998. In 2004, the number of business locations using the instrument was 3.6 times higher than in 1998. The number of workers included in the measure more than doubled during this period.

In 2004, the proportion of transfer short-time work in all business locations using such schemes was 8.4% in western Germany. This figure has increased continuously since 1998. The proportion of workers in transfer short-time work among all short-time workers rose to 24%. In eastern Germany, the proportion of business locations with transfer short-time work was lower (5.2%), and so was the proportion of transfer short-time workers (17%).

According to the GIB statistics for North-Rhine Westphalia, the instrument of transfer short-time work is very much used by large companies: 30% of the transfer projects had 500 or more employees. In addition, medium-sized companies with 60 to 500 employees represented 56% of the instrument's usage, whereas the share of small companies with fewer than 60 employees was 14%. This indicates a strong bias towards larger companies. In addition, the majority of workers in transfer companies were aged over 50 (53%), and 82% were men. Thus the staff structure of such companies in North-Rhine Westphalia is strongly concentrated on difficult target groups in the labour market.



Source: Bundesagentur für Arbeit, Institut für Arbeitsmarkt- und Berufsforschung (IAB).

3 Performance and achievements

The large increase of transfer short-time work can be attributed to both the financial incentives given to companies and the extension of unemployment benefits for workers. Companies profit from lower labour costs during the notice period and moderation of social conflicts associated with closures. Workers profit from placement services, training and longer benefit periods.

However, little is known about the performance of transfer companies. Most importantly, the interim report of the Hartz evaluation does not contain results concerning transfer short-time work, because of lack of data (BMAS, 2006). The European study on *Managing institutional restructuring in Europe (MIRE)*, which covers German transfer companies, will not be finished before autumn 2006. Other sources only provide limited information on the subject.

The GIB (2005) data indicated that the difficult staff structure of transfer companies in North-Rhine Westphalia reduced the probability of re-entering the labour market. During the period of notice, transfer agencies were able to place 41% of the workers. However, only 35% of participants ending their employment in a transition company could find a job, while 59% remained unemployed. Only 2% founded a new business and 2% were in training. These results are associated with the difficult labour-market situation in North-Rhine Westphalia, and thus indicate the problems in other areas of high unemployment. The regional variation of placement rates can therefore be expected to be high. In particular, if the staff is younger and highly specialised, placement rates are more positive.

One of the major targets of reforming transfer benefits was to raise short-time workers' participation in training, particularly where job termination is inevitable. As calculations by the Institut für Arbeitsmarkt- und Berufsforschung indicate, this target has been achieved. Before 1998, only a minority of companies provided training for displaced workers; this situation has changed significantly. In 2001, 70% of the companies provided training, and the proportion of short-time workers in training had risen to approximately 50% (IAB, 2006, p. 179). However, it is unclear how this participation in training is measured — i.e. on the basis of planned or actual participation. Therefore, these figures must be used with caution.

Practice reveals both positive and negative examples. In a critical report on Opel Bochum, the TV programme *Monitor* revealed that the transfer company had provided hardly any placement or training services. On the other hand, the transfer-company of HypoVereinsbank (HVB) not only placed redundant workers in the labour market, but has been developed into an internal placement service within the bank. TransFair and HVB Profil operate as HypoVereinsbank's placement services.²⁸ They function as a temporary work agency employing 600 workers who are assigned to operational departments. Moreover, they provide skills development, coaching and consultancy to workers. According to the bank's assessment, the internal temporary work agencies not only helped to solve short-term problems, but also improved the management of change. They encouraged project-based work, improved the placement process and raised overall flexibility of human resources. However, the instrument is limited to the staff remaining in the company, providing little support for placements in external labour markets, and does not create additional jobs.

The intended services for displaced workers concerning profiling, training and placement are certainly the key factors that determine the success of transfer companies. The negative examples of transfer companies have provoked a vivid debate about how to guarantee the quality standards of these services. These standards will have to be implemented with the next steps in reform.

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Greece: Preventative services and the individualised approach to unemployment in Greece

1 Introduction and objectives

Public Employment Services (PES) constitute a key institution in the European labour market. Since 2000, the Employment Guidelines have expected PES to adopt the most effective way of implementing the strategy of activation and prevention, and call on Member States to pursue the modernisation of their PES to that end. According to the guidelines, a job start should be given to unemployed people before they have been registered with the PES for six months (young people) or 12 months (adults), to ensure effective integration into the labour market. This entails an individual job action plan, which involves the jobseeker in job-search assistance, training measures, subsidised employment, job schemes, or incentives to start up businesses. In line with previous guidelines, Guideline No. 20 of the integrated guidelines for growth and jobs 2005 to 2008 invites Member States to 'modernise and strengthen labour-market institutions, notably employment services, to ensure greater transparency of employment and training opportunities at national and European levels'. The PES are also among the key players in the fight against long-term unemployment, in preventing skills shortages, in promoting workers' mobility, and in local development.

In Greece, implementation of a policy emphasising prevention and early interventions has been connected with establishing an adequate, modern network of KPAs (Centres for Employment Promotion) and the reorganisation of the OAED (Manpower Employment Organisation), the main governmental agency for implementing employment policies. The object of this article is to review the process of PES modernisation in Greece, a process which already has a history of almost a decade.

2 Organisation, implementation and funding

Until the 1990s, both the design and implementation of active labour-market policies (ALMPs) were largely undertaken by one government organisation, the OAED. The OAED performed a range of activities, the most important of which fell under three headings: benefit provision, employment services, and training. The OAED had a highly centralised structure while, with a few exceptions, it held a monopoly in job brokerage. During the 1990s, this situation changed considerably. Faced with rising unemployment, record-level long-term unemployment, extensive restructuring and an influx of undocumented immigrants, the OAED came under pressure to respond to changes and increase its effectiveness. Modernisation of the PES couple with the delivery of individualised services to unemployed people (as envisaged by Law 2434/1996) was one of the measures put forward to cope with the changes in labour-market conditions. Since 1998, the state has partly abolished its monopoly on the provision of employment services and, as a result, private employment offices have been allowed to operate for specific categories of workers. Finally, thanks to EU resources, a number of governmental departments and agencies have increasingly engaged in designing and delivering proactive policies, mainly in the field of training, but also in counselling and advice, work experience, recruitment incentives and business start-ups. As an end result, the OAED continues to be the main agency responsible for integrating unemployed people in the labour market, but there is now much more variety regarding active policies.

Following Law 2434/1996, a number of KPAs were established. However, for a variety of reasons, progress in their mode of operation and, in particular, in developing a unified procedure for applying the preventative approach was particularly slow. Much of the delay in establishing modern employment services during that period (1999 to 2002) attributed to the development of KPAs was

connected with the administrative restructuring of the OAED, which was taking place around that time, and to uncertainty in relation to the institutional setting of KPAs. The reorganisation of the OAED was originally foreseen by the National Action Plan 2000 and eventually attempted through Law 2956/2001. This administrative reorganisation resulted in delegating important functions to three affiliated companies, set to operate as private companies (with the OAED being the sole shareholder). The first company, Professional Training SA, was to undertake and organise the OAED's training activities, while the second, Employment Observatory Research-Informatics SA (PAEP), was to monitor developments and it set up an information system covering the OAED's activities and performed labour-market studies. Finally, the third, Manpower Support Services SA, was to establish the KPAs and implement preventative and individualised approaches to unemployment. The formation of this last company, however, ran into legal problems and eventually the company was dissolved under Law 3144/2003. Since then, the formation and management of the KPAs has been entrusted to an administrative unit, set up for this purpose within the OAED and called Special Service-KPAs.

At the beginning of 2001, the OAED operated an extensive network of employment service-related establishments, comprising 114 local branches, 13 Centres of Employment Promotion (KPAs) and two jobcentres.²⁹ Of the 114 local branches, 14 dealt exclusively with insurance against unemployment, 100 provided basic employment services together with benefit provision, and 37 provided the full range of services (basic and individualised employment services plus insurance).³⁰ In addition, 13 KPAs were providing employment services, both basic and individualised, while the two jobcentres offered basic employment services. In total, there were 50 KPAs, 37 of which shared premises with local branches.

Reorganisation of the OAED, and in particular the formation of the Special Service-KPAs, has given an impetus to the drive towards modernisation. It proved to be the turning point to overcoming all manner of problems (legal, administrative, technical) which were present until then. An action plan was drafted, setting specific targets as well as concrete deadlines for the task at hand. The plan covered a two-year period (2004 to 2006) and its progress has been recorded by biannual implementation reports.

The National Action Plan 2004 also contained new important measures in the field of PES modernisation, reaffirming the commitment to full implementation of the preventative and individualised approach to unemployment. In brief, since 2003, developments have accelerated and a network of modern PES has largely been completed by coordinated action in a number of fields.

Firstly, a number of new KPAs have been created and a number of pre-existing local employment services have been considerably upgraded, thus completing the PES network. This now comprises 119 PES (80 KPAs plus 39 Local Employment Services). The KPAs are situated in urban centres and more generally in areas with substantial flows of labour demand and supply. In contrast, Local Employment Services cover the more remote, semi-urban parts of the country. However, the exact mission of KPAs has been clarified. They are to concentrate exclusively on mediation services (individualised employment assistance, and management of the OAED's labour-market programmes³¹), which means that the administration of benefits (unemployment and others) is institutionally separated from placement activity. The separation of benefit administration from placement carries the risk that the two organisations will adopt divergent objectives (e.g. placement officers seeking to activate unemployed people and benefit administration officers being preoccupied with eligibility criteria for paying benefits), hence necessitating the need for increased cooperation. The integration of the three basic functions, (a) placement and counselling services, (b) payment of unemployment benefits and (c) management of labour-market programmes, constitutes a future policy option for the PES. Currently, the Local Employment Services offer benefit provision in addition to employment services.

Jobseeker profiling has been introduced as a means of assessing unemployed people and designing appropriate intervention strategies. KPAs classify jobseekers into four groups: (1) 'job-ready' clients who need little support since they are considered able to find a new job quickly; (2) those who need limited support (e.g. short-term training) prior to engaging in job search; (3) those with skill deficits who need intensive support; and (4) 'hard-to-place' candidates who need additional services (e.g. supportive services for those threatened by social exclusion).

⁽²⁹⁾ See *Operational plan for the modernisation of OAED, Deliverable No. 1, Part VI*, p. 37, December 2000.

⁽³⁰⁾ Basic employment services comprise the unemployment register and the monitoring of hiring and job losses, while individualised employment services involve the assessment of unemployed people as well as job-search assistance and placement.

⁽³¹⁾ That is, excluding the financial aspects of managing active labour-market programmes, a function left to OAED local branches.

Action has been taken to improve statistical monitoring (Greece has repeatedly been the subject of recommendations for failing to develop an adequate statistical system covering registered unemployed people). A monitoring information system (MIS) was developed by the OAED's affiliated company PAEP and brought into use from October 2003. The MIS contains estimates of registered unemployed people and allows for the assessment of the activation effort.

Recently, the OAED has made intensive efforts to assign staff to KPAs. Currently, it is estimated that the KPAs and Local Employment Services are staffed by 460 employment counsellors and at least as many civil servants. Among the main tasks of employment counsellors one finds detailed interviews with unemployed people, drafting and overseeing of personal action plans, matching of labour supply and demand, and tracking of vacancies in the open market. Accordingly, civil servants are charged with the unemployment registry, management of ALMPs, and tracking of hiring and job losses. Efforts have been made to train counsellors and other PES staff on issues related to job matching, including establishing contacts with employers and vacancy notification.

In the drive towards PES modernisation, Greece has received support from the EU Structural Funds. During the second programming period (2nd Community Support Framework (CSF), 1994 to 1999), 49 KPAs were created through the Employment Operational Programme, while the creation of another 31 KPAs has been supported in the framework of the current programming period (3rd CSF, 2000 to 2006).

3 Performance and achievements

According to data provided by PAEP, up until March 2004, detailed interviews and personal action plans had covered only a minority of registered unemployed people. More specifically, detailed interviews had been conducted with 19,886 unemployed men (9.52% of the total number of unemployed men) and 55,486 unemployed women (15.81% of the total). Following on from this, action plans had been drafted for 8.2% of unemployed men and 13.48% of unemployed women. Two years later, detailed interviews and personal action plans have been completed for the great majority of registered unemployed people. According to PAEP data (figures for March 2006), detailed interviews amounted to 271,813, a figure corresponding to 70.51% of those seeking work.

Furthermore, action plans have been drafted for 64.28% of jobseekers. It is estimated that the whole of the target population will be covered by the new arrangements by the end of 2006. This impressive performance masks a serious mobilisation of actors at all levels (administrators, counsellors, political leadership) which should not be underestimated.

Turning to evaluations and relevant findings, a preliminary evaluation of the new employment services has been conducted by the KPA project manager, a private consultancy firm commissioned by the OAED to assist in the implementation of the new structures. The evaluation, undertaken during the first months of 2001, covered a whole year (2000). It involved, among other things, devising 21 indicators for assessing performance, and collecting detailed information on various aspects of KPAs' day-to-day operations.³² The main findings of the evaluation are summarised as follows:

- On average, during each month of the year 2000, 259,532 unemployed people visited the 50 KPAs that were in operation, either to register or to renew their registration. New registrations fluctuated between 26,000 for April and 54,000 for October and November. This fluctuation reflects the fact that employment in Greece is subject to strong seasonal variations.
- Regarding vacancies and vacancy filling for the year 2000, the total number of recruitments notified to the 50 KPAs was estimated to be that of 497,986. On an average monthly basis, recruitments were estimated to amount to 41,499 people, but this figure ranged from 27,000 during December to 57,000 during May, again reflecting seasonality in employment.
- The number of vacancies notified was estimated to be 53,777 (10.79% of the total number of hirings), or 4,481 vacancies on an average monthly basis.
- During the year 2000, employment counsellors referred 54,401 unemployed people to organisations for placements, a slightly higher figure than the number of vacancies available (53,777). Furthermore, 31,700 unemployed people were placed in employment, but the bulk of these (28,963, some 91.36% of the total) were participating in an active labour-market programme (notably wage subsidies and aid for self-employment). Finally, 16,567 unemployed people were referred to training (it is understood that training here mainly involved training in an OAED programme). Of these, 6,239 eventually participated in training.

⁽³²⁾ Of these indices, ten relate to input and output, nine to achievements (results), and the remaining two are meant to measure personnel effort.

On the basis of these estimates, the conclusions were that the 'market share' of KPAs (vacancies calculated as a percentage of total hiring) was 10.65%, ranging from as low as 7.5% for January to 15% for August. The placements made which were calculated as a percentage of the vacancies notified were estimated at 61.27%. However, this is not a reliable indicator for judging penetration in the open labour market, as it includes placements in ALMPs. If we exclude placements in ALMPs and concentrate on direct placements, then the values of the indicators fall drastically. More specifically, the ratio of placements to vacancies drops to 5.74%, and the ratio of placements to total hiring to just 0.57%. These findings show that ALMPs are vital for assisting unemployed people, and that efforts will have to be made in order to raise the open labour-market share of KPAs.

A rather similar picture emerges from an examination of monitoring data, collected by PAEP, on KPAs' operation in the period between September 2003 and April 2004.³³ During this period, action plans were drafted for 25,256 unemployed people. Most of these were placed in subsidised employment (10,259 people, 40.6% of the total) and in training (9,835 people, 38.8%). Placements in the open market amounted to 1,918 people (7.6% of the total), while those receiving self-employment aid and participating in professional experience programmes completed the picture (10.5% and 2.36% respectively).

The latest evaluation of KPAs was conducted in 2005 as part of an interim evaluation of the operational plan 'Employment and Vocational Training 2000 to 2006'. This evaluation focused on a number of qualitative aspects associated with the mediation services offered through surveys of frontline staff, employers and clients. The findings of this investigation are useful since, in spite of data limitations and problems of data reliability, they constitute a basis for understanding the current state of affairs and future challenges. Client satisfaction was found to be good among employers and moderate among unemployed people. A majority of the latter (60% of the total) remained unemployed in spite of the services offered to them. However, when accounting for their present status they cited the economic recession and general lack of employment opportunities rather than ineffectiveness on the part of the employment counsellors. As expected, most of the remaining unemployed clients who found employment did so with the help of ALMPs. The lack of labour-market intelligence, limited knowledge of employment and training opportunities available from other organisations, and often enormous difficulties in placing older unemployed people into work, were also among the noteworthy findings of the evaluation.

4 Conclusions

Following a slow start, Greece has established a modern PES network, capable of implementing a preventative and individualised approach to unemployment and laying the ground for delivering high-quality services to both unemployed people and employers. In its efforts to raise the public image of the PES, Greece has relied on the full support of EU Structural Funds.

The evidence reviewed in this brief article has also pointed to future options for further development. In this respect, the merging of benefits provision with the placement function; conversion of KPAs into 'one-stop shops'; integrating information, professional counselling and placement; and increased cooperation with other organisations offering job-search assistance stand out as plausible future policies. Most of all, however, the OAED should make efforts to raise the number of vacancies notified to KPAs, by developing a set of marketing strategies and by ensuring skilful matching, thus providing employers with the best possible candidates.

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Hungary: Unemployment in Hungary — trends and policies

1 Introduction

The most important change in the Hungarian labour market has been a continuous increase in unemployment over the last two years. After a long decline from its peak level of 12.1% in 1993, unemployment dropped as low as 5.7% in 2001 (Figure 1). It remained at about this level for three years, then started rising in 2005 by 1 percentage point in a year, reaching 7.7% in the first quarter of 2006. While Hungary cannot be considered as a country of high unemployment (the average EU-25 rate was 7.8% in 2005), the growing unemployment rate is of concern, especially as it increased during a period when the economy was growing by over 4% a year. This article presents trends in and possible causes of unemployment, as well as the policies aiming to reduce it and their likely effect.

2 Trends in unemployment

The average unemployment rate was 6.1% in 2004, increasing to 7.2% during 2005. To this increase of 1.1 percentage points, half a percentage point was added in the first quarter of 2006, when the rate reached 7.7%.³⁴

In addition to the 323,600 unemployed people, the number of inactive people (those not in work despite the fact that they are able to work, but do not seek employment) is also rather high at 98,700. There is obviously a difference between inactivity and unemployment. Categorising inactive people as unemployed would result in an unemployment rate of 9.6%.³⁵

Duration is an important feature of unemployment. While short-term unemployment can be attributed to job search, long-term unemployment is detrimental for

several reasons: people may get discouraged and stop looking for a job, their skills may deteriorate or even become obsolete, and they face associated stigmatisation by employers. A considerable proportion of Hungarian unemployed people have been in this status for a long time: 41.6% have had an unemployment spell lasting longer than a year.

Who are the unemployed people, and which demographic category suffered from its increase in 2005? Male and female unemployment rates were equal in 2004, but female unemployment increased to half a percentage point more than male unemployment in 2005 (Table 1). Among education groups, those with up to eight years' schooling experienced the sharpest increase; this group's unemployment rate rose from 12.3% to 15.6% in a year. Among those with vocational training (another category of workers with a comparatively low education), the unemployment rate was half a percentage point higher in 2005 than in 2004 (rising from 6.9% to 7.4%), while high school graduates' unemployment rate increased only slightly, from 4.7 to 4.9%. Among those with a higher education, the unemployment rate remained at 2.3%.

The distribution of unemployment by age group shows that unemployment increased the most among those aged 20 to 24 (from 13.4% to 17.5%, or by 4.1 percentage points). The second largest rise was experienced by the youngest cohort (15 to 19 years old), among whom the unemployment rate increased by 2.9 percentage points, from 34.9% to 37.8%. Among those aged 25 to 29, the increase was 1.7% (from 6.5% to 8.2%). Among older cohorts the unemployment rate increased by 0.7 to 0.9%.

The changes in unemployment rate exhibited differences across regions. The two regions comprising the east of the country (the Northern and the Southern Great Plain) experienced the largest increase, of almost two

⁽³⁴⁾ During March to May 2006, the unemployment rate declined by 0.4 percentage points. Without a longer time series it is hard to assess whether this decline is the start of a downward trend or was caused by some seasonal effect.

⁽³⁵⁾ The number of 'discouraged' workers has been that of around 100,000 to 110,000 since 2003.

percentage points. Western and Southern Transdanubia had increases of 1.3 and 1.5% respectively. The central part of the country (comprising Central and Northern Hungary and Central Transdanubia) had an increase of less than one percentage point. It is worth noting that although Northern Hungary had the highest unemployment rate in both 2004 and 2005, the increase was not large.

In conclusion, the 1.1 percentage point increase in the unemployment rate was not evenly distributed among demographic groups. Women, unskilled people and young workers had a disproportionately greater chance of becoming unemployed during 2005. Regions with already high unemployment were not hit more by the increase than those with a relatively low unemployment rate.

What are the reasons for the increase in unemployment while the Hungarian economy was growing by over 4%? It is possible that new technology required high-skilled workers to operate it, and thus young and uneducated people were not skilled enough to get a job. It is also possible that those industries which hire low-skilled employees shrank, but the data does not support this hypothesis to a large extent: agriculture, transportation, storage and communication shrank by about 20,000 jobs, but trade and repairs, and hotels and restaurants increased by about 45,000 (Hungarian Statistical Office, 2006).

On the supply side, economic growth could motivate people to switch from inactivity to unemployment if they believed that more jobs were available now than in the past. In addition, several policies were introduced to foster the reduction of unemployment, as discussed below. The data supports these hypotheses to some extent: between 2004 and 2005, the decline in the number of inactive people approximately equalled the increase in the number of unemployed people. 'Discouraged' workers, however, are the group most susceptible to become active, and their numbers did not decline during 2005 — they actually increased slightly between 2004 and 2005, from 109,200 to 110,800 (and declined only in the first quarter of 2006). In conclusion, there is no simple story behind the increase in the unemployment rate. More could be said about its causes by looking at the number of people moving across types of labour-force status.

3 Policies combating unemployment

The Hungarian Government has put into effect both active and passive labour-market policies to combat rising unemployment. Perhaps the most important of these was the change in the unemployment assistance regulation, with the aim of promoting job search by unemployed people more effectively than the previous system. Under the new regime, unemployment benefit is linked to the recipient's last salary, but gradually decreases during the nine-month eligibility period. Before this policy change, unemployed people received the same amount for the whole period (the maximum value being Huf 44,000). Under the new regime, during the first three months the benefit's value is tied to the recipient's last salary, with its minimum value being at least 60%, and its maximum value 120%, of the minimum wage.³⁶ In the following six months, the benefit is 60% of the minimum wage for everybody. To decrease benefit disincentive (reflected in little effort at job search), those who find a job in the second period receive half of the unpaid benefit as a bonus. After the expiration of unemployment benefit, unemployed people are entitled to 'job-search subsidy', which is 40% of the minimum wage. However, this subsidy is not conditional to any job-search activity.

Several measures of the new unemployment benefit system are likely to be more just, and indeed should decrease disincentives to seek work. The new system is more just in the sense that it ties the value of unemployment benefit to the recipient's salary, in the same way that the unemployment insurance paid by the worker is also tied to it. The gradual decrease in the benefit and the bonus received in the case of transition to employment may well create extra motivation to seek work.

This new system is complemented by an active labour-market policy (ALMP) which further decreases the disincentive to seek work during the period of entitlement to benefit. The policy is available to those individuals who are actively searching for jobs. The Government has also promised that jobseekers will be assisted more efficiently by labour offices under the current regime than under the old one. The effect of this policy is hard to assess, as it depends on the resources directed towards regulating and helping unemployed jobseekers. As a whole, the system resembles those in use in Northern European countries, where the benefit is significant, but job search is assisted and also heavily regulated. However, it is probably costly to check whether people are searching for a

⁽³⁶⁾ The value of the minimum wage is Huf 62,500. Workers are eligible to the benefit if they worked for at least one year before they lost their job.

job or not, and the Hungarian system does not specify to what extent the responsibilities of the labour offices are going to change, and whether they will be provided with extra funds to accomplish these tasks.

Another type of ALMP which is often used consists of tax exemptions for those who take on unemployed people. This has been used in Hungary for several categories of unemployed workers: those older than 50 and long-term unemployed, those on maternity leave (or who care for a family member), and people aged under 30. Firms which employ long-term unemployed people are exempted from payroll tax and social security contributions (which add up to 32% of the gross wage) up to 130% of the minimum wage, if employment is guaranteed for at least one year. In the case of those on maternity leave, the social security contribution can be reduced by 50% for nine months. The eligibility criterion here is that the new job should start within one year of the end of the maternity leave, and employment has to be guaranteed for three months after the subsidy ends. Firms employing new entrants to the labour market are also exempted from a part of the payroll tax. Instead of 32%, the employer has to pay only 15% payroll tax during the first year of employment, and 25% during the second. This subsidy applies up to a salary of Huf 90,000.³⁷

Many scientific papers have established that these ALMPs have a positive effect on the probability of getting a job for workers who belong to the categories to which the policies are directed.³⁸ The indirect effects, however, can also be considerable. If employers know that a tax benefit is associated with taking on workers from particular disadvantaged groups, they may decide to fire current employees and hire workers who belong to those groups. This displacement effect has been measured by several scientific papers, which have found that it is substantial and largely diminishes the overall employment effects of ALMPs. Despite the displacement effect, however, such policies have the advantage of fostering the employment of disadvantaged groups, and may create some extra churning of the labour market. This can be useful if it decreases the number of workers who are jobless for very long periods.

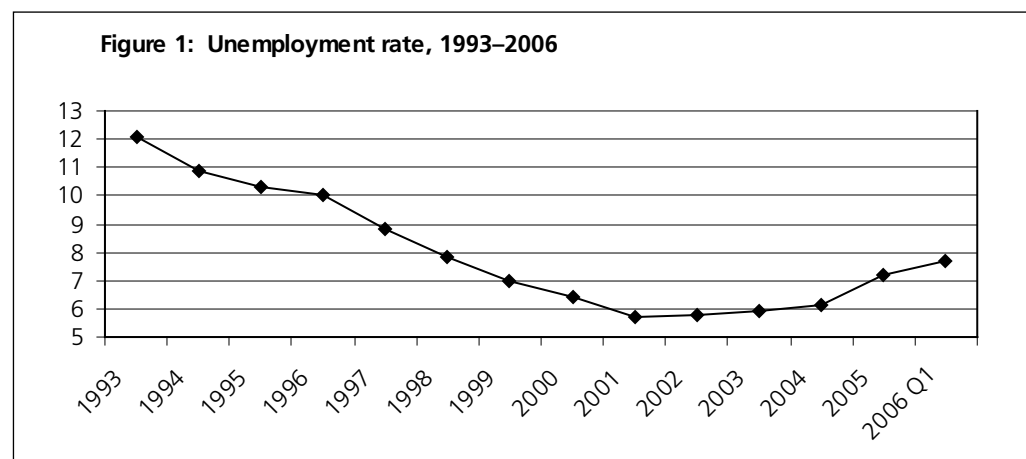
To encourage participation, the Government has also abolished several legal constraints which did not allow employment for individuals who were enrolled in social programmes. Firstly, after the first three months those who receive an unemployment benefit can work under a temporary employment contract without losing the benefit. This is a very welcoming policy change, as it counterweights the negative incentives associated with the benefit, which motivated workers not to accept a temporary job. Secondly, parents who receive child allowance are allowed to work full-time after the first birthday of the child (until now they could only work part-time).³⁹ The size of the subsidy is Huf 25,800. As anybody with a small child can receive the allowance, regardless of their labour-force status, this is a rather generous subsidy for families with young children. It may indeed increase labour supply — however, it is also expensive for the state budget.

Finally, it is worth mentioning a policy that is likely to largely diminish the effect of those policies that aim to increase the chances of unemployed people in gaining employment. This is the continuous increase in the minimum wage, which was raised to Huf 62,500 (i.e. by 9.6%) in 2006. Moreover, the legislation sets further increases: the value of the minimum wage should increase to Huf 65,500 in 2007 and Huf 69,000 in 2008. This generates an increase in the labour costs of the lowest-skilled workers, who are in any case the most vulnerable to being unemployed, as shown in the previous section. The high labour costs associated with these workers further decrease their chances of getting a job. In the long run, firms may also substitute them with capital, especially as the minimum wage is expected to increase every year.

⁽³⁷⁾ The programme applies to new entrants under 25, and to all university graduates under 30. While I strongly agree with subsidising new entrants who do not have higher education, it is questionable as to why those with a university degree, who can usually get a job easily, should be subsidised.

⁽³⁸⁾ For an article surveying the evidence from European ALMPs, see Kluve (2006).

⁽³⁹⁾ This allowance is universal and it is given for three years to those who did not have a job prior to the birth of their child. Those who worked prior to the birth of their child, are eligible for another allowance which is given for two years and is proportional to the wage earned.



Source: Hungarian Statistical Office Statdat system.

Table 1: Unemployment rates by gender, education, age and region, 2004 and 2005

	2004	2005	Change (percentage points)
Total	6.1	7.2	1.1
Gender			
Men	6.1	7.0	0.9
Women	6.1	7.5	1.4
Education			
≤ 8 classes	12.3	15.6	3.3
Vocational	6.9	7.4	0.5
High school	4.7	4.9	0.2
University	2.3	2.3	0.0
Age			
15 to 19	34.9	37.8	2.9
20 to 24	13.4	17.5	4.1
25 to 29	6.5	8.2	1.7
30 to 39	6.0	6.8	0.8
40 to 49	5.0	5.7	0.7
50 to 59	3.9	4.8	0.9
Region			
Central Hungary	4.5	5.2	0.7
Central Transdanubia	5.6	6.3	0.7
Western Transdanubia	4.6	5.9	1.3
Southern Transdanubia	7.3	8.8	1.5
Northern Hungary	9.7	10.6	0.9
Northern Great Plain	7.2	9.1	1.9
Southern Great Plain	6.3	8.2	1.9

Source: Telegdy (2006); the figures refer to population aged 15 to 74.

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Ireland: A coordinated approach to childcare and related issues

1 Introduction and objectives

1.1 Introduction and background

High levels of economic growth since the mid-1990s resulted from a number of factors, with a principal source being the significant expansion of the labour force during that time. Fuelled by reductions in the unemployment rate, new labour from in-migration and a marked increase in labour-force participation rates, the Irish labour force has grown from 1.43 million in 1994 to 2.07 million in 2006. Expansions in women's participation levels are particularly significant, rising from 35.8% to 52.2% from 1990 to 2006. While this is encouraging, it must be acknowledged that female participation has grown from a very low base due to a range of social, economic and cultural circumstances, and that scope exists to expand participation still further.

Women's labour-force participation rates in Ireland remain low in comparison with other EU Member States (60.8% for the 15 to 64 age group compared with 62.5% in the EU-25), and it is clear that barriers remain which limit the extent of their economic activity. Primarily, these centre on the propensity of parents to participate in the labour force after having children. The availability and cost of childcare, flexibility of work practices, and degree to which the welfare system provides sufficient incentive to return to work (or otherwise) affect the labour-force participation. As shown in Table 1, a high proportion of parents/guardians look after children of both pre-school and primary school age during the working day. Unpaid relatives have a high incidence as carers, while paid relatives represent a smaller proportion; in addition, 12.1% of families used paid carers (i.e. non-centre-based services) in 2005 for pre-school childcare.

	Pre-school		Primary school	
	2002	2005	2002	2005
Parent/guardian	62.1%	59.7%	78.0%	78.5%
Unpaid relative	10.5%	11.5%	9.2%	9.7%
Paid relative	4.6%	4.5%	3.2%	2.6%
Paid carer	12.0%	12.1%	7.5%	6.5%
Creche/ Montessori	9.3%	10.1%	1.4%	1.4%
Other	1.6%	2.2%	0.8%	1.3%
Total	100.0%	100.0%	100.0%	100.0%

Source: Central Statistics Office (CSO) Quarterly National Household Survey (QNHS) 2005.

The lack of affordable childcare has been cited as an important reason for low participation rates. The demand for childcare increased in line with the expansion of participation noted above, but supply did not respond to the same extent, and therefore prices for existing childcare places increased. The average cost of paid childcare per household per week for pre-school children rose from EUR 106.37 in 2002 to EUR 131.35 in 2005.

1.2 The policy

The National Development Plan 2000 to 2006 addresses the issue of childcare, introducing the Equal Opportunities Childcare Programme (EOCP), with a EUR 500 million budget. Three measures are supported under the EOCP: a capital grant scheme for childcare facilities; support for staffing costs; and a quality improvement programme. The EOCP is recognised as having improved the situation over the programming period; however, there has also been an increasing acceptance that childcare must

⁽⁴⁰⁾ CSO QNHS Special Module Quarter 1 2005, 2006.

become a central component of national policy if the necessary progress is to be made to increase participation rates and contribute to sustained labour-force and economic growth. This development is also necessary to pursue EU Employment Guidelines, with accessibility of childcare being essential to increase the levels and quality of employment and to adopt a more lifecycle approach to work, as reflected in Guidelines Nos. 17 and 18:

- 'Implement employment policies aimed at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion'
- 'Promote a lifecycle approach to work'.

The National Childcare Strategy 2006 to 2010 was launched in December 2005. It aims to improve the availability and quality of childcare, in order to meet the needs of children and their parents. It can be broken down into different areas:

- maternity leave
- Early Childcare Supplement
- childcare training
- National Childcare Investment Programme.

This article considers the organisation, implementation and funding of the strategy in more detail in Section 2. Section 3 discusses the instruments in place to ensure its effective performance, identifying appropriate indicators to gauge its progress and taking account of recent and proposed welfare policy developments and interventions regarding the work-life balance. Section 4 provides a short summary of conclusions.

2 Implementation and funding

2.1 Organisation and funding

The National Childcare Strategy 2006 to 2012 establishes a planned and coordinated response to all aspects of childcare and increasing parents' labour-force participation. Rather than an ad hoc programme and project-based interventions addressing specific issues, the strategy aims to ensure that synergy exists between work practices, the welfare system, taxation policy, investment in infrastructure, enhancement of the skills base, engagement of the community and voluntary

sector in provision, and stimulation of related entrepreneurship to ensure that the desired labour-market impacts can be achieved. The main developments proposed can be summarised as follows.

2.1.1 Maternity leave

From March 2006, mothers of new-born children will have an additional four weeks' paid maternity leave, extending the duration to 22 weeks. A further four weeks of paid maternity leave will be allocated in 2007, leading to a total of six months' paid maternity leave for mothers of new-born children. In tandem, the length of unpaid maternity leave entitlement will be extended by four weeks in 2006 and an additional four weeks in 2007, doubling this entitlement to 16 weeks.

2.1.2 Early Childcare Supplement

A direct payment of EUR 1,000 per year, exempt from income tax and levies, will be available to all parents regardless of their labour-force status, for each child up to their sixth birthday. This is an incremental payment separate from the existing child benefit scheme. Although intended to increase the affordability of childcare by families, it is not accompanied by any controls to ensure that the payment is used for this purpose.

2.1.3 Childcare training

Funding has been committed until 2010 to support childcare training services to train more than 17,000 qualified childcare workers. It is estimated that approximately 10,000 additional childcare workers will be required for a new infrastructure and an expansion of services. A national childcare training programme will frame future activity, based on the principles outlined in the National Childcare Coordinating Committee document *Quality childcare and lifelong learning: a model framework for education, training and professional development in the early childhood care and education sector*. This emphasises the need for education and training to be flexible, multidisciplinary and learner focused, while retaining a child-centred ethos.

2.1.4 National Childcare Investment Programme

This aims to provide a proactive funding response to the local planning and development of good-quality childcare supports and services centred on the needs of the child and the family. The new multi-annual investment programme seeks to create 50,000 additional childcare places by 2010, and succeeds the previous childcare investment mechanism of the EOCP. Financial assistance will be provided to invest in the developing childcare infrastructure and enhancing and increasing the supply of good-quality childcare. It will include the following:

- A new capital grant scheme for private-sector childcare providers, where applicants may apply for assistance up to EUR 100,000 towards the capital cost of developing a childcare facility in catchment areas where there is a demonstrated need for childcare.
- A provision to fund community/not-for-profit organisations to develop childcare facilities where there is an evident need for childcare in the area, with the level of funding determined by the number of places the group proposes to provide, up to a maximum allocation of EUR 1 million.
- Allocation of capital grants to childminders and parent and toddler groups to establish and expand childcare facilities.
- Provision of grants to help to meet the staffing costs of community-sector childcare providers.

