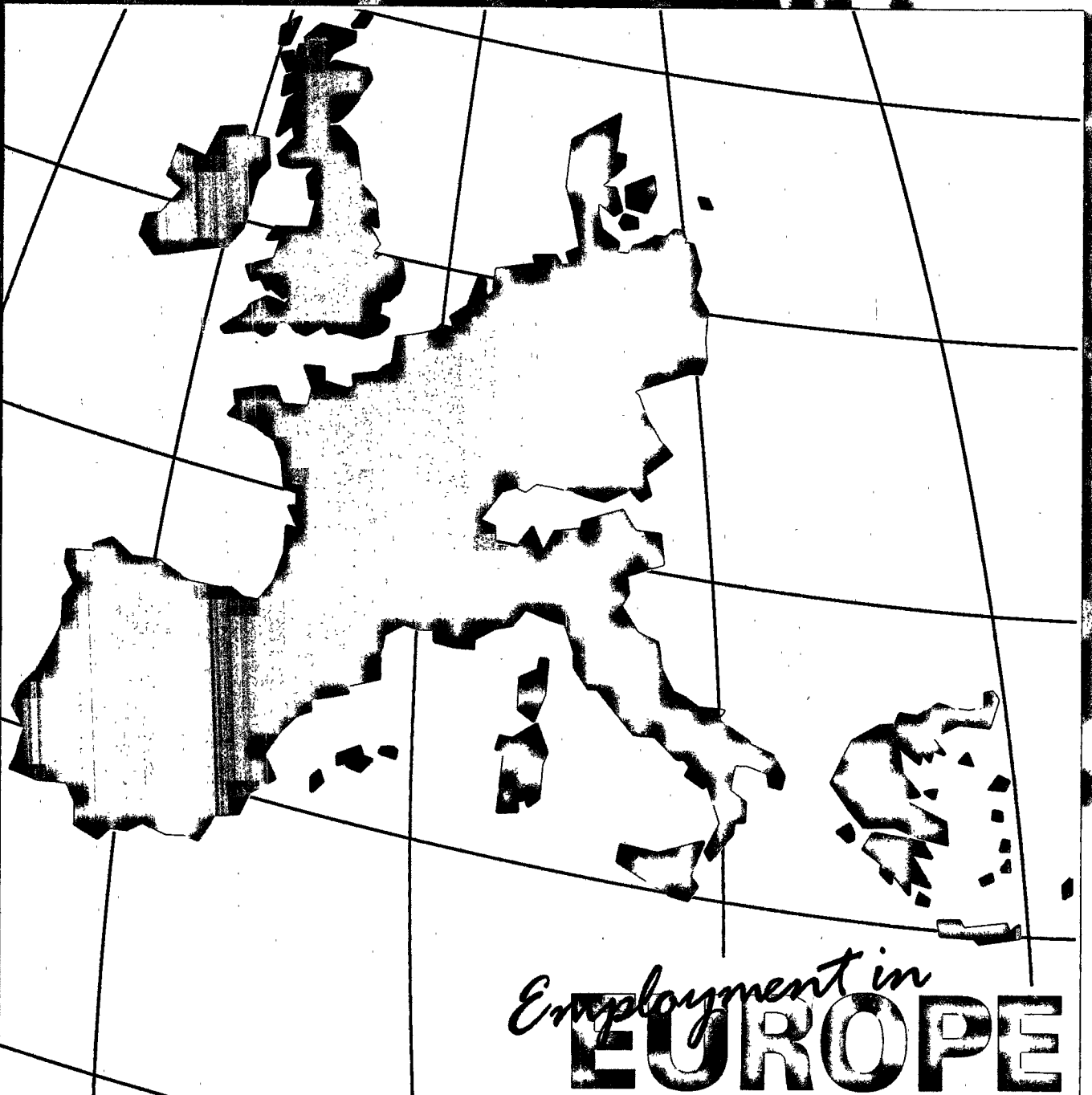


# EMPLOYMENT OBSERVATORY

## Trends

Changes in employment, analyses, evaluations  
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## 18 Annual Report



*Employment in*  
**EUROPE**



Commission of the European Communities

Directorate-General  
Employment, Industrial Relations  
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**SYSDEM Papers 5: Migration and Labour Mobility in the European Community** EN

**SYSDEM Papers 6: The European Labour Market in 2000: Demographic Changes and Policy Implications** EN

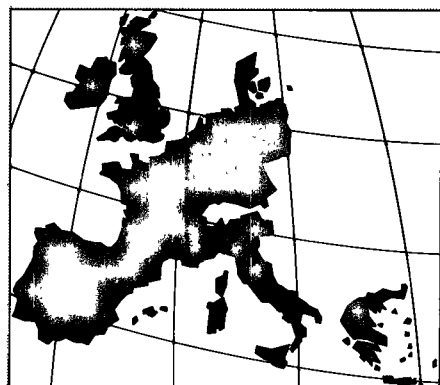
**SYSDEM Papers 7: Regional Disparities in Employment: Situation and Trends in the New Bundesländer** EN, FR, DE

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**SYSDEM Papers 9: The Evolution of Industry and Services and its Employment Impact** EN, IT

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# EMPLOYMENT OBSERVATORY Trends



The Bulletin of the European  
System of Documentation  
on Employment (SYSDÉM)

N° 18, 1994

TRENDS Bulletin is the quarterly publication of the European System of Documentation on Employment. It disseminates information collected by SYSDÉM on the evolution of employment at European Union level. SYSDÉM is managed on behalf of the Commission of the European Communities (DG V) by ECOTEC Research and Consulting Limited.

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# Employment in banking and insurance: the impact of new working practices

The increase in financial services throughout the 1980s resulted in significant employment growth in the banking and insurance sectors. Since 1990, however, the employment picture has changed dramatically. Recent trends, occasioned by both recession and the impact of the Internal Market, have led to considerable restructuring within the two industries. Moreover, in business and employment terms, the situations for banking and insurance differ from each other: market circumstances vary, internal relationships differ and their respective employment importance varies across the EU. The rapid pace of change within a diverse financial sector thus poses considerable challenges to all concerned, including the social partners. Human resource development must therefore continue to feature prominently in the social dialogue at both European, Member State and enterprise level.

The restructuring within the banking sector has occurred in two ways: extensive re-engineering of business processes and re-organisation of branch networks. On the one hand, this model of operation remains attractive from the point of view of cost and

competition. On the other hand the model has certain downsides:

- It creates polarisation by different skill groups
- It limits promotion possibilities (work outside central departments and area offices will have a low skills content)
- It increases the risk of redundancies, as a result of more automation and factory banking
- There will be significant savings in staff

Whilst the impact of new information processing technologies is also affecting the insurance sector, there are other forces at play. These include development in the market for insurance (especially from southern Member States); growth in niche products and shifts in key market segments; an intensification of competition; the emergence of "bancassurance"; new markets of distribution and changes in the regulatory environment. The prospects are likely to be:

- Jobs growing at a slower rate relative to industrial growth

- Reduction in the number of insurers active in the EU market
- Shifts in the location of jobs
- Changes in the composition of employment including greater need for multi-skills and flexibility in work practices; more IT capability linked to technical insurance skills; further use of part-time work; more frequent retraining and use of brought-in contract labour.

These issues, and many other related topics, were debated recently within the framework of the Employment Observatory. Expert papers were commissioned by DGV on Banking (Amin Rajan, CREATE), Insurance (Iain Begg, University of Cambridge) and Qualifications and Skills (Vincent Merle, CEREQ). Other papers were presented by Mr Van Tol (Rabobank, The Netherlands); Bernadette Tesch-Ségol (Eurofiet); Mr Baecker (Comité Européen des Assurances); Michael Bell (Savings Bank Group of the EC); and François Pichault (LENTIC), and representatives from both sides of the banking industry in Greece.

## Migration and population

### Abstracts of recent documentation from International Sources

#### Integration of Foreign Workers into the Labour Market - France, Germany, The Netherlands and Sweden

WERNER H (1994)

The paper examines how well integrated are foreign workers and ethnic groups in today's labour markets of major European migrant-receiving countries, and assesses the effectiveness of governments' policies in ensuring that integration is achieved. The concept of integration is defined as a process involving the individual and society. The writer states that, if integration is to take place successfully, foreigners or ethnic minorities

must enjoy opportunities in law and in practice which are comparable with those of nationals with similar age, sex, education and training, so as to participate with the same rewards in the social and economic life of the society in which they live, and they must also be able to enjoy cultural autonomy. The generally expanding economies of the second half of the 1980s should have made integration easier to accomplish, and given, too, the positive stance taken by governments towards integration during this period, integration should have been easier to accomplish. However, data presented in this paper poses the question of how well integrated migrants or ethnic groups are in Euro-

pean labour markets, and in which direction the trend is going.

*World Employment Programme Working Paper.* Available from the International Labour Office, CH 1211, Geneva 22, Switzerland. 75pp. EN.

#### Trends in International Migration

OECD (1994)

The latest annual report shows that, in most OECD countries, the trend towards an acceleration and globalisation of migratory flows was confirmed in 1991 and 1992, while migration retained its regional character. Germany, Sweden and the United States were

contrary to the trend in early 1993 towards low growth or even a decline in numbers of new migrants and asylum seekers. This is attributed to slower economic growth and persisting unemployment, while measures by several OECD countries to control migrant flows may also be a factor. For the first time, the report outlines recent migration trends in selected Asian countries, intended to shed light on Japan's current situation. SOPEMI has also further extended its recent Eastern Europe coverage to include Bulgaria and Romania. Part I discusses the pattern of international migration and government policies, and draws on the conclusions of a Conference on Migration and International Co-operation held in Madrid on 29-31 March 1993. Part II consists of country notes describing recent flow developments and policies. Part III deals with migration movements in Central and Eastern Europe. Part IV presents the findings of an OECD Secretariat study of the macroeconomic impact of migration. Data includes time series for 1991-2 of total and active populations for immigrants or foreigners, and migration flows into OECD countries.

*Annual Report 1993 of The Continuous Reporting System on Migration (SOPEMI)*. Available from Organisation for Economic Co-operation and Development, 2 rue André-Pascal, 75775 Paris, CEDEX 16, France. 131 tables and 13 charts. EN, FR.

### **Assessing Structural Reform: Lessons for the Future**

OECD (1994)

This report summarises the OECD Economics Department's surveillance of structural policy in member countries during January 1990 to June 1993, through the process of removal of impediments to the full and efficient use of resources, making it easier - through extending and improving the functioning of markets - to achieve widely-held economic and social goals. Generalised observations are made about the evolution of structural policy in the OECD. Firstly, the process of structural reform in the OECD area has continued on a broad front with few exceptions as to sectors or countries. Secondly, the extent of reforms differs across countries and policy areas. Thirdly, the scope for further reform remains considerable. Areas identified for future action include: labour markets and associated trade policies; improving competition in product markets via trade liberalisation, privatisation and deregulation; and enhancing the efficiency and effectiveness of the public sector. The report concludes that economies operate more effi-

ciently when market forces are permitted to work. Releasing such forces has enhanced consumers' welfare and improved the functioning of the sectors concerned. The report contains a substantial statistical index and a country-by-country description of measures taken during the review period.

Available from Organisation for Economic Co-operation and Development, 2 rue André-Pascal, 75775 Paris, Cedex 16, France. 186pp. EN, FR.

### **The Labour Market in Poland**

OECD (1993)

This first review of Poland's labour market is undertaken during a period of dual challenges facing the country of implementing labour market and training policy. The report shows how the scope and depth of structural change calls for wide-ranging action to smooth the adjustment process and cushion its social costs at a time of scarce resources. The imbalances emerging between the skill profile of labour demand and supply underscore the urgency of pursuing human resource policies. Effectively implementing such policies takes time, however, and policy attention remains almost entirely absorbed in short-term considerations. Chapter I surveys recent macroeconomic and employment developments. While Chapter II discusses unemployment and Chapter III details the employment impact of restructuring. The importance attached to training and retraining in Poland lies behind the devotion of Chapter IV to vocational and labour market training and adult education policies. The policy response to rising unemployment is discussed in Chapter V, while Chapter VI considers the various policy options based on the experience of OECD countries.

Available from Organisation for Economic Co-operation and Development, 2 rue André-Pascal, 75775 Paris, Cedex 16, France. EN, FR.

### **Social Europe: Towards a Europe of Solidarity: Combatting Social Exclusion**

DG V, CEC (1994)

This supplement of *Social Europe* brings together the results of the recent Community initiatives in combating poverty and disadvantage, and improving solidarity towards the most deprived people. It draws on documents from the Poverty 3 programme, from research networks and advisory groups working with the Commission on social exclusion, and on the debates from four major European conferences. It summarises evi-

dence about the extent and nature of social exclusion in Member States and recounts the initial development of Community initiatives in this field. The report demonstrates that combating social exclusion mobilises a number of actors - in addition to national, regional and local authorities - including the non-governmental organisations and the social partners, who expect the Community to make a greater political commitment to achieve a balanced reconstruction in Europe. With these expectations in mind, the Commission adopted a Communication to the Council of Ministers on 23 December 1992 which proposed guidelines for an intensified Community effort.

*Supplement 4/93*. Available from Office for Official Publications of the European Communities, L-2985, Luxembourg. 86pp. EN, FR, DE.

### **European Economy: Broad Economic Policy Guidelines and Convergence Report**

DG II, CEC (1994)

The report consists of two parts, the first part comprising documents related to the broad guidelines for the economic policies of the Member States and of the Community, the second part presenting the convergence report. The first two chapters of Part A contain, respectively, the recommendations adopted by the Council and the Commission (those of 22 December 1993 and 24 November 1993), the first devoted to broad guidelines of the economic policies, the second to restoring growth and employment - strengthening convergence. Essentially, these relate to the decision of the Council to insert in its recommendation the main tasks in the area of structural policies as worked out in the Commission's White Paper. Chapter III presents the framework document concerning the structural pillar of the economic policy strategy which the Commission approved on 10 November 1993. Some medium-term scenarios simulated by the Commission services QUEST model are presented in Chapter IV. Demonstrated here is that, if Member States quickly implement the recommended strategy during the next seven years, the Community would be able to match high growth and employment with low inflation and improved nominal and real convergence. However, a continuation of the present unbalanced policy mix and no convergence risks is pushing the Community into low growth and employment with divergent economic performances and a worrisome social situation. Part B presents the convergence report. Chapter I discusses economic and monetary conver-

gence, while Chapter II makes an assessment of the Internal Market.

*Vol. 55, 1993.* Available from Office for Official Publications of the European Communities, L-2985, Luxembourg. 184pp. EN, FR, DE.

### **European Economy: Part II Growth and Employment**

DG II, CEC (1994)

The beginning of the second stage of economic and monetary union on 1 January 1994 is the impetus for this report, which follows from the Commission's decision to monitor the development of the budgetary situation and government debt in the Member States. The first part of the report on Applying Market Principles to Government Borrowing examines new rules for budgetary financing against the new constraints of the prohibition of central bank financing of government expenditure, the prohibition of privileged access of the public sector to financial institutions and the so-called bail-out principle. An analysis is given of some specific aspects of central bank financing, secondary legislation, fiscal discipline and government borrowing. The second part of the report is devoted to a position paper on European growth and employment.

*No. 1, 1994.* Available from Office for Official Publications of the European Communities, L-2985, Luxembourg. 110pp. EN.