2.1.5 Tax relief

In support of the National Childcare Strategy, the Government has introduced a new system of tax relief for childminding, announced in its 2006 budget. Tax relief will be provided for childminders taking care of up to three children in their own home, allowing them to earn EUR 10,000 for these services without paying tax.

2.2 Implementation and funding

Arrangements for implementing and funding the coordinated childcare policy vary significantly across the measures. Changes to maternity leave entitlements have been progressed by the amendment of legislation. The cost of tax relief is borne by the Exchequer, and is estimated to amount to EUR 4 million per annum in the initial years of its operation. The Early Childcare Supplement will be introduced by the Department of Social and Family Affairs as an add-on to its existing child benefit scheme. The incremental payment will be allocated automatically to those already in receipt of child benefit.

Implementation relationships for the components of the National Childcare Investment Programme are slightly more complex. Overall responsibility for its implementation at national level rests with the Office of the Minister for Children (OMC). Pobal (formerly known as Area Development Management Ltd), a state agency, will administer the programme, building on a similar role in delivering the EOCP and extensive expertise in management and administration of national funding initiatives. City/County Childcare Committees will plan activity at a local level and progress the delivery on national approval of applications. The National

Voluntary Childcare Organisation will also be consulted in this process.

The childcare training programme will be overseen by the OMC, which will work in partnership with the National Training and Employment Authority, FAS (supported by funding from the Department of Enterprise, Trade and Employment), Vocational Educational Committees, the National Voluntary Childcare Organisation and the Centre for Early Childhood Care and Education to deliver an effective training programme. The OMC is working with the Department of Education and Science to deliver a new social inclusion programme, Delivering Equality of Opportunity in Schools, intended to add value to existing childcare programmes in disadvantaged communities. The Department of Health and Children has reiterated its commitment to improving childcare standards in pre-school services and ensuring the health, safety and welfare of pre-school children, with the Health Service Executive responsible for inspection and monitoring of the quality of such services.

Implementation of the National Childcare Strategy therefore involves the development of coordinated partnerships, administration and funding arrangements across different government departments, state agencies, community and voluntary organisations and other structures to ensure that a holistic approach to meeting national childcare needs is adopted. The strategy will cover both current and capital spending and involve cumulative investment of EUR 2.65 billion over the 2006 to 2010 period. The cost implications for each of the main interventions are expected to be as follows:

Maternity leave entitlements	EUR 85 million per annum
Early Childcare Supplement	EUR 353 million per annum
Childcare training programme	EUR 4 million per annum
National Childcare Investment Programme	EUR 575 million over five years

The strategy will be entirely funded by the Exchequer, with no European Social Fund (ESF) component. This differs from the arrangements for previous childcare investment within the EOCP, which was partly financed by EU Structural Funds under the National Development Plan 2000 to 2006. The strategy builds on much of this ESF co-funded activity; however, it recognises that to fully address national needs for provision, intervention needs to go further. The contribution of Structural Funding has declined over recent years as a consequence of a strong economic performance, and it was natural to develop, fund and implement a holistic strategy using national government resources.

3 Performance and achievements

3.1 Mechanisms to ensure effective performance

The Office of the Minister for Children has a central role in implementing the new coordinated childcare policy, which will help significantly in bringing all the key stakeholders together to deliver a strategic response to childcare needs. Previously, developments in childcare provision were weakened by a lack of cohesive focus on all relevant issues and how they inter-relate, and decisions (for example, on new childcare facilities, training or supply of staff, stimulating the establishment of new childcare operations, or additional welfare support) were taken independently without consideration for the other necessary steps to ensure that implementation was effective. The Minister for Children is now responsible for child protection and welfare, early childhood care and education, and juvenile justice, as well as overseeing all the aspects of the strategy's progression.

A further mechanism to support implementation of the strategy is the use of the 33 City/County Childcare Committees to develop networks and coordinate activity at a local level. Additional funding will be made available to support applicants for childcare funding, training and promoting school-age childcare. Targets have been established to track the success of the programme, with 50,000 additional childcare places to be generated, including 5,000 after-school places and 10,000 pre-school places aimed at three to four-year-olds.

However, outside this measure of progress, a number of alternative indicators in the Commission's compendium will relate activity more directly to the labour-market impact than the strategy might be expected to generate. It is hoped that the future monitoring and evaluation of the strategy's progress take account of these measures. The most relevant indicators would be numbers 18.9, 18.10 and 17.7, summarised as follows:

- 18.9) Proportion of persons who would like to work but are not searching for a job or are working part-time because of lack of care services for children (broken down by gender).
- 18.10) Children cared for (by formal arrangements other than by the family) up to 30 hours a usual week/30 hours or more a usual week as a proportion of all children of the same age group.
- 17.7) Female economic activity rate.

Beyond setting output indicators, there would appear to have been little focus on establishing indicators such as those proposed in the compendium as a basis for future monitoring and evaluation of the strategy. However, the strategy would undoubtedly benefit from such an approach, as these indicators focus on the key labour-market aspects of childcare provision that ultimately hinder growth. For example, a recent Organisation for Economic Cooperation and Development (OECD) economic survey of Ireland recognises that many mothers in Ireland choose to work part-time because if they work full-time a large percentage of their wages would go on childcare costs and additional taxes; this is a characteristic that would be tracked under indicator 18.9. To do this type of monitoring, proactive research would be required at regular intervals. But such a step should be considered if the relationship between policy and the labour-market impact is to be accurately tracked.

3.2 Other policies impacting on performance

The National Childcare Strategy cannot work in isolation. It can only be effective if it is implemented in tandem with other interventions that promote increasing labour-force participation rates. Welfare policy is critical in determining whether increased affordable childcare facilities will have the desired impact of encouraging parents to re-enter the labour force. A series of proposed or implemented welfare reforms, focused on activation and increased employment participation, will help to reinforce the labour-market impact of the strategy. It is worth highlighting these changes.

Firstly, increases in the upper earnings income threshold for the One Parent Family Payment were announced as part of the 2006 budget. The increase, effective from 1 June 2006, lifts the weekly earnings threshold for lone parents to EUR 375 (from EUR 82 per week). Of the 80,000 lone parents in receipt of the payment, 60% are currently in full-time or part-time employment. Several thousand will become eligible for a payment, and all those recipients who are working will be in a position to increase their earnings further. This should help to encourage those not working to take up employment without losing benefits, and it should also aid the transition from part-time to full-time work.

Alongside this, the weekly thresholds for Family Income Supplement, which provides direct cash supports for low-income workers with families, have been increased. This will directly benefit 16,650 families currently receiving the entitlement, with 5,000 additional families expected to become eligible. Increases will amount to between EUR 19 and EUR 282 in the weekly income thresholds of

recipients. This is designed to encourage participation in the labour force and provide an incentive to remain in employment.

Such welfare reforms are essential to reinforce the National Childcare Strategy's impact on the labour market. In tandem with the significant increase in affordable childcare that should be progressed under the strategy, and the additional benefits received by low-income families from other strategy measures (Early Childcare Supplement, maternity entitlements), the reforms should help to stimulate parents' labour-force participation.

3.3 Assessment of achievements

An assessment of the achievements of the National Childcare Strategy 2006 to 2010 is not possible at present because of its early stage of implementation. It is, however, possible to comment on a number of its features and assess the potential for impacts to come about as a result of the individual interventions.

The increase in maternity leave entitlements is a key development, and any interventions that focus on increasing the flexibility of work patterns for parents should have a positive impact on levels of labour-force participation. Tax relief for childminders should also generate quite clear benefits in relation to the expansion of childcare services, particularly for independent service providers; this helps to fill a gap in the market for those reluctant to use major community childcare facilities.

The National Childcare Investment Programme is the central component of the strategy, and will generate a substantial expansion of childcare facilities in Ireland. The management, administration and operational arrangements should ensure effective implementation. City/County Childcare Committees should ensure that proposals are developed from the ground up and be determined by community needs. These committees have already embarked on a strategic mapping exercise to determine priority childcare needs in local areas. There is some concern about the absorptive capacity of community and voluntary organisations to draw on funding and establish new childcare facilities at a local level; it is to be hoped that they are given sufficient support to successfully fulfil this role.

The OECD's recent publication, *Economic Surveys Ireland*, reviewed the obstacles faced by women entering employment and raised a number of issues in relation to the National Childcare Investment Programme and Early Childcare Supplement within the new strategy. It welcomed the new investment and introduction of a target of an extra 50,000 childcare places by 2010, but noted potential difficulties in ensuring priority access to

community childcare by those most in need. It recommended that prioritisation mechanisms should be introduced for families with two working parents, and noted that the Early Childcare Supplement was not dependent on such a condition.

The Early Childcare Supplement appears to be controversial. Not being conditional on the purchase of childcare services appears to be a key weakness, and it could be argued that it has a regressive income effect. The same EUR 1,000 payment to households with children under six years old, regardless of their relative wealth, gives no advantage to those families most tightly constrained by the costs of childcare. While it is welcomed that the supplement makes childcare more affordable to all, the lack of control on its use for this purpose raises questions over its effectiveness in improving accessibility, and will make monitoring of its impact in this regard impossible. Indeed, the monitoring and evaluation of the strategy in general is a concern, and little attention seems to have been paid to setting targets for its impact on labour-force participation, or on monitoring how interventions are responding to parents' needs. Targets are focused purely on outputs. It is to be hoped that with the strategy now agreed and starting implementation, mechanisms can be introduced to examine and monitor the impact on meeting childcare needs from a labour-market perspective.

At present, there is concern that the base of qualified staff to provide the childcare services currently demanded is insufficient. Such difficulties will only be exacerbated if the strategy, alongside other national policies, has the desired impact of enticing parents to re-enter the labour force. The training programme currently being developed by the OMC, FAS, Vocational Education Committees, National Voluntary Childcare Organisation and the Centre for Early Childhood Care and Education must be agreed and implemented quickly. Without substantial focus and investment on good-quality childcare training, the effectiveness of other childcare interventions will be diminished.

4 Conclusions

Although the individual interventions discussed in this article are largely positive developments, the main asset and innovative feature of the National Childcare Strategy 2006 to 2010 is the coordination of these interventions to develop a holistic response to the childcare issues impeding labour-force participation in Ireland. For the first time, policy is focused on addressing all key demand and supply issues, including: identifying needs at a local level, significantly expanding infrastructure, enhancing the skills base, improving the affordability of childcare for all, stimulating the start-up and expansion of child-

care businesses, and facilitating the involvement of the community and voluntary sector in childcare provision. By taking this cohesive strategic approach, aided by developments in welfare policy in general, the policy should have the desired effect of increasing the supply and use of childcare facilities — and hence labour-force participation — and make a contribution to important EU employment guidelines.

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Italy: The regional students' register — aiming to combat early school leaving

1 Introduction and objectives

In Italy, early school-leaving (ESL) remains an important issue even though, as shown by the Eurostat indicator, early school-leavers decreased from 35% in 1994 to 22% in 2005, and compared with the EU-15 average the rate fell from 22% in 1996 to 17% in 2005. The phenomenon is complex and requires a number of interventions involving the education and training systems (to deal with school dropouts and access to education), the rules governing the labour market (apprenticeships in particular) and policies for young people in general.

In the last 10 years, Italy has altered its labour-market legislation (type of contracts, rules for hiring, employment agencies) and education and vocational training systems. However, the process of shifting competences from the central government to the regional governments has been slow, because of institutional conflicts between central and local governments. In particular, reform in the education and training system suffered from a lack of agreements, and the whole process was scarcely effective.

The legislation on labour market and education systems was recently altered twice at a national level, by two different governments. The two reforms, one approved in 1997 (Law No. 196) and the other in 2003 (Law No. 30; legislative decree No. 276), present some different features, but are almost the same in several respects. In particular, both reforms assigned to the Public Employment Services (PES) the responsibility for dealing with ESL.

The legislation on education and vocational training systems was modified in 1999 (Law No. 9 and Law No. 144, article 68) and in 2000 (decree No. 257), but these laws were subsequently abolished by the new Government and new laws were approved in 2003 (Law No. 53) and 2005 (Legislative Decree No. 76). The most important effects of these complicated processes are evident in primary and lower secondary schools, whereas there were no signifi-

cant initiatives for upper secondary schools and the vocational training system. The two reforms aimed to combat and reduce ESL and increase the employability of younger workers. The targets are to have, by 2010, at least 85% of 22 year olds having completed upper secondary education, and no more than 10% early school leavers.

Tackling ESL represents a crucial component of any strategy for integrating people facing particular difficulties into the labour market, given that early school-leavers are low-skilled workers, often with disabilities, or immigrants, or from minority ethnic backgrounds.

The innovative initiative described in this article is the Anagrafe Regionale degli Studenti (AROF) (Regional Students' Register) implemented by the Veneto Region. It is a database containing information about people aged 14 to 18 residing in Veneto. Data is provided on their educational and training pathways in state schools-private schools and training centres, and on their apprenticeship experiences. This database allows identification of early dropouts and communication of their names and addresses to the PES, which will organise appropriate channels for vocational training without waiting for these young people to ask for help. This approach is useful because those experiencing educational, training and apprenticeship problems often find it difficult to access guidance and support services.

Veneto is one of the first regions in Italy to have created a Regional Students' Register. This is not just because the regional government took a proactive approach — it is also because ESL, and the risk of an under-qualified workforce, is a very serious problem in the region. For example, in the school year 2003 to 2004, the rate of upper secondary school attendance in the 14 to 18 age group was 89% of the total population, against a national average of three percentage points higher. There were 1,624 early school leavers in the first two classes of upper secondary schools (2.5% of those registered) and 1,101 in the second two classes (2.4% of those registered) in the school year 2003 to 2004. Relatively few of these people are able to return to some form of vocational training.

In terms of the economic situation of the region, 2005 saw a modest increase in the gross domestic product (0.1%). This was in line with the national average, but lower than the average for the northeast regions of Italy (0.5%). Veneto remains one of the richest Italian regions, with relatively widespread wealth. However, exports have recorded a drop in the last few years, especially in the traditional 'made in Italy' sectors. The fall in competitiveness is widespread, and competitive repositioning and changes in the composition of output are required. The manufacturing sector in Veneto is characterised by small and medium-sized enterprises (SMEs), which are not always able to address the challenges of globalisation and production delocalisation. Veneto is also experiencing difficulties in recruiting specialised staff in specific production sectors. Schools and training agencies do not always provide adequate skills for a rapidly changing labour market. On the other hand, SMEs in Veneto often look for people with low education levels but specialised experience acquired from previous on-the-job training. This increases young people's difficulties in entering the job market. A further problem is that unemployed workers with little skills and education compete with immigrants from Eastern Europe, Asia and Africa, and this generates social tensions and problems of social exclusion.

2 Organisation, implementation and funding of the policy

To deal effectively with ESL, education, training and active labour-market policies need to be coordinated. In Italy, many factors make this coordination difficult, at national, regional and local levels. For instance, national legislation on local government is unclear and subject to further changes, as the devolution process is still ongoing. Nevertheless, regional governments have undertaken many interesting initiatives leading to positive forms of policy coordination. Law No 144/1999 gives to regional government the responsibility of creating regional registers for reducing ESL and improving coordination with the PES. Law No 53/2003 established that the National Register of Students has two purposes: to assess the extent of ESL, and to control the state resources for schools. The National Register of Students is managed by the Ministry of Education, and operates in addition to the regional registers; central government and regional governments need to agree on their respective tasks in order to avoid duplication and waste of resources.

In 2000, the Veneto region reached an agreement with the Regional Educational Office (the regional department of the Ministry of Education) and the provinces

to create a Regional Students' Register. Veneto Lavoro (Veneto Employment), the department of the Veneto region in charge of researching, monitoring and assessing regional labour policies, was responsible for organising and implementing the process leading to the creation of the register. The Regional Students' Register has the following characteristics:

- Data is compatible with those gathered by the PES.
- Original information is gathered directly from schools and training centres.
- The processed data (micro-data on individuals or general statistical data) is sent to all stakeholders (PES, provinces, Regional Education Office, schools and training centres).
- Schools (over 700) and training centres provide data and can make use of the database for their monitoring and assessment activities.
- The PES can contact young people not attending school or training to offer them guidance and assist them in the choice of educational and training options.
- Town councils will soon provide data on residents to complement and verify the school, training centre and apprenticeship data.

The Regional Students' Register has three extremely positive aspects:

- It fills an information gap and creates the possibility for the PES to tackle the problem of ESL in concrete terms.
- It constitutes an impressive organisational endeavour, entailing agreement among more than 1,800 institutions and bodies, not to mention the firms involved through apprenticeships.
- It allows for the creation of an apparatus that is actually able to monitor, assess and research the ESL phenomenon.

The creation and functioning of the Regional Students' Register constitute a collective learning process aimed at finding coordinated solutions to the problem of ESL. This requires completely new working methods. The staff involved had no previous experience of a large-scale cooperation, as internal regulations and procedures were previously designed within each organisation, while opportunities to work together across regional and local levels were few and difficult to manage. Moreover, the hierarchical structures must now acknowledge the leading role of the regional government, in contrast with the previous practices.

In addition to these institutional problems, two considerable difficulties have been successfully addressed: namely, the different structures of information systems, including the software used by the various institutions, and the limited information and communications technology (ICT) skills of the staff operating in state schools.

The Veneto region's task is to coordinate all the private and public stakeholders who have jointly created a unitary database, which was previously fragmented and hard to use. To appreciate the importance of this project, it should be borne in mind that:

- Schools (230 upper secondary and 369 lower secondary) are run by central government and have no obligations to communicate the data to the regional government.
- Private training centres, which have contractual relationships with the regional government or with the provinces, provide data for administrative purposes, or for monitoring public spending that are collected in a different database from the Regional Students' Register.
- Data on residents is collected by town councils (the Veneto region has 581 town councils) and by regional health service centres.
- The PES (46 in the region) are part of the provinces, while the regional government is responsible for general coordination. Links were not previously established between the PES and schools.

A significant aspect of the project is the interest shown by the Veneto region in using the data contained in the Regional Students' Register for various purposes, including study and research on the education, training and dropout problem. An obstacle to research lies in data protection regulations, and for this reason the Veneto region has started to collaborate with a number of specialised research centres.

Staff in charge of the Regional Students' Register, work in the Veneto Employment Department. The internal staffing consists of a full-time director and two part-time workers. Every year, contracts are signed for the advisory services of firms specialised in data management and software production. There is no provision for collaboration with entrepreneurs, trade unions and other non-governmental organisations.

The funding made available by the region comes under the Regional Operative Programme — European Social Fund (ESF) from 2000 to 2006, among the projects for assistance to structures and systems (C1 provision). The financial resources allocated by the region for 2006 to 2007 amount to EUR 70,000.

3 Performance and achievements

The first step in constructing the Regional Students' Register is to organise the dataflow coming from lower and upper secondary schools. This process entails a number of stages:

- From February to March, lower secondary schools send to the register data on students terminating lower secondary school and deciding to go to upper secondary school or leave the education system.
- From June to July, lower secondary schools provide the results of students' final exams and communicate the names of students who are not going to upper secondary school but remaining in lower secondary school.
- In September, upper secondary schools provide the register with names of students not effectively attending the first year of upper school.
- From October to June, upper secondary schools send the names of students dropping out.

After that, the Regional Students' Register compares the data and identifies those young people who are no longer attending upper secondary school. It checks whether they are engaged in vocational training, and identifies the names of those neither attending school nor enrolling in training schemes with the PES.

The efficiency of data collection is ensured by constant contact between the Regional Coordination Office and the people involved in data collection at school level.

The subsequent steps — assessing the dropout problems and finding appropriate solutions — fall under the responsibility of the PES, while the regional government monitors and supervises the work of the Public Employment Centres.

The best indicator of the project's success is the number of young people aged under 18 leaving the education and training system that the PES succeed in enrolling in education and training activities again. It should be recalled that the indicator in the European Commission's compendium is the rate of early school leaving, that is, the ratio between:

- people in the age group 18 to 24 satisfying the two following conditions: (i) their highest qualification (education or training) corresponds to ISCED (International Standard Classification of Education) levels 0 or 1 or 2; (ii) when interviewed, they state that they

have received no form of education or training in the four weeks preceding the survey

- the population in the same age group.

No general assessments are yet available, but some data exist on the progress made in developing the Regional Students' Register. At the end of the school year 2005 to 2006, data was available for over 80% of young people, and the connection with the ESF vocational training database had been completed.

The Veneto region is one of the few in Italy to have completed development of the Regional Students' Register. For a region where the ESL rate is high and the rate of secondary school qualification falls below the national average, this represents an important step forward in implementing policies for dealing with under-qualification, youth unemployment and social exclusion.

4 Conclusions

This policy, which certainly represents an important example of good labour-market practices, demonstrates that effective labour policies need the creation of local information systems involving design, organisation and focused resources. The process of creating a structure like the Regional Students' Register requires relevant changes in:

- attitudes to coordination and cooperation by staff belonging to different institutions and organisations
- the speed of adjustment in the organisational structure (who does what and why) of institutions accustomed to move slowly and mainly as a reaction to the requirements of national legislation
- the ICT systems used to manage the administrative data of individual institutions.

These elements explain, to a large extent, why not all Italian regions have shown the same degree of commitment to the creation of a Regional Students' Register.

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Latvia: Latvian state employment agency participation in EURES

1 Introduction and objectives

EURES is an EU agency which brings together the public employment services of Member States plus European Economic Area (EEA) members to support free movement of workers within Europe. With the signing of the Accession Treaty on 16 April 2003, Latvia took responsibility to fulfil the obligations of a Member State concerning free labour-force movement within EU borders. In addition to other issues, this regulation obliges participating countries to integrate local employment services into the EURES network to better promote social and labour mobility. To meet the requirements stipulated by the regulation, in 2003 the Latvian State Employment Agency (SEA) began a number of capacity improvement programmes, such as: collaboration with the Danish and Irish employment services, a Leonardo da Vinci programme, and upgrading SEA staff's language skills. Following EU accession on 1 May 2004, SEA became a partner in the EURES network.

The key labour-market issues facing Latvia are the continuing segmentation of the economy and a lack of intra-country labour-force mobility, combined with growing migration abroad. This results in excessive wage pressure in some regions (registered unemployment is 4.4% in Riga, where wages are the highest in the country), and raises the issue of labour-force shortages. Meanwhile, in other regions there is severe unemployment (registered unemployment is 28% in the poorest Latvian region of Latgale). EURES is a labour-market instrument which seeks to address some of these issues, and is an integral part of SEA planning and activities. According to the 2004 to 2007 Action Plan developed by SEA, the mission of the EURES managing team and coordinators from the Ministry of Welfare is to promote and ensure free labour-force mobility within the EU. The EURES objectives are to:

- provide information and advice to jobseekers about employment opportunities, work and social conditions in EU and EEA countries
- help employers to find suitable workers
- support cross-border jobseekers and employers with information and advice.

To fulfil these objectives in Latvia, EURES provides a variety of services. These include a free online database listing the CVs of jobseekers and linking them to vacancies offered by employers abroad (via the pan-European EURES network) and in Latvia (the EURES database is integrated with that of SEA); career advisory services and various educational events, such as employment seminars; reference guides and frequently-asked-questions (FAQ) handbooks for jobseekers going abroad; and participation in labour-market research projects conducted in Latvia.

EURES also works actively to establish international agreements to promote labour-force mobility via special programmes. However, the labour-force outflow from Latvia to Western Europe is regarded negatively by many people, and instead of being praised, EURES — together with SEA — is being blamed as a catalyst for the emigration process and its related negative consequences.

2 Organisation, implementation and funding of the policy/practice

In Latvia, the structure of EURES is built around the SEA branch offices throughout the country, which have EURES advisers dealing solely with EURES-related issues. Currently, one manager heads the organisation, assisted by a EURES coordinator. The next level of management includes five line managers, one for each of the four major regions of Latvia plus the city of Riga, and seven EURES consultants. Finally, there are 28 EURES assistants working in each of the districts of Latvia. Additionally, some EURES tasks are delegated to SEA employees. Notably, at district level there is close cooperation between SEA, EURES and local municipalities, all working together to implement local projects.

The financing for EURES initiatives in Latvia comes from two main sources: the SEA budget and European Social Fund (ESF) support. Table 1 shows the allocation of expenditure by purpose and the source of funding.

Year	EURES staff salaries (EUR)	Total spending (EUR)	ESF financing (EUR)
2004	51,000	186,000	150,000
2005	72,000	181,000	130,000
2006	82,000	177,000	130,000

Source: EURES Action Plan 2004 to 2007.

SEA and EURES have established a number of international agreements which effectively promote labour force mobility. Currently, cooperation agreements have been signed with Irish, German, Estonian and Austrian employment agencies.

In addition, specific projects yield additional employment opportunities. Examples include a popular project in Ireland which combines education and work. This project, developed in collaboration with the Irish employment service FAS, recruits Latvian registered unemployed people and provides them with education and work experience in the hotel and catering industry, and an international FETAC (Further Education Training and Awards Council) certificate. The latest round of the programme, which lasts for 13 to 16 weeks, took place between January and April 2006. Another project, undertaken in cooperation with Germany, is concerned with offering jobs in certain sectors such as nursery workers, agriculture, butchers and bakers.

From the date of enlargement, only Ireland, the UK and Sweden of the EU-15 allowed unrestricted worker mobility from the East European New Member States (NMS), while other senior Member States (fearing a massive inflow of cheap labour from the east) imposed restrictions. However, from 1 May 2006, Finland, Spain, Portugal and (partly) France and Belgium also opened their borders to workers from the NMS; this will clearly have a positive impact on the effectiveness of EURES.

Anticipating the removal of barriers, SEA in cooperation with EURES has set up a new undertaking to profile each of the participating EEA countries on the SEA website. On a monthly basis, SEA publishes a country overview for Latvian registered unemployed people. The overview includes employment opportunities (both seasonal and ongoing), internet sources and job-assistance services, immigration requirements and registration procedures, social security information, taxes and other information about working in each country. Currently, information about 16 European countries is available on the SEA website.

EURES holds regular consultative and informative events throughout Latvia. A particularly interesting event was a SEA and EURES-sponsored initiative in the city of Valka

(Valga) in the summer of 2005. Valka is located on the Latvian-Estonian border and contains both national communities. Under the Soviet Union, many Latvians were employed in textile enterprises in the Estonian part of the city, whereas Estonians worked in the machine-building sector on the Latvian side. After regaining independence, the city was divided into two halves, one Latvian and the other Estonian, and these ties were destroyed. EU accession allows the possibility of free movement of labour for residents of both parts of the city, but hitherto integration has remained undeveloped. However, following the SEA/EURES initiative, there is now an agreement to merge vacancy databases, marking a first step in reintegrating the local labour market.

3 Performance and achievements

To date, there has been no official evaluation of EURES-Latvia policies and performance, though an evaluation is planned for 2006. However, the work of EURES is directly related to Employment Guideline No. 20, which aims to improve the matching of labour-market needs. Indicator 20.1, concerning the transparency of job vacancies, is thus the most relevant indicator of performance. In the absence of an official evaluation, the following assessment of achievements is based on information obtained from EURES consultants and managers, as well as press releases concerning EURES activities published on the SEA web page. In addition, evidence from national newspapers is used, showing how employers perceive the work of EURES in Latvia.

According to the EURES Action Plan 2004 to 2007, the programme has eight priorities which in various ways aim to improve information on and awareness of opportunities, for both jobseekers and employers. Some priorities have been addressed and others remain on paper only.

Priority Two is explicitly aimed at indicator 20.1, i.e. by the end of 2005 all SEA job vacancies should be made available within the whole EU/EEA territory. This has been partially achieved. A national database of job vacancies and CVs has been created, which contains updated information on job vacancies in Latvia. Therefore it is not necessary for jobseekers to visit SEA's regional offices, since all information is available online. Unfortunately, the aim to have this service in English has not yet been implemented. However, all information concerning job vacancies within the EURES network is offered by all SEA regional offices. This also includes additional information that people need to know if they are considering working abroad. In 2004, only major SEA offices offered this service, but today all regional offices are able to show opportunities offered by EURES.

As a result, EURES consultants provided 4,531 consultations in 2004, and 6,033 in 2005, on job opportunities in the EU and EEA.

Much activity has been devoted to informing employers about EURES' capabilities (Priority Five, to increase collaboration with employers). In 2005, some 10 seminars took place in the major cities of Latvia, including Riga, Cesis, Valmiera, Rezekne and Liepaja. The aim of these seminars was to popularise EURES among employers. According to EURES managers, the seminars were very informative in the sense that very few employers were previously aware of the possibilities of attracting workers from the EU and EEA. Thus the seminars increased knowledge about the aims and possibilities of EURES among employers. Moreover, those employers attending the seminars have found EURES services beneficial, especially for identifying workers with skills that Latvia currently lacks.

Another aim is to increase collaboration with social partners and international organisations within the EURES network, and in this respect EURES-Latvia has been integrating with the EURES network and increasing cooperation with colleagues from foreign EURES agencies. The aim of this cooperation has been to become acquainted with the features of foreign labour markets as well as to present the Latvian labour market, its problems and needs. Many meetings took place in 2004 to 2005 with Estonian, Lithuanian, Irish and Danish colleagues. This enabled the creation of a faster, safer service for finding appropriate job vacancies for Latvians willing to work abroad. However, foreign cooperation is not only about increasing labour mobility, but also about providing training. An example is the collaboration previously mentioned with the Irish state employment agency FAS, in which Latvian jobseekers are able to attend courses on restaurant management in Ireland. At the end of the training, successful participants receive a diploma and have been offered job vacancies in the catering sector in Ireland.

Cooperation with the Danish EURES agency is exceptionally good. In September 2005, Liga Ruluka, EURES-Latvia manager, took part in a conference on employment opportunities in Denmark for seasonal jobs. There were many meetings with migrant workers to assess their job satisfaction and evaluate the job conditions in which they found themselves. This is very important, since more and more Latvians are choosing Denmark for seasonal jobs. There were 406 applicants in September 2005 and this number is growing.

While much has been achieved in increasing international cooperation, very limited results, if any, have been achieved in increasing cooperation with social partners. As is fairly typical, such cooperation does not go much beyond collecting information on job vacancies and involvement in cooperative programmes to popularise EURES services

among employers. The only cooperative work involving EURES-Latvia and other social partners is analysing and reporting information, twice a year, on living and working conditions in Latvia for foreign colleagues.

It is clear that EURES activities improve the match between employers and employees, especially for those willing to go abroad. However, many Latvian employers are not enthusiastic about the EURES service. In its article dated 11 November 2005, the national business newspaper '*Dienas Bizness*' accused EURES of stimulating labour migration out of Latvia, saying that 'these services are detrimental to the national economy'. This is a clear example of how EURES services are perceived in Latvia, suggesting that more work must be done to inform Latvian employers of the goals that EURES pursues. Latvian employers are more interested in attracting cheaper labour from Belarus and Ukraine than attracting that available in Western Europe. However, the current labour law requires the pay for workers from these countries to be a gross wage of LVL 212 per month (the official average wage rate in Latvia in 2005), which is considered to be too high by Latvian employers. The crux of the problem in the Latvian labour market is not EURES' activities to improve labour-market mobility, but rather the low levels of wages and productivity.

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Lithuania: Youth employment centres in Lithuania

1 Introduction and objectives

The first Lithuanian Youth Employment Centre (YEC), designed to integrate young people into the labour market, was established in Vilnius in September 1999 as a structural unit of the Vilnius Labour Exchange. The establishment of such centres arose because young people aged 16 to 25 accounted for about a quarter of all those applying to the Labour Exchange at that time; the unemployment rate for young people has been considerably higher compared with the average in Lithuania for a number of years. A survey of young unemployed people showed that lack of information was one of the reasons behind youth unemployment.

The establishment of YECs served several purposes of which the primary one was to increase youth employment. However, YECs were also established to raise other population groups' awareness of employment opportunities, the services offered by the Lithuanian Labour Exchange (LLE), and the labour-market situation; to increase vocational information for young people; and for greater awareness-raising among the unemployed population. All of these goals were closely linked to increasing overall employment, which was of great relevance at the time, as the unemployment rate in Lithuania was around 10% to 12%.

Unfortunately, YECs development failed to meet wide agreement at a policy-making level, because it required additional financial resources, training material based on a social methodology and software, as well as properly trained staff. The output of YEC activities and their impact on encouraging unemployed people into work were also unclear.

For the reasons noted above, establishing the new YECs began as late as 2002. In 2006, there were six YECs operating in Lithuania: in Vilnius, Kaunas, Šiauliai, Klaipėda, Panevėžys and Alytus.

The purpose of YECs is to assist the following groups:

- young people starting their vocational career
- schoolchildren and students looking for a job and planning their career
- teachers and lecturers in training and educational establishments, parents, and staff from youth and public organisations
- employers
- the labour-market and social partners interested in and able to contribute to the process of increasing youth employment.

The core objective of YEC activities is to increase young people's competitive opportunities in the labour market, by:

- creating conditions for young people to better understand the labour market
- assisting them more promptly with job search or selecting vocational training institutions
- providing information, counselling, vocational guidance, social-psychological support and other services.

YEC activities are based on open information, counselling, vocational awareness and guidance for young people, although no limitations are applied for other population groups. At YECs, considerable information and material can be used by visitors themselves, providing information on professions, vocational training establishments, labour-market legislation, publications on Lithuanian youth organisations, and information about opportunities to participate in youth employment and active labour-market policy programmes, as well as employment opportunities abroad.

YECs offer computerised job searches and organise and hold group activities such as youth employment clubs, vocational guidance studies and training on the principles of business organisation. The core objective of these activities is to increase motivation for youth employment and better educational attainment.

Alongside these activities, YECs are expected to interact with labour-market and social partners, implement pilot activities to promote youth employment initiatives, engage young skilled professionals in the 'Bank of Talents' programme, and develop new material relating to youth employment and labour-market integration.

Looking at YEC operations from the EU Employment Guidelines perspective, it can be seen that they are closely related to most of the guidelines (17–24) that address employment and labour-market development. YECs focus on placements for young unemployed people, and all YEC activities serve this purpose. While delivering information about general employment opportunities all over the country and abroad, YECs also facilitate the mobility of young people.

YEC activities also have a positive impact on activities under Guideline No. 18: attracting and retaining more people in employment. Young people and people from other population groups are offered employment counselling and career planning, and efforts are made to strengthen employment motivation, including employment mediation in some cases. As mentioned above, YEC activities strengthen youth flexibility in the labour market (Guidelines Nos. 21 and 22) and promote and improve investment in human capital (Guidelines Nos. 23 and 24).

It is worth noting that young people in Lithuania have not been previously encouraged to start planning their career while they are at school. As a result, 70% to 80% of school graduates⁴¹ choose vocational training institutions at random, or according to parental advice, and this impacts on their motivation for training and employment. YECs facilitate visits by school students, develop cooperation with teachers, and arrange visits to institutions. The absence of formal requirements to visit YECs (there is no obligatory check-up) makes them more attractive to young people and encourages them to start thinking about their career from a younger age.

It is also important to strengthen motivation to work among unemployed people. Key factors here are awareness of labour-market needs and adequate assessment of individuals' abilities.

2 Organisation, implementation and funding of the measure

YECs' activities are coordinated at a national level, but this is confined to their management and administration. YECs operating at regional (county) level can organise their own activities and develop relations with stakeholders. Collaboration with schools, municipalities, employers and employees' organisations and participation in piloting activities are not regulated centrally; they depend on the initiatives of local staff and the specifics of local labour markets.

Youth Methodological Councils (YMC) operate on a voluntary basis in YECs. They consist of representatives from vocational training institutions, employers, trade unions, municipalities and youth non-governmental organisations (NGOs). The core objective of YMCs is to steer YEC activities to the actual needs of the labour market. In collaboration with YECs, social partners take part in group studies, visit schools together with YEC staff, organise visits by young people to companies, and undertake social projects (such as assistance for disabled young people).

YECs and other Lithuanian Labour Exchange Agencies are funded by the Employment Fund, which is comprised of national social insurance funds. However, the Seimas (Parliament) is currently considering a new law on employment support, which would transfer funding of LLE Agencies (including YECs) to the national budget by 2010.

YEC activities in 2005 focused on improving the quality and availability of information and direct vocational counselling services for customers, strengthening collaboration with social partners, and events targeting youth groups. In that year, information and counselling services were provided to 186,000 customers of Youth Employment Centres.

In 2005, 17,600 customers benefited from YEC vocational information terminals. Some 86,000 visitors to the centres exercised the opportunity to make use of the internet job-search. Individual consultations on labour-market issues and career planning were provided to 40,900 customers.

⁽⁴¹⁾ Youth research carried out by the Institute of Labour and Social Research (ILSR) in 2001 to 2005. Various papers: see Bibliography.

Visitors to YECs also took part in labour fairs and meetings with employers. Field visits to schools, universities and colleges were organised regularly to discuss career-planning opportunities and introduce YEC activities, and to invite students and graduates to register with the database of the Lithuanian Labour Exchange's 'Bank of Talents'.

Some examples of YEC collaboration in 2005

In collaboration with the vocational training centre of Alytus, staff of Alytus YEC organised students' career days, with video lessons 'Going to see an employer', a conference 'Choose your future today' and craftsmanship contests to promote blue-collar professions.

In collaboration with youth NGOs, Kaunas YEC arranged a seminar on 'Effective communication', where students were taught how to prepare for an interview with employers, and the principles of report writing were discussed. Kaunas YEC also participated as a partner in the project 'Impact of NGOs on youth career planning' funded by Kaunas City Municipality and Kaunas Council for Youth Affairs.

In Klaipėda, young unemployed people went to the Labour Exchange for the opportunity to attend free English-language courses. Klaipėda YEC held such courses under a contract with the Lithuanian Christian Fund College.

Vilnius YEC organised a round-table discussion, 'NGO contribution to building the ability for youth employment'. This event was attended by representatives of the Agency of International Youth Cooperation, the Youth Psychological Assistance Centre, and the Youth Business Club.

With European Social Fund resources, YECs are project partners in the EQUAL Community Initiative — 'Improving youth employment in Lithuania' and 'A way out for you'.

3 Performance and achievements

To ensure the efficient functioning of YECs and to use the experience accumulated by different YECs as much as possible, the administration of the Lithuanian Labour Exchange is gathering information about YEC activity. The total numbers of visits and consultations are monitored, along with the number and variety of joint events, collaboration with social partners and engagement in joint events.

To assess that YEC activities reflect the population's/visitors' needs, a visitors survey was carried out in 2005.⁴² This showed that 80% of visitors favourably approached independent job-search services provided by YECs.

The Commission's indicator for 'Preventive services (for young unemployed)' (key indicator No. 19.3) is the closest to YEC activities, but application of this indicator is impeded by:

- a) non-obligatory check of YEC visitors
- b) indicator 19.3 being calculated for young unemployed people, while YECs focus on young people who are unemployed, employed or in education/training.

YEC activities may have some impact on key indicators 17.1 and 18.1, but it is impossible to assess the impact of these activities on the growth of youth employment rates and the reduction of youth unemployment.

Assessment of the effectiveness of YEC activities is also impeded by the non-obligatory check of visitors. Accordingly, it is impossible to assess the extent to which YEC services influence the employment of young people or their engagement in vocational training programmes or programmes implemented by the Labour Exchange. A calculation of the relative indicators would be helpful to improve the assessment of YEC achievements — for example, proportion of young unemployed visitors to YEC of the total number of young unemployed people; average number of visitors per YEC employee; average number of hours of group studies per YEC employee/visitor; average number of events/meetings per YEC employee. It should be noted, however, that most of these proposed indicators would not explicitly reflect the effectiveness of YEC activities in terms of their objectives; instead, they could be used for inter-comparison of YEC activities.

⁽⁴²⁾ Liugienė D, 'Jaunimui — tikslinės darbo biržos paslaugos' ('Target labour-exchange services for youth'), // *Darbo Biržos Naujienos*, No. 9, (94), 2005.

Services provided by YECs may be classified into the following groups.

4.1 For young people

- Accessible information — information about the labour market, job vacancies, opportunities for obtaining a profession and re-skilling, Labour Exchange services, training abroad, opportunities to take part in youth-oriented programmes.
- Direct counselling — individual counselling on various issues related to the labour market, skills acquisition and ways to maximise competitive capabilities in the labour market.
- Intermediation — available for specific target groups of young unemployed people (ex-offenders, disabled people).
- Building of the database under the 'Bank of Talents' programme — engaging highly skilled jobseekers, mature students and college/university graduates into the programme.
- Vocational information and guidance — information on vocational training establishments of all levels, admission and study methods, familiarisation with many professions needed in the labour market (descriptions, videos), and tests to identify individuals' vocational orientation.
- Customer information service — customer information by phone detailing the services available at YECs and Vilnius Labour Exchange, registration procedures, opportunities to participate in employment programmes, job vacancies and allowance/benefits procedures.

4.2 For employers

There are three services for employers: the announcement of job vacancies, screening of applicants, and organising interviews. In addition, YEC staff may be invited to companies to raise awareness about the work supported by the Employment Fund, funding procedures, re-skilling opportunities for employees, and information on state-funded incentives relating to youth employment.

4.3 For partners

Provision for partners includes diverse organisational services and collaboration with schools, social partners and youth organisations.

Though YEC activities are generally viewed positively, the following are some noteworthy issues:

- Information used by YECs referring to professions and the labour-market situation is not sufficiently or consistently updated.
- YEC services need to be less generic and more tailored to the individual. As YEC customers do not have to register, YEC services are not systematic or targeted.
- YEC activities are insufficiently integrated into the national system of vocational training and vocational information and counselling. There are no systematic contacts enabling information to be updated, and visits to schools, targeted research and collaboration with social partners are ad hoc and fragmentary in nature.

However, despite these issues, YEC activities are highly contributory and complementary to the activities of the Lithuanian Labour Exchange in general. They also conform to the spirit of the EU Employment Guidelines. Accordingly, the network of YECs should be developed in the future to include a mobile YEC that could reach more remote schools and settlements. Furthermore, the effectiveness of YEC activities should be assessed, and direct contacts with various employers using YECs should be facilitated.

4 Conclusions

In summary, it can be said that Youth Employment Centres in Lithuania are institutions for vocational information services, creating conditions for young people to integrate into the labour market from an earlier stage, and helping them to address their personal employment problems. YECs cooperate closely with youth governmental and non-governmental organisations, training and education institutions, employers, business organisations, local authorities and other institutions.

YECs do not have obligatory checks of visitors, so their services are available not only for young people registered with the Labour Exchange, but also for other groups, particularly schoolchildren and students. All YEC services are free of charge.

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Luxembourg: The concept of individual mentoring of jobseekers

The concept of individual mentoring of jobseekers is not new in Luxembourg. It seems, however, to have recovered some of its impetus since one of the main trade union federations relaunched it in April 2006, giving it the name 'job coaching'. This article looks at how this concept came into being, and the development and transformation it has undergone. We also examine the results it has achieved and the questions that may be raised by it.

1 Origins of the concept of mentoring

The development of the concept of individual mentoring for jobseekers has its origins in the 1990s.⁴³ As early as 1993, the Luxembourg Association of Engineers (ALI) was already implementing the formula freely. An opinion of the Tripartite Coordination Committee⁴⁴ of 3 May 1995 raised this type of initiative, in practical terms, to the status of employment 'measure'. This opinion stated that: 'The Government proposes to issue an appeal to personalities in public life, to service clubs, to anyone who by their qualifications, professional experience, vocation or interests are able to take on one or more unemployed people individually and personally, in order to take an active, personal interest in their insertion into the labour market. This approach presupposes

ongoing collaboration between the 'mentors' and the Employment Administration...'

When this opinion was promulgated, the measure was in no way specific to the employment of a particular category of people, even though young people were essentially the main target group. At the time, the Employment Administration (ADEM) had made contact with various service clubs in order to develop this concept, consisting essentially of personalised, individual supervision of jobseekers. The Rotary Club, the Lions and Luxembourg Senior Consultants (LSC) thus became involved.

From 1995 onwards, the procedure was organised as follows: ADEM produced a list of jobseekers eligible for mentoring sent to service clubs. Individual requests were also addressed directly to all these clubs by some jobseekers. Most often, candidates presented themselves for interview by these clubs. The aim of the measure was to inform candidates about jobs, help them to draw up presentable CVs, and prepare them for interviews and company tests. The aim was not directly to place candidates into jobs. It was, rather, a question of guidance, orientation and advice by which various organisations provided concrete help to candidates in their efforts to find work.

For the purposes of mentoring, many relationships were established through ADEM between jobseekers who agreed to accept this support and service clubs.⁴⁵

(43) F. Clément, *Problématique du chômage et politiques de l'emploi. Perspectives d'avenir pour le Grand-Duché de Luxembourg, Rapport d'ensemble* (Differdange: CEPS/INSTEAD, September 1997), pp. 150–51.

(44) The Tripartite Coordination Committee was created by a law of 24 December 1977 authorising the Government to take measures designed to stimulate economic growth and maintain full employment. Its organisation and operation are laid down in the grand-ducal Regulation of 26 January 1978. In cases where social partners are more directly concerned, this committee is empowered to deliberate on the stated themes with a view to implement the following measures: restriction of overtime working, extension of the partial unemployment insurance regime to companies faced with structural difficulties, and a reduction of production costs in the interests of safeguarding employment. The committee is also empowered to express an opinion on measures aimed at safeguarding employment. Its consultation mission involves, among other things, an examination of the overall economic and social situation and an analysis of the nature of unemployment.

(45) Ministry of Labour and Employment, *Rapport d'activité* 1996, Luxembourg, p. 145, March 1997.

However, the results achieved by this new method did not live up to the expectations, and no trace of the scheme is found after 1998. The figures given below⁴⁶ show the extremely limited character of the measure. Thus, over the five years 1993⁴⁷ to 1997, 157 individual cases were handled effectively by ALI and LSC service clubs — an average of 31.4 per year. We should, however, note that ADEM referred more than 157 people to service clubs, but not all those concerned responded favourably to the mentoring offered. Of the 157 cases, 128 were young people. They therefore represented 81.5% of all cases. The outcomes for these young people in terms of placement — even though, as noted above, this was not the ultimate goal of the scheme — were as follows:

Service clubs	Number of candidates	Proportion of placements achieved
ALI	84	80.9%
LSC	44	63.6%

Of the total of 128 young people, 2.3% were domiciled outside Luxembourg. In terms of Luxembourg residents, young people of Luxembourg nationality made up 71.8% of the numbers, as against 28.2% from other nationalities; 88.3% were men, and 11.7% were women. At this time, given the nature of the service clubs mentoring the young people, no clear problems with skills levels were found. The young people mentored with ALI were all engineers. Those mentored by LSC not only had higher levels of education or training, but 27.3% of them had university qualifications and 72.7% had undergone various types of training. The young people who were placed in work were found jobs in extremely varied fields.

However, for 22.9% of the young people for whom jobs were found, it was never possible to discover where they found work. This was due to a deficiency in the administration of the measure. ADEM actually lost touch with these young people, or the young people failed to inform the service clubs what had become of them.

2 A new life for the concept of mentoring

The concept of mentoring, even if the results previously achieved by it were relatively insignificant, has just been revived within the Luxembourg Confederation of Christian Trade Unions (LCGB)⁴⁸ under the name 'job coaching'. Before explaining the details of this initiative, it is important to describe the context in which it has been introduced. The leadership of the LCGB decided to implement this action in the wake of the wave of company restructurings that Luxembourg has seen since the beginning of 2006, which has led to the loss of around 1,000 jobs.

We now need to look at how the LCGB has structured this scheme.⁴⁹ To support jobseekers in their search for a position, the LCGB has intensified and systematised the placement activity that it has, in its own view, 'always carried out in a random manner'. By creating a network of 'coaches', made up of male and female mentors, and by setting up the necessary procedures and allotting the necessary resources, the LCGB is seeking concretely and systematically to play its part in reducing unemployment and guiding jobseekers into work. Contrary to the initiatives of the mid-1990s, job coaching does have placement as its goal.

The beneficiaries of the programme will be both Luxembourg residents and cross-border workers. Job coaching is directed at a potential audience of more than 15,000 people who are looking for work. The LCGB is offering its assistance to all potential workers — to its own members in the first instance, but also to non-members. The organisation is not promising jobs, but it aims to do all in its power to provide concrete help for jobseekers.

Jobseekers can get in touch with the LCGB on a special phone line. They are given an appointment for a skills audit to be carried out by the organisation's own staff. They then receive an appointment with a mentor, who takes up responsibility for finding them work, making contacts with employers, guiding them (where appropriate) towards training, and supporting them in all aspects of their jobseeking. The scheme has provision for personalised assistance with drafting CVs, writing letters to employers and preparing for job interviews. The

⁽⁴⁶⁾ F. Clément, op cit, pp. 151–160.

⁽⁴⁷⁾ This is the date from which figures were available in the ALI, which, as we may recall, did in fact engage in this type of initiative from 1993.

⁽⁴⁸⁾ Lëtzebuenger Chrëschtliche Gewerkschafts-bond.

⁽⁴⁹⁾ L. Duraisin, 'Coacher le retour à l'emploi', *Le Quotidien indépendant luxembourgeois*, 13 April 2006, p. 14 (www.lcgb.lu).

programme is also intended to provide moral support for jobseekers in a situation that is not of their own making.

For their part, potential employers may contact the LCGB and union secretaries known to them, to inform them that they have posts which could be occupied by jobseekers who have approached the organisation. A dynamic should then result that will help to find positions for these jobseekers.

The 50 (male and female) mentors are union secretaries, consultants, activists, outside specialists or personalities in public life. Mentors handle three jobseekers each.

The LCGB's programme has only been running for two months. It is therefore too early to draw any firm conclusions from it. However, even with job coaching being up and running for just a month or two, some points have already clearly emerged.⁵⁰ Over this time, almost 200 people have contacted the LCGB. These are not merely people affected by company restructuring, but also long-term jobseekers, who are highly motivated in their search for work. Over this period, it has been possible to find jobs for 20 people, that is 10% of all the jobseekers concerned. The officer in charge of job coaching at the LCGB takes the view that this result is 'a long way short of expectations'. He also points out that it seems to be necessary to double the number of mentors. The number of job offers is still insufficient, and the LCGB is calling on employers to declare their vacancies to it. Job offers so far have been mainly in the building, transport and industrial sectors.

Despite the short time within which the scheme has been running, it has nonetheless brought to light an important problem: that of the skills levels of jobseekers. It seems that a huge discrepancy is emerging between the qualifications demanded in employers' job offers and the low level of training possessed by those taking up job coaching. The job offers call for levels of qualification that are too high for the people currently involved in the scheme. Once again, the question of initial and continuing training arises.

The individual mentoring of jobseekers corresponds within the European Employment Strategy to Integrated Guideline No. 18: 'Ensure inclusive labour markets for jobseekers and disadvantaged people'.

3 A particular form of governance

The measure has been enacted by the LCGB trade union confederation within a much broader enabling framework provided by the 1999 Law which set in place the first National Employment Plan for Luxembourg.⁵⁰ This law put an end to ADEM's monopoly on placement, which had been granted to it by legislation in 1976. Article 14 of the 1976⁵² Law stipulated that: 'The right to carry out placement within the meaning of the present law falls exclusively to the Employment Administration'. In 1999, the wording was as follows: 'Placement, within the meaning of the present law, falls within the domain of the Employment Administration, without prejudice to the unrestricted performance of trans-border services within the European Economic Space...'. When answering a parliamentary question on the subject in May, the Minister of Labour made it clear that, 'ADEM continues to play a crucial role where placement is concerned'. The LCGB's job-coaching initiative is, according to the Minister, one of 'the innovative concepts that are indispensable in the battle against unemployment'.⁵³

A further context for the initiative is to be found in the general policy declaration on the Government's priorities presented to the Chamber of Deputies by the Prime Minister on 12 October 2005. It was pointed out that so-called employment initiatives were often criticised in that the way they operated was to be thoroughly reviewed, but that they would continue to exist. In principle, they offer work to people who do not — or do not yet — have the slightest chance of finding a job in the ordinary labour market. The declaration stated that, 'The abolition of employment initiatives would create numbers of unemployed who would not have the slightest chance of finding work, causing a great deal of difficulty to the families of the young people who have benefited from these employment initiatives'.⁵⁴

⁽⁵⁰⁾ 'Guider le demandeur d'emploi', *Le Quotidien indépendant luxembourgeois*, 2 June 2006, p. 3.

⁽⁵¹⁾ Law of 12 February 1999 on the Establishment of a National Action Plan for Employment 1998, A, 13, 23 February 1999.

⁽⁵²⁾ Law of 21 February 1976 on the Organisation and Operation of the Employment Administration, creating a National Employment Commission, A, 7, 26 February 1976.

⁽⁵³⁾ 'L'ADEM n'a plus de monopole', *Le Quotidien indépendant luxembourgeois*, 27 May 2006.

⁽⁵⁴⁾ General Policy Declaration of the Government of Luxembourg 2005 (www.gouvernement.lu).

The job-coaching initiative thus has its place within that aspect of governance — highly developed in Luxembourg — whereby trade union and employers' organisations have a wide freedom of action to promote employment. This state of affairs goes a long way towards satisfying European recommendations that social partners should be integrated into employment policies.

4 Conclusions

It is difficult to draw conclusions from the above discussion. The mentoring initiatives began in 1995 and dropped three years later. It had a very slight impact in terms of the number of people able to find jobs as a result of them. The new initiative of 2006 is too recent for any reliable evaluation to be made.

However, a number of points can be noted. The aim of the measures has changed between 1995 and 2006. Whereas in 1995 mere assistance to jobseekers was involved, job coaching has since clearly shifted its aim to embrace finding jobs for these people. The two initiatives are also in no way comparable in terms of the training levels of those applying for mentoring. In addition, the context seems very different: the number of people approaching the LCGB in one month seems more indicative of an acute employment crisis than 10 years earlier. One thing remains unclear: it is impossible to discover, for both 1995 and the current period, how the procedure is implemented in concrete terms. It is difficult to see how the mentors act. For example, do their actions make use of the influence of people in key posts? In short, there is still a substantial degree of confusion surrounding the concrete measures taken. Unfortunately, we have not been able to investigate this further.

However, this job-coaching initiative has again cast very clear light on the range of issues encountered in Luxembourg with respect to Integrated Guideline No. 22: 'Expand and improve investment in human capital', and Guideline No. 23: 'Adapt education and training systems in response to new competence requirements'.⁵⁵ So questions of training raise their head once more, and we come back to the recommendation made to Luxembourg by the European Commission in 2004: 'invest more and more effectively in human capital and lifelong education and training'.⁵⁶

The country has, admittedly, developed initiatives in this direction. First of all, the activities of the Careers Guidance Department of ADEM provides a service largely for young people faced with making decisions on training connected with their academic capacities and personal interests. Careers guidance efforts are not, however, directed solely to young people, but also to their parents and all those who are or have been active in the labour market and want to choose a career path or change their career. The Careers Guidance Department's mission is to assist them in this difficult task. That assistance finds concrete form mainly in local visits to *Beruffsinformationzentrum* (Careers Information Centres), during which those concerned are informed of the many and varied trades and occupations that exist within companies as well as of the training on offer. Moreover, it is worth mentioning the educational guidance carried out in schools. Alongside teachers, psychology and educational guidance services are active in this respect both in schools and in general and technical lycées.

Secondly, careers guidance and information services are also provided by non-public sector bodies: chambers of trade and employers' and employees' professional organisations. These services support and complement the efforts made at other levels.

In short, however, initiatives in this direction need to be improved and coordinated so as to make possible greater future success for mentoring initiatives. The problem of training remains a current issue in Luxembourg.

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Malta: Increasing female participation through childcare services in the workplace

1 Introduction and objectives

Malta is aiming for a higher female participation rate in the labour force. At present, the activity rate stands at 37% (National Statistics Office (NSO), 2006). According to the National Reform Programme (Government of Malta, 2005), female employment needs to increase to 41% by the year 2010. The lack of women's participation in the Maltese labour market is quite striking. A study conducted by NSO in January 2006 revealed that family and care responsibilities are the main reason for the inactivity of women aged between 45 and 64. Moreover, an estimated 12% of the employed population with child-caring responsibilities said that they had to make use of their vacation leave, or have specific working arrangements when children were on school holidays or when the childcare service they used was not available (NSO, News Release 24/2006).

The Maltese society is changing, and whereas traditionally the extended family looked after the children, this is becoming less practical. Consequently, the Government, together with other stakeholders, is implementing various initiatives, such as improving childcare centres and revising the taxation process to make work pay, to ensure that women have all the support and facilities necessary to cope with both their family responsibilities and work.

The Employment and Training Corporation (ETC) is currently coordinating a project funded by the European Social Fund (ESF) to increase female participation through childcare services in the workplace. The budget allocated for this project is EUR 910,392. The project aims to provide good-quality, accessible, affordable childcare service facilities in the workplace to enable more mothers to remain in the labour market. It thus aims to increase the female employment rate and the taking-up of training and lifelong learning.

Child Daycare centres are a relatively recent phenomenon in the Maltese society, with early ones being set up

in the late 1990s. Child Daycare facilities have recently started to be considered separately from kindergartens. However, they are still not obliged to obtain a licence in order to operate. Several stakeholders are working together to improve the quality standards of childcare centres. This effort is being undertaken to reduce the female inactivity rate and excessive family stress.

Since 2002, existing providers of childcare centres have been encouraged to establish contact with the Technical Committee on Children's Daycare. The aim of the committee is to develop and implement a National Child Daycare Policy and draw up regulations and standards for Child Daycare Centres. The childcare standards have recently been approved and will be publicly launched in the near future.

This ESF project is divided into two parts. In order to achieve the desired targets, it is of the utmost importance to have good-quality pre-school education and care. Thus, Part One involves training child carers to look after children under three years of age. Trainees have to undertake 300 hours of theory, where they are given tuition on child development and childcare and its methodology. Child carers also have 500 hours of hands-on practice in a functioning private childcare centre or kindergarten setting, under supervision. This course is conducted by appropriately trained professionals. Two of the trainers, who have a Masters in Psychology and Child Development, cover the theoretical aspects of the course. Child carers are being trained to support children's social development, including autonomy, attentiveness, cooperation and interaction with other children. Another two trainers, who are qualified nurses, cover skills related to the physical aspect of childcare. There are 150 child carers being trained in this diploma-level course, which should be completed by December 2006.

Part Two of the project offers a package of incentives to small and medium-sized enterprises to encourage them to start up and run childcare services at their workplace. Incentives include:

- a start-up grant to adapt premises for toddlers and children

- a start-up grant to buy toys and equipment
- half the salaries of trained child carers for the project's lifetime (up to three carers per organisation).

Regarding their premises, employers need to satisfy certain structural criteria. Planning permission also needs to be obtained from the Malta Environment and Planning Authority (MEPA) to operate a Child Daycare Centre. MEPA has recently issued a new set of planning guidelines for childcare centres for children under the age of three. These guidelines aim to ensure that child daycare facilities are appropriately located, have the necessary services, and do not impact negatively on the neighbourhood. Appropriate daycare centres will assist mothers who want to enter or remain in the labour market. These guidelines, which have been drawn up in close collaboration with the Ministry for the Family and Social Solidarity, have been published for public consultation and are awaiting ministerial approval.

In terms of the financial aspects, half the salaries of the carers will be given to employers for the duration of the ESF project, which is planned to end by December 2006. Under the apprenticeship scheme, child carers are being paid by ETC for the duration of the project. When the project is completed, the Government will need to assist employers financially to continue the work carried out through this initiative.

Employers also have to respect certain criteria for the ratios of child carers to children. There should be a maximum of 15 three and four-year-olds for one qualified adult, plus one assistant; a maximum of two or three babies (under 12 months) with one trained/qualified adult; four children aged 12 to 24 months with one trained adult; and a maximum of eight children aged 24 to 36 months with one trained adult.

Although numerous bureaucratic procedures are involved in setting up a childcare centre, employers will experience various benefits from having on-site childcare premises. They should see a reduction in special leave, maternity leave and absenteeism, since there will be no need for other childcare arrangements. Consequently, fewer employees should resign because of caring responsibilities. With the introduction of such a scheme, employees should be better able to balance their home and work responsibilities, resulting in a happier and more productive workforce. Employees will be able to concentrate more on their work because they know that their children are being properly cared for. Consequently, employers will improve their company image in the eyes of potential recruits and hence be better able to recruit and retain first-class staff. In a nutshell, the four key aspects that an employer can enjoy in return are increased staff motivation, loyalty, productivity and the opportunity to be an employer of choice.

2 Organisation, implementation and funding of the policy/practice

The Employment and Training Corporation is the coordinator of this ESF-funded project, which is being carried out on a national basis. Although ETC advertised the project in the media, none of the social partners were involved directly in it. ETC carried out a presentation for one of the Maltese trade unions (Union Haddiema Maghqudin) to raise awareness about childcare centres and services. Employers such as the Federation of Industry and the Malta Employers Association are not involved in running the project. However, they have had the opportunity to advertise it among their members.

The total grant for this project is close to EUR 1 million, with 75% of this amount provided by the EU and the other 25% financed by the Government of Malta. Initially, the ESF grant was intended to be used to assist 60 employers in setting up a childcare centre at or close to their workplace, to be used by their employees. However, the number of employers went down to 10 since several could not offer facilities for childcare centres that would meet the standards required. Of the 10 employers accepted to be part of the project, two have already received the funds and now run high-quality childcare services at their workplaces.

Many employers were not accepted on the project as their premises did not have the physical space available for children to move about freely, and sometimes the proposed location of the play area was inadequate. For example, setting up a play area in a basement implies that children would be in artificial light for the duration of their stay. Since the ESF grants were not sufficient to set up a childcare centre from scratch, many employers abandoned the project. Unfortunately, ETC did not apply for European Regional Development Funds, which could have formed a vital complement to the ESF funds. On a positive note, the unused part of the ESF grant was redirected to make a television programme on childcare to raise awareness and disseminate the importance of such centres in Malta.

The childcare project has used ESF funds as follows:

- provision of childcare expertise to companies wishing to provide such services; ETC provides free advice on preparing premises for childcare use, play material, childcare programmes and health and safety issues
- a start-up grant of EUR 900 to each organisation to adapt their premises to a desirable standard and/or

make them safe and stimulating for toddlers and children

- a start-up grant of EUR 1,500 to each organisation to buy equipment and furnish the centre adequately; the grant can also be used to buy toys and other necessary material for a childcare centre
- half the salaries of trained child carers; the ESF project pays half the cost of a child carer, to be matched by the organisation (proposed salary of EUR 10,000 per annum plus statutory benefits)
- fees chargeable to parents are not to exceed EUR 100 per month for each child in full-time care. This sum has been set for two reasons — it constitutes 20% of the minimum wage and 10% of the median wage, and is thus considered to be a fair fee. Fees are to be charged according to usage, as soon as the childcare centre is up and running and the service is being used by the parent. At present, childcare centres function on the basis of parents' fees within a system that is totally unregulated. Fees vary from 35c an hour to Lm 130 a term. Since there is currently no financial assistance from the Government, low-income parents find it difficult, if not impossible, to make use of such services.

3 Performance and achievements

The project has not yet been formally evaluated as it is still in its developmental phase. It is hoped that ETC will assess the project in 2007 and propose the best way forward.

To assess the quality of the project, ETC should consider ideas stemming from the National Policy on Early Childhood Education and Care, which puts forward various recommendations that could be used in childcare centres. Ongoing evaluation and monitoring of childcare centres is of the utmost importance to continually improve the service. A clear structure and well-defined objectives are also needed in order to work together towards the same goal. As the policy on early childhood education and care highlights, it is important to involve parents and share with them the philosophy, beliefs and practices of the centre in order to maximise its benefits.

The current project is somewhat small to have a significant impact on the working population figures. However, any statistical effects might be followed through the following indicators from the Commission's compendium:

- promotion of a lifecycle approach to work (17.1, employment rate)

- provision of childcare facilities (18.10, child care (1))
- provision of childcare facilities, for children and other dependants (18.9)
- better reconciliation of work and private life (18.8, employment impact of parenthood)
- increase in female participation (17.7, activity rate)
- reduction of inactivity (17.7, activity rate)
- reduction of the gender gap in employment (18.2, employment gender gap).

4 Conclusion

The Childcare Services in the Workplace project is very interesting since it promotes a childcare system that is not yet popular in Malta. It is hoped that the success of the project motivates other employers to increase the availability of childcare services. Small employers sited close to each other should be encouraged to combine their efforts and set up shared facilities. Child daycare facilities need to become an important pillar of care services, supporting Maltese families and ensuring the welfare of their children. The widespread use of such family-friendly measures should yield tangible benefits by, among other things, increasing the female employment rate and helping to achieve the national employment targets.

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The Netherlands: Dutch 'Life Course Arrangement' — silver bullet or blank cartridge?

1 Introduction and objectives

From 1 January 2006, Dutch employees are entitled to make use of the 'Life Course Arrangement'. This has been launched by the Dutch Government to offer employees more options for varying the time they spend on work, care, education, reflection and leisure. Employees can take part in the Life Course Savings Scheme, which allows them to save some of their annual earnings to finance a leave period later in life. However, for the time being, not many workers have decided to make use of this scheme. Is the life-course arrangement a silver bullet for a better work-life balance, or rather a blank cartridge?

The lifestyle of the Dutch population has changed in recent decades. In the previous century, the standard pattern for men was education, work and retirement while women's primary task was care. That is no longer the rule. People's needs have become more diverse when it comes to combining work with other activities, including care. In particular, people between the ages of 30 and 50 — the so-called 'rush hour' of life — have difficulty with combining work and care. Over the past few years, the Dutch Government has tried to find ways to make it easier for people to combine work and care. The aim is to meet the needs and wishes of a growing number of working people who want to combine their job with care responsibilities, but also to encourage more women to participate in employment and more men to participate in care.

Since December 2001, the Work and Care Act has offered the scope to adapt work patterns temporarily in order to undertake care activities. The Law provides for a range of leave rights: maternity and partner's birth leave, adoption leave, postnatal leave, parental leave, short-term care leave and emergency leave (see also Table 1). Furthermore, the intention is to extend this Law to include a right to take longer-term leave to care for a terminally ill family member. The Work and Care Act provides for financial arrangements for certain leave entitlements. Employees are entitled to a percentage of their salary

during leave (for birth leave, emergency leave and short-term care leave), or an allowance (in the case of maternity and adoption leave). Statutory parental leave is unpaid, but many public-sector workers (in education, health, care and all levels of government) receive some form of payment, based on a clause in their collective employment contracts.

In addition, the Life Course Arrangement was introduced at the start of 2006, to enable employees to save part of their annual earnings to finance a period of leave later in life. This arrangement is the outcome of a social and political debate on questions concerning the Government's gender policy objective, employees' increased responsibility for planning and financing periods of leave, and employers' responsibility to create a working environment that offers a better work-life balance. Should the Government offer leave arrangements to all the workers, for all possible reasons, with financial support? This would increase workers' freedom of choice, which is an increasingly important policy issue. At the same time, the Government wanted to emphasise workers' responsibility to finance their own periods of leave. According to the Government, more freedom of choice and more individual responsibility suit a society with increasingly better-educated citizens and growing individualism.

2 Organisation, implementation and funding of the policy

Originally, the Life Course Arrangement was primarily meant to finance leave during the 'rush-hour' of life (parents combining work with caring for young children or elderly parents), but has ended up as a multi-focus savings arrangement. The issue of combining work and family care was approached from the broader perspective of the work-life balance. The argument used was that a small but considerable and growing part of the working population does not have children and is not entitled to leave arrangements for working parents.

Table 1: An overview of arrangements for the work-life balance in the Netherlands

Leave arrangements	Provisions
Maternity leave	16 weeks of paid maternity leave, starting six weeks before the expected birth date until 10 weeks after. The benefit is paid by the General Unemployment Fund.
Short-term care leave	A (conditional) entitlement, up to a maximum of 10 days per year, to care for a sick child living at home, a sick partner or a parent. This is partially paid.
Emergency leave	An entitlement to paid short-term leave when an employee cannot work because of very exceptional personal circumstances. When taken in conjunction with short-term care leave, emergency leave terminates after one day.
Leave saving/Life Course Arrangement	Tax facilities enabling workers to reserve salary and days off in order to take up leave.
Holiday legislation	Extension of the opportunities to save holidays in order to take up paid leave later.
Adoption leave	An entitlement to four paid weeks (collective) for both parents adopting a child, or for both foster parents, when it is clear from the start that the child will be joining the family permanently.
Birth leave	An entitlement to two days' paid leave for the partner (male or female) of a woman who has given birth.
Parental leave	Unpaid leave, on a part-time basis, for a continuous period of up to six months to care for a child under the age of eight. If the employer agrees, it is possible to take the parental leave in separate stages (maximum three).
Additional parental leave for multiple births	An entitlement to take parental leave for each child in the event of a multiple birth.
Childcare	A new Basic Childcare Provision Act will improve the regulations concerning the financing, parental contributions and quality of childcare. The number of childcare places has been doubled in the past four years, and there has been a substantial increase in collective bargaining agreements on childcare.

Source: Ministry of Social Affairs and Employment.

They might, however, feel the need for long-term leave, for example for a sabbatical, further education or a trip around the world. Negotiations with the social partners led to further amendments to the arrangement, so that workers can also use it to leave the labour market before the official retirement age of 65. In this way, the Government was able to compensate previous fiscal measures taken to discourage workers from retiring before the age of 65.

The Life Course Savings Scheme offers workers a tax incentive if they save or take out insurance to financially cover longer periods of unpaid leave. It can be seen as a private 'piggy bank', whereby employees save part of their wages in order to finance a period of leave in the future. This period of leave might be to ease combining work with caring tasks, as in the case of parents with small children, but also for a sabbatical leave or to finance early retirement at the age of 62. However, the savings can only be used for unpaid leave. The advantage of this arrangement, as opposed to putting savings in a standard bank account, is that people are entitled to a tax reduction when they withdraw money from the

savings scheme. The arrangement itself does not include a statutory right to leave, as that is something that needs to be negotiated with the employer.

Employees may save up to 12%⁵⁷ of the wages they earn per calendar year, up to a maximum of 210% of annual income. Income includes wages paid in money, plus the value of wages not paid in money and taxable tips and payments from funds. Yields realised on the balance of the savings could mean that the balance continues to grow beyond the 210% level. Any rights that employees may have to savings in a Life Course Savings Scheme or in a leave savings scheme accrued with previous employers should be included when determining whether the maximum of 210% has been reached.

Employees can decide which designated bank, insurance company or investment company they wish to use for their Life Course Savings Scheme account. The sum the employer withholds is not tax-deductible in terms of employee insurance, but is tax-deductible for income tax and national insurance contributions and healthcare premiums. Thus the employer's contribution to a Life

⁽⁵⁷⁾ Employees above the age of 51 are allowed to save more than 12% per year, until the maximum of 210% of annual income has been reached.

Course Savings Scheme is deemed to be wages in terms of employee insurance, but is tax-free for the purposes of income tax, national insurance contributions and health-care premiums.

How attractive the Life Course Arrangement can be depends on the employees' individual situation. Websites like www.cnvoerlevensloop.nl, www.berekenhet.nl and www.independen.nl offer calculators to help employees in making a decision. As assumptions used by each calculator differ, outcomes will differ accordingly. The Christelijk Nationaal Vakverbond's (National Federation of Christian Trade Unions) calculations seem to be the most positive about the Life Course Arrangement, while the budget institute NIBUD's (Nationaal Instituut voor Budgetvoorlichting) calculator has the most pessimistic view. In general, the arrangement works out best for older employees who would like to use the money they have saved to leave the labour market at the age of 62. The arrangement is also interesting when savings are used to finance parental leave for parents with children below the age of eight. In this case, the Government offers extra tax reductions.