### **Social Protection in Europe**

DG V, CEC (1994)

This first report is an initial contribution to the Council's call for the exchange of information and results of studies to enhance debate and promote new ideas on social protection objectives and policies, related to Council Recommendation 92/442/EEC of 27 July 1992. The report adopts a threefold approach. Firstly, it sets out a concise description of the situation as regards social protection in the Community, considering common and divergent features, and describing each system and providing comparative data on the benefit payable. Secondly, changes which have occurred in the national systems since the 1980s are examined, related to trends in expenditure on social protection and its funding, legislation and policy directions. Thirdly, the study considers the most

serious problems facing systems of social protection, notably the economic impact, ways which Member States can best adopt to channel their efforts to increase their control over health expenditure, and the socio-demographic considerations involved.

*1993 Report.* Available from Office for Official Publications of the European Communities, L-2985, Luxembourg. 134pp. EN, FR.

### **New Orientations for Social Policy**

OECD (1994)

Social policy is currently considered as needing to respond to a radically different scenario from the high growth and expectations marking the period when many present day measures were introduced. Throughout OECD countries, the economic downturn has increased demands made on social protection systems and limited the resources of governments, so that those available must be used more efficiently and needs more effectively addressed. This report outlines new orientations in social policy emerging in various OECD countries to meet these objectives by reinforcing public support programmes with individual initiatives. Statistics relating to social policy include public expenditure on social protection (including health), medical consumption, population structures, retirement schemes and employment trends.

Available from Organisation for Economic Cooperation and Development, 2 rue André-Pascal, 75775 Paris, Cedex 16, France. 130pp. EN, FR, DE.

### **The Social Architecture of Europe Put to the Test: Trade Union Ideas for a European Model of Development**

ETUI (1994)

As their contribution to discussions of the European Union's Green Paper and White Paper, ETUI and the European Trade Union Confederation held a conference in Dublin on 28/29 October 1993 entitled 'Growth, Competitiveness and Employment: What are the Unions' Answers?' The purpose was to draw up a balance sheet of social policy developments in the EC, to assess the outlook for social policy, and to discuss trade union proposals on economic growth, competitiveness and employment. The conference also

dealt with the key question of a European model of development and the reform of the EC Treaty in the social policy field with a view to the inter-governmental conference planned for 1996. This report publishes the working documents from the 1992 conference, grouping them into three headings: Internal Market and social dimension; economic development and employment; the Maastricht Treaty and its follow up.

Available from European Trade Union Institute, boulevard Emile Jacqmain 155, B-1210 Brussels, Belgium. 124pp. EN, FR, DE.

### **Strike and Structural Change: The Future of the Trade Unions' Mobilisation Capacity in Europe**

ETUI (1994)

This series of papers arises from the project on 'Industrial relations and structural change', begun at a workshop of November 1991 under the auspices of the Hans Böckler Foundation in Düsseldorf. It is intended to contribute to the development of a European-level trade union policy through analysis of the inner structure of labour disputes in different countries. The project addresses the question of how - allowing for all the difficulties inherent in international comparison - is the sharp drop in strike activity observable in many Western industrialised countries to be described and understood. The structural change and Europeanisation of company structures has altered the prevailing conditions governing the trade unions' ability to mobilise workers and push through their claims. The examination of the forms of action and struggle employed by the trade unions commences with Germany, Great Britain and Italy. It is observed that the values to which the workforce adheres have undergone change, with the emergence of more strongly individualised and self-determined forms of participation. It is also clear that modern methods of production, as well as the new forms of organisation of services, are not amenable to the waging of traditional centrally directed strikes. Instead, trade unions need purposeful and flexible approaches to the winning of claims.

Available from European Trade Union Institute, boulevard Emile Jacqmain 155, B-1210 Brussels, Belgium. 85pp. EN, FR, DE, IT. German version available from Renate Hertsch, Hans Böckler Stiftung, Bertha-von-Süttner Platz 3, D-40227 Düsseldorf, Germany.

## **Family Care of Dependent Older People in the European Community**

JANI-LE BRIS H - CENTRE DE LIAISON, D'ÉTUDE, D'INFORMATION ET DE RECHERCHE SUR LES PROBLÈMES DES PERSONNES ÂGÉES (CLEIRPPA) (1993)

In all countries of the European Union most care and support for older people is provided by their family members, particularly spouses and daughters. This report, based on literature analyses and interviews with family carers, documents the characteristics of this care, the problems experienced and the help received by the carers. It considers what can, and should, be done - by professional carers, voluntary organisations, social partners and the authorities at local, national and European level - to sustain this resource, and to improve the quality of life for family carers. The report is backed up by statistical data and was undertaken in the context of the rise in the population of people over pension age, especially those aged 80 and over, with the consequent increase in the need for care and support for these elderly people. It builds upon an extensive investigation published in 1987 entitled 'Meeting the Needs of the Elderly.' The current research was undertaken in all Member States except Luxembourg. Despite national differences in support services, a common emphasis emerged upon maintaining older people at home, in the community, for as long as possible. The results, conclusions and recommendations of the report were presented to an evaluation committee of the Foundation's Administrative Board in September 1992. This highlighted the importance of trends in ageing and needs for care, and the urgency of considering the implications on the workplace and the community.

Published by the European Foundation for the Improvement of Living and Working Conditions, Loughlinstown House, Shankill, Co. Dublin, Ireland. Available from Office for Official Publications of the European Communities, L-2985 Luxembourg. 186pp. EN, FR, DE, IT, ES.

## **Carers Talking: Interviews with Family Carers of Older, Dependent People in the European Community**

MESTHENEOS E AND TRIANTAFILLOU J (EDS) (1993)

This collection of experiences related by carers of older family members across all the Member States (Luxembourg excepted) is presented directly in the form of interviews with individual carers and provides a complementary document to the report on the Family Care of Dependent Older People in the European Community (1993). The format adopted illustrates vividly the nature of the daily tasks, the difficulties and the costs of caring and how these change over time. In this way, the Foundation aims to contribute to the informed debate about improving the quality of life for these carers and their dependent relatives.

Published by the European Foundation for the Improvement of Living and Working Conditions, Loughlinstown House, Shankill, Co. Dublin, Ireland. Available from Office for Official Publications of the European Communities, L-2985 Luxembourg. 108pp. EN, FR.

## **Family Care of the Older Elderly: Casebook of Initiatives**

STEENVORDEN M, VAN DER PAS F, DE BOER N - NETHERLANDS INSTITUTE OF CARE AND WELFARE (NIZW) (1993)

This complementary volume to other Foundation publications on Family Care for the Older Elderly provides fourteen examples of initiatives and projects concerned with the support of carers throughout the Member States. It is meant to be a practical, rather than an exhaustive, illustration of the various ways in which Member States have interpreted the provision of support for carers and may also serve as an inspiration for those considering setting up new projects. It is therefore considered suitable for organisations and government bodies wishing to initiate activities for the support of family care. Furthermore, it is also a plea directed at politicians to work seriously on a national and European policy to support the position of carers. The current volume arises from a 1990 commission of the NIZW.

Published by the European Foundation for the Improvement of Living and Working Conditions, Loughlinstown House, Shankill, Co. Dublin, Ireland. Available from Office for Official Publications of the European Communities, L-2985 Luxembourg. 74pp. EN, FR, NL.

**SYSDÉM** is one of the core components of the European Employment Observatory. Other partners in the Observatory are MISEP (Mutual Information System on Employment Policies) and NEC, the Network of Employment Co-ordinators.

The SYSDÉM correspondents whose names and organisations appear on the inside back cover monitor employment and labour market trends in their respective countries. Information is provided on recent studies, statistical reports, surveys and other documentation. The information is then analysed and disseminated.

This edition of the Bulletin is in the form of an Annual Report which includes an annual review of employment documentation and trends. At the end of 1993 each national correspondent was asked to review the documentation published over the past 12 months. Overall, the review shows that there is a considerable stock of research and other information relating to employment and labour market trends in Europe. There are however differences between countries in the quantity of published material.

The documentation supplied to us by the correspondents is also entered onto a database. The data includes a bibliographical reference, an abstract, key words and full details of availability, including language. The documents themselves are stored in a Documentation Centre which is located in ECOTEC's office in the centre of Brussels.

# Annual Review of Employment Documentation and Trends



## Greece

1993 was a year dominated by the pre-election campaign and the change in government which took place after the elections in October 1993. The policies which the conservative-liberal administration had adopted in the years 1991-1992 to combat the long-term economic crisis remained largely unchanged up to the time of the elections and the objectives of these policies were to resolve:

- how recovery could be achieved at the same time as improvements in the structure of the Greek economy; and
- how education and training systems could contribute, on the one hand, to the improvement of theoretical knowledge and skills amongst the Greek labour force and on the other, to the reduction of imbalances between the demand and supply of skills.

Problems generated by legal and illegal immigration had worsened by 1993, so a further objective was added:

- how illegal immigration could be controlled and how legal migrants could be integrated into the Greek labour market.

These issues were also the focus of social dialogue and a number of publications during the year engaged these topics. Several commentators were concerned to address the first objective mentioned, including Papaelias (1992) and The Foundation of Economic and Industrial Research (1993). Issues relating to systems of education and training were addressed by several commentators including Papatheodossiou and Stavrou (1992), Papatheodossiou (1993a), Sakellis (1993) and Markopoulos et al (1993). As far as legal and illegal immigration issues are concerned, publications by Rylmon (1992), Kassimati et al (1992), Papatheodossiou (1993b) and Patiniotis (1993) were notable during the year. In addition, Ingessiloglou (1993) and Jecchinis and Koutroukia (1993) made useful contributions to the general topic of the Greek economy and the labour market. It should be said that the commissioners of research reports have a direct influence on the orientation of the final work. For example, state-funded reports such as those written by Papatheodossiou and Stavrou (1992), Papaelias (1992) and

Patiniotis (1993) could be expected to reflect the government's view. Similarly, those publications funded by the social partners, such as Rylmon (1992) and Markopoulos et al (1993) broadly reflect the sponsors' views. However, those publications funded by independent researchers, or which were the final reports of studies commissioned by the EC, such as Ingessiloglou (1992), Jecchinis and Koutroukis (1993) and Sakellis (1993) reflect a more diverse range of views by offering different analyses of the objectives mentioned.

The Panhellenic Socialist Movement (PA.SO.K) took office after its victory in the October elections and its policies on combating the problems in the economy are now becoming known. These policies are little different in nature to those drawn up by their predecessors as far as the three specific objectives already referred to are concerned, but what is different is the approach to their resolution. The short time span which followed the political change does not allow relevant and reliable documents to be included in this review.

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Available from Gavreilidis Editions/ Eleftheroudakis Bookstore, 4 Nikis Str., 105 63 Athens, Greece. GR.



The economic crisis that has affected Greece over past years continued into 1993. A point of interest here is that the country's industrial production has steadily declined since 1992 by an average of 2.7% and a similar trend can be seen in the tourist industry which saw a decline of 4% in 1993. Agricultural income, on the other hand, has remained relatively stable.

In the period leading up to the national elections in October 1993, the policies adopted to combat the economic crisis were informed, on the one hand by denationalisation and privatisation and, on the other, by the promotion of a large programme of structural works. At the same time, efforts were being made to increase private investments and, in particular, to attract foreign investment. In addition, such policies were aiming to fall in line with the convergence of the Greek economy to the targets set down by the Maastricht Treaty. These policies did not, however, lead to satisfactory results, at least as far as employment and unemployment rates were concerned, mainly due to the unwillingness of a large section of the business community to invest and because of the delay in activating the programme of public works.

Therefore, the unemployment rate continues to grow as it becomes clear that the country's supply of labour far exceeds the new job opportunities available in the market, making the issue of employment and unemployment a structural one. According to data published in the last biennial report on the economic situation by the Direction of Macroeconomic Policy (Ministry of National Economy) by autumn 1993 the country's labour force had increased by 3.8% over 1992, whilst the employment rate had increased by only 2.1%. According to the above report, this trend continued into 1994 and forecasts suggested that the rate of unemployment will reach 9.5% by the end of 1994. It should be noted, however, that according to recent data published in early December 1993 by the Ministry of Labour, the unemployment rate has risen to 10.5% which constitutes 400,000-450,000 people. The biennial report revised the data published in March 1993, suggesting that GDP growth would be 1% rather than the published 2%, with investment growth set at 2.2% rather than 5.7% and export growth forecast at 4.8% rather than the earlier prediction of 8.7%.

The particular circumstances of the Greek economy, in which 6.3% of the labour force are employers, 28.9% self-employed, 53.2% employees and 11.6% non-salaried family workers (mostly women), results in significant differences between the registered and the actual unemployment rate. The indicator of registered unemployment seems to suggest a slight decline in numbers since the beginning of 1993 and shows a tendency to slow the constant increase in volume which has been characteristic of the Greek economy over the past 2 years. Taking into account that the summer period shows a seasonal decline in unemployment, it is clear that there is a decline in the number of registered unemployed. It must be noted, however, that the data available on the level of registered unemployment which is offered by the Organisation for the Employment of the Labour Force (OAED), does not reflect the actual unemployment rate. Data from the National Statistics Service (ESYE) presents the number of unemployed people as at least 1 percentage point, and possibly 2 or even 2.5 percentage points, above that calculated by OAED.

Nevertheless, it should be observed that, apart from the growth in unemployment resulting from the stability programme and denationalisation/privatisation policies of the former conservative-liberal government, there was also a rapid growth in the size of the labour force. This growth was mainly the conse-

quence of the collapse of socialist regimes in Eastern European countries which resulted in the widespread migration of both legal and illegal immigrants as well as Greek nationals into the country from the former Soviet Union and Albania. The official data from the Ministry of Labour, and more specifically from the OAED, shows that the increase in the size of the labour force over the past 4 years (1989-1993) was approximately 400,000, whereas between the years 1984 and 1989 the increase was only 250,000. At the same time, employment growth over the years 1989-93 was 350,000, compared with 200,000 in the previous 4-year period. It is therefore obvious that the labour force in Greece currently comprises a considerable number of non-Greek nationals and is international in character.

Thus the evidence seems to indicate that, despite the anticipated increases in unemployment levels, due to differences between the labour force and employment growth, it is now likely that the Greek economy will resist and adapt to the new conditions. This ability to respond to change will eventually lead to reductions in unemployment levels, provided that the Greek economy enters a period of growth and development.

The new government which took office in October 1993 is keen to create a better climate for investment by banking credit so that an appropriate level of investment takes place which will assist the economy out of a crisis. At the same time, the new government hopes that it will be able to combat the effects of recession more successfully by strengthening the public investment programme and carrying out a large-scale programme of structural works to be co-funded by the European Union.

The introduction of technology, as well as the modifications to the Greek labour market which have occurred over the past 20 years, have imposed changes in the demand and supply of labour. Recent data published by the National Statistical Service (ESYE) show that numbers of scientists and self-employed individuals have increased from 6.2% to 13% of the total labour force. A similar increase is seen in the service sector, where jobs increased from 36.2% to 50.2% of all employment, constituting the largest growth sector. On the other hand, the number of farmers and cattle-breeders has decreased from 35.5% to 22.3% of all employment.

A point of interest concerns the relative, though not absolute, changes experienced by scientists and self-employed business people. More specifically, the participation of male scientists has decreased by 8.2% whilst women in the profession have increased by 10.4%. There has also been an increase in scientific occupations such as statisticians, mathematicians and analysts, as well as increased job opportunities for doctors, lawyers, academics, music composers, dancers and those in other arts areas. Conversely, there has been a decline in job opportunities for chemists, physicists, geologists, architects, engineers, designers, technologists, biologists, agronomists and in those artistic occupations such as sculpture and painting. More generally, there is a growing tendency for women, in particular, to participate in the service sector, especially in tourism. Increases in employment are also evident in the supply of office personnel, for example, office machine operators and accountants.

The above-mentioned changes in skills requirements have resulted from the tendency of large sections of the labour market to move from sector to sector and it is anticipated that this trend in making career changes will continue into the near future. It should also be noted that a considerable number of women are not currently economically active in the Greek labour market although they are expected to re-enter at some time in the future.



## Belgium

The publications which appeared in 1993 reflected the mood of concern relating to the labour market situation and general economic outlook in Belgium during that year, albeit that the country was already accustomed to very high levels of unemployment. Such is the scale of the problem - where widespread redundancies occurred as a significant number of companies closed down - that, set in the context of world-wide recession, commentators agree that the previous economic strategies which have been at least partially successful are no longer effective. Government spending cuts made to keep Belgium in line with the European convergence plan - the control and reduction of budget deficits in Member States - have left little scope for expensive measures aimed at stimulating or creating employment opportunities.

But Belgium is not, of course, an isolated case and increasingly high levels of unemployment have characterised much of Europe over the past year. According to a study undertaken by Blaise, Desmarez and Sekkat (1992) on the labour market in the European Union, unemployment reached 9.5% amongst the economically active population in May 1992, compared to 8.5% at the same time the previous year. The authors point out that this trend resulted from increased unemployment across all Member States, an observation that is equally true today, particularly of countries such as Germany or Belgium. They also stress the degree to which the unemployment situation varies from country to country, despite the fact that rising unemployment has become the focus of numerous government policies throughout Europe.

In Belgium, the persistently high level of unemployment, together with the loss of a competitive edge amongst Belgian firms - both issues highlighted several times during the year by international economic institutions, most notably the OECD - prompted the formation of employment forums and commissions. The federal government organised a tripartite employment forum whilst the Flanders region organised a Flemish employment conference and the Wallonia region set up a number of employment commissions. In advance of these activities, Ministers with responsibility for employment at either national or regional level each commissioned research which would provide a comprehensive picture of the labour market and/or assess the impact of any planned measures on the labour market.

Preparing for the employment forum to be organised at federal level, the Minister for Employment and Labour - Miet Smet - commissioned research by the Bureau du Plan (Office of the National Plan) to examine the relationship between labour market policy and the method of financing social security. This study comprised a number of simulations using econometric modelling to identify ways of stimulating employment by reducing labour costs and further assist employers to become more competitive by lowering their contributions to national insurance. To minimise the impact on overall government spending which would result from lost revenue from employers' reduced contributions, alternative methods would have to be found to fund social security. The results of the various measures planned in this regard are likely to have a more significant impact in the medium- rather than the short-term, and do very little to alleviate the immediate problem of high unemployment.

For the Flanders region, the Bureau of the (Flemish) Minister for Labour and Social Affairs - Léona Detiège - commissioned the Labour Institute (HIVA) and the Employment and Training Support Structure (WAV), to compile a preparatory report for the Flemish employment conference on the condition of the labour market in Flanders and possible ways forward. The report was intended to contain data which would be essential for a proper understanding of the current problem of unemployment. The study, written by Holderbeke (1992) presents an overview of the past 20 years and addresses such issues as the development of the economically active population, activity rates, average levels of education amongst the workforce and the structure of waged employment, such as trends in part-time and temporary work, distribution of employment on a sector by sector basis, the development of vacancies and the match between job seekers' skills and those required by the labour market.

A similar study was carried out in Wallonia by the Labour, Employment and Training Support Structure (TEF) prior to the formation of the employment commissions in the region and on the instructions of the Minister of Technological Development and Employment - Albert Liénard - and the Economic and Social Council. In its newsletter, the Support Structure published a set of statistics relating to the labour market in Wallonia, centred around three major topics:

the distribution of employment and its development since 1986; the trend in numbers of people unemployed and entitled to benefit, including a breakdown of this group by age and length of time unemployed; and the development of waged employment by mode of employment and age (see Conseil Economique et Social de la Région Wallonne, 1993).

The Flemish conference on employment resulted in the signature of a protocol: action strategy to stimulate economic activity for increased employment in Flanders, between the social partners and the Flemish government. The employment commissions in Wallonia concluded with a set of 24 measures to promote employment, involving social partners and the Walloon government (see Ministère de l'Emploi et du Développement Technologique de la Région Wallonne, 1993).

At the federal level, on completion of the first phase of the tripartite employment forum in May 1993, a set of firm measures was announced. These resulted, at least partially, from the ratification by the Council of Ministers of an agreement between the social partners on four measures: a youth employment plan; an option to switch to part-time working ahead of full retirement; wider application of the right to a career break; and the redistribution of work in firms experiencing difficulty or undergoing restructure. These measures were to be funded from an energy consumption tax.

In September 1993, the second phase of the forum began working towards its goal of a 'social pact' modelled on those which are already in operation in other Member States. A variety of topics were discussed including: labour market equilibrium (supply-demand, unemployment), funding of social security; flexibility and the redistribution of work; reduction of labour costs (reduction of employers' contributions, moderate wage settlements, indexation); and restoring economic competitiveness. As there was no agreement between workers' and employers' organisations, the government had to meet its responsibilities by adopting a 'global plan', comprising measures aimed at resolving the issues identified above. The plan provoked the potential for strike action as the unions saw very little effort being made in the measures to promote employment whilst employees were being called upon to make significant sacrifices to restore competitiveness.

Dialogue has been resumed between the federal government and the social partners in the National Labour Council on the implementation of employment measures resulting from the global plan due to the failure of the cross-sector negotiations, social partners are now discussing at sectoral level. Wage and salary restraints, the reduction of employers' costs for the lowest-paid and the continuing fact of high unemployment were each the focus for legislation and a governmental order concerning unemployment came into force in January 1994.

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## Belgium: Employment Trends

As far as the labour market was concerned, 1993 showed no improvement over the previous year. The slow but steady decline which had been evident throughout 1992 continued into 1993. All the positive forecasts which had been made for 1993 subsequently had to be readjusted downwards as the true economic picture became apparent. The experience of 1992 undoubtedly prompted some experts to show much greater caution in their forecasting than had previously been the case but nevertheless there are an increasing number of indicators which point to the reality of economic recovery which was predicted more than a year ago. This upturn was slow to get going but there is some basis for optimism about 1994, despite the risk of a further deterioration of employment levels.

In 1993, the failure of many companies and subsequent redundancy programmes contributed to the rise in unemployment in Belgium. More than 6,000 business failures were recorded in 1993 which was considerably more than the 5,200 recorded in the previous 12 months. The Bureau du Plan reported 70,000 job losses over the two year period 1991-3, with employment falling by 1.4% in 1993 compared with a fall of 0.5% the previous year. Unemployment reached a record level of 13.4% during 1993. In December 1993 the number of people unemployed and entitled to benefit was just under 50,000 and the total number of individuals seeking work in the same month was more than 591,000. Companies which have announced and implemented redundancies are numerous. What is most surprising is that, unlike previous recessions, when job losses were concentrated in the industrial sector, the current decline has destroyed jobs in the service sector and in public and private organisations alike. One large steel company is facing industrial action after announcing a programme of job cuts and a major retailer, one of the country's largest employers, recently announced the loss of approximately one in four jobs, although such reductions are being planned via early retirement packages. Government services also plan to reduce staffing levels and in the banking and finance sectors, where 3,000 jobs have already disappeared over the last 3 years, plans to 'restructure' the workforce to maintain competitiveness are being implemented despite last year's remarkable results.

The activities of the banking sector, in particular, have not escaped the attention of government and the Finance Minister has called on banks to do their share of job creation as part of an overall strategy contained in the federal government's global plan for employment. In banking, specifically, it is argued that for 'major public operations', the sector has been shielded from international competition and could therefore be called upon to make a particular effort in assisting employment. At the end of the year, the Minister wanted managers to use the proceeds of pay restraint to stimulate employment in this sector. These specific measures were then countered by the Belgian Association of Banks which showed the extent to which the sector faces competition on both the domestic and the international front.

Another issue which was also extensively debated during 1993 was job-sharing. The debates over a shorter working week which were taking place in Germany and France extended to Belgium and certain organisations are already contemplating a system for reducing the number of hours worked per week. The Belgian subsidiary of a French insurance company is currently working on plans to introduce a working week of four eight-hour days, on a voluntary basis, with a proportionate reduction in pay and holiday entitlement. Such a system is being advocated as a viable alternative to a planned programme of redundancies which will result from organisational restructuring.

A further initiative reflects employers' desire for more flexible modes of employment. The issue of flexibility now divides the employees' representatives from those of the employers in cross-sector negotiations which have taken place in the National Labour Council. The government's global plan incorporates a number of employment measures, including some which encourage greater flexibility (part-time working, the possibility of entering into a succession of fixed-term contracts, the use of temporary staff, employment regulations), which have to be negotiated by the social partners.

These negotiations failed at cross-sector level and are now running at sectoral level.



## Denmark

Three key themes dominated the published literature relating to the economy during 1993: education, structural issues and flexibility. The discussion about structural unemployment has largely related to the flexibility of the labour force, but links have also been made between education and flexibility and it seems that educational policies have come to occupy a central position in recent years. For example, a new paper on the Danish vocational education and training systems in the context of the Internal Market was published, together with a report on social benefits and employers' contributions by the Danish Employers' Federation.

As well as the issues referred to above, policies relating to the family as well as to older people and the labour market have also been the focus for debate. The functioning of the labour market, including the future for highly educated entrants, as well as more general considerations of economic policy, have continued to constitute central themes within economic debate.

Structural problems in the economy have been discussed from a variety of different perspectives. In Callesen's work (1993), the structural argument is that changes in the unemployment benefit system and the tax system could make the labour market work more efficiently and thereby increase employment. This analysis would apply mainly to the service sector where barriers to employment reduce the number of job opportunities. It is further argued that an increase in the number of traditional jobs in the sector will no longer be of key importance to changes in employment levels.

A number of articles, for example Smith (1993), Nielsen (1993), have focused on problems relating to a combination of changes in unemployment rates and inflation. Smith argues that the Danish labour market has witnessed increased structural difficulty over the last 10-15 years, which is demonstrated by the non acceleration inflation rate of unemployment (NAIRU) which is calculated to be 8%. This figure might be affected, argues Neilsen, by the relationship between wage levels and the length of unemployment and he also suggests that low income wage earners seem to remain unemployed for longer than other categories of worker.

The views expressed by the two commentators above are challenged in a collection of papers in the *Efter Zeuthen Rapporten*. In this book, the authors claim that the Zeuthen-Commission - and implicitly Nielsen and Smith - hold a neo-liberal perspective which means that they take a strictly market-orientated point of view only. Against this it is argued that the structure of the labour market has to be understood by looking at how the collective bargaining process functions. This suggests that the experience of the Danish economy in 1986/7 was clearly a result of developments in previous years and a sharp increase in the demand for labour in the building industry.

Structural unemployment and structural policy are also central concerns of the paper by Hummelgård and Dehlbæk (1993). The authors suggest that a combination of educational policy and active employment policy will encourage a reduction in the number of long-term unemployed people and also in the overall level of unemployment. Two different factors are at work here. One is the decline in the labour supply and the other is reduced pressure on wages which should result in greater competitiveness.

The flexibility of the labour force and the possible impact on the unemployment rate can be considered in relation to changes in the labour market. One factor is the impact of a reduction in the number of hours worked. If the labour market is inflexible, then it could be assumed that an agreed reduction in the number of hours worked would not necessarily have any impact on the real employment level. However, evidence from Scheuer's work (1993), which was based on the changes in Denmark between 1987 and 1990, supports the view that a reduction in the collectively agreed working week also has an impact on the actual number of hours worked.

The importance of education is discussed in direct relation to unemployment forecasts by Tranæs (1993) and Tranæs, Groes and Larsen (1993). They emphasise the need for education but also that a push-pull effect seems to exist within the Danish labour market, which suggests that those workers with the least education are the most likely to become unemployed when the economy goes into decline. However, it now seems that

people with high levels of education have also been hit by the recession and unemployment rates have increased for all types of workers since the late 1980s.

The role of education in reducing the level of both long-term and overall unemployment is the focus of Greve's work (1993). In this paper, the Danish vocational education and training system is discussed and the author concludes that it is only through a better take-up of education and training opportunities that unemployment rates will begin to improve. The paper also highlights the relationship between the Danish labour market and the labour market in the European Union by comparing labour market policies in EU Member States during the 1980s. The conclusion is that there has been a clear tendency towards a more active labour market policy in EU countries during this period and that such a policy seems to have continued alongside worsening unemployment rates in Europe.

Change, flexibility, education and awareness of the results of more open economies within Europe have therefore begun to shift the focus of Danish labour market strategies away from the more traditional incomes policy changes towards more direct and active labour market policies, where the emphasis is now on training, guidance and lifelong learning.

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## Denmark: Employment Trends

During 1993, the unemployment rate in Denmark continued to increase although there were signs that, by 1994, a reduction in the rate might be seen: in 1992, the rate was 11.1% and in 1993, the figure was 12.1% and it is now expected to go down to 11.9% during 1994. Generally, two major trends emerged during the year. The first was that Denmark witnessed a shift in labour market policy after a new government came to power at the beginning of the year (January 1993). Legislation on labour market reform was passed in June for which the key elements were: a more active approach to the unemployment situation, including a greater emphasis on 'sabbatical' leave; changes in the unemployment benefit system; and a more decentralised structure with more emphasis on regional labour market policies. These reforms increased the involvement of labour market partners at regional level by giving regional boards more 'free' money which they could use on targeted groups which were particularly vulnerable.

Changes in the unemployment benefit system were made in such a way that, in future, the system will be divided between a first and a second period. In the first period, an unemployed person has the right to an individual plan for education or job training in order to facilitate a return to the labour market. Also in this first period, unemployed people have the right to either 12 months education or job training and can also get support for the development of their own businesses. This first period lasts for 4 years. In the second period, which lasts for 3 years, an unemployed person is obliged to work at least 20 hours each week in order to regain contact with the labour market and participate in on-the-job training. Such work is intended to be in specific areas such as social work, environmental improvement schemes and work for institutions, rather than with mainstream employers. If an unemployed person, after these two periods, is still without employment, then they will have to be dependent on social assistance.

The main difficulty with the reforms is how to define the specific work areas and how to implement new courses and jobs in order to improve the competitiveness of the unemployed. It has been estimated that the unemployment rate a fall below which would put increased pressure on inflation is between 7 and 8%, although the precise figure is still a subject for debate amongst labour market experts.

Different types of 'sabbatical' leave have also recently been introduced in the reforms and there are three variations: one relating to education, one for new parents and one which is straightforward sabbatical leave. There are different levels of benefits accruing to different leave arrangements and also varying rules on the temporary appointment of staff to cover sabbatical leave. The sabbatical leave arrangements have been criticised by the employers' organisation in that it might be more difficult to dismiss individuals taking such leave, although recent

legislation is being drawn up which will minimise this danger. It is expected that more than 20,000 people will take up sabbatical leave which might reduce the level of unemployment by the hiring of temporary staff to cover absences.

A new concept relating to sabbatical leave arrangements has also been introduced, described as the 'garbage can' model. This is a model in which, for example, four people take every fourth week off, enabling a fifth person to be employed who would not otherwise be recruited. For people already in employment, the loss of income depends on whether they receive 80% of unemployment benefit payable (for normal sabbatical leave) or 100% for educational sabbatical leave. For someone on sabbatical leave with a yearly income of, say, 200,000 Danish Kroner, the monthly loss with a sabbatical of 1/4 year would be 800 Kroner net after tax.