3 Performance and achievement

The Dutch Government claims that the Life Course Arrangement is a big step forward in improving the work-life balance. However, criticism is growing. First, the financial benefits offered are small. When saving for leave for shorter periods in particular (for example, three months' leave), there are virtually no financial benefits. The Spaarloonregeling (Employee Savings Scheme), which is still in existence alongside the Life Course Savings Scheme, is an important financial competitor, especially as employees are only permitted to save within one of the two schemes each year.

Secondly, the arrangement does not encourage older workers to remain in the labour market. On the contrary, the 'piggy bank' offers older workers a new opportunity to leave the labour market before official retirement age. Again, as part of what are called 'concession policies', older workers are not encouraged to remain in employment as long as possible.

The third and most important objection to the Life Course Arrangement is that the Dutch Government does not seem to be aware of the arrangement's impact on life-style management, but merely proffers a solution to problems that employees face in combining work, care, education, reflection and leisure. However, the arrangement itself does not include a statutory right to leave, as this needs to be negotiated with the employer and

requires an 'accommodating' working culture. Another issue is that the Life Course Arrangement will replace earlier and better arrangements negotiated with social partners, as employers will not be inclined to include any further work-life arrangements in collective agreements.

An ex-ante gender impact analysis, carried out by SCP Statistics Netherlands, shows that the following effects may be expected:

- the Life Course Savings Scheme is unlikely to increase women's working hours. At most, they will use any credits built up in the scheme to fund part-time leave and thus postpone the structural transition to part-time working.
- as the effect on women's labour-market participation will be small, the effect on their economic independence will also be slight.
- men's participation in caring activities will not be permanently increased by the Life Course Savings Scheme. However, the temporary parental leave allowance is likely to boost men's take-up of parental leave. This is because the present unpaid nature of this leave scheme is the main obstacle to its take-up.
- in view of the above, it is unlikely that the Life Course Savings Scheme will result in a lasting, more equal distribution of paid and unpaid work between men and women in households.

So far, not many workers have decided to make use of the Life Course Arrangement (5%, according to RTL TV news). A recent survey among workers (mostly women) aged between 25 and 35 revealed that if they were to participate in the arrangement, two-thirds of them would use the money saved to finance a long trip or holiday; however, they thought it would take too long to save enough money to take such leave. In addition, the arrangement is thought to be very complicated, and its introduction along with the introduction of a new medical insurance scheme is another complicating factor. The unpredictability of what will happen with the arrangement in future is another important reason for not participating. Will the arrangement be continued or undergo changes under a different Government? Will participants receive a return on their investment enabling them to take leave as planned? One thing at least is certain, and that is that the Life Course Arrangement concerns personal savings. Although the conditions to make use of these savings may change, the money will remain a personal possession.

4 Conclusion

Users of the Life Course Arrangement will primarily be employees with higher incomes, men, older workers and couples without children. Use of the scheme to fund care leave (to look after children or provide informal care) is likely to be modest. The financial benefits are generally small, and it is likely to be mainly women in higher income groups who will use the scheme for this purpose. Moreover, the absence of a statutory right to take up leave and the necessity of negotiating with their employer may discourage workers from using the scheme. The parental leave allowance could, however, boost use of the scheme and increase the take-up of parental leave by men in particular.

The take-up of the scheme for funding pre-pension arrangements is likely to be significantly higher. The wish among employees to stop work before the age of 65 is strong, and the relatively long leave period involved (from one and a half years to two years and one month) means that saving via the Life Course Savings Scheme offers a greater financial benefit. Here again, it will be largely the higher income groups who will be able to benefit from the measure, and men and women who have not used the scheme to fund care leave will have an advantage.

All in all, the Life Course Arrangement seems more important for the possibilities it offers for funding pre-pension arrangements (particularly for higher income groups) rather than for combining work and care. The arrangement does virtually nothing to meet the Government's gender objectives. Nor does it contribute substantially to the Government's goal of increasing labour-market participation in the Netherlands.

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Poland: Decreasing unemployment in rural areas

1 Introduction and objectives

In 2005, rural areas in Poland were inhabited by 37.4% of the population aged 15 and over.⁵⁸ Rural inhabitants comprised 38.6% of employed people and 35.7% of unemployed people. Analysis of change in the economically active population between 1992 and 2005 leads to the following conclusions (Table A1):

- The decrease in the proportion of employed people in rural areas was greater than in cities (by 9.6% and 1.7% respectively).
- The proportion of the employed rural population in the total number of employed people decreased from 40.6% to 38.6%.
- The increase in unemployed people in rural areas was greater than in cities (by 45.9% and 10.3% respectively).
- The proportion of the unemployed rural population in the total number of unemployed people increased from 29.6% to 35.7%.

In 2005, the employment rate was higher in rural areas than in cities (47.4% and 45% respectively), and the unemployment rate was lower (15.7% and 17.4% respectively). It is suggested that the distribution of both these indicators is explained partly by the methodology used in research into the economic activity of the population. Employed people are defined as those who carry out labour for at least one hour per week which results in

profit or income. The organisation and scope of work in rural areas (especially in agriculture) creates a somewhat artificial increase in the number of employed people, and a decrease in the number of unemployed people. For the period 1992 to 2005, observations can be made in terms of the above-mentioned rates (see Figures A1 and A2):

- a substantial decrease in the employment rate in rural areas, by 11.4% (in cities by 5.1%)
- an increase in the unemployment rate in rural areas by 5.4% (in cities by 1.6%).

1.1 The rural population

Two communities can be distinguished among the rural population, which clearly differ in terms of their labour-market situation:

- people connected with farms
- people unconnected with farms.

1.1.1 People connected with farms

A relatively high employment rate is observed in the population of people connected with farms (59.4% in 2005), and a relatively low unemployment rate (8.5%)⁵⁹, which suggests quite a favourable position in the labour market. The main reason for this situation is the phenomenon of the unity of the family and the farm, which results in the interlacing of professional work and domestic work. Working time is not standardised, and

⁽⁵⁸⁾ In Poland, a rural area (according to terminology used by the Central Statistical Office) is a territory outside the city's administrative borders. According to this criterion, rural areas in Poland occupy 291,400 km² (93% of the country's territory). Ministry of Agriculture and Rural Development, Sector Operational Programme *Restrukturyzacja i Modernizacja Sektora Żywnościowego oraz Rozwój Obszarów Wiejskich 2004–2006* (*The restructuring and modernisation of the food sector and the development of rural areas 2004 to 2006*), National Development Plan for 2004 to 2006, Warsaw, 2004.

⁽⁵⁹⁾ *Labour Force Survey in Poland*, fourth quarter 2005, Central Statistical Office, Warsaw 2006.

almost all family members living in a household who are able to work perform duties. Formally, thanks to such organisation of labour, being involved in a family farm was relatively secure from the point of view of evident unemployment. However, a significant problem of Polish rural areas is concealed unemployment on individual farms. The degree of such unemployment has been estimated variously as:

- in 1996, from about 900,000 to around 1,100,000 people⁶⁰
- in 2002, around 417,000 people, amounting to 21.4% of employed people on individual farms.⁶¹

1.1.2 People unconnected with farms

The second group of people in the rural population is that unconnected with farms (landless). It comprises, among many others, former employees of state-owned farms (Państwowe Gospodarstwa Rolne (PGR)). The labour-market situation of this group, reflected by the employment rate (36.2% in 2005) and unemployment rate (24.8%) is seen as extremely poor. The rural landless population is considered to have suffered the most from the negative effects of the transformation of the economic system, the reason being that this population was dismissed from jobs in urban areas and therefore missed the chance of employment in the liquidated state-owned and cooperatively-owned enterprises. The result of this unfavourable economic phenomenon was that this group has been marginalised and excluded socially.

For both rural population groups, the high unemployment rate in the cities prevented them from taking up employment there.

1.2 Characteristics of rural unemployment

Two unemployment types characteristic of the Polish rural labour market determine the economic situation of the population:

- hidden — among people connected with farms
- evident — among the landless population.

Both kinds of unemployment need counteracting within the framework of labour-market policy. Such policy must take into account the factors that determine the high unemployment rate in rural areas. On the supply side of the labour market there are:

- relatively low levels of education⁶²
- poor educational, professional and spatial mobility of the rural population.

Demand-side factors determining the high unemployment level in rural areas are⁶³:

- employment reduction in transformed and liquidated enterprises (mainly state-owned) in the first half of the 1990s
- the liquidation of many state-owned and cooperatively-owned rural enterprises (rural production and rural services)
- a decrease in labour demand on individual farms
- the low income level of the population in rural areas

⁽⁶⁰⁾ Research carried out within the framework of the General Rural Register, using an objective criterion. According to this criterion, unemployed people were those who worked up to three months per year, and those who worked for longer periods but only three hours' daily. *Aktywność ekonomiczna ludności związanej z rolnictwem (Economic Activity of the Population Connected with Agriculture)*, General Rural Register, Central Statistical Office, Warsaw 1997.

⁽⁶¹⁾ Research carried out within the framework of the General National Register and General Rural Register. According to an established criterion, people who worked fewer than four months per year or fewer than four hours per week annually were classified under concealed unemployment. General National Register of Population and Households, *General Rural Register (Narodowy Spis Powszechny Ludności i Mieszkań, Powszechny Spis Rolny)*, Sztanderska, U. (ed.) *Labour Force in Individual Agriculture (Zasoby pracy w rolnictwie indywidualnym)* Central Statistical Office, Warsaw, December 2003.

⁽⁶²⁾ Compare Table A2.

⁽⁶³⁾ See E Kryńska, *Bezrobocie w rolnictwie. Problemy polskiej wsi na przełomie wieków (Rural unemployment, problems of the Polish countryside at the turn of the century)* in L Frąckiewicz and M Król (ed), Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice, pp.63–76, 2002.

- poor technical and social infrastructure in rural areas.

2 Organisation, implementation and funding of the policy/practice

Labour-market policy aimed at rural areas is part of general state labour-market policy, which results in a lack of strategic approach towards the reduction of rural unemployment. The main source of funding is the Labour Fund — a state fund administered by the minister in charge of labour affairs.⁶⁴

Apart from labour-market policy aimed at all areas, there are also special institutions, programmes and measures for the reduction of unemployment in rural areas. These are located in the activities of the Agency for Agricultural Restructuring and Modernisation (ARiMR)⁶⁵, the Treasury Agricultural Property Agency (AWRSP)⁶⁶ and other measures and programmes.

2.1 Agency for Agricultural Restructuring and Modernisation (ARiMR)

ARiMR is a government institution aimed at supporting activities for the development of agriculture and rural areas. It is charged with implementing instruments co-financed from the EU budget and national resources. ARiMR supports financially⁶⁸:

- investments in agriculture, agricultural and food processing, and agricultural services
- undertakings to create permanent jobs outside agriculture for the inhabitants of rural areas
- development of the rural infrastructure
- improvements in agrarian structure
- investments connected with the creation of wholesale markets
- education and agricultural counselling, and the popularisation and implementation of accountancy on farms.

Forms of financial support used by ARiMR include:

- surcharges to interest rates on loans
- financing or co-financing (donations)
- loans
- guarantees and loan guarantees.

A characteristic feature of the financial support realised by ARiMR is the combining of public resources with the investors' own resources. Investors have to participate in the costs of realised enterprises. The main ARiMR beneficiaries are farmers, agricultural sector entrepreneurs and groups of producers. ARiMR also supports the fishing sector.⁶⁹

⁽⁶⁴⁾ Labour Fund resources are earmarked for: financing the costs of paying young workers employed on contract and aiming at vocational preparation; the costs of training employees, unemployed people and other eligible people; reimbursement of the costs of equipping jobs for referred unemployed people; one-off resources aimed at starting a business; reimbursement of part of employers' costs for hiring unemployed people within the framework of intervention work; reimbursement of the costs of employing unemployed people, borne by the organiser of public works; reimbursement of social insurance fees for employers; financing for tasks realised by local government within the scope of programmes for the promotion of employment; and relieving the results of unemployment and vocational activation (Act of 20 April 2004 on the Promotion of Employment and Labour Market Institutions — standardised text in force since 1 November 2005, Journal of Laws No. 64, Item 565; No. 94, Item 788; and No. 164, Item 1366).

⁽⁶⁵⁾ Agencja Restrukturyzacji i Modernizacji Rolnictwa.

⁽⁶⁶⁾ Agencja Własności Rolnej Skarbu Państwa.

⁽⁶⁷⁾ The Ministry of Agriculture and Rural Development is in charge of ARiMR's tasks.

(<http://www.arimr.gov.pl/index.php?id=2&id1=0&id2=0>)

⁽⁶⁸⁾ ARiMR, Public Information Bulletin. The object of activity: <http://www.arimr.gov.pl/index.php?id=13&id1=2&idpage=1>

⁽⁶⁹⁾ ARiMR: <http://www.arimr.gov.pl/index.php?id=2&id1=0&id2=0>

2.2 Treasury Agricultural Property Agency (AWRSP)

AWRSP was created to take over, restructure and privatise former state-owned farms property, agricultural property of the State Land Fund, and other agricultural property owned by the Treasury.⁷⁰ AWRSP programmes for the creation of new jobs were aimed at reducing unemployment within the areas of former state-owned farms (PGR). Moreover, AWRSP cooperated with institutions and organisations on reducing unemployment, and supported regional and local initiatives.

AWRSP operations for creating new jobs and retaining existing ones concentrated on:

- preferential credit rates for the creation of new jobs in non-agricultural activity for unemployed people — former PGR employees and their families
- guaranteed loans from the Labour Fund for unemployed people (former PGR employees) aiming to start their own business, and to employers carrying out business within former PGR areas
- operation (together with the Rural Development Agency) of the 'micro-loans' programme for individual businesses
- reimbursement of part of the costs of hiring new employees borne by employers creating new jobs
- support for local programmes aimed at reducing unemployment, especially the creation of local guarantee funds by local communal governments
- a scholarship programme for school pupils from former state-owned farms
- organisation of training for unemployed people and employees at risk of losing their jobs.

2.3 Rural Areas Activation Programme (PAOW)

PAOW was in operation from 2000 to 2005, based on a credit agreement between the Republic of Poland and the International Bank for Reconstruction and Development. The objective was to introduce financial and investment input, knowledge and skills into broadly understood economic development of rural areas via:

1. the increase of non-agricultural employment
2. support to reinforce local government and regional development
3. help in creating the institutional potential essential for gaining pre-accession and EU Structural Funds.

The principal aim of PAOW was the direct and indirect creation of new, non-agricultural jobs in rural areas through investments in technical infrastructure within these areas, and through education, training and micro-loans for the inhabitants of the countryside. An additional objective was financial support of actions aimed at compensating economic development between rural and urban areas.⁷¹

Components of PAOW included:

- micro-loans for small entrepreneurs (up to five employees) from rural areas, or for people starting a business
- the development of human resources — support for employment agencies which help unemployed people from rural areas, the improvement of education and training systems within rural areas, and the creation of regional and local administrative authorities
- funding infrastructure investments in rural areas.

The sum of resources deployed through PAOW amounted to EUR 250 million.⁷² The programme contributed to the employment of around 23,000 people, for whom jobs were created mainly in small and medium-sized enterprises (SMEs) in rural areas. Non-agricultural jobs were created directly through actions within the framework

(70) AWRSP was also obliged to take over for the Treasury agricultural property which was part of farms, at the request of owners who have pension rights from farmers' social insurance. In 2004, AWRSP's tasks were taken over by the Agricultural Property Agency. It continues former AWRSP activities under a new name, the Rural Property Agency (<http://www.anr.gov.pl/pl/article/504>)

(71) Rural Areas Activation Programme: <http://www.parp.gov.pl/paow.php>

(72) This sum is comprised of a World Bank credit, state budget resources, and own funds of local government and other beneficiaries.

of a micro-loan programme, vocational reorientation, and infrastructural investments. Around 3,000 SMEs were created as a result of the micro-loans and donations granted.⁷³

2.4 Pre-accession tool for the development of agricultural and rural areas (SAPARD)

SAPARD was implemented in Poland before accession to the EU⁷⁴, and was based on two priority axes⁷⁵:

- improvement of the agricultural and food sector's efficiency
- improvement of conditions for the business environment and the creation of jobs.

One of the programme's three objectives was to stimulate multi-functional development of rural areas through support for technical infrastructure and the creation of conditions favourable for promoting non-agricultural business. The programme's objectives were achieved through eight main tasks, of which the most significant for reducing unemployment were:

- the improvement of rural infrastructure through support for fundamental elements of technical infrastructure
- differentiation of business, including support for individual investments outside agriculture and the promotion of common promotional and marketing initiatives
- vocational training aimed at the promotion of agricultural development and the development of rural areas through the increase of human resources.

During the operation of the SAPARD programme, the local government and entrepreneurs put forward a total of 31,098 applications for support; 24,431 contracts were

signed amounting to 44,779 million zloty (around EUR 1,200 million).⁷⁶

After accession, Poland was able to use EU Structural Funds, of which the European Social Fund (ESF) is the most significant for the labour market. Actions within the framework of the Human Resources Development Sector Operational Programme in Poland are financed from the ESF. However, the programme is not directly aimed at the rural population in any of its three priorities or their operations.⁷⁷

2.5 Integrated Regional Development Operation Programme (ZPORR) 2004 to 2006

Another programme which is co-financed by the EFS is ZPORR. This programme has direct reference to the rural population.⁷⁸ One of ZPORR's four priorities (Priority 2) is 'the reinforcement of regional human resources development'. Public support within the framework of this priority includes increasing:

- the flexibility and mobility of human resources, particularly the inhabitants of rural areas
- employment possibilities, including some for agricultural employees, through reorientation of vocational qualifications
- the number of young people from rural areas who are in difficult financial circumstances, attending all secondary schools.

Six operations are defined within the framework of Priority 2, one of which (2.3 'Vocational reorientation of those leaving agriculture') refers directly to the inhabitants of rural areas. The remaining five operations refer to human resources, irrespective of the place of residence. The aim is to improve the adaptation of people connected with agriculture to the changing socio-economic conditions, and to prepare them to make the most out of the

⁽⁷³⁾ Poland. *Rural areas activation programme in Poland, Closing report and programme management No. 19*, http://www.fapa.com.pl/jkp/context/fsrc/R19_pl.pdf

⁽⁷⁴⁾ The SAPARD programme began in June 2002. The collection of applications for support finished on 20 February 2004.

⁽⁷⁵⁾ Ministry of Agriculture and Rural Development, *SAPARD operational programme, version of 1 August 2003*, <http://www.bip.minrol.gov.pl/strona/DesktopDefault.aspx?TabOrgId=869&LangId=0>

⁽⁷⁶⁾ Agency for Restructuring and Rural Development, SAPARD

⁽⁷⁷⁾ See European Social Fund, Human Resources Development Sector Operation Programme, <http://www.efs.gov.pl/SPO+RZL++podstawowe+informacje/>

⁽⁷⁸⁾ Zintegrowany Program Operacyjny Rozwoju Regionalnego. ZPORR is co-financed from the EU Regional Development Fund.

opportunities presented through the creation of new jobs in rural areas.⁷⁹ The operation aims to help farmers acquire new skills, thus facilitating getting a new job and carrying out new occupations in relation to the restructuring of Polish agriculture.

Within operation 2.3, the following support is included⁸⁰:

- training and courses to acquire vocational skills and qualifications connected with new vocations
- vocational guidance
- vocational information
- guidance services related to the choice of new vocations and acquiring new vocational skills
- subsidisation of employment.

3 Performance and achievements

Actions to reduce unemployment in rural areas in Poland have achieved some positive results, which have been registered since 2003 — i.e. since the first symptoms of Polish labour-market improvement occurred. The period 2002 to 2005 was characterised by (Table A1)⁸¹:

- a decrease in the number of unemployed inhabitants in rural areas, by 7.4%
- an unemployment rate decrease in rural areas of 1.5%.

However, the changes were slower than in the urban areas. Moreover, it cannot be estimated to what extent the changes in the rural areas stemmed from improvements in the economic situation, and/or from the overall

labour-market situation in Poland, nor to what extent changes resulted from the achievements of programmes for reducing unemployment in rural areas.

Other positive changes in the rural labour market in 2002 to 2005 were:

- an increase (of 3.5%) in the number of employed people, with a simultaneous decrease (of 4.5%) in the number of rural inhabitants employed in individual agriculture; this resulted in a decrease of the proportion of rural inhabitants employed in individual agriculture from 49.1% to 38.6%
- an increase (9.3%) in the number of rural inhabitants employed outside individual agriculture; this resulted in an increase in the proportion of rural inhabitants employed outside individual agriculture among the total number of rural inhabitants, from 27% to 29.1%.

Moreover, a decrease of 3.2% was observed in the number of people employed in individual agriculture. Furthermore, the proportion of people employed in individual agriculture among the total number of employed people decreased from 17.4% to 16%.

4 Conclusions

Actions taken to reduce unemployment in rural areas in Poland — irrespective of financial sources and methods of organisation — have aimed to:

- improve conditions for the creation of jobs outside the agricultural sector
- increase the ability and capacity of rural inhabitants to be self-employed and take up employment outside the agricultural sector.

⁽⁷⁹⁾ The other operations are: (1) Development of abilities connected with the needs of the regional labour market and educational possibilities in the region, (2) Compensation of educational chances via scholarship programmes, (3) Vocational reorientation for those afflicted by restructuring processes, (4) The promotion of entrepreneurship, (5) Regional innovation strategies and knowledge transfer. *Source*: Integrated Regional Development Operation Programme, Journal of Laws of 2004 No. 166, Item 1745, http://www.zporr.gov.pl/NR/rdonlyres/43C0CE1A-CE91-43AA-9C26-220DDAF12A1F/0/DzU351596_zporrfinal_23sier.pdf

⁽⁸⁰⁾ The support within the framework of 2.3 can be used by farmers and their families, excluding pensioners and persons registered as unemployed, and other persons employed in agriculture who want to take up employment outside agriculture. *Source*: Integrated Regional Development Operation Programme, Operation 2.3 Vocational Reorientation of Persons Leaving Agriculture: <http://www.zporr.gov.pl/Projekty/Jakie+projekty+mozna+realizowac+w+ramach+ZPORR/Priorytet+2/Dzialanie+23/Dzialanie+23+Reorientacja+zawodowa+osob+odchodzacych+z+rolnictwa.htm>

⁽⁸¹⁾ There is no indicator in the Commission's compendium applicable to measure changes on the labour market in rural areas.

Actions have mainly concentrated on:

- increasing access to capital for economic entities created and operating in rural areas
- the creation and development of technical infrastructure in rural areas
- improving the qualifications of inhabitants of rural areas, particularly those connected with individual agriculture
- promotion and support for the creation of common initiatives that join up the efforts of various entities operating in the rural labour market.

In the context of the conditions influencing unemployment in rural areas in Poland ('concealed' and 'evident' unemployment, discussed above), both the objectives and direction of actions show some positive outcomes. The evaluation is positive, irrespective of the slow pace of change in creating new jobs outside agriculture and the insignificant results regarding the reduction of unemployment. The problem is that the actions have been carried out in the context of a low economic capacity to create jobs, significant increases in labour productivity, and a high unemployment rate in the cities.

There are considerable possibilities for non-agricultural activity in the rural areas in Poland. An upturn in the economy and the reduction of unemployment in rural areas are possible, thanks to the creation of small firms which provide jobs outside agriculture and additional sources of income. However, the essential pre-conditions are an improvement in the level of people's knowledge and skills, together with the vocational and educational mobility of inhabitants of the rural areas. These are the main factors to be considered in the future.

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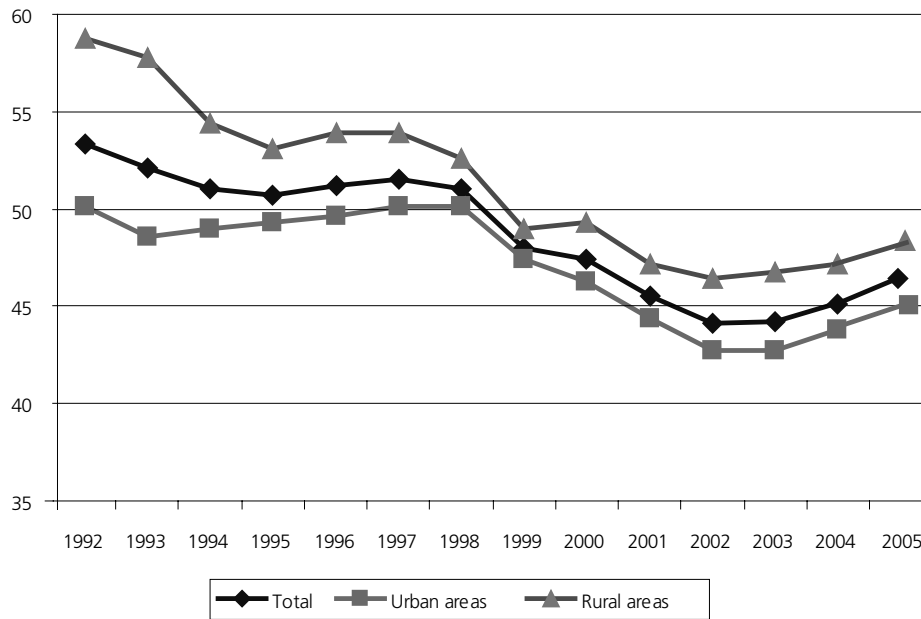
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Table A1: Selected information on population (15 and over) inhabiting rural areas in Poland, 1992 to 2005 (1992 to 1999 — November; 2000 to 2005 — fourth quarter)

	Unit	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Population in total	thousand	28,391	28,380	28,903	29,106	29,486	29,727	30,061	30,388	30,671	30,893	31,109	31,007	31,196	31,334
Rural population	thousand	10,457	10,676	10,811	10,857	10,964	11,007	11,119	11,243	11,357	11,447	11,561	11,502	11,626	11,721
Proportion of rural population in total population	%	36.8	37.6	37.4	37.3	37.2	37.0	37.0	37.0	37.0	37.1	37.2	37.1	37.3	37.4
Total number of employed people	thousand	15,135	14,772	14,747	14,771	15,103	15,315	15,335	14,573	14,540	14,043	13,722	13,718	14,058	14,390
Employed people in rural areas	thousand	6,146	6,169	5,880	5,770	5,909	5,935	5,845	5,504	5,596	5,405	5,366	5,388	5,485	5,556
Proportion of employed rural population in total number of employed people	%	40.6	41.8	39.9	39.1	39.1	38.8	38.1	37.8	38.5	38.5	39.1	39.3	39.0	38.6
Total number employed in individual agriculture	thousand	3,247	3,412	3,058	2,928	2,913	2,739	2,509	2,379	2,533	2,500	2,383	2,373	2,377	2,306
Rural population employed in individual agriculture	thousand	3,015	3,242	2,888	2,761	2,754	2,569	2,368	2,258	2,403	2,363	2,245	2,231	2,222	2,144
Proportion employed in individual agriculture among rural population	%	28.8	30.4	26.7	25.4	25.1	23.3	21.3	20.1	21.2	20.6	19.4	19.4	19.1	18.3
Proportion employed in individual agriculture among employed rural population	%	49.1	52.6	49.1	47.9	46.6	43.3	40.5	41.0	42.9	43.7	41.8	41.4	40.5	38.6
Total number of unemployed people	thousand	2,394	2,595	2,375	2,233	1,961	1,737	1,827	2,641	2,760	3,186	3,375	3,273	3,081	2,893
Unemployed rural population	thousand	708	844	834	800	707	611	645	930	937	1,083	1,115	1,076	1,060	1,033
Proportion of unemployed rural population among unemployed population	%	29.6	32.5	35.1	35.8	36.1	35.2	35.3	35.2	33.9	34.0	33.0	32.9	34.4	35.7

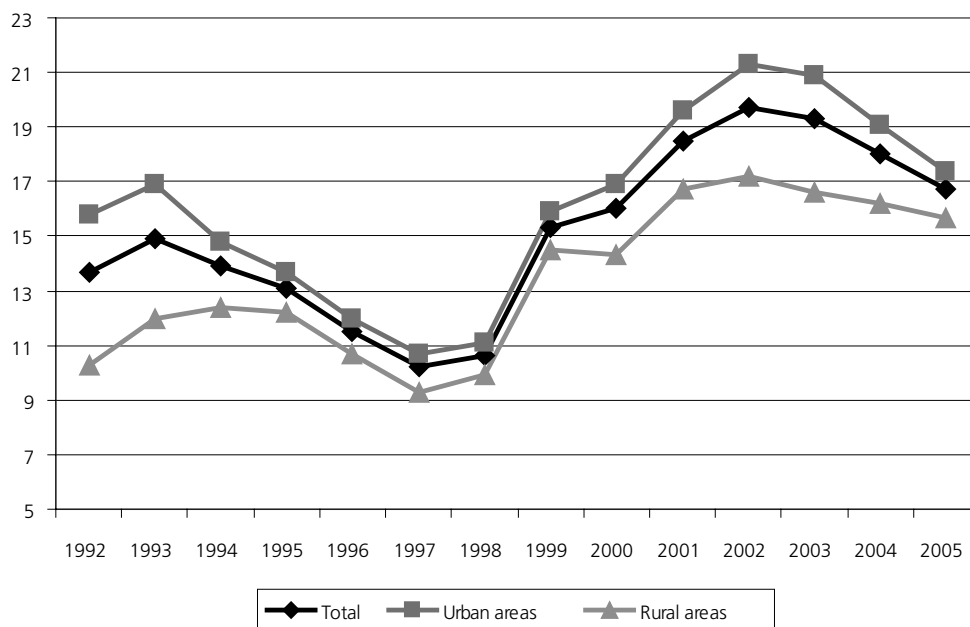
Source: Labour Force Survey In Poland, fourth quarter 2005, Central Statistical Office, Warsaw 2006, personal estimations.

Figure A1: Employment rate in rural and urban areas in Poland, 1992 to 2005
(1992 to 1999 — November; 2000 to 2005 — fourth quarter)



Source: Labour Force Survey in Poland, fourth quarter 2005, Central Statistical Office, Warsaw, 2006.

Figure A2: Unemployment rate in rural and urban areas in Poland, 1992 to 2005
(1992 to 1999 — November; 2000 to 2005 — fourth quarter)



Source: Labour Force Survey in Poland, fourth quarter 2005, Central Statistical Office, Warsaw, 2006.

	Population		Economically active		Employed		Unemployed	
	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area	Urban area	Rural area
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Tertiary	17.8	6.1	26.0	9.2	29.4	9.8	10.1	5.9
Post-secondary	3.6	2.0	4.6	2.6	4.8	2.7	3.9	2.5
Vocational secondary	23.1	16.1	27.1	21.8	27.9	22.3	23.2	18.7
General secondary	12.4	5.8	10.0	5.6	9.6	5.2	11.9	7.7
Basic vocational	23.1	31.1	26.4	41.5	24.0	41.4	38.1	42.1
Lower secondary, primary and incomplete primary	20.1	38.9	5.9	19.3	4.4	18.6	12.8	23.1

Source: Źródło: *Labour Force Survey in Poland*, fourth quarter 2005, Central Statistical Office, Warsaw 2006, personal estimations.

Portugal: EQUAL principles

1 Introduction and objectives

This article focuses on the application of 'EQUAL principles' to the development of Portuguese employment and labour-market policies. Activities undertaken by Development Partnerships (DPs) and funded under the EQUAL Programme have been particularly pertinent to social innovation in Portugal. This article describes and analyses such development.

EQUAL is not, of course, exclusive to Portugal — it is an EU Community Initiative. However, in Portugal the Managing Authority has proved to be particularly innovative in its approach to EQUAL. This approach has been recognised at both a national and a European level, with several good practices already copied by other countries.

The EQUAL Initiative addresses many issues and challenges related to employment and labour-market policy. It has five priority themes:

- Employability
- Entrepreneurship
- Adaptability
- Equal opportunities between men and women
- Asylum seekers.

All DPs developed under the initiative must be managed in compliance with the EQUAL principles, which are:

- being a Development Partnership of key stakeholders
- testing innovation
- using empowerment methods to change behaviour and attitudes
- transnationality — collaboration across national boundaries
- mainstreaming — influencing mainstream policies and budgets

- gender equality — equal treatment and outcomes for men and women.

These principles relate closely to the EU Employment Guidelines, as follows:

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

In Portugal, the EQUAL principles have contributed in a very positive way to generate innovative solutions that can be mainstreamed at a policy level. A considerable number of EQUAL DPs have been targeting employment and unemployment challenges, helping to improve the quality and productivity of work, and testing territorial measures tailored to geographical areas.

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

The EQUAL principles, particularly empowerment, are being used to foster active ageing initiatives and projects. DPs have been testing methods of empowering individuals to raise their own self-esteem and confidence and participate more fully in the labour market.

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

Considerable investments have been made (and continue to be made) to use the EQUAL principles as a tool to combat poverty, especially to avoid the poverty trap, and to challenge the low pay conditions for poorer working people.

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

Several projects in Portugal funded under the Adaptability priority are using EQUAL principles for this purpose. Initiatives to help in restructuring the economy are good examples, particularly in regions experiencing decline.

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

Achieving 'flexicurity' is a policy issue in several EQUAL DPs. A considerable number of EQUAL projects include employer organisations and trade unions as formal social partners.

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

A wide range of organisations (public, private, employers, social partners, public employment services) are working closely together as DPs to better target investments in human capital, particularly to benefit disadvantaged groups in Portuguese society.

2 The application of EQUAL principles

The Codessus DP provides an illustration of the application of EQUAL principles. Codessus is an Adaptability DP, and has been tackling problems faced by the road transport sector. The aim was to improve the sector's environmental and competitive performance, and to also train small and medium-sized enterprises (SMEs) and personnel.

2.1 The Codessus DP

Codessus was developed in partnership with the following organisations:

- ANTRAM (National Association of Merchandise Road Carriers)
- Transportes TML (www.transportestml.com)
- TREMC (Transportes Rodoviários Estrela Monte de Caparica) (www.tremc.pt)
- Engineering Technology Associates Inc (ETA) (www.eta.com).

The following were also involved:

- IA (Environment Institute)
- DGTT (General Directorate of Road Transportation)
- 17 road transport companies.

2.2 Innovative features/critical success factors

Codessus was one of the very few Round 1 EQUAL projects

to include single companies as formal partners. This was very important to guarantee that products developed by the project were more adequate to (real) business needs. Having companies on board also contributed to what could be termed the 'demonstration effect', encouraging other companies to adopt the DP's methods. In Round 2 of EQUAL, it has become much more common to have companies included in DPs.

Codessus was also able to attract other key stakeholders, particularly from the public administration, which acted as a 'second-level partnership', with significant counselling, advisory and dissemination roles.

In Round 2 of the Initiative, multilevel partnerships are now more common and help to support the management of EQUAL DPs. Codessus pioneered these two innovative features.

2.2.1 Objectives

Codessus' final goal is to promote and achieve continuous improvement of the environment and security performance of road transport companies. Codessus has supported companies to define and implement policy programmes and systems according to sustainable development standards.

The objectives were to:

- train people and influence SMEs by
 - o using on-the-job training as an innovative skills learning process model
 - o adding value to SMEs through learning a new culture in the fields of safety and environmental protection
 - o adding value to SMEs through the acquisition of robust and certified operational/technical skills in safety and environmental protection.
- qualify organisations within the sector by:
 - o improving quality and social image
 - o ensuring sustainable development and competitiveness
 - o promoting change and modernisation in work organisation.