Economists, the employers' organisation and others have criticised the scheme, arguing that it might lead to a general income support payment for the whole population by a 'back-door' route, and warn against the possible consequences for public sector finances. Others argue that, as long as the unemployment rate is so high, it should be possible to use this model without a problem. By the end of the year, the scheme had been used by a number of different groups, often in situations where the alternative would have been to dismiss employees. In these cases, the use of the model does not reduce the overall number of unemployed people, but does of course reduce the possibility of adding more. It was estimated that, in 1993, at least 25,000 people (0.9% of the working population) were involved in work-sharing, which means that it was a common practice before the introduction of sabbatical leave support.

The second central topic in 1993 was the greater emphasis on the service sector. Approximately 18% of jobs in the private sector are within service industries and, elsewhere in the economy, 13% of the workforce are employed in consumer services. Service industries within the public sector are also major recruiters of labour. However, one barrier to the employment of more people within service sectors seems to be the cost of the service. Thus, in an effort to break down this barrier, public grants will soon be available for specific private service activities of up to 65 Danish Kroner per hour worked, which means that an individual will often only have to pay 50 Kroners. Whether or not this measure will be sufficient to create further job opportunities is still open to question, but the scheme can at least be evaluated in 1994 when it comes into operation.

Towards the end of the year, the government asked a group of 25 people to form a welfare commission with the aim of discussing long-term strategies for the development of the labour market and to consider how to combine a welfare state system with a policy designed to combat unemployment. The members of this commission are employers, employees and various experts.



# Germany

The ongoing problem of employment in eastern Germany and rising unemployment in the west has focused public attention on considering what adjustments should be made to government policy on employment and social affairs. In a commemorative publication to mark the retirement of federal employment agency president, Heinrich Franke (Buttler et al, 1993), all the leading figures in the field of German employment and social policy discuss the implications of the merger of the German labour market with other European labour markets. Contributors to the debate include the federal chancellor and government ministers, representatives of trade unions and employers' organisations, as well as academics and civil servants.

The volume covers topics such as the deregulation of the German labour market, the ending of the employment service's monopoly of the placement of labour and the socio-political principles underlying employment policy. However, the fusion of the two German labour markets and the integration of European labour markets are the two most significant themes. Discussions on east-west German integration focus on the experience gained in administrative practice to date, drawing on numerous actual examples. European integration is examined mainly in relation to its implications for German policy on employment and social affairs. The European perspective is presented by European Commission members, Bangemann and Schmidhuber, and the report's authors direct some of their attention towards neighbouring countries in eastern Europe.

Other major contributions to the labour market and policy debate were contained in the Federal Economic Ministry's report on deregulation, one section of which ranges across German labour law and puts forward a number of deregulation proposals (Federal Economics Ministry, 1993). The labour market policy which is relevant to the new federal states is the subject of a collection of papers by Kaiser et al (1993). These highlight the importance of policy on structural adjustment and the labour market at regional level. Policy must combine economic development as well as stimulate employment with the promotion of training if it is to be effective in accelerating the successful adjustment of the eastern German economy. The impact of job creation schemes in promoting employment in eastern Germany was evaluated by the German Institute for Economic Research (Hagen et al, 1993). The authors of the study conclude that

these schemes have proved effective, so far, in both stabilising employment but also in stimulating the economy and in helping to prevent the unemployed become the unemployable. No evidence was forthcoming that suggested that the measures have suppressed private sector economic activity.

The issue of immigration was the focus of several studies, with a consensus view prevailing that, having admitted more than 4 million migrants since 1985, Germany will continue to attract new migrants in the future. The economic implications of this are the subject of three publications. Work by Siebert (1993) sets out the underlying economic motivations for migration (demand-pull migration and supply-pressure migration) and their interrelationship with the flow of capital and goods, together with the effects of inward migration on economic growth. The beneficial impact of immigration at the level of theory has been confirmed by several empirical studies. Gieseck et al (1993) present an econometric study showing that it is possible to create employment for most of the incoming migrants and work by Koll et al (1993) articulates a broadly similar view. As economic growth outpaces immigration, the average income of the population in general remains largely unaffected in the long run. But, with an ageing population in Germany, incoming migrant labour rejuvenates the labour force, even if it puts an additional strain on the economy in the short-term by initially raising unemployment and budget deficits. In Werner's study (1993), the author argues that the 1980s saw little, if any, progress towards the accommodation of migrant labour in terms of career opportunities, skill levels or income. High unemployment, low levels of economic activity amongst women and low rates of acceptance of different vocational qualifications are all persistent indicators of the inadequate integration of non-German nationals in the labour force. However, this is as true of France, the Netherlands and Sweden as it is of Germany.

Fischer et al (1993) present a comprehensive analysis of the relationship between education and employment. Their schema takes the form of a statement of account for education which includes statistical evidence of transitions between different levels of general and vocational education (school, dual education/training, technical college, higher education) and employment/unemployment/non-employment outcomes. The various processes which contribute to the education-employ-

ment dynamic are illustrated with the aid of flow rates and inventory figures for both eastern and western Germany. In the analytical section, the relationship with demographic trends, changing rates of participation in education and employment are all explored. The study also includes a methodological section which sets out the principles of the statement of account for education. This is useful as a supplement to the Federal Education and Science Ministry's *Annual Report on Vocational Education* (1993). To complement this study, the Institute for Labour Market and Vocational Research (IAB) has published a volume on the key subject of the 'dual system', which examines the future role of the dual system in Germany (Tessaring, 1993). The author concludes that the declining numbers of young people could undermine the dual system and that prospects for advancement for those qualifying under the system are poor. Clearer career development paths, together with appropriate levels of human resource planning by employers, emerge as crucial factors for ensuring the future supply of (appropriately) skilled labour.

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## Germany: Employment Trends

In 1993, a sharp economic downturn affected the entire German labour market. Both eastern and western Germany suffered from falling employment levels and rising unemployment, though for very different reasons. In the west, the poor economic situation was the determining factor whilst, in the east, despite economic growth, the positive influences on the labour market were still unable to prevent net job losses. Towards the end of the year, 675,000 fewer people were employed in western Germany than at the same time the previous year. In eastern Germany, employment levels also decreased over the previous 12 months (down by between 3 and 5%) although at a slightly faster rate than in western Germany (down by 2.3%). It is likely that 1994 will see these trends continuing but becoming slightly weaker. Both the council of economic experts and the leading economic research institutes anticipate that employment in the country as a whole will fall by a further 1-2% from the level achieved in 1993.

In western Germany, job losses were concentrated in the manufacturing sector, particularly in capital goods industries. A reduction in output of goods was also experienced within the distributive trades and transport industries whilst, in construction and services, employment continued to rise, albeit at a slower rate than hitherto. In eastern Germany, the less marked decrease in employment was largely due to the strength of the construction industries. The boom in private services has probably come to an end now but the rate of job losses in manufacturing has also slowed down.

Falling employment was matched by an increasing supply of labour, although the numbers of people joining the labour market - increasing by 200,000 or 0.5% on 1992 - indicate that the steady expansion in supply since the late 1980s is beginning to slow down and is likely to continue to do so throughout 1994. Stricter immigration controls have reduced the number of asylum seekers but those who are already resident in the country are now allowed to work, so will add to the existing labour supply. Recently the high level of inward migration of German people from eastern Europe (Aussiedler) into Germany has fallen off only slightly, again adding to the supply of labour. Such increases are partially relieved by a gradual reduction in the number of young people entering the labour market. Over the year, there was considerable internal movement of labour between the western and eastern labour markets, with a balance of 360,000 people commuting from east to west and a net flow of 60,000 relocating from the east to the west.

The number of people registered as unemployed increased during 1993 - up by 560,000 - to reach a total of 3.7 million. In

western Germany, unemployment rose dramatically, up by 24% on the previous year, whereas the increase in eastern Germany was a much more modest 7%. In December 1993, the rate of unemployment in western and eastern Germany stood at 8.1% and 15.4% respectively. In addition to the numbers of registered unemployed, a further 2.1 million - the hidden unemployed - were participating in state-subsidised schemes for short-time working, job creation, continuing education, re-training, early retirement, and so on. Thus, at the end of 1993, the rate of unemployment in Germany, including both visible and hidden unemployment, was 8.4% in western Germany and 33.7% in eastern Germany.

All occupational areas and levels were affected by unemployment during the year. In 1992, job losses in the west were restricted mainly to metalworkers, electricians and assembly workers but, a year later, technical, administration and managerial staff posts were also being affected as, too, was employment in health care areas. The gap between the rates of unemployment for women and men nearly closed during the year, with both sexes being affected by job losses. The state of the labour market would have been even worse had it not been for the prevalence of reduced working hours. More short-time working and less overtime, together with reductions on the previous year in collectively agreed working hours, resulted in a 1.4% fall in average hours worked per employed person per year and a 3.1% reduction in total hours worked by all gainfully employed individuals. In eastern Germany, however, changes in numbers of hours worked were much less significant.

Rising unemployment influenced incomes policy to some extent during the year. At the end of 1993, the average collectively agreed pay in western Germany was approximately 4% higher than the year before, although the rate slowed significantly during the latter half of the year, resulting in a fall in real income. This trend is likely to continue into 1994. In eastern Germany, average wages were approximately 15% higher in 1993 than in 1992. Following the metalworkers' strike in Saxony, the intention to increase wages in line with that paid in western Germany was reaffirmed, although the transitional period in which to achieve parity has now been extended to 1996. The subsequent wages agreement is now a model for other collective wage bargaining procedures being undertaken elsewhere in eastern Germany. This means that, in 1994, wages will rise in line with productivity which will in turn affect labour costs and which will therefore continue to be problematic. Thus it is likely that strategies for rationalisation will continue to enjoy a high priority.



# Spain

Studies which discussed the Spanish labour market in 1993 were influenced by the deep recession affecting the economy since early 1992. Whilst recognising that employment creation depends on a wide range of variables, most of which are outside the control of the labour market, there have nonetheless been significant discussions on the need to carry out reforms to labour market institutions in Spain. Indeed, if one topic was said to have generated most debate in Spain, it is that of labour market reforms and a considerable volume of work on this issue has now been published.

One of the most popular positions argues that the main problems with the Spanish labour market is its dual character: on the one hand, a large pool of fixed-term employees whose dismissal would cost virtually nothing and who represent about one-third of the employee workforce; and on the other hand, another group of permanent workers whose forced redundancy would be extremely expensive to fund. Such labour market features create a number of specific conditions. For example, the downward adjustment of employment would be quick and easy, because employers would simply restructure by not renewing the contracts of their temporary staff, albeit exacerbating the recession by creating more unemployment. In addition, a number of distortions are created in the wage bargaining process (see for example, Bentolila and Dolado (1993), and Jimeno and Toharia (1993b)). Thus, an initial reaction to this situation was to propose a reduction in redundancy costs, together with further restrictions in the use of temporary labour.

This response then spurred a discussion of dismissal costs. The technical office of the Comisiones Obreras, one of the two main trade unions, prepared a detailed study on the matter, arguing that dismissals were not as costly as had been claimed and that employers were in fact dismissing many members of their permanent workforce (Gabinete Técnico Confederado de Comisiones Obreras, 1993). Similarly, Jimeno and Toharia (1993a) analysed in detail the process of workforce adjustment which employers would have to follow in making economic redundancies. They found a number of contradictions in the system, the most important being the different responses to dismissal: permanent workers may legally sue their employers if they are made redundant, whereas fixed-term contract workers have no such rights. In late

1993, an international conference held in Rome heard two further papers relating to dismissal, one presented from an economic perspective (Jimeno and Toharia, 1993c) and the other presented by Ojeda (1993).

In April 1993, the government sent a so-called 'green' paper on labour market reforms to the recently created Social and Economic Council (a consultative tripartite body) and this paper started the official debate on the issue (Gobierno español, 1993). The document started from a theoretical position, arguing that labour market regulations are of fundamental importance in the development of employment trends. On that basis, it made a rather positive evaluation of labour market policy-making in the 1980s. Given the changing conditions in the early 1990s, it considered that it was now necessary to change the labour market regulations and asked the Council to reflect on a number of policy initiatives. Many of the reforms would later be adopted in a different setting (see InforMISEP, No. 44).

The decision to call general elections in June stopped all debate, since all legislative initiatives were suspended, including the green paper referred to above. Public debate continued, however and in May, the journal *Economistas* prepared a special issue on labour market reforms which contained several papers by labour market experts. The range of positions was wide from those, such as Andrés, who thought that labour market reforms would be a fundamental measure which could substantially reduce unemployment, to less radical views, such as those expressed by Jimeno and Toharia, who argued that reform was necessary but was by no means sufficient. They concluded that only a small improvement could be expected by reform measures alone. At the other end of the scale, Aragón and others argued that the unemployment problem was entirely unrelated to problems in the labour market.

One of the main campaign issues was the need for a social pact between employers, unions and government, which would include, amongst other things, the reform of the labour market. The negotiations lasted until November when they reached a standstill. The government then decided, unilaterally, to approve the labour market reforms, with one decree passed early in December and a bill to reform the main Labour Code - the 1980s Workers' Charter which had itself been reformed in 1984. The Social and Eco-

nomical Council was asked to give its opinion, but no agreement was reached as the unions strongly opposed the reforms while the employers were broadly in favour. This stalemate generated a large amount of union unrest, including written statements against the reforms (UGT, 1993), and resulted in a general strike on 27 January 1994. Despite this, the bill went to Parliament and was expected to be approved with minor amendments by early 1994.

During this debate, a number of seminars and publications discussed the matter of labour market reforms. One worth mentioning is the book published by the *Círculo de Empresarios* (1993), a private organisation funded by large private enterprises, which comprised a collection of articles from academics and business people holding differing and sometimes extreme views. Another was a seminar organised by the Labour Council of Catalonia (a regional tripartite body), with contributors employing a broadly legal perspective and with more balanced views being expressed. The papers from this seminar are currently being published by *Conseil de Treball de Catalunya* (1994).

In general, no agreement seems to exist regarding the real impact of the reforms to be adopted. While government considers that such reforms will be the cornerstone of its economic recovery policy and hopes that it will be instrumental in halting the decline in employment, critics of the reforms - such as the trade unions - consider that it will simply strengthen the power of employers, leading to more redundancies, wage cuts and a worse employment situation. Labour market reform is likely to remain an important issue throughout 1994, both because the final legal texts have not yet been approved and because the first evaluation of the new measures is yet to come.

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### Spain: Employment Trends

During 1993, the Spanish economy experienced a severe recession. Between the fourth quarter of 1992 and the same quarter in 1993 employment declined by over 400,000, constituting a 3.5% drop over the year. Although this figure is similar to the worst recorded levels over the past 20 years and equals that of 1980 it does represent an improvement over the year. In the first three quarters of 1993, employment losses were more than 4% up on the same period the previous year. The most recent figures, though, suggest that the recession might have reached its trough and that better results are to be expected for 1994, although the official forecast is that employment will continue to decline, but at a much slower pace.

The consequence of this employment loss is that unemployment has continued to rise, reaching a record high of 23.9% by the end of the year. One of the constantly recurring themes in Spain is to what extent such an unemployment figure is credible. Doubts about the accuracy of such statistics are widespread, including from high-ranking government officials, and a similar mood was created in 1985 when the Spanish economy hit the lowest point during the earlier recession. The figure is, however, comparable to that observed elsewhere in the European Union and, in addition, there are no strong grounds for suspecting that the hidden economy, which is thought to be important in Spain, could account for a substantial proportion of the unemployed labour force. More important is the fact that unemployment is unequally distributed. When considering the position within the family, the unemployment rate of the head of household is only 12.9%, a rise of 2.7% from the previous year. Also, when looking at unemployment within the household, only about 11% of economically active households have all their members unemployed. Of these, more than half declare being in receipt of various types of unemployment benefit and there is an assumption that this proportion might be higher than that declared in the Labour Force Survey. Unemployment levels are very high in Spain, but unemployment affects families in different ways, particularly in view of the safety net provided by the benefit system.