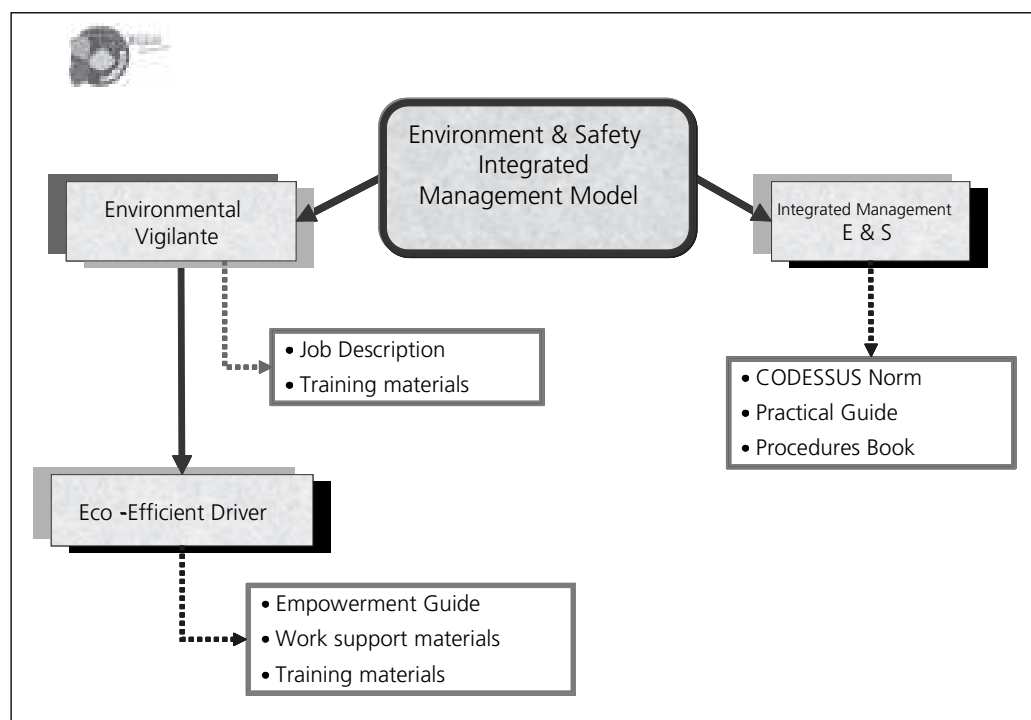
2.2.2 Innovative features/critical success factors

Using on-the-job training in this sector is revolutionary in Portugal, particularly with truck drivers, who were assumed to be unlikely to participate in any kind of learning. The subject of environmental protection was

also a very ambitious one because of the very depressed business climate existing in most companies (particularly SMEs).

2.2.3 Methodology

Figure 1 represents the dynamics of the DP and its main products.



3 Organisation and implementation

Although EQUAL DPs themselves provide observatories for innovation and testing, the governance style adopted by the Portuguese Managing Authority (PMA) has been extremely influential.

EQUAL in Portugal is under the responsibility of Mrs Ana Vale and her team, who make up a central body run from PMA headquarters in Lisbon. There are no regional and/or local-level management bodies. In Round 1 of EQUAL, a total of 106 projects were supported in Portugal. Round 2 is now underway with a total of 86 projects. The DPs are broken down into thematic fields as follows:

2.2.4 Specific innovative features and critical success factors

The Codessus DP featured two specific innovations:

- The job of environmental vigilante was brand new.
- The concept of an eco-efficient driver was new for truck drivers.

The translation of the DP into a standard for the sector opened up the scope for wider mainstreaming and dissemination.

In total, 25 environmental vigilantes were trained, and in turn they trained (on the job) 52 eco-efficient drivers. These drivers achieved reductions in fuel consumption ranging from 0.5 to 4 litres per 100 km.

The benefits for companies taking part include improved legal compliance, fewer road accidents, improvement in public image, internal organisation and customer satisfaction. The certification protocol ensured that the DP could claim a 'sustainable' result.

Thematic fields	Round 1	Round 2
1A Employability: (Re-)integration to the labour market	30	19
1B Employability: Combating racism	5	6
2C Entrepreneurship: Business creation	24	16
2D Entrepreneurship: Social economy	6	6
3E Adaptability: Life-long learning	5	3
3F Adaptability: Adaptation to change and NIT	25	22
4G Equal opportunities: Reconciling family and professional life	5	9
4H Equal opportunities: Reducing gender gaps and desegregation	5	4
5 Asylum seekers	1	1
TOTAL	106	86

Employability projects were clearly dominant in Round 1 of the Initiative, particularly those aimed at innovative solutions to support unemployed people to re-enter the labour market. Adaptability projects have also been strongly supported in both Rounds 1 and 2.

It is very important to understand that the PMA is a very small structure with scarce resources in comparison to other initiatives of a similar range and scope in Portugal. The most relevant features of PMA's management approach are:

- promoting quality from the start
- critical assessment
- follow-up
- support activities.

3.1 Quality

The PMA has set new standards concerning quality management. This is very clear even in the rules adopted to organise the call for tenders. EQUAL is the only Initiative that organises its calls around clear and highly detailed specifications called 'Cadernos de Encargos' (direct translation from the French 'Cahier de Charges').

Although promoters were not obliged to submit proposals under these specifications, they were encouraged to do so. Some of the Cahier de Charges were very important for defining minimum quality standards with which all proposals had to comply. This practice also prevented low-quality proposals from being presented. However, some of the Cahier de Charges were so 'sophisticated' that very few proposals were submitted. From the start, project promoters understood that EQUAL demanded a new and different approach from mainstream European Social Fund (ESF) projects.

3.2 Critical assessment

In both rounds of EQUAL, when DPs were approved the promoters received very concrete and specific recommendations on any aspects of concern. These recommendations have been taken seriously by DP promoters because they know that the PMA will monitor their progress through face-to-face visits and formal reporting procedures.

3.3 Follow-up

One impressive PMA practice in place since Round 1 is the close follow-up and monitoring of every single project. All approved Round 2 DPs have already received two follow-up visits. These visits take place in the field, usually at the leading partner's facilities.

A considerable number of these visits are conducted by Mrs Ana Vale herself (the visits are always undertaken by two PMA representatives). This sends a clear message to project promoters in that recommendations are to be taken seriously. More importantly, it creates a high level of trust and confidence between the PMA and all DPs

These follow-up visits are conducted in a constructive fashion, with a clear concern to move away from inspection and audit models. Nonetheless, DPs are required to provide concrete answers to previous queries from the PMA, and demonstrate full integration of EQUAL principles in their subsequent results.

3.4 Support activities

The PMA has developed a set of innovative practices which help DPs to comply better with the EQUAL principles and attain better performance. These practices include:

- National Thematic Networks (NTN)
- a product validation methodology
- use of information and communications technology (ICT)
- partnership with universities.

3.4.1 National Thematic Networks

In Round 1 of EQUAL, the European Commission sponsored exchange of experience and good practice through European Thematic Groups. Most of the Member States also promoted National Thematic Networks with a strong mainstreaming focus.

The Portuguese PMA was one of the most dynamic Member States in this thematic work, both at national and European levels. It used the Communities of Practice Model as good practice in order to support the National Thematic Networks. This model has been retained as good practice by the European Commission.

3.4.2 Product validation methodology

Owing to EQUAL's significant focus on mainstreaming, the PMA has stimulated DPs not only to undertake innovative activities, but also to ensure that results attained are duly characterised as EQUAL products. The PMA developed a specific methodology to validate EQUAL products. Validation means that they have been declared as appropriate for others to adopt.

National Thematic Networks were responsible for the diffusion of this methodology, and conducted validation sessions at the end of Action 2. This was very important because only validated products could apply for funding to go into Action 3 (Dissemination) of Round 1.

This methodology was very successful, and other countries have adapted it to their own circumstances in Round 2 of the EQUAL Programme.

3.4.3 Use of ICT

ICT has also been a strong part of PMA procedures. In Round 1 of EQUAL, Portugal was the only Member State to use CIRCA (the European Commission Portal) to support the work of National Thematic Networks. This allowed easier information sharing and communication among all NTN members, and better integration with the work of European Thematic Groups, which also used CIRCA.

In Round 2, the PMA has been innovative in the use of ICT. All NTN animators received training in Web 2.0 tools and are now using them to manage their networks. This is having a significant and positive impact on the way in which NTNs are conducting their thematic work. For an example, click on the following link to check how all these virtual tools are being used by NTN members: <http://7oficios.wikispaces.com/>⁸²

3.4.4 Partnership with universities

As the PMA wants DPs to impact on policies, organisations and individuals, the challenge was handed to several Portuguese universities (public and private) to develop postgraduate education for DP professionals. The Programme pays 80% of the participation fees for this postgraduate education, which is called 'Managing projects in partnership'. The success of this practice was so impressive in Round 1 that it has continued under Round 2.

4 Performance and achievements

In the previous section, we underlined the main practices and procedures of the PMA to ensure effective performance of the Programme.

Round 1 was subject to an independent evaluation conducted by the Instituto de Estudos para o Desenvolvimento (Institute of Research for Development) with a team of investigators led by Mr Luís Capucha. Final results are not available yet, but the overall feedback is that the programme has achieved a high level of performance and achieved its main objectives.

The evaluation also confirms evidence that the PMA has been able to create a strong 'EQUAL Principles culture' among DP organisations and their professionals. Very consistent feedback from DPs is that all PMA practices and procedures are very demanding in both technical and quality terms. New standards have been set for public governance for this kind of initiative.

In almost all other ESF programmes, it is very rare that promoters get to know personally all the team members of the Management Authority, including its senior manager. In the PMA's case, it is precisely the opposite: every promoter and professional involved knows Mrs Ana Vale and her team very well, and vice versa — the team know each DP very well, and it also knows its organisation and staff.

5 Conclusions

The EQUAL Principles have produced a very effective and innovative approach to tackling all kinds of discrimination in the workplace.

The main outcome of the PMA's management approach is that a large number of multifaceted organisations, which have typically been working together in DPs, share common values and a common language.

Without this kind of engagement and involvement, it is fair to assume that most of the good results would tend to fade away after the programme ends. This is even more relevant when it is known that the EQUAL Initiative will not be continued after Round 2.

From what has been observed in Portugal, the EQUAL Principles seem to have created enough impact to ensure their continuity. The Codessus DP provides an example of a sustainable product, developed jointly by the sector and with the involvement of companies and public bodies. The PMA has managed this process in Portugal for all the EQUAL DPs through a thorough and systematic management approach.

⁽⁸²⁾ The link refers to the 'wikispace' of NTN No 7, dedicated to restructuring and valorisation of traditional skills, under the Adaptability priority.

Slovakia: Support for employing jobseekers

1 Introduction and objectives

For almost a decade, unemployment has been the weak spot of Slovakia's economic and social development. In 2002, when the new Government launched important structural reforms, revival of the rigid labour market was among the top political priorities. As a result, reform of the organisation and focus of labour-market policies, and an improved business environment through tax policy, transparent legislation and simplified administrative procedures have initiated economic growth and job creation. Unemployment fell from 19.2% in 2001 to 16.2% in 2005.⁸³

However, these positive developments have also revealed the difficulties facing disadvantaged jobseekers. While short-term unemployed people have increasingly been able to re-enter the labour market successfully, prospects for long-term unemployed people have been less favourable. The proportion of people jobless for one year or more remained virtually unchanged between 2001 and 2005, at 11% of the economically active population, whereas their share of the total number of unemployed people increased from 56% to 68%.

Support for disadvantaged jobseekers has therefore become the main aim of employment policies. This was clearly stated in the National Action Plan for Employment for the period 2004 to 2006 and in the National Reform Programme for 2006 to 2008, referring to Guideline No. 19 of the new integrated guidelines for growth and jobs for 2005 to 2008: 'Ensure an inclusive labour market, enhance work attractiveness, and make work pay for jobseekers, including disadvantaged people and inactive people'.

One of the key policies is the 'Contribution for employing a disadvantaged jobseeker'. The purpose of this policy is straightforward — to support, through public funds,

jobs for vulnerable job applicants. A financial contribution is granted to employers to cover the costs of providing employment for jobseekers for a given minimum period of time. As part of the Public Employment Services, the policy is expected to facilitate the entry and re-entry of unemployed people into the labour market by encouraging employers to create jobs for disadvantaged jobseekers, particularly in regions with high rates of unemployment.

2 Organisation, implementation and funding of the policy/practice

The contribution for employing a disadvantaged jobseeker (the Contribution) is regulated by the Employment Services Act (Act No. 5/2004 Coll, as amended), effective since 1 February 2004. The Contribution is granted to employers who generate jobs for disadvantaged jobseekers. Employers make their claim in writing to the local Office of Labour, Social Affairs and the Family (the Office) in the territory where the job has been created. The Office sends the employer a written agreement granting the Contribution. The agreement consists of the following details:

- number and professional structure of job(s)
- maximum amount of total labour costs for each accepted jobseeker
- method of providing the Contribution
- the Office's commitment to pay the monthly contributions to the employer within 30 calendar days from the employer's submission of the appropriate documents

⁽⁸³⁾ Source: *Labour Force Survey (LFS)*. Registered unemployment, as reported by the Central Office of Labour, Social Affairs and the Family, decreased from 18.4% to 11.6% in this period.

- the employer's commitment to submit within the specified deadline the employee(s)' service contracts, and to notify the Office of any termination of employment within 30 calendar days.

Employers commit themselves to maintain the generated job for at least 24 months.⁸⁴ Until 1 January 2006, the minimum period of employment was 12 months. The change aims to persuade employers to create longer-lasting positions for disadvantaged jobseekers. The Contribution is provided for a maximum duration of 24 months from the conclusion of the written agreement. Payments are transferred at monthly intervals and cover up to 100% of the total labour costs of each disadvantaged employee.⁸⁵ The amount and duration of the Contribution depend on the region and on the average unemployment rate in the relevant district (preference is given to regions with high unemployment). The amendment to the Employment Services Act, effective since 1 January 2006, establishes an upper limit to the Contribution. This equates to the total labour costs calculated from the average gross monthly wage in the Slovak economy reported over the preceding calendar year. The Office pays the Contribution to the employer either by postal order or bank transfer.

For the purposes of the Act, the target groups of disadvantaged jobseekers comprise:

- school leavers/graduates under 25 years of age
- people aged over 50
- long-term unemployed people, who have been unemployed for at least 12 months in the last 16 months
- those who are unable to balance work and/or education with parental obligations

- those who are unable to work for health reasons, but are not disabled
- people moving or having moved within the European Union
- disabled people⁸⁶
- parents or guardians caring for three or more children, or single parents
- people who have been granted asylum.

The last two categories were included by amendments to the Act.

According to the new wording of the Act, disadvantaged jobseekers are also considered eligible if:

- they have received the material distress benefit for at least 12 months
- they have carried out work activities for at least six months in the last 12 months since registering with the labour office
- they have carried out graduate practice or work experience (school leavers) since registration with the labour office
- after examination of their long-term ill-health status and/or inspection of disability pension claims, they are no longer considered to be disabled.

The measure is part of the national projects set up under the Sectoral Operational Programme Human Resources (SOP HR, which operates throughout Slovakia except for the Bratislava region) and the Single Programming Document NUTS II Objective 3 (SPD O3, projects in the Brati-

⁽⁸⁴⁾ The Contribution is granted to an employer who generates a job for a disadvantaged job seeker. The generation of a job is specified by law (Employment Services Act, article 50) and fulfilled by the employer when the average number of jobs at the employers' place of work over 12 calendar months increases in comparison with the preceding period of the same length.

⁽⁸⁵⁾ For the purposes of the Employment Services Act, total labour costs are defined as the sum of wages, health insurance, social insurance and pension contributions payable by the employer.

⁽⁸⁶⁾ The Contribution for employing disadvantaged jobseekers cannot be granted for employing disabled people, for whom a contribution is already available for establishing and operating sheltered workshops or workplaces.

slava region). The Ministry for Labour, Social Affairs and the Family (MOLSAF) is the Managing Authority for the programmes. The Central Office of Labour, Social Affairs and the Family is responsible for the coordination and implementation at a national level. At a local level, the 46 territorial offices are the direct intermediate authorities for employers and the job opportunities for which the aid is provided.

At SOP HR level, the policy is co-financed by the European Social Fund (ESF) (75%) and the state budget (25%). Total public expenditure allocated for Measure 1.2: 'Facilitation of the integration of jobseekers into the labour market, with special emphasis on disadvantaged jobseekers through support for job creation and self-employment' for the period 2004 to 2006 is EUR 103.02 million. Activities under this measure are implemented through national projects (98% of the allocated sum) and demand-driven projects (2%).⁸⁷ Wage subsidies to employers who employ disadvantaged jobseekers for an agreed period of time are eligible for support from the ESF.

At SPD 03 level, the policy falls under Measure 1.1: 'Increasing the employability of disadvantaged groups in the labour market and groups at risk of social exclusion'. The total public funds planned for 2004 to 2006 represent EUR 25.37 million of which 51.3% is Community Participation (ESF).

3 Performance and achievements

In the period between January and November 2005, a total of 2,920 jobs for disadvantaged jobseekers were agreed; the figure for 2004 was 2,429 jobs. The total financial contribution for the policy was SKK 217.14 million (EUR 5.64 million); in 2004 it was SKK 169.51 million (EUR 4.23 million). Most jobs have been created in the eastern and southern districts of Slovakia, which have above-average unemployment rates — Spisska Nova Ves, Presov, Bardejov, Humenne, Nove Zamky, Levice. In the Bratislava region, only nine positions for disadvantaged jobseekers were supported in 2005.

Box 1: Special projects on support for job creation

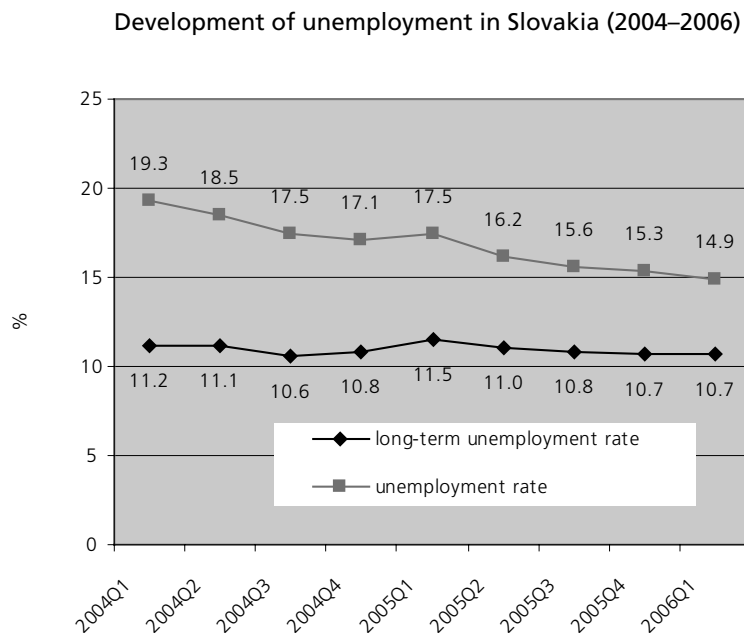
In October 2005 and February 2006, MOLSAF initiated two special calls for projects to support the creation of jobs. State budget funds were granted for lump sum contributions to small companies (for-profit and non-profit) in regions with above-average unemployment rates if they employed a jobseeker. The one-off contribution was differentiated according to the duration of unemployment and disability status of the jobseeker. Contributions for the creation of 9,295 new jobs were approved, of which 2,886 were for disabled jobseekers. The jobs must be maintained for one to two years, depending on the legal status of the applicant; jobs for disabled employees must be maintained for three years.

The entire process of the policy — from the call for proposals through to selection procedures, implementation and evaluation of individual projects — is supervised by a network of authorities (Ministry, Central Office, territorial offices, monitoring committees). Unsurprisingly, this network has some imperfections which are mainly evident in the initial phases. Responses from the final recipients and from the authorities in charge point to shortcomings in payment procedures, insufficient administrative capacity, defective information technology and monitoring systems, an irresponsible approach by applicants and insufficient publicity. These problems are currently being addressed.

Apart from technical issues, the crucial question is how effective the policy is in meeting its objectives, i.e. increasing employment and employability, and decreasing unemployment among disadvantaged jobseekers. Although it is still too early to see the full effect of the policy (two years), the long-term unemployment rate (see Figure 1) suggests that the impact of the measure (and of the entire range of employment services) is limited. Table 1 confirms that, with the exception of older people, the unemployment rate gap for vulnerable groups did not decrease between the first quarter of 2004 and the first quarter of 2006. On the contrary, the gap increased, notably among people with only primary education.

⁽⁸⁷⁾ National (top-down) projects are implemented either by a direct agreement preceded by an assessment of the quality of the proposal, or via a restricted call for proposals. Demand-driven (bottom-up) projects are selected according to a call for proposals procedure, followed by an assessment of the proposal's combined technical and financial merit.

Figure 1: Unemployment in Slovakia 2004 to 2006



Source: LFS, Statistical Office of Slovakia.

Table 1: Unemployment rate gaps for disadvantaged groups

(Difference in unemployment rates for disadvantaged groups and the overall unemployment rate, in percentage points)

Group	1Q 2004	2Q 2004	3Q 2004	4Q 2004	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006
Age 15 to 24	13.5	13.1	14.7	14.3	13.5	11.5	14.6	14.6	14.4
Age 50 to 64	-2.0	-2.0	-2.0	-1.9	-2.3	-3.0	-3.0	-2.6	-2.5
Basic education*	33.0	33.4	32.2	33.2	37.8	36.6	36.1	37.1	35.8
Secondary vocational**	3.0	2.2	1.8	2.4	2.6	2.5	2.6	2.5	3.3

Notes: *People with completed basic education. ** People with completed secondary vocational education, but without the maturita (general certificate of education)

Source: LFS, Statistical Office of Slovakia.

MOLSAF defends the policy's ability to remove jobseekers from the unemployment trap. Officials argue that without financial subsidies, employers would not be willing to bear the costs of employing workers who are considered inflexible, unmotivated and lacking skills. The majority of independent analysts, on the other hand, would prefer improvements to the business environment, which would be conducive to the creation of 'low-skilled' positions. Proclaimed priorities include the reform of social contributions, reassessment/removal of the minimum wage, and increased focus on education and retraining.

4 Conclusions

The objective of the policy discussed in this article is to promote job creation for disadvantaged jobseekers. Existing evidence shows, however, that subsidised employment cannot be seen as a panacea for the problematic situation of disadvantaged groups. In view of the characteristics of the 'hard core' of unemployed people, financial intervention in the form of contributions will remain an important part of active labour-market policies

over the forthcoming years. However, substantial progress will not be possible without increased investment in the education and training of very long-term unemployed and 'unemployable' people, focusing on improving their qualifications and upgrading their skills. Better coordination of employment policies and social assistance should go hand in hand with a systematic refinement of the business environment, which could then support the employment of all groups of jobseekers.

To improve the effectiveness of the Contribution for employing disadvantaged jobseekers, further attention should be devoted to:

- promoting longer-lasting positions that survive when financial incentives cease
- focused support for jobseekers with cumulative disadvantages
- the introduction of professional assistants to guide and support workers
- stimulating employers to improve the qualifications, skills and work habits of disadvantaged workers.

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Slovenia: The Project Learning for Young Adults programme

Project learning for young adults (PLYA) is a preventive education programme for those aged 15 to 25 who failed in school, have no vocation and are unemployed.

1 Dropout in Slovenia

From the beginning of the 1990s, one of the problems increasingly related to the transition from school to work was the problem of dropout and early school-leaving. A relatively high dropout level, in both secondary and tertiary education, in the first half of the 1990s was primarily related to high unemployment, the low number of vacancies, a rigid education system and its poor responsiveness to the demands of the labour market. These relatively high dropout rates caused great concern and awareness in the Slovene society (partly brought about by the dropout themes debated at EU level) to the problems of younger generations. Thus, a reform of the education system was introduced in 1995, with most of the policy concern focused on dropout from the secondary school.⁸⁸ Consequently, the number of young people prematurely leaving secondary education decreased somewhat through the second half of the 1990s and in the first half of the new decade.

Policy measures have focused on preventing premature exit from secondary education and helping those young people who leave schooling without achieving any qualifications. For the former, vocational guidance is emphasised, in addition to teachers' awareness and the responsibility of schools for early detection of potential dropout. The latter focus is reflected in the employment policy measures intended for young people without any qualifications (offering them a second educational chance or training to prepare them for job search), and alternative projects initiated and carried out by non-profit organisations and associations (PLYA, 'street projects' for young people in some urban neighbourhoods, projects for immigrant children).

However, dropout levels for vocational programmes (especially in the lower secondary education) remain relatively

high (Trbanc, 2000), leaving these young people without basic qualifications and therefore barely employable. Many of them return to education later, either by enrolling on another regular programme or through the adult education scheme or employment policy measures. But some of them end up registered as unemployed, with extremely low chances of getting a job. Young dropouts who find themselves in the labour market without any qualifications are often deprived in other areas too, have low family support, and are therefore at risk of social exclusion. Above all this, the dropout of youngsters from schools often reproduces the social marginalisation of certain population groups. Data shows that the educational levels of parents of premature leavers are much lower than the average (Trbanc, 2000; Dobrovoljc et al, 2002).

2 The PLYA programme

The origins of the programme can be traced to 1993, when the Slovenian Institute for Adult Education introduced an experimental programme, the 'Centre for Young Adults', which was intended to offer help to young adults without completed education to overcome personal and social issues, find their place in society, complete their education and/or find employment.

In 1996, based on the experience gathered from the Centre's work and supplemented with new activities, Project Learning for Young Adults came about. It was implemented in 1998 and further improved in the following years. In 2003, following its relative success in motivating and mobilising young adults to re-enter the education system or find employment, the PLYA programme became part of active labour-market policies and was included in the educational 'Programme 10,000' for unemployed people. The aim of the Programme 10,000 is to enhance the unemployed people's opportunities for employment, educational level and skills, and to reduce professional and structural disparities.

⁽⁸⁸⁾ In a five-year observation period (the second half of the 1990s), the dropout rate was 13.7% (Trbanc, 2000).

2.1 Organisation, aims and content

The main characteristics of the young people who are included in the PLYA programme are their:

- unrealistic perceptions of work and employment
- very low motivation for education and poorly planned professional careers, usually ceasing at the end of primary school because of their inability to enter their desired secondary education programme
- asocial behaviour due to their lack of social skills and money, and an overall feeling of failure.

Such characteristics lead to social exclusion and marginalisation, dependency and aggressive and/or auto-aggressive behaviour.

PLYA is designed to help these young people to rejoin their peers by developing working and learning habits and motivating them for learning. While attending the programme, participants learn how to cooperate and support each other. They overcome learning difficulties and articulate explicit professional and vocational aspirations and goals.

The main aim is to help young adults to acquire experience and knowledge for successful re-entry into education or into a chosen professional career. In addition, it is important to offer them functional knowledge, to learn how to learn, be flexible in thinking, acquire positive experiences in learning, achieve clear professional aspirations, and develop abilities for critical thinking and problem-solving.

The programme's educational goals can be divided into three groups:

- General education: to give insight into different effective learning strategies and training for autonomous learning; to develop functional skills and acquire general knowledge.
- Professional identity development: to broaden knowledge of the labour market and occupations; to prepare an individual plan for a professional career; to learn how to use technical language in the chosen sphere; to gain familiarity with new and flexible employment opportunities; to connect with employers at local level; to receive training for job searching.
- Socio-cultural activity: to develop personal identity and take responsibility for one's own actions; to increase the chances of overcoming social obstacles in the local environment; to be able to act autonomously in different life situations; to use spare time

more effectively; and to increase self-esteem and self-confidence.

The basic format and method of work used in the PLYA programme is project work. The main characteristic is that participants' wishes, interests and capabilities are taken into consideration in preparing the curricula and planning the work of the group. Participants select the topics for the projects, learning sources and methods. Actively taking part in preparing the projects in this way, increases people's motivation for further participation in them.

The project work takes four different forms:

- Individual learning projects as part of professional career planning: the content of such projects depends on participants' defined personal goals.
- Selective project work: the content is based on the participants' interests and actual learning needs (e.g. media, art, travelling). Such project work is expected to take from one to three months.
- Productive project work: this is directed towards learning new forms of creativeness, the use of ecologically friendly technologies, and getting to know and develop old crafts and manufacturing which are characteristic of the local environment. Productive project work can also include making different services available to the local community.
- Other activities of interest that are related to the content pursued by participants, but are not feasible in the other forms of project work.

Project-based work excludes traditional school methods, curricula, giving marks and selection. The basis for successful participation in project work is the individual plan, which is drawn up at the start of the project work. Mentors help each participant to devise an individual plan for their personal progress in different fields — from educational to social, motivational and individual. The individual plan is also the basis for selecting different project activities which should bring the young adult to another level.

On the other hand, the group dynamics help participants to keep their focus on learning and education, develop more realistic attitudes towards work and create a personal vision of their future professional career. Group dynamics also enable them to discover personal talents and creativity and learn to cooperate in the group.

The role of mentors in the programme is also very important. Their main task is to help young adults to achieve their goals according to their individual plans. Qualified mentors help participants to carry out projects, look for jobs, study and continue their education.

Anyone can become a PLYA mentor, provided they have attained a university degree, completed the PLYA training programme (which lasts for 200 hours) at the Slovenian Institute for Adult Education, and enjoy working with young adults. The licence for being a mentor is assigned for three years, and can be renewed after that.

The PLYA programme's duration is one year, and it runs for seven hours per day from Monday to Friday. Young adults can enter the programme on their own account or on a recommendation by friends, parents, counselling workers in schools, centres for social work or the employment service. Access to the programme and all activities is free of charge. Participants can join and leave the programme at any time during the year.

Currently, PLYA projects are active in 11 Slovenian cities: Ljubljana, Celje, Slovenj Gradec, Koper, Ajdovščina, Novo mesto, Tolmin, Maribor, Murska Sobota, Škofja loka and Radovljica. It is expected that these projects will be available in all larger cities in the country.

The programme is financially supported by the Ministry of Education and Sport and the National Employment Service (NES) to the tune of two-thirds of the costs. The above-mentioned local municipalities are meant to provide the remaining third, but there is no legal basis for this; as a result, in many cases the providers running the programme have difficulties in making ends meet. Young unemployed adults registered with the NES are referred to the PLYA programme on the basis of their completed personal employment action plan. Their activity in the programme is partly financed by the European Social Fund and partly by NES. All programme participants receive a small grant for taking part, and all the expenses related to participation are covered.

3 Programme outcomes

Quantitatively, PLYA is a relatively small programme. In the school year 2000 to 2001, the programme had 246 regular participants; in 2002 to 2003, the number rose to 351, of whom 160 were referred from the NES. In succeeding years there has been a trend of slow increase in the number of participants, with approximately half of them referred from the National Employment Service: in 2003 to 2004, 179 participants were from the NES, in 2004 to 2005 the figure was 174, and in 2005 to 2006 it was 210.

On the other hand, qualitatively speaking PLYA represents a real case of good practice (at least from a Slovenian perspective). Generally speaking, the programme's importance relates to the fact that: a) the early school-leaving rate is still relatively high; b) only a small number

of programmes are tailored for the comprehensive treatment of such target groups; and c) the programme is highly efficient in motivating unemployed and less well-educated young adults to resume education and/or search for employment.

The evaluation study (Dobrovoljc et al, 2002) carried out in 2002 showed that the programme has a very important influence on the participants' social integration. The study included 80% of all programme participants in the period 1998 to 2002. According to the results, in 2002 some 40% of them were in education, 9% were in regular employment, 15% had fixed-term employment, and 21% were unemployed. Two-thirds (66%) of the participants showed motivation for continuing education in the future.

As stated, the main importance of PLYA is in its social (re)integration role. Early school-leaving and dropout are stressful for individuals and represent a potentially large and complex social problem. Such individuals need time to cope with the problem and recuperate. The importance of the PLYA programme is in recognising people's failure in education and pointing out the possible solutions, and encouraging individuals to re-enter the education system.

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Spain: An analysis of the tripartite agreement on fixed-term contracts signed on 9 May 2006

1 Introduction and objectives

On 9 May 2006, the Spanish Ministry for Labour and Social Affairs, the two main trade unions and the two main employers' representatives signed the 'Agreement for better growth and employment', which was passed one month later as the Royal Decree Law for the Reform of the Labour Market (RDL 5/2006, 9 June). Its existence comes two years after the Joint Declaration for Social Dialogue, signed in July 2004, in which these bodies committed themselves to 'agree on changes, normative or otherwise, aimed to foster security for employees and flexibility for employers'. The main focus of these negotiations was to reduce temporary employment in Spain, once the social partners agreed on its negative economic and social effects, while reconciling flexibility for businesses with job security for workers.

As has often been indicated, this is not an easy task. The conclusions of a recent in-depth analysis carried out by the Comisión de Expertos para el Diálogo Social (Commission of Experts for Social Dialogue, 2005) and the recent literature highlight the difficulties. This article tries to summarise the main findings of the recent literature and contrast them with the main points of the Reform of the Labour Market, before formulating some conclusions.

2 Temporary employment in Spain

In 2005, the level of temporary employment in Spain (i.e. the proportion of employees hired under a fixed-term contract) was 33%, compared with 14% in the EU-25. After peaking in 1995 at 35%, the figure has subsequently only decreased very slightly, never falling below 30%. While fixed-term contracts in the private sector have reduced from 41% in 1995 to 33% in 2004, the prevalence of fixed-term contracts in the public sector has risen from 16% in 1995 to 22% in 2004 (see Figure 1).

Within both the private and the public sectors, women experience higher rates of temporary employment than men, though the rates are tending to converge. Temporary employment is also more likely among employees with low qualification levels in low-level occupations, who may be easier to replace (25% of temporary workers have a university-level qualification compared with 45% who have basic skills only). Temporary employment is also more likely for part-time and young workers and is increasing among those who work between 31 and 39 hours a week, most typically in the public sector.

There are huge regional disparities in temporary employment within the private sector; this is closely related to the regional unemployment rates. Regions with higher unemployment rates show higher rates of temporary employment.

⁽⁸⁹⁾ See Dolado and Jimeno (2004) for an in-depth analysis of the effects of temporary employment in Spain, namely on employment volatility, training and productivity, salaries, unemployment and mobility.

2.1 Results of successive reforms

From the mid-1980s to 1992/1994, the model chosen to increase flexibility allowed considerable fixed-term hiring, as it did not have to respond to productive needs. It was strongly promoted by the public sector as a measure to create employment, through the Contract for Promoting Fixed-term Hiring. 'Flexibility on the margins' was introduced, since firing costs for workers with permanent contracts remained unchanged. The result was a rapid increase in temporary employment and the emergence of a dual labour market.

Reforms of the labour market in 1997 and 2001 tried to limit fixed-term working by restoring the principle that temporary contracts could only be given to fill temporary jobs. The Contract for Promoting Fixed-term Hiring was abolished and replaced with one that promoted permanent hiring for some specific groups. This contract carried lower firing costs (33 days per year worked instead of 45 days for ordinary permanent hiring), and was accompanied by a reduction of employers' social security contributions.⁹⁰ The conversion of fixed-term contracts into permanent contracts also carried lower firing costs (33 days) and a reduction of the employers' contributions. In addition, the 2001 reform introduced a requirement for a payment equivalent to eight days for each year worked once the fixed-term contract terminated.

As a result of these changes, the number of open-ended contracts signed almost doubled between 1996 and 1997, continuing until 2005 (Table 1). The average proportion of open-ended employment promotion contracts among all open-ended contracts was 63% between 1997 and 2005. In 2004, the share of new permanent contracts entitled to reduced firing costs (33 days per year worked) was 45%; the proportion of those entitled to reductions in social security contributions was 49% (Table 2). Interestingly, not all workers eligible for an open-ended employment promotion contract were offered one — only approximately one in five. Eligible higher-qualified workers had a higher probability of being offered an ordinary permanent contract.⁹¹

The number of fixed-term contracts also increased, though at a slower rate; the proportion of fixed-term contracts in the total of all contracts fell from 96% in 1996 to 91% in 2005. While the number of fixed-term

contracts doubled between 1996 and 2005, the number of open-ended ones more than quadrupled.