Turning to the details of employment decline, one of the most salient features is that it has particularly affected men, who have accounted for 5 out of every 6 job losses and whose overall employment level has dropped by 4.4% on the previous year. In terms of age, young people have been most affected, reflecting the fact that employers are being more cautious about recruiting new staff. Employment trends over the past 12 months raise two important issues. Firstly, is the cause structural; that is, is it

sectorally specific? Secondly, is its intensity related to the large pool of temporary workers which exists in the Spanish economy?

As far as the sectoral composition of employment is concerned, job losses have been confined to manufacturing and construction industries. More significantly, not only has the number of employees gone down, but there have also been reductions in employment amongst the self-employed workforce, this latter group comprising 22% of total employment. This trend runs converse to the early recessionary period, suggesting that the economic crisis has begun to affect not only large companies but also small and medium-sized enterprises. These job losses have been compounded by a decline in public sector employment for the second year running. Thus, the two employment areas which have traditionally provided a safeguard in recessionary times - the public sector and self-employment - have been unable to sustain continued growth and provide protected employment. On the positive side, however, private service employment has risen moderately, after a sharp decline in 1992. Unfortunately, the use of a new industrial classification scheme, starting in the first quarter of 1993, has prevented a more detailed analysis.

There were fears that the recession would bring dramatic changes to the number of people engaged in temporary employment, given their relatively vulnerable position, while the end of 1992 and the beginning of 1993 did indeed see a reduction in numbers. However, considering 1993 as a whole, and making comparisons with the previous year, permanent employees once again comprised more than half of all job losses. In relative terms, this suggests that temporary workers have declined in numbers although this trend seems to have occurred mainly at the end of 1992 when the recession was affecting the economy most strongly.

A final point relates to part-time employment. It is well known that the Spanish economy has been amongst the lowest users of this form of employment yet, over the year, the number of part-time employees rose slightly which is remarkable, given the otherwise strong decline in employment levels. In the last quarter of 1993, part-time work accounted for more than 14% of employment amongst women and 9% amongst men.

In general, the outlook for employment and unemployment in Spain is very poor. Employment has declined substantially and unemployment has reached a record high level. The only positive indicator appears to be the relatively less negative performance of employment during the latter part of 1993, which raised hopes for a better 1994.

## Forthcoming events

The **39th Annual World Conference of the International Council for Small Business** will take place on 27-29 June 1994 at the Congrès Louis Pasteur, Strasbourg, France. There will be papers, workshops and panels from around the world. Time has also been set aside for ICSB affiliates to make statements. Leading government representatives from Europe and other countries will discuss the key factors of the SME policy in their country and their future strategies. This year's conference expands on ICSB's emphasis on practitioners. A Small Business Symposium will be organised in parallel on the second day of the conference. The theme of "Strategic paths out of crisis" will be discussed by experts and reports will be given by small business representatives.

Further information available from: Comité d'organisation, 39th Conférence Annuelle Mondiale de l'ICSB, Université Robert Schuman, Strasbourg, France.

The **Annual Conference of the European Association of Labour Economists** will be held on 22-25 September 1994 at the Warsaw School of Economics, Warsaw, Poland, the largest economic university in Central and Eastern Europe. Proposed themes cover: education and training; efficiency wages/organisational effects on employment and earnings; inequalities in the labour market; labour institutions and economic performance; migration and foreign workers; labour demand; labour supply; unemployment; European and regional labour markets; transitions in the labour market; models of the labour market; unions and wage bargaining; wage inflation; wage structure; women and work; labour market policy, and work patterns and employment contracts. As yet keynote speakers have not been named.

Further information available from: Malgosia Gut, EALE Conference/Warsaw School of Economics, Al. Niepodleglosci 162, 02-554 Warsaw, Poland. Tel: +48 22 495 144; Fax: +48 22 495 144.

**Challenges of Unemployment in a Regional Europe** will be held on 11-15 October 1994 at the Hotel D'Amelander Kaap on the Frisian Isle of Ameland. Organised by the Fryske Akademy and the RBA-Frisian Labour Exchange, this international conference offers an opportunity to discuss the causes and consequences of unemployment and the possibilities to combat them. Special attention will be paid to national unemployment policies and regional needs, in particular within the regions of Eastern Europe. In addition specific labour market problems concerning various social groups ie women, the young, ethnic minorities and the long-term unemployed, will be discussed. Plenary speakers are from the OECD, the EC, and academia. Workshops will cover unemployment and policy; consequences of unemployment; strategies of the unemployed to deal with unemployment; special categories of unemployed; unemployment and society, and unemployment research and methodology.

Further information available from: Fryske Akademy, C.U.R.E., c/o Kees Verhaar, Doelestrjitte 8, 8911 DX Ljouwert/Leeuwarden, The Netherlands. Tel: +31 58 131414; Fax: +31 58 131 409.

The **1994 IPM** conference and exhibition will take place on 26-28 October 1994 at the Harrogate International Centre, UK. The exhibition provides a strong focal point, drawing together providers of personnel related products and services and the key decision makers from across the broad spectrum of British industry, commerce and the public sector.

Further Conference information available from: Conference Administrator, Institute of Personnel Management, IPM House, Camp Road, Wimbledon, London SW19 4UX, UK. Tel: +44 81 946 9100. Further Exhibition information available from: Peter Mirrington Exhibitions, PO Box 62, Bury St Edmunds, Suffolk IP29 5RR, UK. Tel: +44 284 850011; Fax: +44 284 850044.

The **1994 Skills and Enterprise Network Conference** will be held on 1 November 1994 at the Hinckley Island Hotel, Leicestershire, UK.

Further information on this event will be available later in the year from Mr Aled Williams, Fax: +44 742 594713.

**Cities and the New Global Economy** will take place on 22-23 November 1994 at the Regent Hotel, Melbourne, Australia. It will cover: the relationship between national economic policies and urban development strategies; how urban infrastructure, environmental protection programmes, and cultural and social diversity can enhance competitiveness; the characteristics of cities that attract investment; how cities can relate to local needs, traditions and goals to growing globalisation, and the contribution of individual cities and of urban networks to the new global economy. The conference will bring together key policy makers from Government and the private sector, as well as academics, urban managers and others interested in urban and economic development. In addition to the formal papers, the conference includes panel sessions involving business leaders, city managers, and other public and private sector decision makers. Keynote speakers will include: experts from the Asia Pacific region, as well as from Europe, North America and Australia; leaders from the business community; international speakers from the environmental and cultural sectors, and senior politicians and government officials from a large number of participating countries.

Further information available from: The Meeting Planners, 108 Church St., Hawthorn 3122, Australia. Tel: +61 3 819 3700.

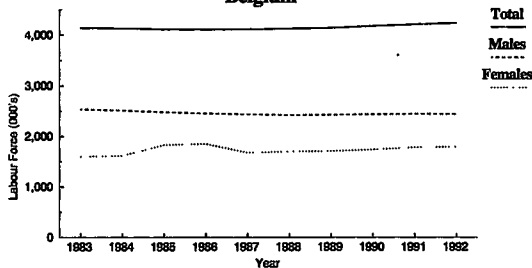
# Statistical Supplement N°. 18

## Key Labour Market Indicators

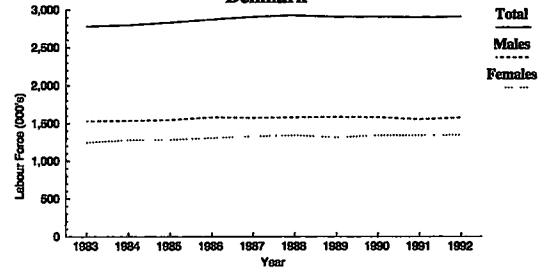
A review of key labour market indicators using the latest available information from Eurostat.

### 1. Labour Force

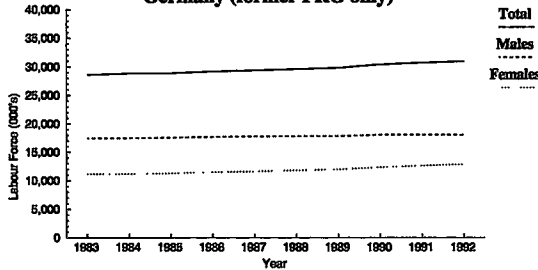
**Figure 1a**  
Labour Force 1983-1992 (000's)  
Belgium



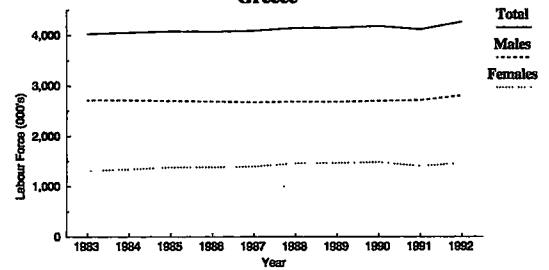
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Labour Force 1983-1992 (000's)  
Denmark



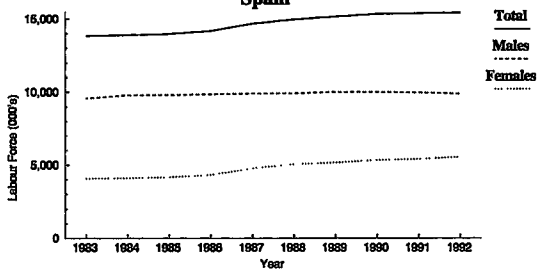
**Figure 1c**  
Labour Force 1983-1992 (000's)  
Germany (former FRG only)



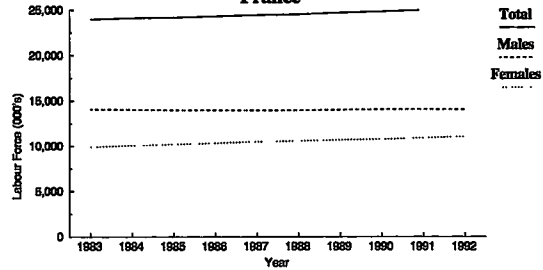
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Labour Force 1983-1992 (000's)  
Greece



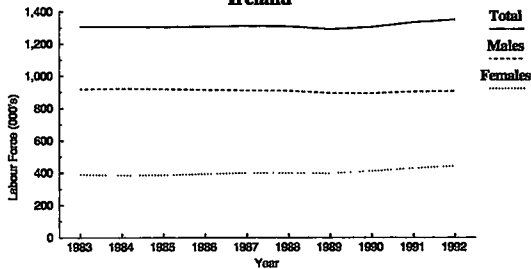
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Labour Force 1983-1992 (000's)  
Spain



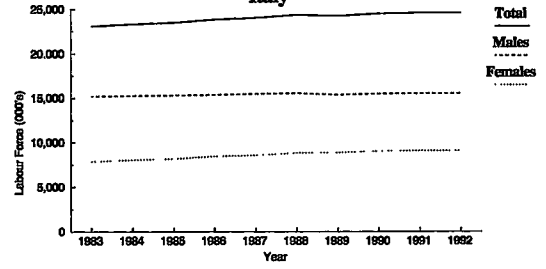
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Labour Force 1983-1992 (000's)  
France



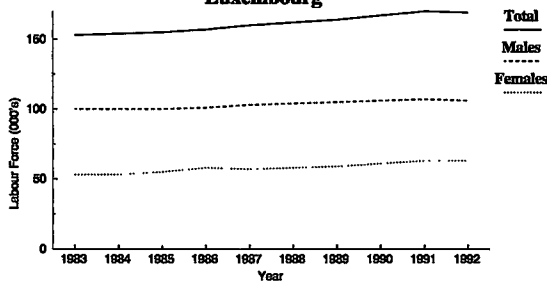
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Labour Force 1983-1992 (000's)  
Ireland



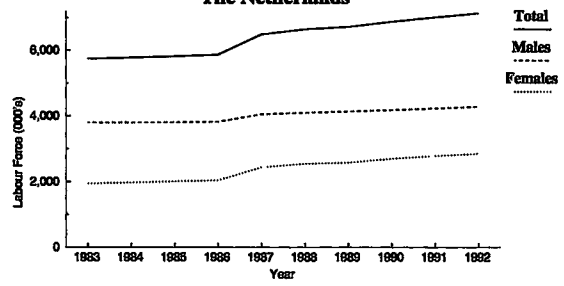
**Figure 1h**  
Labour Force 1983-1992 (000's)  
Italy



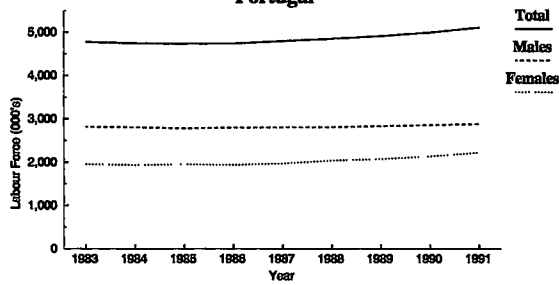
**Figure 1i**  
Labour Force 1983-1992 (000's)  
Luxembourg



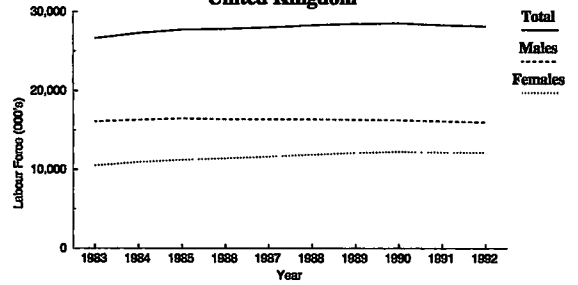
**Figure 1j**  
Labour Force 1983-1992 (000's)  
The Netherlands



**Figure 1k**  
Labour Force 1983-1991 (000's)  
Portugal

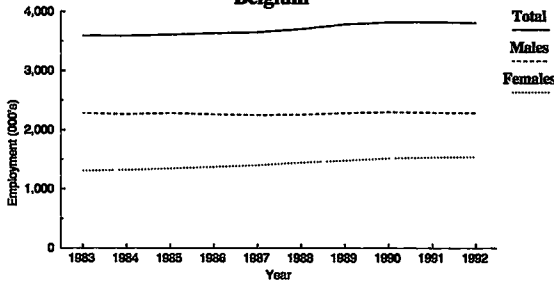


**Figure 1l**  
Labour Force 1983-1992 (000's)  
United Kingdom

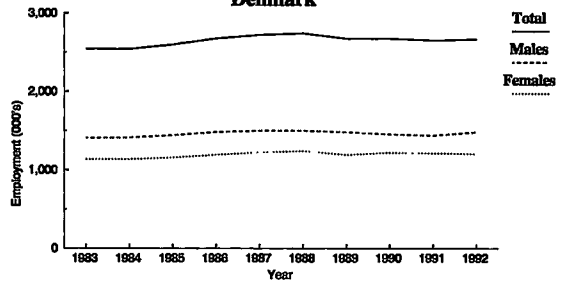


## 2. Employment

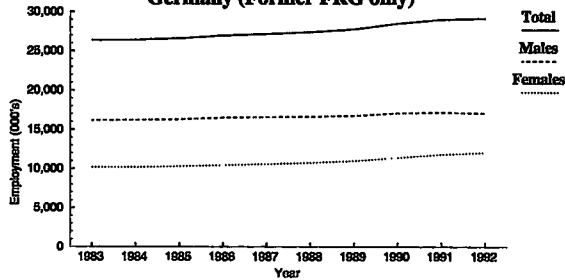
**Figure 2a**  
Employment 1983-1992 (000's)  
Belgium