In this context, Toharia et al (2005) demonstrate interesting findings relating to the stability of the new contract introduced by the 1997 reform. Using standard duration analysis, they find firstly that ordinary open-ended contracts signed before 1997 are more stable, i.e. show a longer duration than employment promotion ones; secondly, the 1997 reform has made ordinary open-ended contracts more unstable, reducing their duration; thirdly, and most interestingly, conversion contracts show the longest duration, while initial open-ended employment promotion contracts show the shortest duration, and ordinary contracts signed after the 1997 reform show an intermediate duration.⁹²

Other consequences of the reforms relate to the possibility of converting fixed-term contracts into permanent contracts with lower firing costs and social security reductions, which has induced employers to sign 'artificial' temporary contracts, initially with a view of converting them after one year, using them as a 'trial period' for workers. A final consequence relates to a possible loss effect occurring when permanent contracts are promoted that would have been signed anyway, displacing ordinary open-ended contracts.

2.2 The reasons behind temporary employment

Several arguments try to explain, at least in part, the persistence of a high rate of temporary employment in the Spanish job market — i.e. why employers turn to this contractual form in search of flexibility. Some of the likely reasons are related to flaws in job legislation, while others relate to economic structure. However, neither of these arguments alone seem to be able to fully explain it.

- **High firing costs of open-ended contracts:** since firing costs are higher for permanent contracts than for temporary ones, employers' choice of the latter option would be justified from an economic standpoint (all other things being equal). While this is the case for all countries, firing costs in Spain are among

⁽⁹⁰⁾ The groups entitled to reduction of employers' social security contributions and those to be employed under the new contract for promoting initial permanent hiring almost coincide, but are not identical.

⁽⁹¹⁾ See the interesting analysis in *El problema de la temporalidad en España: un diagnóstico* (The problem of temporary employment in Spain: a diagnosis), Toharia et al (2005).

⁽⁹²⁾ Deeper analysis in Cebrián et al (2005) controls for the composition effect of workers eligible for employment promotion contracts (largely those aged under 30), concluding that the higher instability effect of this population group is not relevant for the results found.

the highest in the EU⁹³; therefore, Spanish employers' higher use of temporary contracts is a result of the much higher relative costs of permanent hiring in a changing and unstable economic world.

However, this cannot be the only reason. The Spanish temporary employment rate is the highest, even though firing costs are similar or even lower than those in countries with much lower temporary employment rates, such as Portugal, Sweden or the Netherlands. Moreover, as shown above, during the period analysed in Spain, not all workers eligible for a promotion contract carrying lower firing costs were offered one.

- **Increase of temporary employment in the public sector:** since 1997, temporary employment in the private and public sectors has followed opposite trajectories, as shown in Figure 1. While there has been a substantial reduction in temporary employment in the private sector, the percentage of temporary employees in the public sector has increased by more than 40%. Temporary employment is much higher in local (30%) and regional (21%) administrations than in the central administration.

There are several explanations to this trend. The first one is linked to restrictions since 1997 on permanent hiring in the public sector; these have only been relaxed over the last two years. A second reason concerns the decentralisation of administration and the way in which it is financed. Local and regional governments have more competences, but funding is often established on a yearly basis or assigned to specific projects, forcing them to hire on a fixed-term basis.⁹⁴

- **The sectoral productive structure of the Spanish economy:** if the proportion of 'temporary activities' in Spain were high, then the need for temporary employment would be justified. However, regional differences observed with respect to temporary employment are closely related to regional unemployment rates, and seem to be explained to a large extent by unit labour costs, rather than by the

sectoral structure.⁹⁵ In addition, comparison with other countries with a similar cultural, juridical and sectoral structure to Spain, such as France and Italy, which have temporary employment rates of around 10%, would argue against this hypothesis. As Toharia argues, the instability of the Spanish economy because of its intermediate position in the international framework, subject to the cyclical evolution of the rest of the world, might be a plausible explanation.

3 The 2006 reform: a new law for better growth and employment

As a result of the social dialogue process which began in 2004, the Government, trade unions and employers' representatives subscribed to an 'Agreement for better growth and employment', which the Spanish Government regulated through a Royal Decree Law (5/2006) in June 2006. Its main objective is to increase employment stability and boost the creation of new jobs. To achieve these goals, the new law establishes a set of measures divided into three main groups, as follows.

3.1 Measures to promote the use of open-ended contracts

Some new measures have been introduced to encourage companies to sign open-ended contracts with their employees. A temporary procedure (until 1 January 2007) has been launched to reward the conversion of fixed-term contracts into open-ended ones (firing costs of 33 days per year worked and social security reductions). After that date, conversions will no benefit from social security reductions though the conversion into a promotion contract (with 33 days firing costs) will be allowed until December 2007. Only initial open-ended contracts

⁽⁹³⁾ The Organisation for Economic Cooperation and Development (OECD) publication *Employment outlook 2004* shows the number of months of compensation received for unfair dismissal after 20 years of tenure. The highest compensation in the EU-15 is given in Sweden (32 months), followed by Ireland (24), Spain (22) and Portugal (20). The lowest compensation is given in Austria (six months), the UK (eight) and Denmark (nine).

⁽⁹⁴⁾ For an exhaustive account of this issue, see *La temporalidad en el empleo en el sector público (Temporary employment in public sector employment)*, Consejo Económico y Social, 2005.

⁽⁹⁵⁾ Comisión de Expertos para el Diálogo Social, *Más y mejor empleo en un nuevo escenario socioeconómico (More and better jobs in a new socio-economic scenario)*, 2005.

for specific groups will be rewarded with social security contributions and lower firing costs (33 days) in most cases.

The groups entitled to reductions in social security contributions have been expanded to include young men aged between 16 and 30, and women hired after five years' absence from the labour market (but only if they had previously worked for at least three years). The duration of the subsidies has also been prolonged (from two to four years in general, and for all the duration of the contract in some cases). The usual percentage reductions of social contributions (which used to benefit higher salaries) have been substituted by fixed amounts.

Another minor change relates to a reduction of 0.25 percentage points in the employers' unemployment contribution when hiring on an open-ended basis.

3.2 Measures to reduce the number of fixed-term contracts

The main goal of this set of measures is to minimise the misuse of fixed-term contracts. The Government has introduced a restriction on the duration of consecutive temporary contracts that employees can have within the same company (24 within 30 months). Furthermore, a new regulation on subcontracting has been adopted to protect employees better.

Lastly, in order to ensure that the law is applied, and to inform companies and workers about these changes, more funds have been assigned to the social security and employment inspection systems.

3.3 Other measures to improve the protection of unemployed people and the function of the Public Employment Services, and to increase the efficiency of active employment policies

Some groups receive better protection when unemployed. Specifically, higher or longer-term benefits are granted to people over 45 without family responsibilities, long-term unemployed people, discontinuous permanent employees and agricultural workers. Thus, a further measure is the Salary Guarantee Fund, which allows an increase in the benefits received by workers in case of business bankruptcy.

Regarding the Public Employment Services, a modernisation plan has been announced. This plan will improve the technological and material resources available, as well as staff's employment conditions. The signing parties also have a commitment to work together to determine active employment policies and evaluate their results.

4 Assessment of the reform and conclusions

The Royal Decree Law focuses on reducing the temporary employment rate. By comparison, the rest of the issues mentioned above could be seen as minor elements in the negotiations since the Joint Declaration in July 2004. The very length of the negotiations serves as an indicator of the difficulties faced by the trade unions and employers in reaching a common point. In this context, the very fact that a final agreement has been reached within the social dialogue — with the assistance of the Government in the final stages⁹⁶ — is good news.

That said, and given that promoting the conversion of fixed-term contracts into permanent ones has 'artificially' increased temporary employment, the temporary procedure (until January 2007) will accelerate these conversions during the second half of 2006. But it will result in a reduction of the temporary employment rate. The estimate made by the Ministry for Labour and Social Affairs of 400,000 conversions in 2006 would reduce the temporary employment rate by approximately 3%. However, this is a time-bound measure, and therefore will have a limited effect.

From January 2007, the incentives for conversion will be permanently removed. Contracts will be signed from the beginning on a permanent basis, without reduced firing costs and without a reduction in employers' contributions. It is uncertain as to what extent this will be applied. It may be that some employers opt for not converting these contracts, i.e. leaving them on temporary terms. The Royal Decree Law limits the time a worker can be hired for by the same company on temporary terms to two years. Due attention should be given to a possible increase in the rotation rates if employers choose to replace a fixed-term worker by another one every two years.

The extension of social security benefits to initial permanent hiring for young men and women after five years of inactivity, and the extension of the duration of incentives from two to four years in most cases, should contribute to stability at work. However, it may also have a limited

⁽⁹⁶⁾ The cost of the measures adopted by the Royal Decree Law has been estimated at around EUR 1,300 million.

effect: the temporary employment rate for young women — who are already entitled to social security benefits for permanent hiring — is not significantly lower than that of young men (53.6% and 54.2% respectively). A final consideration is that existing benefits have been effective, in as much as temporary employment has declined in the private sector since 1997 (from 51% to 33%).

So far, the factors noted above concerning fixed-term hiring — i.e. high firing costs and the increase in temporary employment in the public sector — have not been addressed by the Royal Decree Law. As long as the huge difference in firing costs between permanent and fixed-term contracts remains unchanged, then firms are likely to continue to address their need for flexibility through fixed-term hiring. In this context, the 'temporary employment culture' of firms (Toharia et al, 2005) should consider other possibilities, such as size and functional organisation of the workforce, wages, organisation of working time, and other issues such as high-quality regular education, continuous training and investment in technical innovations, which are all essential for the flexibility of companies.

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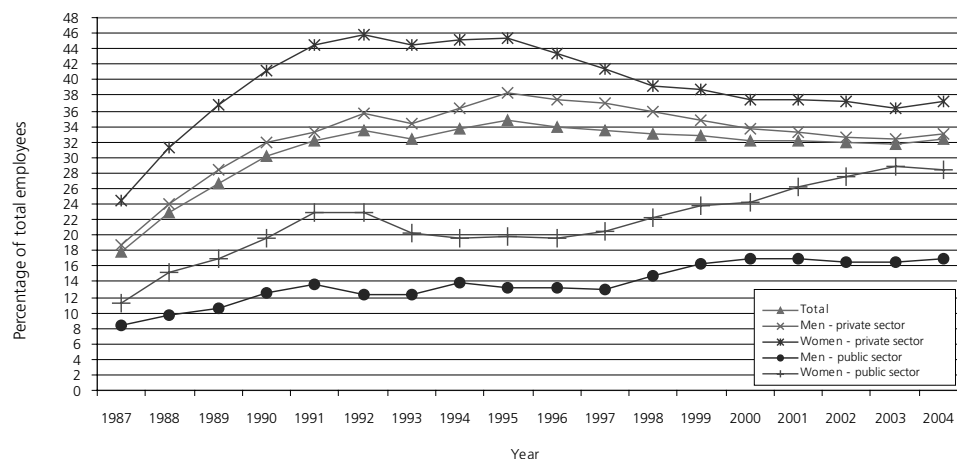
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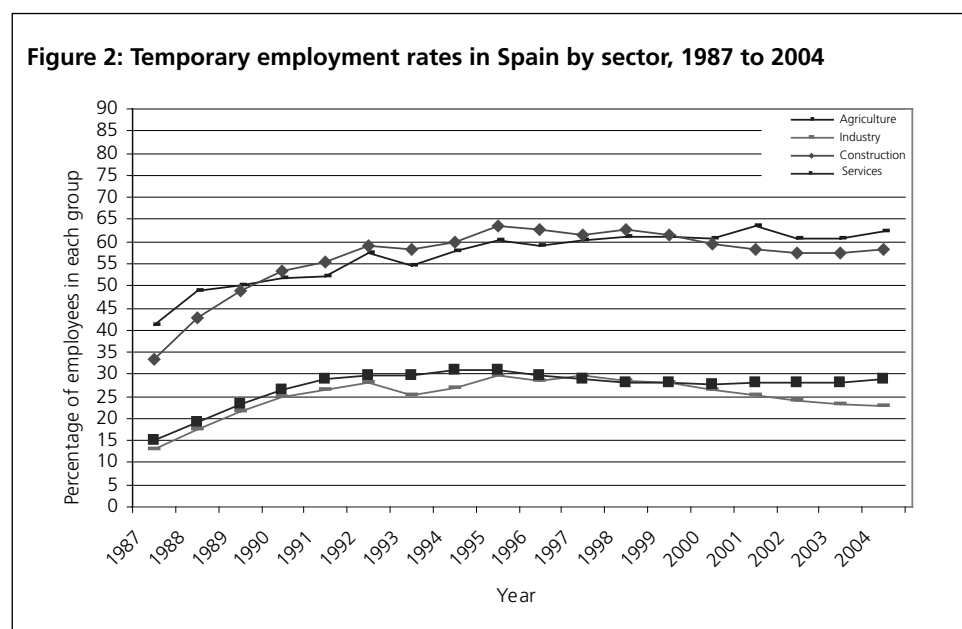
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Figure 1. Temporary employment rates in Spain, by gender and private/public sector, 1987 to 2004



Source: Spanish Labour Force Survey, Informe de la Comisión de Expertos para el Diálogo Social.



Source: Spanish Labour Force Survey, Informe de la Comisión de Expertos para el Diálogo Social.

Table 1: Numbers of employment contracts 1989 to 2005

	Total contracts	Open-ended contracts					Fixed-term contracts
		Total	Ordinary	Part-time	Employment protection contracts		
					Initial	Conversion	
1989	5,356,732	256,805	242,355		14,450		5,099,927
1990	5,303,442	281,014	268,203		12,811		5,022,428
1991	5,281,516	280,528	269,154		11,374		5,000,988
1992	5,156,795	284,742	250,427		13,267	21,048	4,872,053
1993	4,654,787	222,240	178,391		12,927	30,922	4,432,547
1994	6,040,602	204,288	152,523		19,426	32,339	5,836,314
1995	7,330,094	367,047	212,826	112,854	14,304	27,063	6,963,047
1996	8,627,500	354,372	204,235	109,991	13,718	26,428	8,273,175
1997	10,093,600	707,481	162,461	123,178	135,791	286,051	9,386,084
1998	11,663,300	970,964	178,033	147,410	331,841	313,680	10,692,315
1999	13,235,300	1,218,264	220,789	197,607	389,539	410,329	12,017,063
2000	13,828,900	1,208,414	313,869	237,741	437,178	219,626	12,620,505
2001	14,056,500	1,304,087	318,478	243,518	269,491	472,600	12,752,397
2002	14,179,200	1,282,960	434,341	(a)	308,865	539,754	12,896,288
2003	14,668,100	1,269,768	423,732	(a)	292,213	553,823	13,398,295
2004	16,350,800	1,419,718	491,648	(a)	314,626	613,444	14,931,066
2005	17,165,000	1,542,838	547,449	(a)	295,306	700,083	15,622,127

Note: (a) Since 2002, open-ended part-time contracts have stopped being an independent statistical category.

Source: Informe de la Comisión de Expertos para el Diálogo Social.

Table 2: Number of registered open-ended contracts by entitlement to reductions in social security contributions and firing costs, 2004					
	Total	Firing cost of 45 days		Firing cost of 33 days	
		Initial	Conversion	Initial	Conversion
Total	1,419,524	566,917	211,485	239,163	401,959
Without reduced social security contributions	726,375	491,649	142,497	44,430	47,799
With reduced social security contributions	693,149	75,268	68,988	194,733	354,160

Source: Informe de la Comisión de Expertos para el Diálogo Social.

Sweden: Integration of immigrants and Swedish employment policy

1 Introduction and objectives

As in many other Western economies, the number of immigrants in Sweden has increased rapidly since the Second World War. In 1940, the proportion of foreign-born citizens among the total Swedish population amounted to only 1%. In 2005, the figure had reached almost 12% (more than 1 million people). During the last two decades, the labour-market situation of immigrants in Sweden has deteriorated. Internationally, Sweden stands out as one of the countries with the lowest employment rates and highest unemployment levels among its foreign-born population (Organisation for Economic Cooperation and Development (OECD), 2004). In 2005, unemployment stood at 5.1% among the native-born population, compared with 11% among the foreign-born population. This alarming situation, coupled with growing political concern regarding first and second-generation immigrants in Sweden, has led the Government to implement specific measures to ease immigrants' entrance into the labour market.

The main objectives of this article are to describe developments regarding the position of immigrants in the Swedish labour market during the last three decades, and to identify policies aimed at enhancing the employability and labour-market integration of foreign-born citizens. A short review of recent evaluation studies concerning active labour-market policies (ALMPs) targeted towards immigrants is also provided.

2 The situation of immigrants and refugees in the Swedish labour market

Since the Second World War, the proportion of foreign-born citizens in Sweden has increased rapidly, and now comprises around 12% of the total population.⁹⁷ If we add to this children born in Sweden with at least one parent born abroad (second-generation immigrants), the total number of first and second-generation immigrants amounted to about 20% of the Swedish population in 2000.

The composition of the foreign-born population has, however, changed notably during recent decades. Until the mid-1970s, immigration to Sweden consisted essentially of labour-force migrants from Nordic and European countries (see Ekberg, 1990, 2004, 2006). The main motive of policy was to keep up with industrial expansion and counteract the prevailing labour shortage. During this period, the flow of immigrants displayed a clear pro-cyclical pattern, increasing during economic recovery and decreasing during downturns in economic activity. In 1970, almost 60% of the foreign-born individuals residing in Sweden were born in other Nordic countries (principally Finland), and more than 90% in Western Europe (mainly from Italy, Greece and the former Yugoslavia) — see Table 1.

⁽⁹⁷⁾ Compared with other Western countries, Sweden has a relatively large immigrant population: about 2% in Finland, 5 to 6% in Denmark and Norway, 8% in France, 9% in Belgium and Germany, and 10% in the Netherlands (OECD, 2005).

Region of birth	1960	1970	1980	1990	2003
Nordic countries	58.1	59.7	54.4	40.3	25.9
Other European countries	37.0	34.9	33.8	32.1	32.5
Non-European countries	4.9	5.4	11.8	27.6	41.6
Total	100.0	100.0	100.0	100.0	100.0

Source: Hammarstedt and Shukur (2006).

In the wake of the first oil crisis and the decline of industrial and economic growth, Swedish immigration policy became more restrictive. With the exception of Nordic workers and refugees from Latin America and Eastern Europe, worker immigration came to a halt in the second half of the 1970s.⁹⁸ The proportion of political and humanitarian refugees and family reunification increased, while the proportion of labour-force immigrants decreased significantly. From the early 1980s onwards, the bulk of immigrants came principally from the Middle East, Asia and Africa, and in the early 1990s refugees came from the former Yugoslavia. At the turn of the century, around 26% of residing immigrants were born in the Nordic countries, about 33% in the rest of Europe, and 42% outside Europe.⁹⁹ The last two decades have seen a growing heterogeneity in the immigrant population with regard to ethnic origin, and also changes in the character of immigration — i.e. from labour-force to humanitarian and political immigration.

In the post-war period, the employment situation of immigrants has changed dramatically. Up to the mid-1970s, immigrants' position in the labour market and their relative earnings did not differ significantly from the native population, and even exceeded that of the native population, especially among female immigrants (see Table 2). During this period, occupational mobility among immigrants was also similar to the native population (Ekberg, 1990, 1996).

Year	Index for employment rate			Index for labour income*
	Men	Women	All	
1950	na	na	120	na
1960	100	110	105	na
1967	na	na	110	122
1975	98	102	100	na
1978	95	101	98	99
1987	90	89	90	na
1991	84	83	83	75
1995	75	72	74	62
1999	78	75	78	64
2002	81	77	79	67
2003	80	75	78	na

Note: na not available.

Explanation: In 1960, the relative employment rate among foreign-born people was 5% higher than native born; in 1995, it was 26% lower.

Source: Ekberg (2004, 2006).

⁽⁹⁸⁾ As stressed by Knocke (2000), the pressure to limit labour-force immigration came from the Swedish confederation of blue-collar workers and also from a shift in political priorities, aimed at increasing the female labour supply.

⁽⁹⁹⁾ At the same date, around 50% of foreign-born individuals residing in Sweden had obtained Swedish citizenship.

Income differentials between immigrants and natives, driven principally by the differences in employment levels, have increased notably since the 1970s (see Table 1, right-hand column). A large proportion of the political and humanitarian refugees who arrived during the 1980s never entered the labour market, despite a tight labour market and low overall unemployment at this time. In the early 1990s, both due to a deep economic recession and to an unprecedented large upsurge in unemployment,¹⁰⁰ the employment situation of immigrants deteriorated even further, while the inflow of refugees increased as a result of conflicts in the Middle East (1989) and the civil war in the former Yugoslavia.¹⁰¹

Despite some improvement during the second half of the 1990s, the extent of labour-market integration of the foreign-born population — in particular among immigrants born outside Europe — has remained very low. At the beginning of 2000, employment and earnings rates among foreign-born citizens were 22% and 33% lower than natives respectively. As shown by Table 3, there are also large differences in employment performance among immigrant groups. To illustrate: the employment rate among immigrants born outside Europe was 30% lower than for natives in 2002. Meanwhile, the unemployment rate for African and Asian immigrants was 18.9% and 15.7% respectively, compared with about 4% among natives.

Table 3: Relative employment rates of immigrants born in Europe and outside Europe, (standardised for age); index for native born = 100 (1991 to 2002)

Year	Born in Europe			Born outside Europe		
	Men	Women	All	Men	Women	All
1991	90	90	90	72	64	68
1994	87	86	86	62	49	55
1999	83	83	83	71	61	66
2002	87	84	85	74	66	70

Explanation: In 2002, the employment rate among immigrants born in (outside) Europe was 15 (30)% lower than for natives. Source: Ekberg (2006).

Concerning the earnings assimilation of immigrants, a recent study (Hammarstedt and Shukur, 2006) suggests that for some cohorts of immigrants from European countries, the initial earnings disadvantage disappears after 15 to 20 years in Sweden. According to this study, while non-European immigrants also suffer from significant earnings disadvantages on entry, their earnings will never catch up with those of natives during their first 20 years in Sweden.

Also of great concern is the situation of second-generation immigrants, in particular children with both parents born in non-European countries. While the second generation of immigrants with a Nordic, Western or Eastern European background attain a labour-market position similar to that of native Swedes, children with both parents born in a Southern European or non-European country have a higher propensity to be unemployed, higher participation in social assistance schemes, and significantly lower earnings (Hammarstedt and Ekberg, 2004; Rooth and Ekberg, 2003, 2006).

Several explanations have been put forward to explain the decline of immigrants' labour-market integration in Sweden. First, in spite of strengthened legislation against discrimination, shifts in the composition of the foreign-born population towards a larger proportion of immigrants from outside Europe might have engendered a tendency towards more discrimination by authorities, employers and employees.¹⁰² Secondly, large structural changes experienced by modern economies, in particular the shift toward a service-oriented and knowledge-based economy and the related demands for qualifications and skills,¹⁰³ might have been detrimental to the labour-market integration of the foreign-born population. Lastly, mistakes in Swedish integration policy — in particular a new refugee placement policy initiated in 1985 — may partly explain the deterioration of immigrants' situation in the Swedish labour market. At this time, the Swedish Immigration Board¹⁰⁴ was given the responsibility of handling refugees' reception and implementing a refugee dispersal settlement policy. Recently arrived immigrants were assigned to an initial place of residence in order to counteract the concentration of immigrants in large cities. These refugees, who were no

⁽¹⁰⁰⁾ Open employment climbed from just over 1% in 1991 to about 10% in 1993/1994.

⁽¹⁰¹⁾ Mainly political refugees from Iraq and Iran in 1989, and Bosnia-Herzegovina between 1993 and 1994.

⁽¹⁰²⁾ Swedish research has, in general, found that discrimination against immigrants in the labour market is an issue of some importance (Le Grand and Szulkin, 1999). Other studies indicate that individuals from different parts of the world with physical traits indicating a 'non-Swedish' look are exposed to greater unemployment risks (Rooth, 2002).

⁽¹⁰³⁾ In particular, communication skills requiring good language proficiency.

⁽¹⁰⁴⁾ Instead of the Swedish Labour Market Board; this institutional change increased the time between arrival in Sweden and the possibility of entering the labour market.

longer free to choose their initial place of residence, were often located in municipalities with poor employment opportunities. Several studies (see Åslund, (2000), Åslund et al, 2006) found that employment and earnings prospects among refugees had worsened as a result of this strategy.¹⁰⁵ There are reasons to believe that this residential settlement policy, which was later abandoned, had a detrimental impact on the subsequent labour-market integration of immigrants during the 1990s.

3 Specific ALMPs targeted towards foreign-born citizens

Since the mid-1970s, one of the main objectives of Swedish integration policy has been to integrate immigrants (and refugees) to the same extent as the native population. As described above, developments during the last two decades clearly show that this goal has not been achieved, and that Sweden is still facing ongoing social exclusion and marginalisation of a large proportion of immigrants and refugees. This growing concern has led the Government to implement specific measures to ease immigrants' entry into the labour market.

In its Spring Budget Bill, the Government has put forward several measures to improve educational and working opportunities and reduce unemployment among foreign-born citizens. Among recent measures, the Government is prolonging the so-called 'Arbetsplatsintroduktion' (Workplace Introduction (WPI) scheme) for immigrants,¹⁰⁶ and intensifying job-placement activities. The WPI scheme will also be incorporated into mainstream labour-market policy measures. The Public Employment Services are being given overall responsibility for helping newly arrived immigrants to enter employment. To foster entrepreneurship and enhance business opportunities for immigrants, an extra SEK 20 million per year will be allocated to the Swedish Association of Ethnic Entrepreneurs. In order to combat ethnic discrimination, the central Government is increasing grants to anti-discrimination offices by SEK 1 million in 2006, and SEK 4 million per year from 2007.

In addition, the Government has appointed a commission to investigate the feasibility of a system of anonymous job applications in the public sector. It also intends to intensify information campaigns and launch a specific training programme targeted towards human resource managers. In order to prevent early dropout from the education system among young students with a foreign background, 1,000 special resource staff providing teaching support will be employed at schools in segregated areas.

Many university graduates with foreign degrees lack employment in accordance with their educational attainment. A teacher education programme for 300 students per year is therefore being launched, along with a pilot project providing supplementary education for 30 lawyers with foreign degrees. The National Agency for Services to Universities and University Colleges will be given extra resources to improve the validation of foreign upper secondary school grades. In collaboration with the social partners, a new job experience scheme (prova-på-plats) was created in February 2005 to reduce the mismatch of information regarding the actual qualifications and experience of immigrants. In the same vein, the Government has introduced a system aimed at facilitating the validation of employment experience and job-skills evaluation by creating a system of referral that can assist foreign-born jobseekers to find employment.

4 Performance and achievements

To date, surprisingly few evaluations of labour-market programmes targeted at immigrants have been carried out. One of the recommendations that Sweden received from the Council in 2005 concerns the monitoring and evaluation of actions regarding the integration of immigrants into the labour market. To comply with this recommendation, the Institute for Labour Market Policy Evaluation (IFAU) has been assigned to monitor and evaluate labour-market policy initiatives for men and women with a foreign background. The aforementioned Workplace Introduction scheme for immigrants has been recently evaluated (Åslund and Johansson, 2006).

⁽¹⁰⁵⁾ Åslund (2000) shows that as a result of this policy, the earnings of immigrants were 25% lower, and inactivity increased by six percentage points.

⁽¹⁰⁶⁾ The intention is to give refugees and immigrants at risk of becoming long-term unemployed extra support prior to employment and during the initial period in a new job.

The WPI scheme was introduced in 20 Swedish municipalities in September 2003. This programme is administered by local Public Employment Offices, which have been granted extra funding for recruiting employment officers to work with participants. In 2005, the additional resources amounted to a total of SEK 126 million, resulting in some 250 employment officers being directly involved in the WPI scheme. About 4,800 individuals joined the WPI scheme in 2005. The typical WPI officer appears to have a caseload of somewhere between 15 and 30 jobseekers — a figure much lower than usual (about one tenth of the normal caseload).

According to the Government Bill (Förordning 2003:623), the WPI programme is targeted towards immigrants or refugees (age 20 or above) who are ready to take a job immediately, but have substantial difficulties in finding work and are at risk of becoming long-term unemployed. After being deemed suitable to participate in the programme, the immigrant jobseeker is assigned to an employment officer. The whole process consists of six phases. The first comprises an interview where the employment officer identifies the individual's preferences and qualifications. The second includes job-search assistance where the employment officer looks for suitable work. The employment officer then informs prospective employers that the final objective of the programme is employment, even though the workplace introduction can begin with a trainee position. Work analysis is the fourth phase, in which the officer assesses whether the tasks and work environment suit the participant. Next, the workplace introduction begins, normally for a period of six months, and is carried out in close cooperation between the participant, employment officer, employer, colleagues and union representatives. When the programme is over, the officer undertakes a follow-up of the assignment.

The main result of the evaluation (Åslund and Johansson, 2006) is that this programme of intensified job-search and job-matching assistance has increased transitions into other programmes which are associated with higher employment probabilities. At first glance, the results of the evaluation suggest that WIP schemes work relatively well, and that intensified job-search activities and work introduction are particularly beneficial for disadvantaged groups who lack networks of employer contacts. These results seem to confirm that improved counselling, combined with intensified job-search activities and careful matching of unemployed people and employers, has a positive impact on the labour-market integration of disadvantaged jobseekers with foreign backgrounds.

5 Conclusions

While Sweden has been very successful in integrating women, older people and those with a work disability into the labour market, it has been less successful in integrating immigrants into the labour force. Even though the issue of the labour-market integration of foreign-born citizens has been high in government priorities, the situation of immigrants has not improved significantly during the last two decades. Growing awareness among politicians of the marginalisation process at play has led the Swedish Government to take specific measures to assist the entry of immigrants and refugees into the labour market. The ALMPs aimed at immigrants are promising, and the few evaluations performed suggest that these measures have had a beneficial impact on the labour-market integration of immigrants who are experiencing difficulties in entering the labour market. While these specific measures go in the right direction, there are reasons to believe that the overarching goals of Swedish population integration policy will not be achieved in the near future. Discrepancies in the extent of labour-market integration between natives and immigrants are likely to remain, implying further political efforts to sustain the process of labour-market integration of the foreign-born population.

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United Kingdom: Regional Skills Partnerships

1 Introduction

The UK is currently enjoying employment levels that are historically high, and compare favourably with principal comparator nations. Working-age employment stood at 74.7% in the first quarter of 2006¹⁰⁷, which was the highest rate among the G7 countries¹⁰⁸ and over 10 percentage points higher than the EU-25 average.¹⁰⁹

However, these figures belie the comparatively low level of skills in the UK workforce. The interim report of the Leitch Review¹¹⁰ found that over one-third of adults in the UK do not have a basic school-leaving qualification; five million have no qualifications at all; one in six do not have the literacy skills expected of an 11-year-old; and half do not have this level of functional numeric ability. As over 70% of the 2020 workforce have already completed compulsory education, the skills deficit will not be solved through better school performance alone.

A number of initiatives have been introduced to raise skills levels, in particular through two Skills Strategy White Papers. The intent is for the public sector to help to fund and commission training in partnership with employers, who are being called on to articulate the most urgent skills gaps that need filling, and to help

shape the supply of training. Regional Skills Partnerships (RSPs) are the means of coordinating and shaping the core public sector partners' response to the skills challenge at regional level.

2 Regional employment and skills profile

Employment rates vary by over 10 percentage points between the highest and lowest figures for the regions of England.¹¹² The South East and South West have the highest employment levels at 78.4% and 77.9% respectively, while the major urban areas of Merseyside (67.7%) and London (69.7%) have the lowest. London also stands out as having the highest rate of unemployment (5.7%), nearly double that in the South West (3%).

The skills profile of each region, as measured by highest qualification achieved, is shown in Figure 1. Generally, the regions with the highest employment rates also have the most highly qualified workforce. London (34.3%), the South East (29.6%) and South West (27.5%) have the highest proportion of individuals with experience of higher education or holding a degree or equivalent,

(¹⁰⁷) Office for National Statistics (ONS) — working age is measured as 16 to 64 for men and 16 to 59 for women.

(¹⁰⁸) Organisation for Economic Cooperation and Development, Employment outlook, OECD, 2006
http://www.oecd.org/document/38/0,2340,en_2649_201185_36261286_1_1_1_1,00.html

(¹⁰⁹) Working-age employment was measured at 64.1% for the EU-25 in the final quarter of 2005 — European Labour Force Survey (EU LFS), http://forum.europa.eu.int/irc/dsis/employment/info/data/eu_lfs/F_LFS_PUBLICATIONS.htm (NB: working age is measured as 15 to 64 in the EU LFS, but as 16 to 64 for men and 16 to 59 for women by ONS in the UK).

(¹¹⁰) Leitch Review of Skills, *Skills in the UK: the long-term challenge* (interim report, December 2005)
http://www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm

(¹¹¹) Department for Education and Skills, *21st century skills: realising our potential* (DfES, 2003) and *Skills: getting on in business, getting on in work* (DfES, 2005)

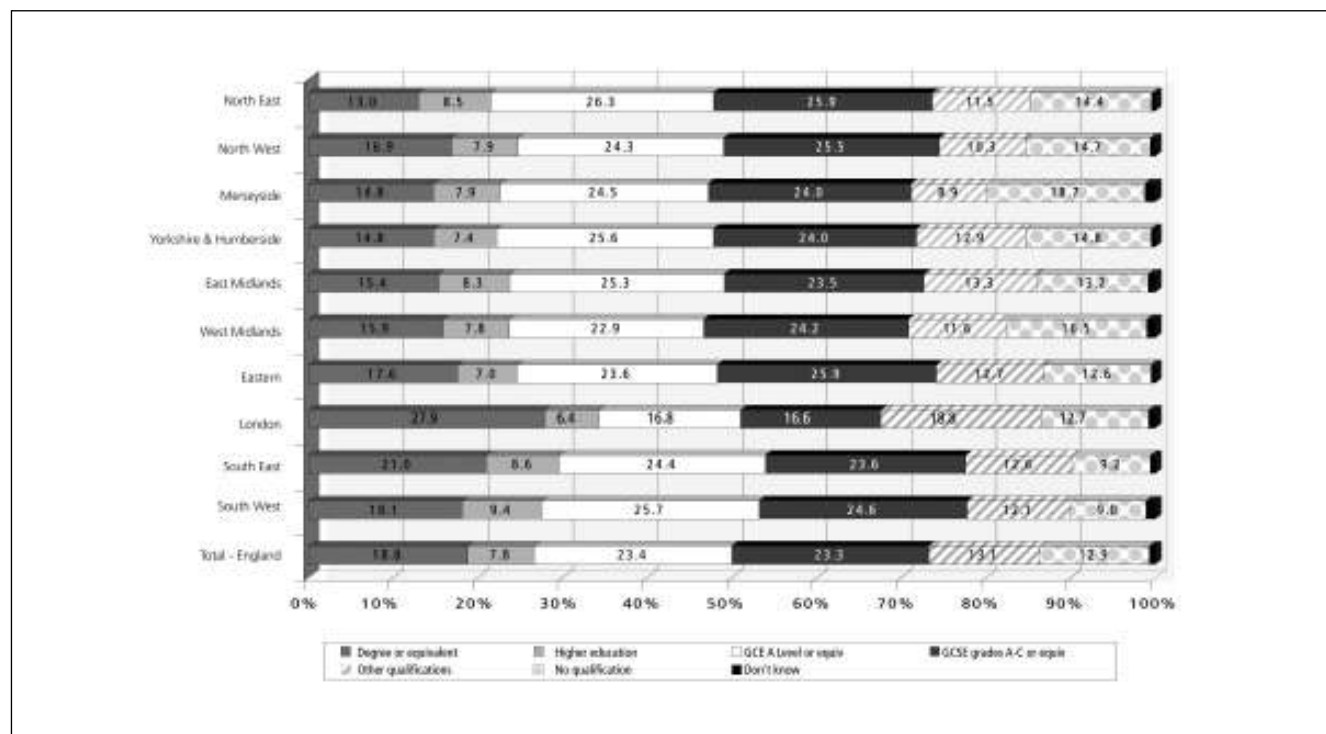
(¹¹²) The Labour Force Survey divides England into 10 regions. The nine Government Office regions are all of those listed in Figure 1 and mentioned in the text, except for Merseyside, which is part of the North West region.

while the North East (21.5%), Yorkshire and Humberside (22.2%) and Merseyside (22.7%) have the lowest.

London's skills base is particularly distinctive, with an extremely high proportion of people holding a degree or equivalent (equating to a Level 6 qualification), a high

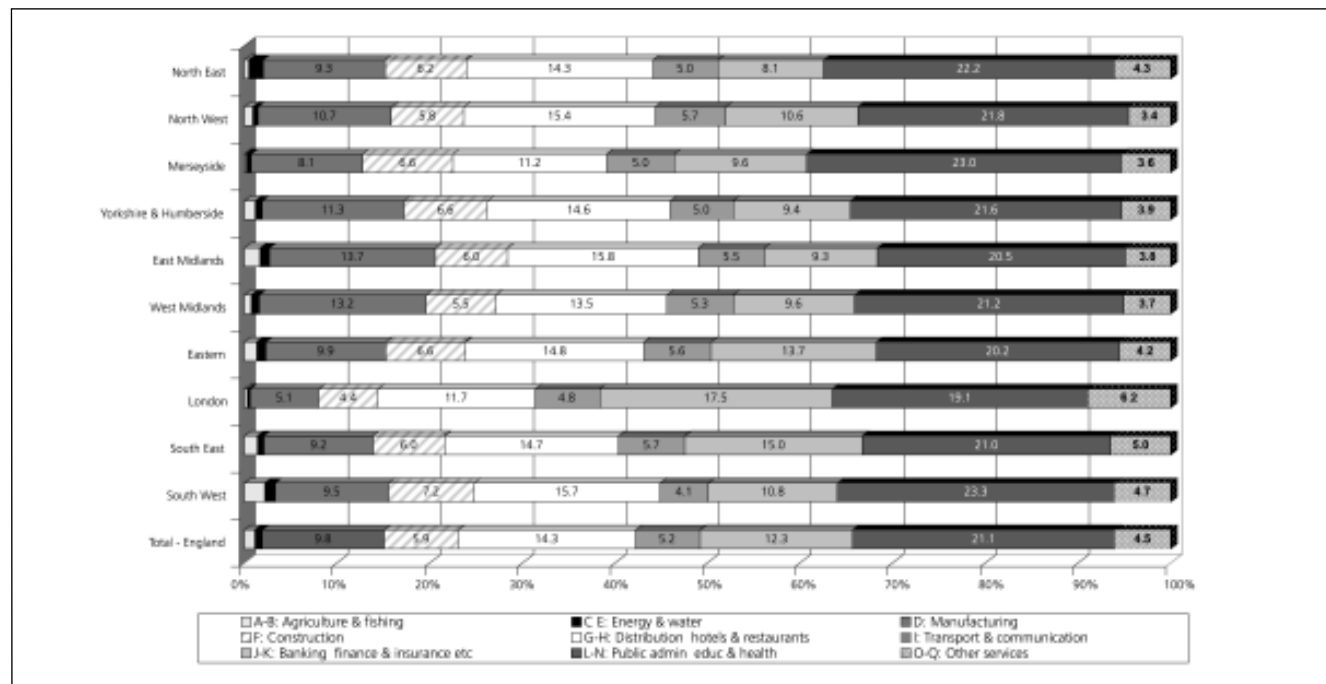
proportion with no or 'other' qualifications, and few qualified at intermediate level. The capital has historically suffered from a polarisation of educational achievement among its population. In addition, the city acts as a magnet for national and international migration, attracting those at both ends of the skills spectrum.

Figure 1: Highest qualification among working-age population by government region, January to March 2006



Source: Labour Force Survey, Office for National Statistics (2006, Quarter 1).

Figure 2: Sector of employment among working-age population by government region, January to March 2006



Source: Labour Force Survey, Office for National Statistics (2006, Quarter 1).

There is also strong differentiation in sectoral employment by region. The single biggest employment sector is public administration, education and health, which accounts for between a fifth and a quarter of employment in every region (except London). Banking, finance and insurance is most important in the south (especially in London), with manufacturing concentrated in the Midlands, and Yorkshire and Humberside. The variability in the regional employment base reflects the fact that each region has its own particular skills needs.

3 Regional Skills Partnerships

3.1 The regional infrastructure

Developing regional objectives and a regional infrastructure are central to the Government's current approach to improving the skills base in England. The regional approach is, however, a relatively recent innovation, moving away from the model of national policy initiatives aligned with local implementation.

Regional Development Agencies (RDAs) were established between 1998 and 2000 in each of the nine government regions to lead on and coordinate economic development strategies. Their annual budget for 2005 to 2006 was £2.2 billion, funded jointly by five government departments: the Department for Trade and Industry (DTI), Department for Communities and Local Government, Department for Education and Skills, Department for Environment, Food and Rural Affairs, and Department for Culture, Media and Sport.

In 2001, RDAs were given the task of producing a detailed assessment of the labour market in their region and a set of objectives to address the skills and employment needs of employers and individuals. With these in place, the 2003 Skills White Paper (DfES) expressed concern that 'integrating mechanisms are not yet strong enough at regional and local level to ensure the closeness of collaboration that is needed'.¹¹³ Referring to the need to join up the services delivered by different public sector bodies and training providers as well as engaging with

employers, the 2003 Skills White Paper invited RDAs to lead the development of Regional Skills Partnerships.

3.2 RSPs¹¹⁴

The ultimate goal of RSPs is to encourage demand-led training in each region across the private, public and voluntary sectors of the economy. RSPs do not deliver skills training, as they have no direct funding of their own. Rather, they play an important role in aligning the provision of publicly funded adult skills, business support, labour-market and productivity services with the priorities identified in each Regional Economic Strategy. As set out in the specification document for RSPs, their specific objectives are 'to identify barriers to successful engagement with employers in raising productivity, innovation and skills, so as to:

- put employers' needs at centre stage
- raise ambition in the demand for skills
- motivate and support more learners to re-engage in learning
- make colleges and training providers more responsive to employers' and learners' needs
- achieve better working across different agencies engaged in business support and skills development'.¹¹⁵

Partnership working is central to the purpose and functions of RSPs, which are intended to promote a coordinated response by bringing together the various public sector stakeholders involved in raising regional skills profiles as well as employers and trade unions. RSPs bring together RDAs, the Learning and Skills Council (LSC), Jobcentre Plus, the Skills for Business Network (SfBN) and the Small Business Service as core partners. Different RSPs also involve a wider range of partners according to regional relationships, including the Higher Education Funding Council for England (HEFCE), Connexions, local authorities, University for Industry/learnirect, Local Strategic Partnerships, employers, trade unions and others.

⁽¹¹³⁾ DfES, *21st century skills: realising our potential*, 2003.

⁽¹¹⁴⁾ This section draws heavily on the draft Specification for Regional Skills Partnerships prepared by the DfES in consultation with DTI, Department for Work and Pensions, HM Treasury, RDAs, Learning and Skills Council, Sector Skills Development Agency and Small Business Service.

⁽¹¹⁵⁾ http://www.lda.gov.uk/upload/doc/27_492_Part2Item11Annex2DraftSpecification.doc
(NB: this is a draft specification for Regional Skills Partnerships.)

RSPs have maximum flexibility to put in place group and decision-making structures that reflect the specific needs of each region and its employers. The only recommendation in the guidelines for establishing RSPs is that the partnership should be broad enough to encompass as many of the relevant stakeholders as possible, but that the decision-making structure (involving the core partners) ought to remain small enough to be able to take quick, decisive action where necessary, with clear lines of accountability.

The specification for RSPs lists the issues they were required to address at their inception. These include:

- 'The targets of different agencies and how these might be developed and aligned to enable partners to meet regional, sectoral and local priorities.
- The scope for greater alignment of relevant budgets at regional level by different agencies, in order to provide a stronger common purpose in meeting shared objectives.
- How the partnership will integrate in its work the use of relevant EU funds (particularly the European Social Fund and Structural Funds) for promoting economic and social development.
- How to ensure an effective "no wrong door" strategy for business support services, which enables employers to get the advice and help they need about training and business support, by linking up the activities of Business Link, the LSC and Jobcentre Plus on the principles set out in the Skills Strategy
- How to ensure better integration of labour-market services by using the Regional Skills Partnerships to bring together the work of Jobcentre Plus and the local Learning and Skills Councils.
- How the partnership will integrate the sector skills dimension in its work...'¹¹⁶

3.3 Progress

RSPs have generally engaged partners at national level (e.g. the Trades Union Congress and the Association of Colleges), regional level (e.g. regional assemblies, universities, the regional Higher Education Association, the Government Office for the region, and the regional Local Government Association) and sub-regional level (e.g. further education colleges, local business support providers and training providers). The structure of individual RSPs varies, but a core board or executive group takes key decisions and monitors progress against the agreed objectives. RSPs have also established a series of other groups (such as sub-regional partnerships, working groups) to facilitate wider engagement by stakeholders.

Since 2005–06, each RSP has created an annual action plan with a set of priorities against which progress is monitored. Some key priorities are common to all nine RSPs. For example, for 2006–07 these include: helping to coordinate regional delivery of the DfES-funded national employers' training programme (train2gain), which seeks to offer demand-led training for adults delivered in their workplace; helping to deliver the 14 to 19 skills agenda; and engaging with the work of Sector Skills Councils.

Distinctive regional priorities have also developed. For example, London RSP's (London Skills Commission) headline priorities include 'increasing opportunities for London's businesses and communities close to the major capital projects (Olympics, Thames Gateway, King's Cross, Wembley and South Central)', as well as 'promoting the value of diversity to London's employers' in response to the uniquely high number and variety of individuals from minority ethnic backgrounds in the city.¹¹⁷

A brief summary of the advanced work of the East Midlands RSP helps to illustrate the kind of approach being developed.¹¹⁸ The East Midlands RSP is known as the Employment, Skills and Productivity Partnership (ESP). ESP has 28 listed 'key delivery partners'¹¹⁹ (including Jobcentre Plus, LSC, SfBN, Government Office East Midlands, HEFCE, employers and trade unions), which are estimated to spend approximately £1 billion annually on employment, skills and productivity in the region.

⁽¹¹⁶⁾ http://www.lda.gov.uk/upload/doc/27_492_Part2Item11Annex2DraftSpecification.doc

⁽¹¹⁷⁾ London Skills Commission, *World class skills for the global city, 2005/06 regional skills action plan*

⁽¹¹⁸⁾ See: <http://www.esppartnership.org.uk>

⁽¹¹⁹⁾ <http://www.esppartnership.org.uk/find-out-about-partner-services>

ESP aims to use its annual action plan to influence how its partners spend their money, in order to fit with the East Midlands Regional Economic Strategy. The current action plan, for 2005–06, provides a list of six regional priorities (together with specific actions attached to each), a named lead organisation and an assigned budget. A summary, adapted from the 2005–06 action plan, is shown in Table 1.

ESP tracks the progress and completion of each action and project, in order to monitor whether partners are meeting deadlines and to gauge the effectiveness of spending. Further to this, ESP has developed a series of labour-market indicators. These include regional data measured against baselines and a series of measures of disparity, which gauge differences at sub-regional level.

Table 1: Summary of ESP Action plan 2005–06¹²⁰			
Priority	Action summary	Lead organisation	Budget 2005–06 (in broad terms)
To improve the productivity of businesses and organisations in the region through investment in management, innovation and enterprise (and through this to drive up demand for better-skilled people).	Integrated management and leadership development offer to all small and medium-sized enterprises (SMEs) and target businesses/sectors. Innovation support targeted at specified sectors and businesses. Enterprise support for individuals, target sectors and businesses.	East Midlands Development Agency (emda)	£12 million
To provide an integrated and demand-led offer of business support across the region.	Regional brokerage for business support. Strategy for working with business intermediaries and networks. Build capacity of intermediaries and networks. Support large businesses through links between inward investment aftercare and Jobcentre Plus account managers.	emda	£37 million
To use public sector planning and procurement as a lever for improving employment, skills and productivity.	Use significant infrastructure development to address skills/employment in deprived areas. Develop a regional procurement plan and portal. Support regional SMEs to access the public sector supply chain. Raise awareness of regional procurement.	Jobcentre Plus	£0.5 million
To increase the participation and attainment of 14 to 19 year olds.	Reduce the 'not in education, employment and training' (NEET) group. Implement new 14 to 19 phase. Develop vocational route.	LSC	Total budget for 11 to 16 age group is £826 million; some of this will be leveraged by 14 to 19 agenda actions.
Develop adult skills at all levels, to meet the needs of the regional economy.	Entry to Employment: welfare to workforce development and skills at all levels. Next Steps: develop career pathways by sector and develop and pilot Public Sector Services Skills Escalator. Action on redeployment.	Jobcentre Plus, LSC, SfBN	£28 million. Leverage of £126 million LSC adult budget.
To improve the infrastructure and effectiveness of skills supply and the coordination of provision.	Responsive providers, further education/higher education. High-quality providers. Better integrated activity (approved suppliers, skills for life).	LSC	£900 million Leverage

Source: ESP Action plan 2005–06.

⁽¹²⁰⁾ Adapted from ESP action plan: <http://www.esppartnership.org.uk/download-esp-documents>

4 Conclusions

RSPs are important to the developing regional infrastructure in England. At their core is a vision of partnership collaboration which will coordinate the various public sector bodies with an interest in developing the national skills base. As such, RSPs are intended to develop a demand-led programme of training which matches the needs of employers and individuals in each region.

It appears that RSPs are developing a more robust evidence base on which to define and develop regional responses to skills issues. They are bringing together the key public agencies from the supply side in a genuine attempt to understand the nature of demand, develop shared priorities and shape provision accordingly. Consequently, there are some early indications of a bending of mainstream activity to reflect a regional agenda. Importantly, RSPs have no direct levers for change — i.e. no additional funding of their own or any sanction over partners — so change can only be realised through effective partnership working in its truest sense.

There are, however, some broader potential issues involved in setting up and running RSPs. Most importantly, many public sector bodies are not driven by regional priorities. As a result, it may prove difficult to reconcile national and local targets with RSPs' regional objectives, though some bodies — such as the Learning and Skills Council — have introduced a regional infrastructure to respond to the regional agenda.

Measuring the impact that RSPs are having is likely to be difficult because of the diffuse nature of partnership working. RSPs are unlikely to leave a clearly distinguishable footprint.

Finally, any overall assessment needs to be balanced by the limitations on what RSPs have the capacity to achieve. The RSPs have drawn attention to the fact that partnership working is likely to take time before it can have a substantial and sustained impact¹²¹.

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Acceding countries

Bulgaria: Strengthening employment in the poorest municipalities of Bulgaria

1 Introduction

Changes in recent indicators for the Bulgarian labour market show an increase in its capacity. According to the Labour Force Survey, during the first quarter of 2006 the employment rate of people aged 15 to 64 reached 55.5%, and the unemployment rate was 9.8%.¹²² The major factors behind these results are the increasing number of new job opportunities in the private sector and more targeted, efficient policies. At present, the latter are achieved through comprehensive information provision for the formulation and design of policies.

Since 2002, several specialised studies have been carried out. The findings have outlined some specific problems facing disadvantaged groups in the labour market, and employers' requirements for vocational training. At the end of 2003, the National Statistical Institute and the Ministry of Labour and Social Policy, with the support of the World Bank, conducted a survey on poverty in Bulgaria. The major source of information was the Household Survey conducted annually by the National Statistical Institute. The objectives of this research were to: establish a poverty baseline; outline the characteristics of the population in poverty; identify demographic, economic, social and ethnic aspects of poor people; and assess and determine the regional dimensions of poverty. The last objective enabled the assessment of poverty at municipal level, and its mapping and grouping into six clusters for the first time in Bulgaria. The findings showed that the differences between levels and depths of poverty among municipalities are much greater than those among districts.

The poverty mapping outlined 13 rural municipalities where more than one third of the population is poor. These municipalities are within close proximity of each other, and form regional pockets of poverty. The poorest municipalities in Bulgaria have similar features: a poorly developed infrastructure and local economy, high unemployment and low levels of educational achievement. In general, these municipalities also have an ageing population; in two of the regions, there is an age dependency ratio of 100%. Only 10% of the inhabitants in these municipalities are aged under 15. The unemployment level in these regions varies between 35% and 80%, and the proportion of long-term unemployed people is 70% and more. Over 50% of the population in the poorest municipalities are from the Roma and Turkish ethnic minorities.¹²³

Comprehensive research into the social and demographic profiles of the poorest municipalities called for the application of a balanced combination of general and specific actions to combat poverty, of which job creation and the achievement of sustainable employment were of primary importance for all municipalities. To this end, the 'Overcoming Poverty' programme was developed in 2004 and implemented in 2005.

The programme comprises activities to provide literacy and vocational training, subsidised employment and self-employment for residents in the 13 poorest municipalities in Bulgaria. It aims to improve economic activity among the poor and marginalised population, by reducing poverty and overcoming regional discrepancies. 'Overcoming Poverty' aims for an inclusive labour market and to improve work attractiveness (Guideline No. 19)¹²⁴ in

(¹²²) To illustrate these changes, in the first quarter of 2005 the employment rate of the 15 to 64 age group was 53%, and the unemployment rate was 11.4%; in 2003 the equivalent figures were 50.2% and 15.7% respectively.

Source: National Statistical Institute www.nsi.bg

(¹²³) National Statistical Institute, *Bulgaria — the challenges of poverty*, 2005, pp. 104–105.

(¹²⁴) New integrated guidelines 2005 to 2008

http://www.europa.eu.int/comm/employment_social/employment_strategy/prop_2005/adopted_guidelines_2005_en.htm.

the poorest municipalities. It includes specific approaches for disadvantaged groups, such as young people, long-term unemployed people with low levels of education and without qualifications, and unemployed people from ethnic minority groups.

2 Organisation, implementation and funding

In terms of the amount of financial resources devoted to Overcoming Poverty, it was the fourth largest of all programmes implemented to achieve Guideline No.19 in 2005. This remains the case in 2006, and approximately 0.3% of the budget for active labour-market policies¹²⁵ will, according to the plans, be spent on the programme; 0.7% of all unemployed people will be hired under this programme.

The programme includes three modules: literacy training¹²⁶, vocational training, and subsidised employment or self-employment. They are organised on the basis of social partnerships and cooperation at national and regional level, and comply with legislative provisions. The main partners in the programme are the Labour Office Directorates (LOD), municipalities, training providers and employers.

The selection of those who are to be employed under the programme is carried out by LODs. The programme's target groups are unemployed people in receipt of monthly social assistance payments, long-term unemployed people, unemployed people with primary-level education or below or without qualifications, and people who have classified themselves as illiterate. Within these groups, women over 50 and men over 55 years of age, as well as young people up to 29 years of age, are given priority. Employers have the final hiring decision.

The role of LODs includes organising training courses that comply with local labour-market needs.

The programme is implemented through approved projects developed by employers from the various municipalities. These should ensure employment in sectors of high importance for local development, such as agriculture, processing of agricultural produce, cultivation of herbs and mushrooms, setting up service companies, ecology, tourism, literacy and vocational training, social services and manufacturing. A list of sectors of particular importance for the development of each of the poorest municipalities has been drawn up.¹²⁷ On the one hand, these are activities that need to be undertaken in order to achieve sustainable local development. On the other, it is envisaged that they will provide opportunities for sustainable employment.

It is a stipulation that the jobs available under the programme should not be connected with administrative and managerial activities, and that they should guarantee employment for not less than six months. For each municipality, lists of the vocational training courses that correspond with the recommended activities have been drawn up.

The literacy training organised under this programme is carried out using methods that have been specifically developed for delivering adult training, over 600 training hours. The municipality selects the training provider and venue, and provides textbooks and training aids for the course participants. Participants on the literacy and vocational training courses receive scholarships. This is an important factor that attracts unemployed people to participate in such training.

The programme is financed by the state and municipal budgets. Employers who create jobs for a minimum of six months, and hire unemployed people, receive financial remuneration from the state budget to cover labour costs and for all social insurance contributions. The resources are provided for all unemployed people hired under the

(¹²⁵) The 2006 Action Plan, guideline on 'Inclusive labour markets', envisages the employment of about 63.3% of all people engaged under labour-market programmes and measures, and the financing of 63.9% of the total expenditure for active policies in 2006 (<http://www.mlsp.government.bg/>)

(¹²⁶) According to the Employment Promotion Act (in force since 1 January 2002), 'literacy' is a training process for acquiring knowledge and skills in reading, writing and calculation, and elementary knowledge in the field of science and humanities.

(¹²⁷) For example, for the municipalities of Dospat and Rakitovo, the recommendation is for the development of cultural tourism. Additionally, in the case of Dospat, subsidised employment in the production of plastic articles is to be promoted, whereas for Rakitovo the cultivation of strawberry plants, hops, lavender and perennial plants, along with stock-breeding, is to be developed.

programme during their employment, but for a period not exceeding 12 months. The municipality administration provides resources for textbooks and training materials and for covering the costs of renting training premises, as well as for maintenance costs (heating, lighting, sanitation, etc.). These measures allow the involvement of each partner in the programme's implementation and the sharing of responsibilities. The contributions of the municipal offices are important to the programme's implementation in terms of information dissemination, mobilisation of local businesses, and maintaining regular contact with representatives of local ethnic groups.

Implementation of the Overcoming Poverty programme in the 13 poorest municipalities in Bulgaria takes into account the already accumulated experience of other, similar initiatives. In general, each employment and training programme or measure implemented to date has included representatives of the Roma and other minorities.¹²⁸ The first programme, 'Literacy, Training, Employment', was implemented in 2002. In 2006, another similar programme, 'Integration of Minority Ethnic Groups in the Labour Market' began. Its goal is to achieve the social and economic integration of disadvantaged groups in Bulgaria — mainly the Roma minority ethnic group. It involves purposeful active labour-market policies in regions with a mixed ethnic population and with the highest concentrations of the Roma population. Through the implementation of this programme, the measures detailed in the employment section of the 'Framework for equality of the Roma population in Bulgarian society' and the action plan for its implementation will be carried out. In 2006 to 2007, the National Programme for Literacy and Vocational Training of Roma will be implemented. It aims to enhance the employability of illiterate and barely literate unemployed people through the delivery of literacy and vocational training courses.

The innovative aspect of the activities implemented under Overcoming Poverty is the application of a balanced package of general and specific activities at municipal level, taking into account the particular problems of the local population. It also applies complex solutions to poverty reduction and to encouraging new job opportunities. The programme also contributes to improving local capacity for the development, application and implementation of business projects.

3 Performance and achievements

The implementation period for the Overcoming Poverty programme has not yet expired. The results achieved since the beginning of 2005 are as follows:

- The programme is well targeted to disadvantaged groups as it encourages active behaviour; 61% of people who have taken part in it are long-term unemployed, 28% have lower secondary education, 23% are young people and 46.5% are women.
- About 86.6% of all unemployed people included in the programme are hired on jobs created under financed projects. According to the statistics, the average monthly number of people hired and employed under the programme was 818 in 2005 — the planned average was 685.¹²⁹
- 13% of all people included in the programme have attended literacy and/or vocational training courses.
- The jobs created are predominantly for low-qualified personnel. The demand for highly qualified employees is increasing, but the demand for low-qualified labour prevails.
- Half of all the jobs created under the programme are in construction, repairs and community activities, followed by agriculture (20%); 16% of the newly created vacancies are in tourism and ecology, and 11% are in forestry and hunting activities. Thus the projects take into account regional specifics and the natural resources available in the respective municipalities. This is a strong indicator that the economic activities and employment created under the programme will be sustainable.
- In two of the poorest municipalities, the population is older than the working age. Those with low and very low pensions receive social services free of charge, provided by other Ministry of Labour and Social Policy programmes.
- In 2006, special priority has been given to agriculture, hunting, eco-tourism, the processing industry and growing vegetables, herbs and mushrooms.

⁽¹²⁸⁾ Bulgarian legislation does not allow discrimination against the Roma population or representatives of other ethnic groups. This is true for all Laws, Regulations and other legal documents relating to the labour market (in compliance with the Law on Protection against Discrimination).

⁽¹²⁹⁾ The figures are for 2005 (Source: Employment Agency).

Experience to date indicates that these activities are appropriate for the municipalities, and are likely to contribute to overall economic development and increasing employment in the municipalities.

4 Conclusions

To date, it could be concluded that the programme is efficient and capable of fulfilling its goals. Poverty levels in the targeted municipalities have decreased by between one and eight percentage points over 18 months.

Results from the programme's implementation show that the counselling provided to employed beneficiaries should be improved further. Poorer people in these rural municipalities have lost hope that the situation can change. They need strong motivation, a wide range of information and active guidance services. An individualised approach for each jobseeker is of major importance.

At present, unemployed people in the poorest municipalities are not interested in self-employment opportunities. This could be because of their low levels of education and uncertainty about starting their own business. Also, the business environment in these municipalities is as yet not wholly favourable for the expansion of self-employment.

Measures for promoting employment are of little importance for the two municipalities with an elderly population. The age structure of residents of the poorest municipalities needs to be considered before including the municipality in the programme. Including municipalities with a relatively young population is important, even where there is a high but not the nationally highest level of poverty.

To date, the results of the programme will lead to its further implementation in 2007, when it is planned to update the poverty map. An update to the list of subsidised municipalities and for the inclusion of new ones is also planned.

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Romania: Changes to the unemployment benefit system: from a flat-rate benefit to a contribution-related benefit

1 Introduction and objectives

While income tax in Romania has moved from a progressive system to a flat-rate one, because of marginal taxation brackets wholly inappropriate for the country's income hierarchy, the unemployment benefit system has changed from a flat-rate system towards an almost fully contribution-related one.

The Government Emergency Ordinance, initiated by the National Agency for Employment (NAE) in autumn 2005 (No. 144/2005, 10 October 2005) to come into effect on 1 January 2006, has radically changed the underlying principle of the unemployment benefit formula, as enshrined when the current Unemployment Insurance Law was initially adopted by the Romanian Parliament in 2002 (Law No. 76/2002).

This Ordinance, subsequently approved by Parliament, has modified the text of the Unemployment Insurance Law and overhauled the system of flat-rate unemployment benefit. The Unemployment Insurance Law, in marked contrast to its stated objectives, has failed to attract more people into the labour market. It has merely served as a tool for improving the consolidated budget balance, by allowing for important savings in expenditure on the unemployment insurance scheme. However, although this scheme is the smallest of Romania's mandatory publicly administered social protection schemes (pensions, health, work accidents, occupational illness and unemployment) and is posting a net surplus, the amount spent on it fails to justify a formula that has actually deprived its contributors of their rights.

At the same time, the ill-advised implementation, begun in 2003, of a centralised collection mechanism (currently

administered by the National Fiscal Administration Agency, operating under the aegis of the Ministry of Public Finances) for all state revenues — including mandatory contributions to the four public social security schemes — has not led to a better collection system. This centralised mechanism has resulted in a collection system that is highly skewed towards meeting current liabilities, while almost totally neglecting future liabilities and the build-up of reserves. As such, it is impossible to tell whether or not contributions to the unemployment insurance fund really meet the statutory contribution rate. Likewise, it is impossible for the NAE to use the surplus, as the current rules confine it to the role of provider of current liabilities for the scheme, irrespective of their nature in terms of the policy's character (i.e. active versus passive).

The reforms implemented so far change the way in which the scheme's revenue is actually spent, moving spending closer to the aims of contributors and thus acknowledging the fundamental principle of the accrued rights of insured people. The changes provide for a system which recognises that benefits have to reflect the contribution base (i.e. income, in most cases salaries on which contributions are levied) as well as the contribution period and duration of benefit.

The obvious objective is to restore the basic principles of any social insurance scheme and encourage participation in the formal labour market, which alone provides the opportunity for participation, via contributions paid, in social security schemes. But in addition, the changes aim to make inroads into the large 'underground' sector, which still plagues the Romanian economy. Thus, this system should contribute to reducing undeclared work, mostly through its focus on the contribution base to establish the level of unemployment benefits. It is hoped that the widespread practice of 'envelope' or 'under-the-table' salary payments will start to decrease.

2 Organisation, implementation and funding of the policy

The reform aims to create a stronger, more explicit link between the contribution base and contribution period and the duration for which the benefit is provided, as well as the amount paid. As such, the benefit is awarded to those who register as unemployed with the local offices of the NAE, provided that they meet the eligibility criteria. These require a minimum time of uninterrupted contribution before people can apply for unemployment benefits lasting between 6 and 12 months. In accordance with the accumulated contribution period, these benefits are as follows:

- six months for those with a contribution period of at least one year
- nine months for those with a contribution period of at least five years
- 12 months for those with a contribution period longer than 10 years.

The minimum contribution period enabling an individual to register and claim the benefit is 12 months (accumulated over 24 months) before applying for unemployment benefits.

The actual amount of unemployment benefit is determined by both the contribution period and the contribution base (i.e. taxed income or salary) of the beneficiary or insured person, according to the following formula:

- 75% of the national minimum guaranteed salary for individuals with a contribution period of one year
- 75% of the national minimum guaranteed salary plus a sum calculated by applying a 'contribution period differentiated percentage quota' to the last 12 months of the claimant's gross average salary before registration.

The percentage quotas applied vary according to the accumulated contribution period at the date when the claim is actually registered with the local offices of the NAE, as follows:

- 3% for claimants with an accumulated contribution period of at least three years
- 5% for claimants with an accumulated contribution period of at least five years

- 7% for claimants with an accumulated period of at least 10 years
- 10% for claimants with an accumulated contribution period of at least 20 years.

Although the reform has restored the connection between the benefits provided and the contribution period and contribution base, in our opinion the change does not establish a full restoration of this connection. The change simply follows conventional labour-market economic theory, albeit that this theory is insufficiently substantiated. According to this theory, the more generous the unemployment benefits, the higher the likelihood that recipients' unemployment will last longer or, at least, the full duration of benefits will be used before they return to the labour market. This theory has never received full empirical confirmation, and also fails to take into account the varied nature of unemployment schemes regarding their sources of income and revenue. Thus, it actually fails to distinguish between schemes that are fully or almost fully reliant on contributions for their revenues, and schemes that are non-contributory in nature but financed mainly from general taxation. Irrespective of the nature of the main source of income, there is evidence that even generous benefits do not necessarily encourage inactivity, if they are accompanied by strong measures to ensure that beneficiaries actively look for work or participate in training.

Clearly, contribution-financed schemes must work first and foremost for their contributors — the insured people — and not for their administrators. So, while taking into account the special nature of the unemployment insurance scheme compared with other social insurance schemes, it must be remembered that rewarding contributions means, in this case, also encouraging work and active participation, as in practical terms this means accruing rights within the scheme.

The fact that the change does not fully restore the link between contributions paid, the contribution base and the benefits provided can be considered a hark back to the times when redistribution and dependence on state aid was the rule, and work and initiative were discouraged. As such, although significant and beneficial overall, the change still favours only a minimal contribution to the scheme, in terms of both contribution base and contribution period, while still discouraging the accumulation of long contribution periods and open declaration of the contribution base (income). This means that one of the objectives of the reform, namely contributing (alongside the flat-rate income tax) to the gradual reduction of undeclared work and the underground economy, is poorly served.

Nevertheless, it is noteworthy that, with the introduction of voluntary contribution to the unemployment insurance scheme (and to the other social insurance schemes), the amount of benefit for those voluntarily insured — mostly self-employed but also unpaid family workers and a growing, albeit from a tiny base, number of Romanians working abroad — is to be determined in accordance with their contribution period, also taking into account as contribution base income actually declared. This is a weak and poorly used incentive to declare a higher amount of actual earnings for higher benefits in times of need.

3 Performance and achievements

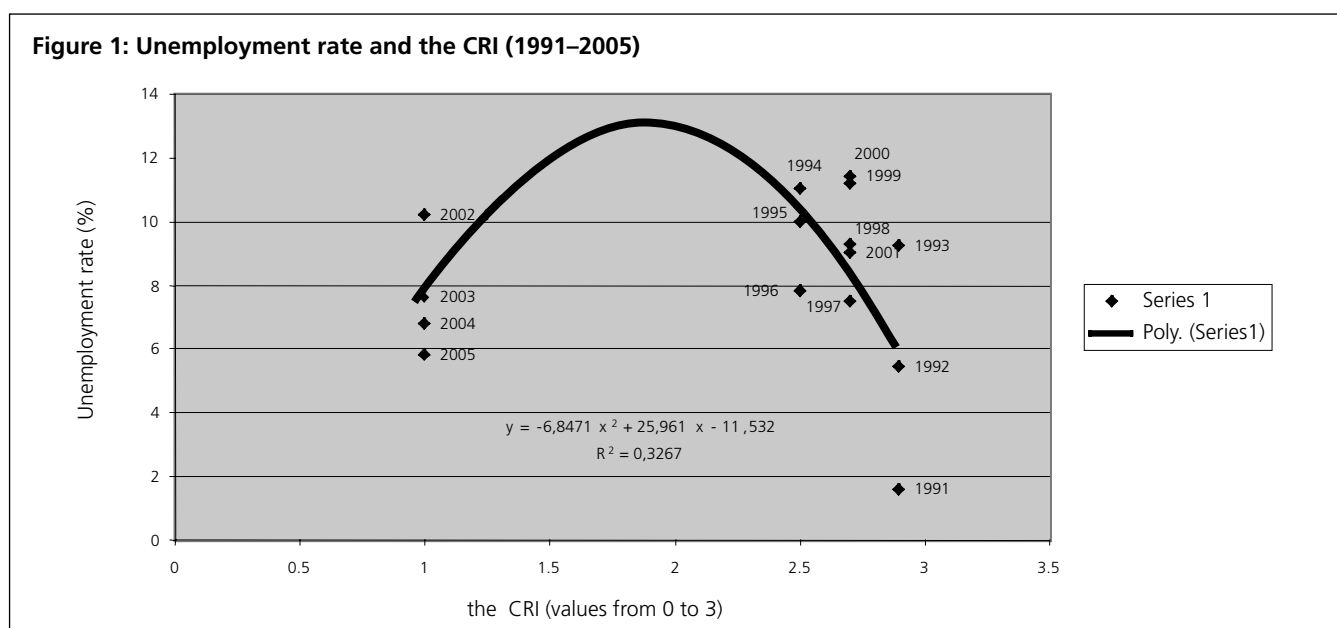
The policy has only been recently applied, so it is difficult to attempt an assessment of its performance, achievements or possible impact. Nevertheless, it is worth noting that this particular policy path and its formula for unemployment benefit are a hark-back to the policies of the early 1990s, when the Romanian Parliament adopted the first Unemployment Insurance Act (Law No.1/1991) at the beginning of the 'Plan to Market Transition Process'. However, looking at the history of the unemployment insurance scheme, one can derive some useful insights for any further performance evaluation exercise, or even for the more ambitious impact assessment that will surely follow.