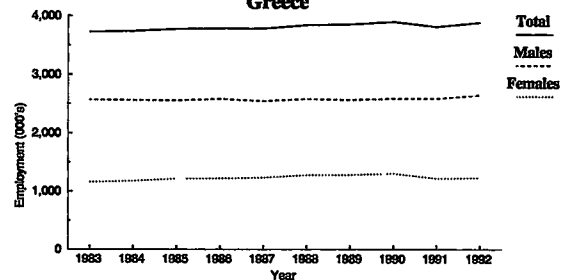
**Figure 2b**  
Employment 1983-1992 (000's)  
Denmark



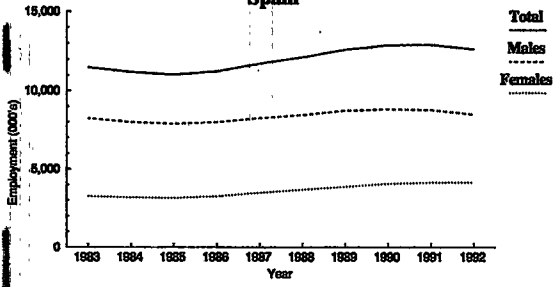
**Figure 2c**  
Employment 1983-1992 (000's)  
Germany (Former FRG only)



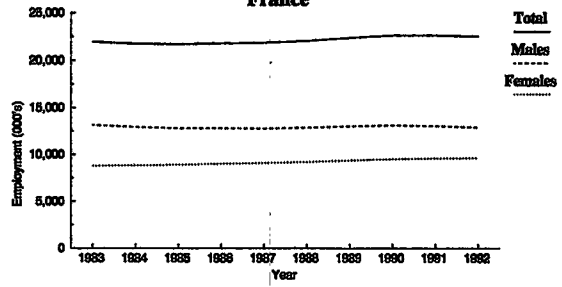
**Figure 2d**  
Employment 1983-1992 (000's)  
Greece



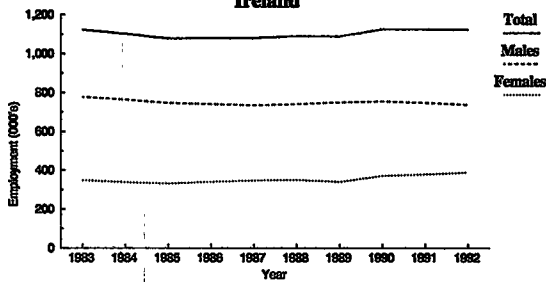
**Figure 2e**  
Employment 1983-1992 (000's)  
Spain



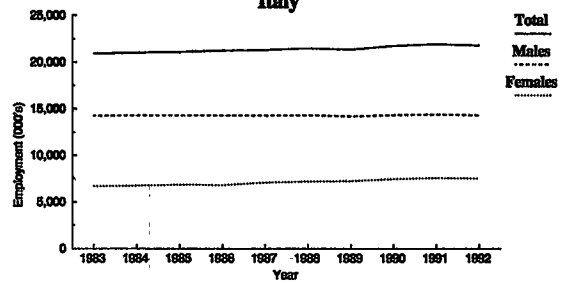
**Figure 2f**  
Employment 1983-1992 (000's)  
France



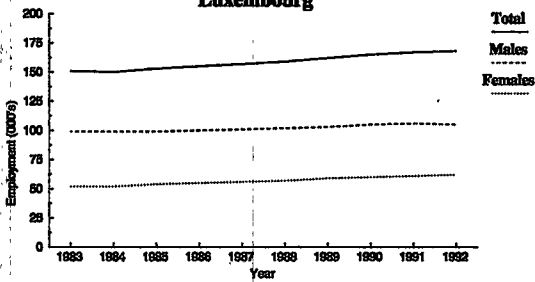
**Figure 2g**  
Employment 1983-1992 (000's)  
Ireland



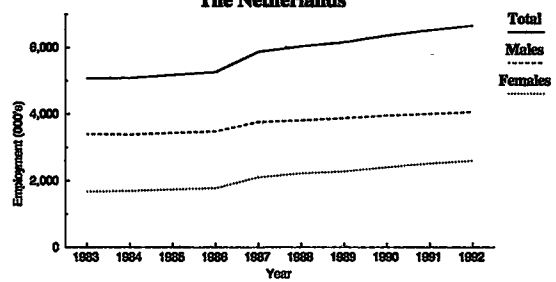
**Figure 2h**  
Employment 1983-1992 (000's)  
Italy



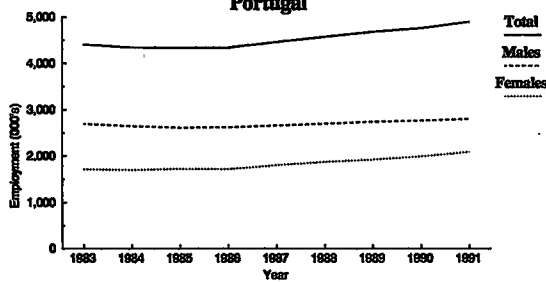
**Figure 2i**  
Employment 1983-1992 (000's)  
Luxembourg



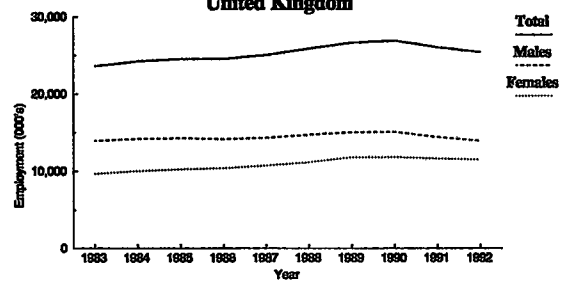
**Figure 2j**  
Employment 1983-1992 (000's)  
The Netherlands



**Figure 2k**  
Employment 1983-1991 (000's)  
Portugal

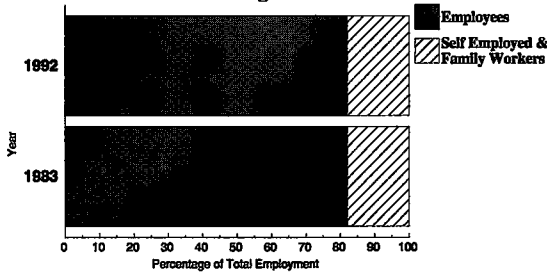


**Figure 2l**  
Employment 1983-1992 (000's)  
United Kingdom

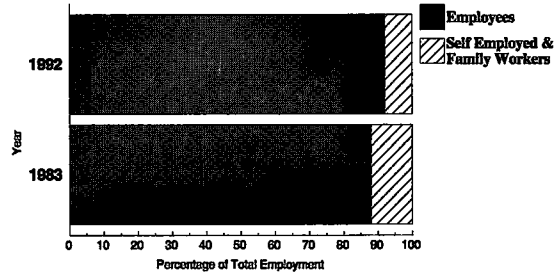


### 3. Employment Status

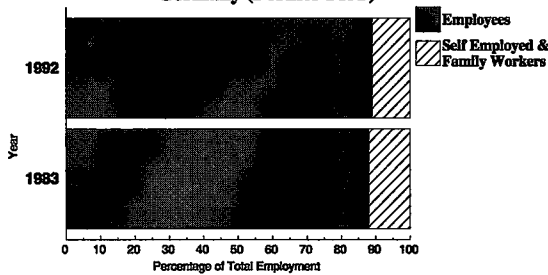
**Figure 3a**  
Employment Status 1983/1992  
Belgium\*



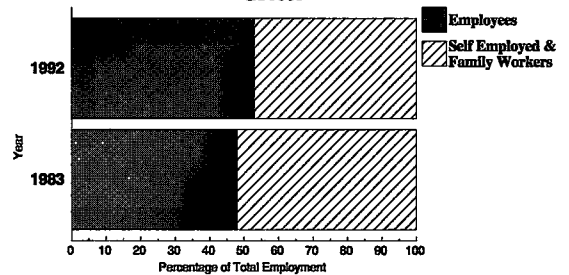
**Figure 3b**  
Employment Status 1983/1992  
Denmark\*



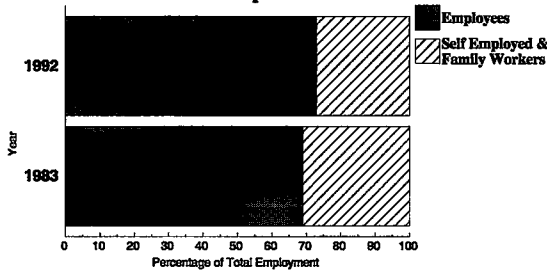
**Figure 3c**  
Employment Status 1983/1992  
Germany (Former FRG)\*



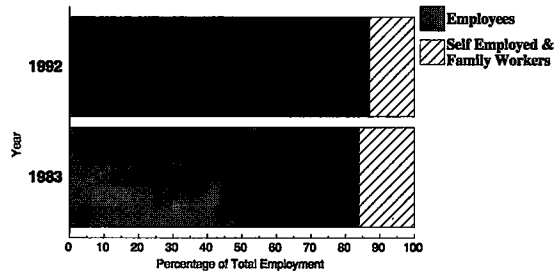
**Figure 3d**  
Employment Status 1983/1992  
Greece\*



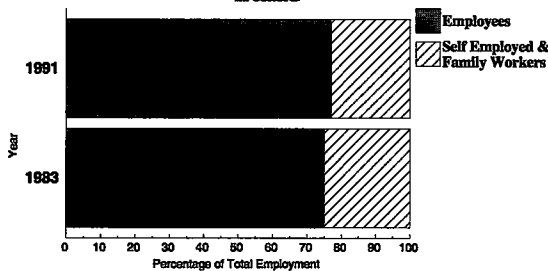
**Figure 3e**  
Employment Status 1983/1992  
Spain\*



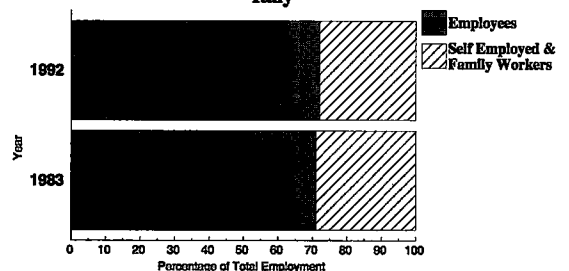
**Figure 3f**  
Employment Status 1983/1992  
France\*



**Figure 3g**  
Employment Status 1983/1991  
Ireland\*

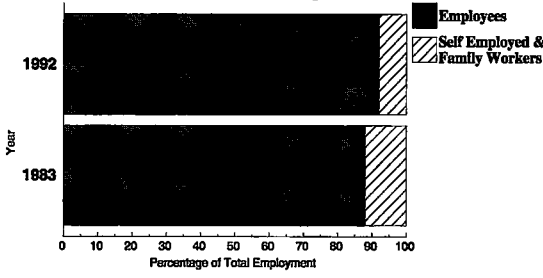


**Figure 3h**  
Employment Status 1983/1992  
Italy\*

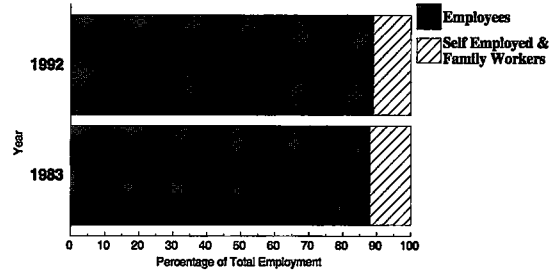


\* Males and Females Combined.

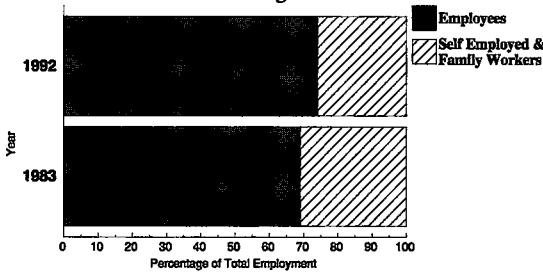
**Figure 3i**  
Employment Status 1983/1992  
Luxembourg\*



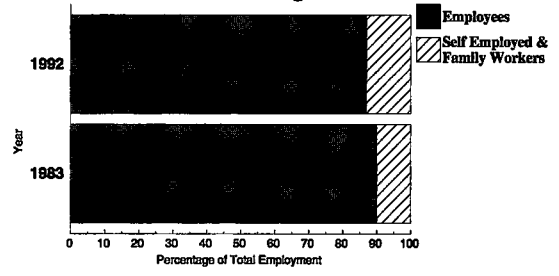
**Figure 3j**  
Employment Status 1983/1992  
The Netherlands\*



**Figure 3k**  
Employment Status 1983/1992  
Portugal\*

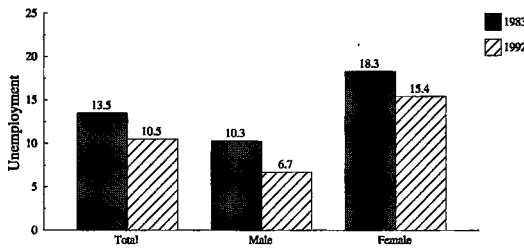


**Figure 3l**  
Employment Status 1983/1992  
United Kingdom\*

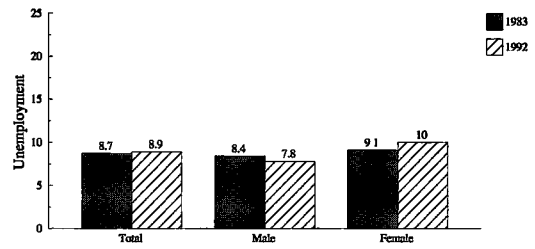


## 4. Unemployment

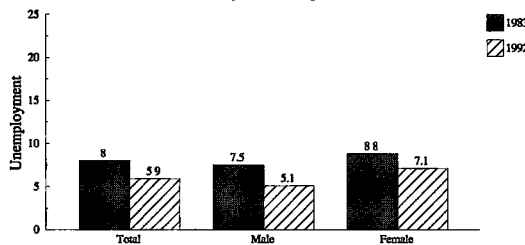
**Figure 4a Belgium**  
Unemployment 1983/1992  
(Annual Averages/Percentage Rates)



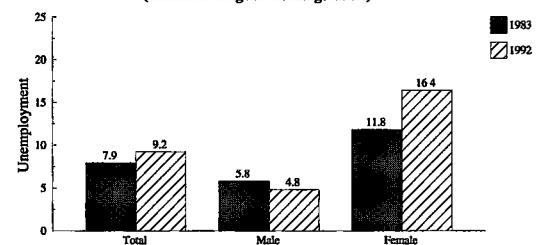
**Figure 4b Denmark**  
Unemployment 1983/1992  
(Annual Averages/Percentage Rates)



**Figure 4c Germany (Former FRG)**  
Unemployment 1982/1993  
(Annual Averages/Percentage Rates)

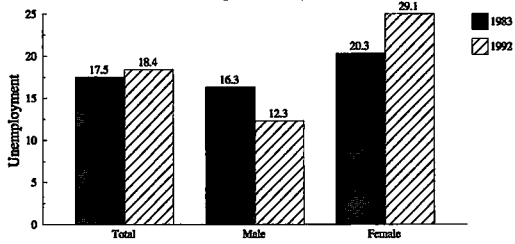


**Figure 4d Greece**  
Unemployment 1983/1992  
(Annual Averages/Percentage Rates)

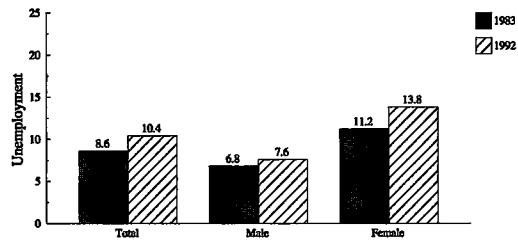


\* Males and Females Combined.