A formula based on both contribution period and contribution base was in use until 2002. It is possible to look at its impact on some employment and labour-market indi-

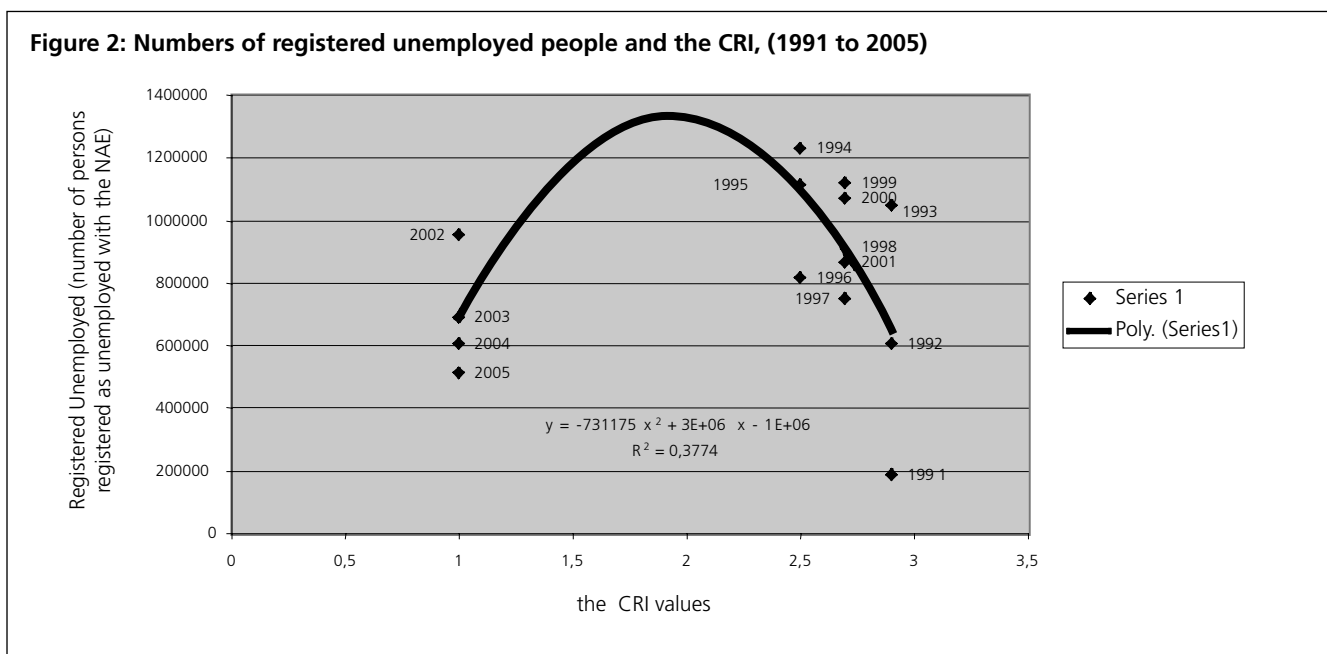
cators (e.g. total employment, EU-harmonised unemployment rate, nationally defined unemployment rate, share of employment in the agricultural sector, which served as a 'buffer zone' during periods of mass restructuring), using as an explanatory variable for their evolution the unemployment benefit formula in use at the time. In this way, we can build a crude, but perhaps fairly accurate assessment of the way in which changes in the unemployment benefit formula might affect labour-market developments.

The main factor differentiating the various formulas employed during the last 14 years (since the first Unemployment Insurance Act was adopted) is their relationship to the contribution-related determinants (i.e. contribution base and contribution period). Taking this into account, we can build a scale ranging from 0 to 3, with 0 standing for a formula that has no link to contribution-related determinants and 3 standing for a fully contribution-related formula. We then apply these scores to each year, starting with 1991 when the first Unemployment Insurance Act was passed, until 2005. Next, we perform a regression of the values of some of the employment aggregates mentioned above on the values of this constructed measure, which we call the 'contribution relation index of the unemployment benefit formula' or simply the 'contribution relation index' (CRI). Although this is only a crude measurement, it might shed some light on the possible outcomes. It is also true that one has to take into account the fact that, as with many other 'Plan to Market Transition' developments, the potential for future replication is limited, as the 'Plan to Market Transition' was a unique phenomenon.

Performing these calculations leads us, however, to mixed conclusions (see Figures 1 and 2). On the one



Source: NAE data plus calculations of Dr C Ghinararu.



Source: NAE data plus calculations of Dr C Ghinararu.

hand, it seems that the way in which the benefit formula relates to the unemployment rate or the numbers of registered unemployed people can be explained by the extent to which it takes into account contribution-related determinants. This relationship is by no means a simple, linear one. On the contrary, it appears that during the transition phase, times of high unemployment were associated both with benefit formulas having a strong relationship to contribution-related determinants and with those having a weaker or even no relationship at all to contribution-related determinants. However, the equation emerging from the correlation shows that, while an incremental increase in the contribution-related aspects of the formula has a negative impact, leading to an increase in the unemployment rate, a decisive move towards applying the contributory principle clearly contributes to a lowering of the unemployment rate.¹³⁰

It is also clear that (as with most developments in the transition phase), the various evolutions in the formula for unemployment benefit, and its periodic shifts closer to or further from the contribution principle, bore a strong relationship to Romania's progress in the transition from 'Plan to Market'. Hence, performing a regression between

the CRI and a commonly used measure of progress in transition, namely the Liberalisation Index, shows a strong relationship between the two constructed values, with the progress in transition strongly influencing the CRI. Meanwhile, the same strong relationship exists between the unemployment rate (national definition) and the Liberalisation Index. This indicates that while slow reform leads to a rise in the unemployment rate and the number of unemployment benefit claimants, a decisive pursuit of reform brings a rapid decline in the administratively calculated rate of unemployment and a sharp drop in the number of claimants.

This is consistent with the results of another regression which simulates the CRI's evolution, assuming no U-turn as when the Social-Democrat Government introduced a flat-rate unemployment benefit in 2002, and that the system would have evolved even more towards a contribution-related one. Results of this simulation show that the U-turn should have never been attempted, as it served no purpose at all. The simulation clearly shows that during the transition period, benefits in the initial phase tend to be more generous, but as the process evolves and hardships hit the economy and public finances, benefits

⁽¹³⁰⁾ We have given a higher score for the years 1997 to 2000, when decisive reforms were undertaken by the centre-right coalition. These reforms have enabled the country to cross the critical-mass threshold in the transition from planned to market economy and thereby resume the path of growth. Throughout this period, which saw mass lay-offs, unemployment benefits — still calculated on a contribution-oriented formula — were supplemented with somewhat generous severance packages, largely financed from the Unemployment Insurance Fund. In most cases, these benefits had some relationship to the individual's years in employment, and therefore with the length of the contribution period.

tend to become more spartan in nature. However, as the economy recovers, benefits have a tendency to return to normalcy. Empirical evidence from other transition countries supports this view.¹³¹

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4 Conclusions

Current developments correspond to the current state of the Romanian economy, which has strongly resumed growth, while public finances show visible signs of continuous consolidation.

Maintaining a system that deprived contributors of their rights was singularly absurd for any social insurance scheme, including the unemployment insurance scheme.

Romania has completed the 'Plan to Market Transition' and has currently entered a period of sustained growth likely to last a long while. With this in mind, from strong empirical evidence and taking into account the specific realities of Romania, one can only affirm that the new unemployment benefit formula — far from acting as a hindrance to labour-market developments — will actually foster them.

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⁽¹³¹⁾ Such was the case with the Estonian public pension system. Estonia enacted a new pension law as soon as it regained its independence from the former USSR. The initial provisions were ultra-generous, but impossible to sustain when the first transitional hardships hit. The law was suspended and replaced with a system which resembled social assistance more than social security. But once the economy recovered, the system reverted to the principle of a proper social security scheme.

Candidate Country

Turkey: Labour-market exclusion — more education and skill upgrading needed for women to increase participation in the urban labour market

1 Introduction: the national employment challenge regarding women and young people

This article describes and analyses the general labour-market position of women and urban youth in Turkey. It focuses on the salient aspects of the Turkish situation that have to be taken into account before assessing any labour-market issue regarding Turkey. Currently, the rate of increase in the working-age population is faster than the rate of employment growth registered in recent decades. As a result, employment creation in general — and women's and youth employment in particular — has emerged as the key labour-market challenge for Turkey's development. 'More education' in the article title (and then lifelong learning) refers more to women who are leaving the agriculture sector; 'skill upgrading' refers more to the increasing numbers of young, better-

educated urban women who are participating in the labour market and not finding employment.¹³²

Some recent statistics may convey a sense of the magnitude of the issues concerning the Turkish labour market. According to the (latest available) TURKSTAT Labour Force Survey (LFS) data (www.tuik.gov.tr) for June 2006, the non-institutional civilian population of Turkey has risen by one million since June 2005, reaching 72.6 million, and the annual population growth rate is 1.4%. The working-age population has risen by 870,000, reaching 51.6 million; its annual growth rate is 1.7%.¹³³ In Turkey, 23.2 million people are employed.

Agricultural employment continues to decline after the phasing out of agricultural subsidies that used to keep people on their family plots.¹³⁴ Agricultural employment went down by 715,000 people between June 2005 and June 2006, while non-agricultural employment rose by 857,000. Employment growth over the year was, therefore, 142,000. This is only 16.3% of the increase in the working-age population, corresponding to a 0.6% employment growth rate. Note that 29% of total employment in Turkey is still in agriculture, amounting to 6.8 million people. There are therefore many more people who could leave agricultural employment in the near future.

⁽¹³²⁾ Many non-participants are so-called 'discouraged' workers. This brief exposition looks at youth unemployment as well, but does not focus on young male urban residents.

⁽¹³³⁾ Although the 0–14 age group population in Turkey has stabilised, the working-age population growth rate is currently larger than the overall population growth rate because of population momentum.

⁽¹³⁴⁾ These populist support practices are also responsible for the low average education and skill level of the Turkish population. They locked up a huge part of the labour force in the low-productivity agriculture sector for decades. Children would become unpaid family workers, and five years of basic education was regarded as enough. (Daughters were deemed to need even less education — 12% of all women in the labour force are illiterate, 50% have only received primary education.) Mandatory schooling was only raised to eight years in 1997.

It is possible that non-agricultural employment growth could have absorbed the increase in potential labour supply, but this is out of the question with these exit rates for agricultural employment. At present, the Turkish employment rate is 45%. The employment share of small firms (employing one to nine people) in total employment is 64%. This combination of low-skilled former agricultural workers and the prevalence of small firms is conducive to informality in the job market. Strict and formal enforcement of regulations is lax.¹³⁵

1.1 The exodus from agricultural employment reflected in decreasing participation rates

Between June 2005 and June 2006, the share of the agriculture sector in total employment went down by 3.3 percentage points. Meanwhile, service-sector employment went up by 2.5 percentage points, with its share of total employment reaching 46%. Manufacturing employment comprises 19% of the total, and construction 6%; manufacturing and construction employment has settled within a band of between 5.5 and 6 million people in recent years. Therefore, the negative difference between service employment growth and agricultural employment decline has to be reflected in the numbers of unemployed people and non-participants.

Turkish participation rates have been falling steadily. In June 2006, the overall participation rate was 49.3%, with an urban participation rate of 45.7% and a rural participation rate of 55.4%. All rates have fallen since June 2005, continuing the downward trend. Low female participation rates explain the low overall rates.¹³⁶

The Turkish unemployment rate in June 2006 was 8.8%. This figure may not seem that alarming, but the urban unemployment rate is higher: 11.2% (the non-agricultural unemployment rate is 11.5%). There is also cause for concern over the youth (15–24 years of age) unemployment rate, which is 16.7%, while the urban youth unemployment rate is 20.4%. (All these rates are lower than the June 2005 figures as there has been a slight improvement.) The young urban female unemployment rate is over 25%. The 15–24 age group makes up 18% of the Turkish labour force.

Long-term unemployed people (unemployed for over a year) comprise 37.5% of the total of unemployed people, and this proportion is rising. This increase is because population growth in Turkey keeps outpacing employment growth, and educated young people have difficulty in finding jobs (World Bank, 2006, p. iii). Demographic pressures will therefore work to exacerbate the unemployment problem in the near future. Moreover, social security financing has already created long-term financing problems, despite the youthful population (which Turkey obviously under-uses). Bottlenecks in employment creation are likely to continue.

2 Europe and Turkey: similar employment priorities and objectives, but also differences

The Spring European Council (2006) stated that the aim of increasing employment was a top priority for reform. A key objective is to increase labour-market participation, especially by young people and particularly young women, along with older workers and people with disabilities. Some of these key EU priorities fit with Turkey's main priorities and objectives. Although the current public debate on employment in Turkey does not focus on older workers and people with disabilities, urban youth unemployment does receive attention.

There is also awareness of the need to significantly increase women's labour-force participation, but the current situation of female, former agricultural workers is probably regarded as more of a blessing at present. This is because, having been unpaid family workers in agriculture, many women who are past education age generally stop participating in the labour market when they move to urban areas. Those women who do participate are likely to be employed informally in low-paid personal services like house cleaning. In Istanbul and in the northwest, young migrant women are likely to find informal employment in the textiles and garment industry. They work until they get married, after which they tend to drop out of the labour force.

⁽¹³⁵⁾ TURKSTAT reports that the proportion of workers not covered by social security in the workplace is 50.3% (June 2006). This figure is 88% in agriculture and 35% in the non-agricultural sector.

⁽¹³⁶⁾ These low activity rates are driven by low female labour-force participation rates: male activity rate 72.3%; female activity rate 26.6%, June 2006. In addition, 37.5% of the Turkish labour force resides in rural areas (defined as towns with populations under 20,000).

The above situation may be proving convenient for policy-makers, who need not worry about designing, financing and implementing active labour-market policy (ALMP) measures for this group. This is admittedly a difficult task. How would one build and promote the skills of older women with few formal educational qualifications? Has it been done successfully elsewhere and to what extent?¹³⁷ Note also that there are budgeting problems. The Turkish annual inflation rate of 10% is still the third highest in the world. As a result, Turkey's IMF-sanctioned stabilisation programme continues to require a 6.5% primary (non-interest) budget surplus, and more taxes are on the way commencing in January 2007.

Therefore, labour-market exclusion and related innovative policies and practices in Turkey essentially have a different context and scope than in the non-agricultural, urbanised and formal EU. Policy developments and priorities at EU level, though generally applicable, are not yet equally relevant given the demographic and labour-market situation in Turkey. ALMP measures may fail to make much impact, given so much informality in the labour market and the low level of education (the median education level of the workforce is six years; 62% of employed people have less than high school education). Instead of designing clever and innovative ALMPs, it is the author's opinion that instituting 12 years of mandatory schooling to replace the current eight years would have more beneficial impacts, for the following reasons.

First, a longer period of mandatory schooling would keep young people out of the labour force while and until they complete upper secondary schooling. Secondly, this measure would create potentially more employable and trainable workers, especially if the outdated education system in Turkey were to be overhauled as well.¹³⁸ Thirdly, more education would increase female labour-force participation, a desired objective. Turkey is no exception to this principle; a college education has the greatest impact for women (see Table 1). Women who are high school graduates are natural candidates for ALMP measures; their labour-force participation rate is only 31% (Table 1). Nevertheless, Turkey needs practical solutions, which could yield some results in the medium term, while it waits for the positive overall labour market results from a general education drive. This is to be discussed in the following sub-section.

	Male LFPR	Female LFPR
Less than high school	72	24
High school	74	31
College	85	68

Source: TURKSTAT-LFS data (June 2006).

2.1 Potential Labour Market Initiatives for Older Uneducated Women in Turkey

A recent paper by Bergemann and Van den Berg (2006) surveys the effects of active labour market policies (ALMPs) in Europe. They assess the impact on measurable labour market outcomes like employment and income. They focus on adult (over 25 years of age) female individuals without work in European countries. They consider prime-aged women because they acknowledge the fact that; younger individuals often face a different set of labour market policies in the EU (the so-called 'comprehensive approach').¹³⁹ For this population, they evaluate skill-training programmes, monitoring and sanctions, job search assistance, and employment subsidies. They relate the results to the relevant level of female labour force participation (LFPR) using OECD online statistics database.

One must mention at the outset a key difference with Turkey, because it bears directly on a discussion of transferability. During the past decades, female LFPR has risen in most European countries. It has fallen and it keeps falling in Turkey. Therefore, the European challenge is on the margin: assisting more and more (relatively less skilled) women to participate in the labour market. The Turkish challenge is on the body mass: assisting (uneducated) women to participate in the labour market. Note that, in the labour economics literature, a low participation rate implies a high sensitivity of female labour supply with respect to wage (a high wage is associated with a better job, or synonymously a better occupation, because of higher productivity). 'In Europe, historically, the average education level of non-participating women in economies

⁽¹³⁷⁾ A discussion of the issue in the EU context follows in the next sub-section, with an eye for public discussion and eventual implementation in Turkey.

⁽¹³⁸⁾ The World Bank (2005) has recently completed a report on the Turkish education system. Notably, it states that while the Turkish education system educates a select few well, it fails most people, as evidenced by standard international achievement tests.

⁽¹³⁹⁾ To attack the urban youth unemployment problem, Turkey may set up a youth unemployment task force, as the Netherlands did. The transferability issue of this practice has already been discussed by a Turkish labour economist and it may be found at www.mutual-learning-employment.net.

with low female LFPR was not particularly low, so that the potential for their productive participation was relatively high.' (!) (Bergemann and van den Berg, 2006, p. 5.) This certainly is not the case for Turkey (see Table 1). In this author's opinion, Turkish older women need more than a reasonable push that may come from a targeted ALMP initiative, for example. A similar programme is likely to be more expensive and less efficient (in terms of policy effects) in Turkey than it would have been in Galicia, Portugal, or rural Ireland now (countries identified in the EU's EQUAL and Peer Review websites: <http://www.peer-review-social-inclusion.net/>, and http://ec.europa.eu/employment_social/equal/index_en.cfm).

The results of the surveyed studies are nevertheless informative. The majority of the studies that the authors surveyed found positive effects of training on labour market outcomes of women, for all types of training. (In countries that already enjoy a high female LFPR, like former East Germany, Denmark and Sweden, there are no gender specific effects, as expected.)

This author, therefore, proposes a policy with a general education focus, which is in line with life-long learning. A general education drive to improve senior high school completion for the young must be complemented by adult education programmes, especially for the first and second-generation rural-urban migrant prime-aged female population. Adult education programmes are very similar to skill training programmes. They both aim to enhance employability and productivity (Bergemann and van den Berg, 2006, p. 10). After the adult education drive, they must be given job search assistance or further skill training as the situation merits. Such assistance has been found to have favourable effects on employment outcome measures in the EU. In a country like Turkey, where female LFPR is much lower than the male LFPR, this policy mix of front-loading adult education followed by ALMP initiatives for prime-aged women is likely to have a significant positive impact (if it can be financed and sustained, which are two big conditions).

Only after a drive such as that proposed in the above paragraph can some of the initiatives mentioned in the EQUAL website become feasible in Turkey (e.g. the young social entrepreneur programme in Galicia). In the meantime, the government must also attempt to remove some of the institutional constraints on increased female LFPR, such as obstacles to promoting day care facilities (perhaps a national action plan for childcare could be a way forward?¹⁴⁰). This necessitates a dedicated monitoring drive and the removal of some institutional obstacles (see section 2.2), which may come into effect any time, concomi-

tant with the education/training drive. Social partners must be made a part of this monitoring activity.

A second institutional bottleneck in the Turkish labour market is a lack of flexible work arrangements to increase the employment of women. Part-time work arrangements account for most of the observed increase in female LFPR in Europe. The legal infrastructure is in place in Turkey now, but not the expected results as yet. This issue will be discussed in detail in the *European Employment Observatory Review* article (Autumn 2006 issue) on flexicurity.

2.2 Projects by the Turkish Employment Agency (ISKUR)

There have been few innovative policies and practices targeting women's employment, and not much specific material can be found on this topic in Turkey. In addition to the situation described in the introduction, there are two further reasons for this. The first is that Turkey still does not have an employment strategy, in that the Joint Action Plan is still not published. Efforts to tackle specific groups' employment challenges are thus likely to be disconnected and piecemeal. The second reason is that ISKUR's institutional capacity in terms of its available budget and personnel is very low in relation to the scale of the Turkish labour-market challenges mentioned above. Nevertheless, there have been relevant practices to address these issues in Turkey.

ISKUR has implemented an 'Active Labour-Market Programmes' project over the past few years. The EU provided EUR 40 million, and the Turkish Government another EUR 10 million. One component of the project was to enhance ISKUR's capacity to meet employment challenges. This constituted training ISKUR personnel (1,600 trained so far out of approximately 2,300) and constructing eight pilot offices as model offices to be replicated later in other locations; 20 provincial ISKUR offices have now been built in this way. The project finished at the end of 2005.

Another component of the project was the selection and financing of about 300 small local projects which helped participants to acquire skills and find employment within a year (possibly in a firm they started themselves). Some of these projects were proposed by and for women. However, the impact of this initiative was small.

A more significant policy initiative is in progress. In July 2006, an information dissemination seminar was organ-

⁽¹⁴⁰⁾ There has already been some civil society initiatives for pre-school. They may be financed and sustained. The EQUAL policy brief 'Tackling gender gaps = Tackling skill gaps' mentions all possible policy priorities on the issue.

ised on Belgium's 'Rosetta Plan'. Social partners and academics (including the author) were represented in the audience. Key economic and employment issues were discussed: Turkish employment growth did not match its economic growth after the 2001 crisis. Also, Turkish gross domestic product has been growing steadily since 2002, yet employment growth only started to recover slowly after 2004; this episode of joblessness growth propelled Turkey's unemployment problem to top place in public opinion polls. The economic debate also frequently heard about ALMPs, youth vocational training concepts and the need for reform to tackle the skill deficiencies of the Turkish labour force (vocational school graduates have a higher unemployment rate than general school graduates in the 15–24 age group in Turkey; there are now attempts at international certification).

The Rosetta Plan entails employing young workers (with high school qualifications and above) in larger establishments in proportions of between 3% and 6%. The plan provides incentives to employees for this. ISKUR may regard this programme as an important way for people to get hands-on experience through a significant ALMP. To this end, a feasibility project has started to evaluate the Rosetta Plan's establishment and results. The review will discuss whether the policy is transferable to Turkey and, if so, how to implement it in targeting the Turkish youth unemployment problem. Social partners will take part in the debate.

The initial responses of the social partners were lukewarm (trade unions) or hostile (employers' organisations). The largest confederation of trade unions (TURK-IS) proposed a pilot study in two provinces. The confederation of employers' organisations (TISK) openly opposed the project, for the plan would burden firms with yet more mandatory employees. Large, formal sector firms employing over 50 workers are already required to employ three disabled workers or ex-offenders, in addition to mandatory provision of a day care facility and a workplace doctor. (As a result, many establishments employ exactly 49 people and outsource some functions.)

The author's experience with Turkish labour-market stakeholders suggests that the Turkish version of the Rosetta Plan is headed for a stillbirth. The Belgian speakers at the conference stated that there have been 30,000 beneficiaries over the years. But they also acknowledged that, when asked, employers had responded that they would have hired perhaps 20,000 of these young workers anyway. It was, however, more expedient to do so under Rosetta's subsidies. In Turkey, the programme would have to cater for several hundred thousand young unemployed people as opposed to Belgium's 10,000 or 20,000 targeted potential beneficiaries. The sheer difference in scale, together with an understaffed ISKUR, means that the likelihood of transferring this project to Turkey is low.

3 Strong need for a national basic education drive: financial obstacles

On the labour supply side, an essential component for increasing productivity is a well-educated labour force. In this context, the eight-year compulsory basic education law in 1997 was a step in the right direction. It must now be followed by a move to 12 years of compulsory education. There may be financing problems associated with this, as education is still not a number one priority in Turkey, but given that employment creation is a priority, increasing education goes hand in hand with it.

Currently, Turkey has approximately 2.4 million students in secondary schools. A move to 12 years of mandatory schooling would necessitate about twice that number of students being schooled in about a decade, in order to reach comprehensive enrolment (95%). The move from five to eight years of compulsory schooling required, on average, EUR 2.4 billion per annum (US\$ 3 billion) of expenditure since 1997 (World Bank, 2005, Chapter one). This may be a good indicator of the required expenditure for a drive to 12-year schooling. One may therefore surmise that the overall cost over a decade or 12 years would be approximately EUR 25–30 billion. This is obviously a large outlay.

Although expensive, the impact of such a drive would be felt throughout the labour force. Male and female college graduates have similar employment ratios (see for example, Tunali et al, 2004; World Bank, 2006). This strongly suggests that lack of educational opportunities is the main reason for the low female participation rates in the Turkish labour market. The author believes that social inclusion is mostly about having a decent job, the road to which starts with having marketable skills.

3.1 Political debate

An important political obstacle standing in the way of increasing the duration of compulsory education to 12 years is the debate over one particular Turkish educational institution. 'Religious' vocational high schools are part of the Turkish vocational school system. At their inception, these schools were few and they educated the imams and orators ('hatips') for the state-administered mosque system. Pupils from these religious vocational high schools progressed into higher education outlets with faculties of theology. As women may not become imams in Islam, which is similar to past traditions in Christianity, female enrolment was very limited in these schools (1% in 1975). However, Turkish conservative poli-

ticians catered to the needs of their constituencies and opened up enrolment to women. Women were then granted the right to enter general colleges after leaving religious vocational high schools. This development made conservative parents in the city periphery and small towns feel more comfortable about sending their daughters to school. Over time, the proportion of females enrolled in these schools reached the same levels as in general high schools (Ercan, 2003). Religious vocational high schools had almost become general high schools, but with a strong religious component in their curricula.

However, starting with the 1999–2000 school year, the strongly secular Higher Education Council of Turkey (YÖK) practically closed the religious vocational high schools through the introduction of new regulations regarding nationwide university entrance examinations. The new regulations restored the old order and made it nearly impossible for vocational school pupils to further their education in college subjects unrelated to their vocational high school background. The current conservative Government of Turkey is evidently reluctant to increase compulsory education to 12 years. First, it wants to design a system of college entrance examination that does not penalise vocational (for which read 'religious vocational') school graduates if they choose to enrol in a general programme unrelated to their high school vocational degree.

4 Conclusions

This article's discussion falls within the scope of the EU Employment Guideline on 'Investment in human resources and lifelong learning' (in a former taxonomy, Pillar I of the European Employment Strategy — Improving employability). Comparatively speaking, in the European context this issue is more related to training and life-long learning. In Europe, labour-market reforms may aim to focus on those with low skills and low pay. This group of workers would be marginal in Europe as a whole. In Turkey, however, the group defined as low-skilled and low-paid makes up the bulk of the workforce, not just the margins. The issue, especially for women, is much more related to basic education. Ideally, the first aim would be to enhance current levels of basic education in Turkey. At a later stage, relevant and targeted ALMP initiatives could be designed, provided that the institutional capacity of the Turkish Employment Agency (ISKUR) is strengthened.

The Turkish labour market has the following characteristics, as described in the text:

- higher than EU average urban and non-agricultural unemployment rates

- a low employment rate
- a high youth unemployment rate
- a high share of agricultural employment
- low human-capital levels in the workforce
- an inadequate education infrastructure and outdated vocational training system.

The author therefore sees a need for:

- 12 years of compulsory education; this would improve young women's labour-force participation rates and help to increase social inclusion
- a concomitant adult education drive as a first stage of skills training for prime-aged (mostly rural-urban migrant) women, to be followed by ALMP initiatives including job search assistance
- significant enhancement of the institutional capacity and effectiveness of ISKUR in order to implement active labour-market programmes
- a professional certification system in place for life-long learning to be effective; skills must be defined and recognised in order for training to be properly validated, and for workers to demand training
- the removal of two major institutional obstacles to ease women's entry into the labour market: the first one is 'monitoring' with the involvement of social partners (such as monitoring the provision of day care facilities), and the second one is flexible work arrangements which are in place now on paper but not necessarily in practice.

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EEA Country

Norway: Performance-oriented financing schemes in Norwegian active labour-market policy

1 Introduction and objectives

During 2002 and 2003, six pilot projects to test models for performance-oriented financing schemes were introduced into Norwegian active labour-market policy. These schemes should provide workers in the Public Employment Service (PES) and external employment service providers with stronger incentives to clarify who is or is likely to become a jobseeker, rehabilitate vocationally disabled people for work, and bring particularly exposed groups of jobseekers faster and more efficiently into work. These pilot projects have recently been evaluated, and this article summarises the main results.

Three of the projects are aimed at internal work in Aetat, the Public Employment Service. These are:

- piece-rate payments for assessing measures for vocationally disabled people
- a bonus for fast processing of applications for unemployment benefits
- a bonus for a more efficient use of labour-market measures directed towards vocationally disabled jobseekers.

The other three projects involve buying employment services from external providers. These are:

- a bonus to external employment service providers for achieving job placements for long-term unemployed and vocationally disabled jobseekers (KAT)
- a bonus to external organisers of job clubs for achieving job placements

- a bonus to external employment service providers for achieving job placements for people on 'waiting wage' (VALS).

2 Organisation, implementation and funding of the policy/practice

2.1 Piece-rate payments for assessing measures for vocationally disabled people

The assessment process for each vocationally disabled person's needs and what measures should be used, such as help to seek work, rehabilitation, sheltered employment or disability pension, has to be completed before measures can be implemented. During the first half of 2002, an increase in the number of vocationally disabled workers led to longer waiting periods before measures could be implemented. To relieve this problem, a test scheme with payment per assessment of NOK 4,850141 was introduced. This payment was equal to the average costs of an assessment. At the start of each year, allocations of funds to regional and local units were based on target numbers of assessments. If the units exceeded the targets, additional funds were paid. If the number of assessments fell short of the target, funds were withdrawn.

The payments were covered by the operating budget of Aetat, the PES, and paid to the units at county level (19 counties). Allocations of extra funds to local offices or returns of funds from local offices were decided at county level. However, those who had exceeded their targets did not necessarily get paid more (see also section 3.2 on motivational effects).

⁽¹⁴¹⁾ NOK 7.76 per Euro on average in 2002 and 2003.

2.2 Bonus for fast processing of applications for unemployment benefits

As a result of increased unemployment and the risk of long waiting periods for payment of unemployment benefit, a bonus scheme was implemented in 2003 to speed up applications. For every benefit case processed within 14 days, a bonus of NOK 150 was paid, while a similar amount was withdrawn if the processing took more than 28 days. This was applied to new cases. For reopened cases, the bonus/penalty was NOK 50.

The payments were covered by Aetat's operating budget and paid to the units at county level. As with the piece-rate payment, there were no formal rules or formulas for allocating the bonus by the performance of local offices or employees.

2.3 Bonus for a more efficient use of labour-market measures directed towards vocationally disabled jobseekers

This scheme aimed to reduce the costs of implementing labour-market measures for vocationally disabled jobseekers, by achieving a shorter duration of measures and increased transition out of the rehabilitation system, preferably to work or self-financed education.

The scheme did not focus on production measures like the two previous schemes. It was primarily aimed at paying for getting disabled jobseekers into work or self-financed education. The bonus formula was:

$$S_m = (A/T - I) * C * B,$$

where

A = number of vocationally disabled jobseekers on labour-market measures who find work or start in self-financed education.

T = average number of vocationally disabled jobseekers on labour-market measures.

C = number of vocationally disabled jobseekers who leave labour-market measures.

B = bonus, NOK 10,000.

I = threshold value for bonus (0.25).

This formula gives incentives to get people through and out of the rehabilitation system faster, and the more who find paid work or self-financed education, the higher the

bonus. The payments were covered by Aetat's operating budget and paid to the units at county level, but there were no formal rules or formulas for allocating the bonus to high performers.

2.4 Bonus to external employment service providers for achieving job placements for long-term unemployed and vocationally disabled jobseekers (KAT)

This scheme aimed to bring more long-term unemployed and vocationally disabled workers into work by buying placement services in the private market. Competing providers offered a total price per participant if permanently employed. Aetat guaranteed a minimum payment of 20% of this price per participant to those providers who were accepted. Thus, the actual payment per participant depended on the total price agreed on.

Jobseekers in the target groups with a need for placement assistance could choose between the authorised external providers and Aetat.

If a participant got a work contract, Aetat paid an additional 40% of the total price. If a participant got permanent work after the probation period, the final 40% was paid. The payments were covered by Aetat's operating budget.

2.5 Bonus to external organisers of job clubs for achieving job placements

This scheme aimed to increase the transition into work after participating in job clubs. External providers competed to offer a service of a certain quality and a basic price per participant. On top of the basic price agreed on, the supplier was paid NOK 3,000 per participant getting a job of three to six months' duration within three months after the job club ended. The job had to be a minimum of 50% of full-time. If the job lasted more than six months, the bonus was NOK 4,000.

Only one provider was usually selected in each area. Therefore, participants could not choose between different providers. The supplier, together with the participants, had to develop individual action plans which had to be approved by Aetat.

The payments were covered by Aetat's operating budget.

2.6 Bonus to external employment service providers for achieving job placements for people on 'waiting wage' (VALS)

The purpose of this scheme was to increase the transition to work for people on 'waiting wage', which is a special, favourable unemployment benefit scheme for people who are dismissed by a state employer. The aim was to achieve increased transition by buying placement services in the private market. Suppliers could take responsibility for a participant for up to one year. The suppliers, together with the participants, had to develop individual action plans to be approved by Aetat. This scheme had mandatory participation.

External suppliers of job placement programmes went through competitive tendering, competing to offer a service of a certain quality and a basic price per participant. A maximum was set for the basic price equal to NOK 20,000 per participant. Aetat selected the suppliers.

On top of the basic price, the supplier was paid a bonus equal to NOK 40,000 per participant getting a permanent job at a minimum of 50% of full-time. A bonus of 40% was paid when the work contract was agreed on, followed by 60% after six months of completed work. The bonus was smaller when the job was temporary. The job had to last at least six months and be a minimum of 50% of full-time to trigger bonus payments. The bonus was NOK 30,000, of which 40% was paid when the work contract was agreed on and 60% after completing six months of work. In addition, Aetat at county level would receive an organising bonus when a person on VALS got a job that triggered a bonus through these schemes.

The payments were covered by Aetat's operating budget.

3 Performance and achievements

3.1 Methodological approach

The new forms of financing have been evaluated by Telemarksforskning, Bø. The evaluation was based on qualitative interviews in selected counties, surveys among users of Aetat's services and participants in the external arrangements, and Aetat's register data.

3.2 Motivational effects

The internal schemes have not formalised allocation of bonus payments to those local offices or officers with the highest performance. County units often allocate more to where the extra funds are needed rather than to those who have delivered more. Therefore, it should be expected that some of the motivational effect will be lacking. How the allocation is undertaken by external providers is unclear.

3.3 Piece-rate payments for assessing measures for vocationally disabled people

This scheme has led to a clear increase in the number of assessments and/or a shorter processing time. A distortion effect from increased resources in assessing the circumstances of vocationally disabled people towards fewer resources in following up the decisions could be expected. However, no distortion effects on the numbers of people leaving the rehabilitation system have been found, though the waiting time to get into some labour-market measures has increased.

An analysis of user satisfaction shows that the piece-rate scheme has had a positive effect.

3.4 Bonus for fast processing of applications for unemployment benefits

The evaluation shows a clear reduction in processing time during this scheme, even when controlling for other factors which could have explained this reduction. However, one factor was not taken into account in the analysis: Aetat was provided with increased resources when this scheme was in operation. This probably contributed to faster processing. However, the reduction in processing time was most noticeable just after the introduction of the bonus scheme. The evaluators therefore conclude that it has had a positive effect.

An analysis of user satisfaction gives a somewhat mixed picture, probably because of changes in other conditions at the same time. A significant relationship was found between processing time and user satisfaction.

3.5 Bonus for a more efficient use of labour-market measures directed towards vocationally disabled jobseekers

Relevant data for analysing the effects of this scheme have been lacking. While the scheme was in operation, no bonuses were paid. The qualitative interviews leave an impression of an over-complicated formula, uncertainty about which data should be used in the computations, and an unattainable bonus. Several actions have been taken to reduce the duration of measures or increase the transition to work, but these seem mainly to have been planned and implemented regardless of the bonus scheme.

3.6 Bonus to external employment service providers for achieving job placements for long-term unemployed and vocationally disabled jobseekers (KAT)

The analysis shows a clear positive job effect of this measure, but the effect decreases with the duration of participation. This may be a sign of prioritising of participants who are close to getting a job, while others are perhaps 'parked' in the project. User satisfaction is higher than for comparable Aetat services.

3.7 Bonus to external organisers of job clubs for achieving job placements

The analysis shows no positive effects of job clubs with a bonus on the probability of getting a job, compared to job clubs without a bonus. A positive but not statistically significant effect is registered. Again, user satisfaction is higher than for comparable Aetat services.

3.8 Bonus to external employment service providers for achieving job placements for people on 'waiting wage' (VALS)

A comparison of participants in the VALS project with other people on 'waiting wage', controlling the different compositions of the two groups, shows no significant effect of VALS on the probability of getting a job. A positive but not statistically significant effect is registered, and user satisfaction is higher than in comparable Aetat services.

4 Conclusions

The overall conclusion is that the two activity-based internal Aetat schemes (2.1 and 2.2) have had positive effects in relation to their objectives, and that the KAT scheme (2.4) has had positive effects on transitions into work. No bonuses have been paid for more efficient use of labour-market measures (2.3). The two other schemes aimed at using external providers (2.5 and 2.6) have not had significant job effects.

5 Bibliography

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