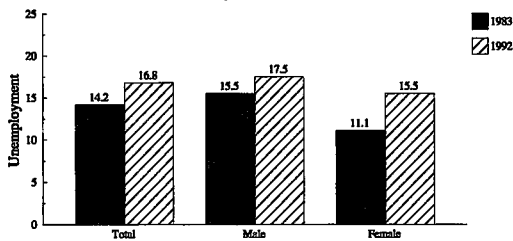
**Figure 4e Spain**  
**Unemployment 1983/1992**  
 (Annual Averages/Percentage Rates)



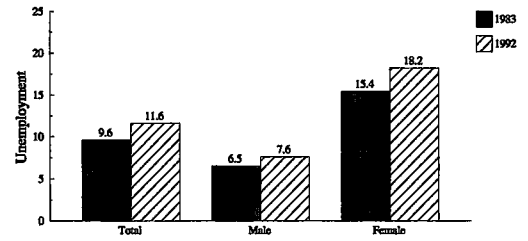
**Figure 4f France**  
**Unemployment 1983/1992**  
 (Annual Averages/Percentage Rates)



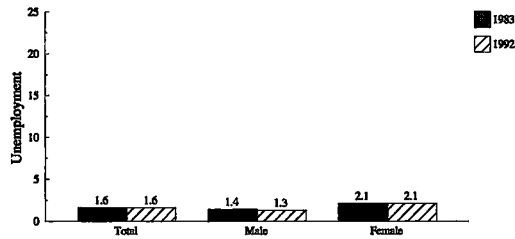
**Figure 4g Ireland**  
**Unemployment 1983/1992**  
 (Annual Averages/Percentage Rates)



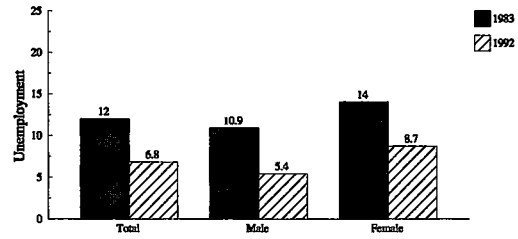
**Figure 4h Italy**  
**Unemployment 1983/1992**  
 (Annual Averages/Percentage Rates)



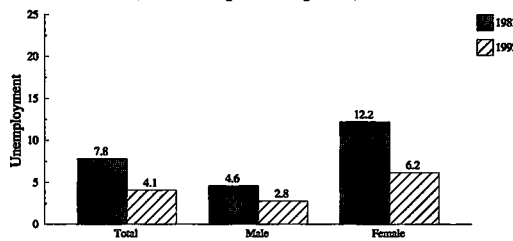
**Figure 4i Luxembourg**  
**Unemployment 1983/1992**  
 (Annual Averages/Percentage Rates)



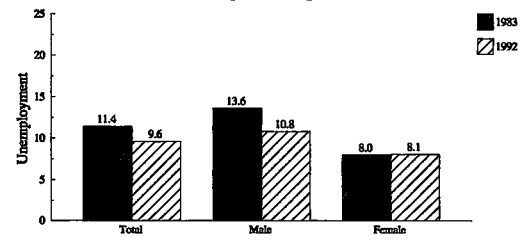
**Figure 4j The Netherlands**  
**Unemployment 1983/1992**  
 (Annual Averages/Percentage Rates)



**Figure 4k Portugal**  
**Unemployment 1983/1992**  
 (Annual Averages/Percentage Rates)



**Figure 4l United Kingdom**  
**Unemployment 1983/1992**  
 (Annual Averages/Percentage Rates)





## Commentary

This Statistical Supplement updates that contained in an earlier supplement (No.14) and summarises the key labour market indicators of:

- Labour Force;
- Employment;
- Employment Status; and
- Unemployment.

The definitions applying to each of these indicators is discussed under the sub-headings below. The figures cover the ten-year period 1983 - 1992 and provide a reasonably consistent view of trends throughout this period of often substantial change in the European labour market.

### Information Sources

The statistics used have been provided directly by Eurostat (prior to publications) and are derived from the annual *Labour Force Surveys* held in each Member State. The use of the LFS data ensures a reasonably comparable series and so there is little need for further adjustments in the interests of comparability. However, any differences that the user should be aware of are raised under the appropriate sub-heading below.

For annual data on all of the indicators used in this supplement, the following Eurostat publications may be useful<sup>1</sup>.

- *Employment and Unemployment Aggregates*. This publication summarises the key indicators (derived from the LFS) annually for a 10-year run. The volume covering 1983-1992 is due for publication in December 1994 and this one volume will contain three languages (English, French and German).
- *Labour Force Survey - Results 1991*. The detailed results of the 1992 survey for each Member State of the EU 12 is scheduled for publication in September 1994 with separate volumes in English, French and German.

The results of each Member State LFS are normally available from the national statistical agencies more quickly than the EU-wide version and generally with more detail on, for example, sectors and regions.<sup>2</sup>

### Labour Force

Figures 1a to 1l plot the trend in labour force size over the ten-year period. Here *labour force* is conventionally defined as those in employment together with the unemployed. This definition includes employees; self employed; family workers; and those in the armed forces<sup>3</sup>. There may be some scope for definitional differences arising, for example, from the inclusion of the unemployed. Here, those on temporary training or work programmes represent the most contentious group, although the LFS basis would minimise such differences.

The trend in labour force size over the period 1983-1992 shows some contrasting experiences. Overall, all Member States showed some increase over this 10 year period (9 in the case of Portugal). The largest percentage increase in the labour force was in the Netherlands with 19.5%, well above the next largest in Spain with 10.3%. Other percentage changes are shown in Figure 5.

**Figure 5: Percentage Change in Labour Force Size 1983-92**

Member State	Total	Males	Females
Belgium	2.3	-3.8	10.8
Denmark	4.4	3.0	7.6
Germany FRG	7.5	3.4	13.2
Greece	5.6	3.2	10.4
Spain	10.3	1.2	26.5
France	4.5	-0.2	10.7
Ireland	3.2	-1.2	12.2
Italy	6.2	2.1	13.1
Luxembourg	9.5	5.7	15.9
Netherlands	19.5	11.3	31.8
Portugal*	7.0	2.3	13.8
UK	5.4	-0.6	13.4

\* 1983-91

The large labour force increase in the Netherlands shows a significant jump between 1986-1987 which indicates a statistical revision. However, much of the overall increase may be mostly accounted for by more women entering the labour market. Here there was an increase of just under one third, with Spain also recording a large increase of 26.5%. The smallest increase in the female labour force was in Denmark with 7.6%.

By contrast, the male labour force only increased substantially in the Netherlands, up 11.3% over the period. In fact four Member States (Belgium, France, Ireland and the U K) all recorded falls in their male labour forces, attributable to a combination of factors leading to a reduction in the labour force, such as early retirement and participation in full-time education.

### Employment

Figures 2a to 2l provide an analysis of the trend in employment in each Member State, representing the most significant part of the overall labour force figures. In definitional terms, employment covers all those in gainful work as employees, plus those working on their own account. Here would be included trainees (under employment contracts), part-time workers (counted as single workers and not in whole time equivalents) plus other atypical workers such as those on temporary contracts. Those in the armed forces either as volunteers or conscripts, would also be included in the totals.

Figure 6 summarises the percentage changes in employment over the period. Again the Netherlands showed the largest increase of 23.8% (although the same statistical reservations mentioned above apply), followed by Portugal (11.1% over 1983-91), Luxembourg (10.1%), Germany (9.5%) and Spain (9.1%). In Ireland, by contrast, employment was static and France recorded a comparatively low increase of 2.7%.

**Figure 6: Percentage Change in Employment 1983-92**

Member State	Total	Males	Females
Belgium	5.5	-0.1	15.0
Denmark	4.7	5.1	5.8
Germany FRG	9.5	5.3	15.4
Greece	4.3	3.3	6.5
Spain	9.1	3.0	21.6
France	2.7	-2.0	8.9
Ireland	0.1	-5.6	10.3
Italy	4.1	0.4	11.1
Luxembourg	10.1	5.7	16.1
Netherlands	23.8	16.3	35.7
Portugal*	11.1	4.2	22.0
UK	7.2	-0.1	16.0

\* 1983-91

Four Member States (Belgium, France, Ireland and the UK) saw falls in male employment, although only in Ireland, and to a lesser extent France could they be considered significant. Most growth was in female employment as activity rates increased under the dual effects of more women willing and able to work, coupled with the demand from employers. Thus, in Spain, female employment increased by 21.6% and in most of the other Member States by double figures. Denmark had the smallest increase of 5.9%, with Greece not much above with 6.5%.

The fact that most of the larger, more developed Member States experienced significant increases in female employment is partly accounted for by a growth in part-time working. As already mentioned, the figures represent a *count* of the number of *jobs* and it is likely that full-time jobs have been lost whilst part-time ones have been created. Therefore, even though the number of jobs might have increased over the period, this may not necessarily mean that the *volume* of work has also increased.

### Employment Status

Figures 3a to 3l compare the employment status of those in employment for the years 1983 and 1992. Employment status is simply a division between those working as employees and those working as self employed or family workers. Eurostat attempts to include paid and unpaid family workers provided that they meet the other criteria for inclusion in the employment figures. In the majority of cases, family workers will be concentrated in a small number of sectors and principally in agriculture, retailing and hotels and catering.

Figure 7 shows that there are often large differences between Member States. For example, taking employees - the highest proportion was Luxembourg with 92% in employment, closely followed by Denmark with 90%. In contrast, those Member States with large agricultural sectors (such as Greece, Spain, Portugal and Ireland) had much smaller proportions of their total employment as employees. However, Italy - with just 72% employees - differed from the other largest Member States by a significant margin.

Over the ten years 1983 - 1992 there has been only modest change in employment status of those in employment. Ten Member States have seen their proportions of employees increase and self employed/family workers decrease, whereas in Belgium there

**Figure 7: Percentage of Employment by Employment Status 1992**

Member State	Employees	Self Employed & Family Workers
Belgium	82	18
Denmark	90	10
Germany FRG	89	11
Greece	53	47
Spain	73	27
France	87	13
Ireland*	77	23
Italy	72	28
Luxembourg	92	8
Netherlands	89	11
Portugal	74	26
UK	87	13

\* 1991 Figures

was no significant change. The exception to this trend was in the UK where a growth in self employment has pushed the proportion of employees down from 90% in 1983 to 87% in 1992.

### Unemployment

Unemployment rates derived from the LFS are given for each Member State for 1983 and 1992 in Figures 4a to 4l. LFS data allows by far the best basis for comparison of this often controversial measure with 'all those aged 14 or over without work and seeking a job' included, irrespective of their benefit entitlement.

Between 1983 and 1992, unemployment rates fell in just five Member States (Belgium, Germany, Netherlands, Portugal and the UK) with the greatest fall in the Netherlands, from 12% in 1983 to 6.8% by 1992. In Luxembourg the rate remained at the low level of 1.6%. In the remaining six Member States the increases in the unemployment rates were significant and in some cases (for example, Spain and Ireland) represented increases on already high rates.

For males alone the pattern was somewhat different with nine Member States showing falls in the unemployment rate of this group. Of the three Member States experiencing increases the margins were comparatively small. By contrast, the unemployment rates for females showed increases in seven Member States and reached 29.1% in Spain in 1992 compared to 20.3% in 1983. In all cases except the UK, female unemployment rates were substantially above the corresponding rates for males.

<sup>1</sup> All Eurostat publications are available from: Office for Official Publications of the European Communities, L-2985 Luxembourg or from Sales Agents in each Member State (as well as other countries).

<sup>2</sup> It should be noted that the ability to disaggregate the LFS results to sectors and regions will vary between Member States given, for example, the differences in sample size.

<sup>3</sup> For details of the relative size of the armed forces included in these overall figures, refer to Figure 5, page 21 in Statistical Supplement No.14. Figures on the 1992 armed forces total were not available at the time of compiling this supplement.

<sup>4</sup> Of the 12 member states, the UK is the only one not to isolate family workers separately. Thus most family workers would be included in the figure for *employees* creating a possible understatement of the extent of the 'self employed/family workers' category used here.



## United Kingdom

Improving the skills base of the UK population continues to be a primary focus of current debate in government and amongst the social partners, and also informs much of the current policy on, for example, measures to assist the unemployed. In the last SYSDM Annual Report (Bulletin 14), the development of the National Education and Training Targets (NETTS) was charted and the individual goals explained and it is now instructive to assess how much progress has been made towards these goals over the past year. This is facilitated by two recent studies on the subject.

The report by Spilsbury and Everett (1993) is based on research carried out in the south east region of England but, according to the authors, the findings have a much wider national applicability. They found that, whilst there was growing support for the concept of NETTS and what the targets were trying to achieve, progress to date has been at too slow a pace to be able to attain either the 1996-7 targets or those set for the end of the decade. The authors attribute this slower than anticipated progress to a number of factors, not least the lack of clarity in the rationale behind the construction of the targets. Clearly, NETTS were never intended to be precise targets but, rather, broad goals for which to aim. Nevertheless, they are inextricably linked with the development and attainment of National Vocational Qualifications (NVQs) and a number of reports have drawn attention to the variable progress made towards NVQ attainment. In another review of progress towards NETTS during 1992 by Bilsborough and Ross (1993), the authors point to significant progress towards NVQ attainment, particularly by young people, although with considerable regional variation. Nationally, for example, around one third of young people reached NVQ level 3 - Foundation Target 3 - in 1992, representing a rise of 3.5% during the year. The target is that 50% of all young people should reach this level by the year 2000, which should be possible if the 1992 rate of increase is maintained.

Of more concern, however, are the 'Lifetime' targets, aimed at people in employment. Here the signs are that progress is somewhat slower than is required to attain the targets. For example, Lifetime Target 1 requires all employees to take part in some training or development activity as a normal part of their jobs by the year 1996. However, during the years between the mid-1980s and

the early 1990s, the increase in numbers receiving training has only been 4.5%. More positively, though, Lifetime Target 3 - which is for 50% of the workforce to be qualified to NVQ level 3 or above by the year 2000 had been achieved by about one third of the workforce by 1992 and the increase on the previous year was 2.6%. If this volume of increase is maintained in future years, Target 3 should in fact be exceeded.

Continuing the skills theme, the study by Gallie and White (1993) provides a useful insight into the forces behind the development of a training culture in the UK workforce. This special household survey looked at the nature of work and how it had changed in the context of work preferences and the commitment of those in employment to such self development. In a high proportion of cases, the skills used by those in employment had risen substantially due to factors such as new technology, the greater need for communication and interpersonal skills. It led, in many cases, to greater levels of job satisfaction, albeit tempered by the need to acquire more skills. Less popular, however, were the accompanying developments in reward systems which tended to see less basic pay and more cash in the form of incentive payments, often based on regular individual appraisal.

The Gallie and White report tends to give the impression of a skills revolution taking place in the UK, often with some unwilling participants. The word 'revolution' also applies to the developments in higher education over the past decade, as highlighted by the latest review of the graduate labour market by the Institute of Manpower Studies (Connor et al, 1993). There has been a remarkable growth in both the demand for, and provision of, higher education and the prediction is that, by 1995, the output of graduates will have doubled since 1990. Most of the growth has been in business studies, humanities and multi-disciplinary studies and not in the science and engineering fields where the UK has tended to lag behind other industrialised economies. The growth has come about with the encouragement of government but not necessarily with appropriate additional resources to deal with the expansion in student numbers. As a result, some would argue that there has been a fall in standards, exemplified by the increase in student-staff ratios which have increased from 11:1 in 1987-88 to 14:1 in 1991-2.

The extra output of graduates has, unfortunately, come at a time when the labour market has been least able to cope. As a result, graduates have had to take a much wider range of jobs than was previously the case, often with employers who have not traditionally taken on significant numbers of new graduates. It has also led to some increase in unemployment amongst new graduates, although this is largely a result of the longer periods needed to secure employment. Inevitably, there is still evidence of a skills mismatch, with some employers reporting difficulties in filling vacancies in the science and technology fields.

Looking to the future, the present trends are at least set to continue under such influences as the development of accelerated degree courses, wider access to university entrance (especially for mature entrants), and the expansion of higher education provision in the non-university sector. The demographics are also on the side of growth in higher education, with an increase in the number of 18 year olds from 1995. The unknown factor is the effect of the decline in student grants as the main source of support for those in higher education. Some commentators argue that the principal effect will be to force more students to attend their home university rather than continue with the long tradition in the UK of leaving home to study.

For disadvantaged groups in the labour market prospects remain bleak, according to a report by the Employment Policy Institute (1993). The paper concentrates on the seemingly lost goal of 'full employment' and suggests that it must now be redefined. The report suggests that long-term unemployment is the most pressing problem to tackle and offers the view that all unemployed people should be offered some alternative to long-term unemployment. The report favours a switch from passive policies, such as benefit support, to active interventionist strategies with real labour market results. The EPI report tends to discount the view that the overall demand for labour in the UK economy has declined, a view that can be challenged from a number of perspectives. For example, the growth of the employed labour force has been variable over the past decade. The report by Sly (1993) shows that employment in Britain grew by around 6% between 1984 and 1993. However, between 1990 and 1993, employment fell by about the same percentage. During this time, the number of

women in employment grew substantially, by 18% between 1984 and 1990, but fell back a little during 1993. Interestingly, the growth of full-time jobs exceeded those created on a part-time basis but, since 1990, there have been more full-time than part-time job losses.

Potentially more positive developments in the UK labour market are highlighted by two further reports. The first of these focuses on the nature and extent of teleworking in Britain (Huws, 1993). Teleworking involves people working from their homes using information technology. However, the term has a wider meaning in practice and embraces working away from the home situation, such as at a telecottage. Telecottages are beginning to be established all over the UK and are usually office facilities where desks, rooms and equipment (such as fax machines and personal computers) can be rented out on an hourly basis to local entrepreneurs. The report found that about 1 in 20 firms currently employs teleworkers and more companies would consider introducing such a practice in the future. Teleworking is also widely spread across sectors but especially popular in local and central government, education, the media and financial and business services. The latter sector has seen the most growth in this form of working. The practice involves a wide range of tasks from the repetitive, such as data-entry and typing, to the more bespoke, such as writing and research

The rationale for introducing some form of teleworking is largely based on sound business logic: many firms see the opportunities in developing atypical working practices such as job-sharing, term-time working and career breaks. In many cases, employers are seeking to retain skills that would otherwise be lost. However, in other instances, teleworking is a development in the growth of self-employment, although arguably it could never happen without the agreement of companies which still function in the mainstream labour market. It is this factor, more than any other, which will provide a check on the future growth of teleworking in the UK labour market.

The development of a successful partnership between industry and education belongs to an altogether more conventional view of the labour market. There is a strong tradition in the UK of co-operation between employers and the educational establishments, from schools through to universities, and the report by Hillage et al (1993) confirms its maturity. Much of the co-operation is volun-

tary, albeit lubricated by the occasional (and small) amount of funding from government, and is often conducted out of altruistic motives rather than companies simply needing to recruit from the education sector. Nevertheless, the report found significant variation in the extent of partnerships throughout the UK, although the co-ordination of activities by the Training and Enterprise Councils (TECs) has helped to overcome some of the variation.

The future of the UK labour market is examined in some detail by an Employment Department publication (1993). Here, the expectation is that the end of the domestic recession will help to give a modest boost to job creation, of about 400,000 jobs by the year 2000 over the 1991 figure. However, within the overall change, there will be significant shifts between occupational areas, with an additional 1.7 million managerial, professional and technical jobs offsetting a decline of 1.3 million in manual jobs. These occupational shifts are consistent with the future growth in service sector employment at the expense of traditional manufacturing jobs. The service sector, in particular, will also see a small increase in part-time working, a rise in self-employment (assisted by increases in teleworking, for example) and much of this employment change will be attributable to small companies who are seen as the main contributors to job creation in the 1990s.

The figures are slightly different in the report by Rajan (1993) on the future of jobs in the 1990s, but basically the message is the same. The growth in white-collar, knowledge-based skills predicted by the report will put more emphasis on the need for better and more regular training amongst those in employment, as well as those in the education sector. It confirms a need for a different approach to career management, with employers and workers alike having to accept a number of career changes throughout their working lives, helped by appropriate counselling and training.

Whether the UK labour market is mature enough to cope with these demands is debatable, and some of the signs are not encouraging. For example, a recent report by Taylor and Walker (1993) on older workers, found that there was considerable employer prejudice against older workers, with age given as a significant factor in recruitment by nearly half the companies surveyed. This attitude does not augur well for the development of

career flexibility in the light of changing labour market needs.

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Recovery from the recession in the UK has been affected by the drift into recession by many of the other European Union Member States. Nevertheless, GDP is growing and was up by 2.2% by the end of 1993. The increased activity is beginning to have an effect on the job market, with some modest growth occurring, mainly in the service sector. Significantly, jobs in manufacturing (4.1 million in January 1994) now stand at their lowest since 1971. The latest official figures on those claiming unemployment benefit by the end of 1993 show an unemployment rate of 9.9%, constituting a total of almost 2.8 million (seasonally adjusted figure). This represents a significant fall (of 8%) since the beginning of 1993, although it is still 1 million more than the lowest point reached in 1990. The availability of Labour Force Survey results on a more regular basis and in greater detail has assisted in revitalising the debate over the accuracy of the official unemployment figures.

The controversy centres on who is, and who is not, included in the official calculation and how such categories compare with the benchmark ILO definition. Here there is some confusion, since the figure derived by using the ILO convention produces a total unemployment figure which is broadly in line with the total figure for benefit claimants. However, there is a core of about 1.8 million unemployed people who are common to both figures, but the calculation for the remaining 1 million is derived differently in each case. For example, the ILO definition would include non-claimants of benefit who could legitimately be counted as unemployed (including many women not eligible for benefits). Those on temporary government training programmes are also borderline cases for inclusion. On the basis of these factors, various commentators have calculated that the true level of unemployment is nearer 4 million.

Adding more controversy to the debate are the changes to be made to the payment of unemployment benefit announced in the November budget. From April 1996, unemployment benefit will be replaced by a 'Jobseeker's Allowance' which will be payable for a maximum period of 6 months for those eligible, replacing the 12 months which currently applies to unemployment benefit. This does not mean the termination of benefit after 6 months, but rather that subsequent benefits will be means-tested. Critics of the change argue that it will lead to a reduction in claimants after 6 months, though not necessarily because they have found employment.

1993 also saw the abolition of the Wages Councils which were responsible for establishing minimum rates of pay in vulnerable sectors: only agriculture still remains. It is perhaps too early to measure the effects of lifting this restriction on pay levels, although some early indications point to some wages falling below the previously established thresholds.

The measure to abolish Wages Councils was embodied in The Trade Union Reform and Employment Rights Act 1993. This is a wide-ranging piece of legislation covering three main areas. Under the rights for people at work, for example, maternity rights and the right to exercise statutory employment rights are reinforced. However, much of the Act is taken up with placing further restrictions on trade unions and the organisation of industrial action which have already been the principal subjects of employment legislation throughout the past decade. For example, the legislation requires unions to ballot for industrial action by post only and under independent scrutiny. Such measures come at a time when the UK experience of industrial disputes has never been lower. In 1992, for example, the UK had the fifth lowest incidence of industrial action (that is, the number of working days lost per thousand employees) out of 18 OECD countries.

The recent publication of the Deregulation Bill may have important consequences for the labour market. One area of change, for example, is the health and safety field where employers are subject to a range of general and specific regulations. This is naturally causing concern to the trade unions who fear that deregulation here could put their members at risk of health problems and accidents. During the year, the restrictions on Sunday trading have also been eased after a long public debate.

Finally, although training and the need for the UK to update its skills base continue to dominate labour market policy, it is interesting to note that a return to a form of traditional apprenticeship has been advocated by government. The new apprenticeships will be somewhat different from their predecessors in that they will constitute much looser arrangements with employers whereby, after successful training and the achievement of NVQs, the apprentice may be offered a job with the sponsoring firm or be interviewed for a current vacancy. The new apprenticeships will be available to school leavers in 1995 and will be administered by Training and Enterprise Councils.



## France

The formation of a new government in France during 1993 led to a renewed interest in identifying and resolving the structural obstacles to employment, concentrating on four key areas: labour costs, vocational training, labour market flexibility and the creation of jobs in the service sector. The documentation on employment issues therefore reflects these broad concerns.

With regard to labour costs, Matteoli and his team maintain that "the cost of labour is becoming incompatible with full employment", also stressing that a reduction in average wage costs would not, in itself,

enable France to successfully compete with those countries with lower standards of living (Matteoli, 1993). The team also focusses criticism on soaring social costs which are largely a consequence of the increasing extent and price of health care. They argue for a reduction in the costs of low-skilled labour, since fixing the statutory minimum wage (SMIC) to the average wage of operatives discourages the creation of low-skilled jobs in the service sector. SMIC, they suggest, should instead be pegged to prices and in addition, the tax and social insurance

burden currently shouldered by the lowest paid could be reduced by:

- transferring some social contributions (family contributions) to the central government budget
- stabilising health and welfare spending
- reducing the minimum wage for young people in their first two years in employment, particularly through exemptions from social contributions in exchange for employment-based training
- providing a more active role for unemployment insurance in the promotion of employment in companies, for example

by reducing employers' contributions in those companies which create part-time jobs or offer return-to-work (CRE) contracts to the long-term unemployed.

The negative impact of labour costs on employment is also the subject of several studies by INSEE, the National Institute of Statistics and Economic Research. Cette et al considered the effects on employment of reducing the costs of employing young people (Cette et al, 1993). Basing their findings on a number of existing studies as well as on a macro-economic model simulation, they conclude that either a separate minimum wage or a reduction in social contributions by young people, together with job creation measures for young people, would make little difference to the overall rate of unemployment and could, instead, lead to a net reduction of jobs for all other age groups. In another INSEE report, Dormont examined the amount of flexibility in the relationship between wage costs and employment, basing his work on macro-economic time series and data sets acquired from a sample of economic sectors and enterprises (Dormont, 1993). These data suggest the existence of some employment-wage flexibility in the long term by looking at variables such as the effects of simultaneous, diverse behaviours, and an inverse relationship was determined, between flexibility and the skill level of the workforce.

Several political figures have addressed the issue of competition from low-wage economies in the context of the GATT negotiations and the proposed trans-country relocations of industrial plants. In his response to the relocation of economic activity abroad, Senate member, J Arthuis, estimates that between three and five million jobs in Europe are now under threat in the short term (Arthuis, 1993). He recommends changes to tax and social insurance contributions, with the latter being less rigidly linked to income, and also favours better protection for the European Economic Area against competitor economies. The effects of external trade on employment continues to be the focus of much controversy (see, for example, Vimont, 1993; Maillard, 1993).

Vocational training issues have also been researched and the Matteoli report stresses the risks of a system of initial training which encourages generalist rather than more specialist training programmes (Matteoli, 1993). Instead, there should be an emphasis on specific vocational training which is complemented by work experience ('alternance training') and the development of short-term advanced training courses. Reform of

the system of vocational education was the subject of two reports commissioned by public authorities. Work by Cambon (vice-president of the Ile-de-France regional council) dealt mainly with the policy on careers information and guidance and with improvements to training schemes (Cambon, 1993). He recommends integrating careers education into the broad educational framework as an area in its right and giving regional councils greater responsibility for running vocational training programmes.

The report, submitted to the Prime Minister by Y. Chamard (deputy of the sub-préfecture of Vienne) on alternative forms of vocational training put forward several ways in which to simplify the management of the two existing forms of alternance training: apprenticeships and qualification contracts (Chamard, 1994). The authors of both reports are anxious to rid the apprenticeship system of its negative connotations and to develop a unified system of vocational education which alternates with work experience. Early in 1993, a white paper on vocational training for young people - the French national employers' council's Conseil national du Patronat Français - proposed that enterprises should take a share of responsibility for running the system of vocational education and that the apprenticeship system should be revived. Under the previous government, a number of reforms had begun to move things in this direction, notably through the inter-occupational agreement of July 1991, but the current government have sought to reappraise the control exerted by the education service over initial vocational training. Concern over such control is reflected by several provisions in the five-year Employment Act: responsibility for 'qualifying' programmes for school-leavers is given over to the regions which will have to draw up 'youth training development plans'. The principle of 'one avenue' (unified system) of alternance education (that is, apprenticeship plus qualification contract) is underscored in the Act, although it does not stipulate how this is to be achieved.

Controversy over improving the system of vocational education and training reveals different perceptions over the causes of youth unemployment. Some commentators attribute France's poor performance in this area to inadequate systems of delivery or the inflated labour costs for this age group, while others place more emphasis on the workings of the labour market. In a paper published by DARES - the section of the Ministry of Education, Employment and Vocational Training which is responsible

for research, surveys and statistics - Elbaum and Marchand point out that, when viewing employment trends of young people against adult age groups, the situation in France is relatively favourable for young people (Elbaum and Marchand, 1993). Gautie suggests that, within the French job market, the primary function of qualifications is to serve as a signal to possible recruiters (Gautie, 1994) and only experience will convert this potential competence into a skill that the market recognises and values. Such a system, known as an 'internal' market, leads to the selective exclusion of young people, whereas the 'occupational' market which operates in, say, Germany, encourages systematic integration.

The dynamics of labour market flexibility have been a continual focus for debate and the Matteoli report, for example, suggests that undue emphasis has been traditionally placed on the effect of external forms of flexibility such as fixed-term recruitment and the simplification of redundancy procedures (Matteoli, 1993). The report calls for measures to encourage internal flexibility including new forms of short-time working, the development of part-time job opportunities and the harmonisation of working hours. It also recommends that the existing assisted employment schemes should be simplified, together with a reduction in the bureaucratic procedures which burden business.

The political majority is opposed to reductions in the working week but the debate over this issue continues. Parliament rejected a bill proposing an experimental 32-hour week and attention is now being focused on the development of part-time employment. However, several authors, notably Rigaudiat, advocate a progressive reduction in working hours (Rigaudiat, 1993). In the context of the 11th National Plan, an attempt is now being made to encourage new ways of balancing work and leisure time and a concrete example of this approach is the 'training time allowance' which was introduced under the Five-Year Act. Teleworking is also being considered within the framework of a more flexible job market but also because of its potential to preserve jobs in rural areas. Breton puts the number of people in this category at 16,000 (Breton, 1993) and this could rise to between 300,000-500,000 over the next 10 years.

The rapidly rising productivity rate in the French service sector is sometimes seen as a major reason for the country's high level of unemployment. Although he does not take this position, Matteoli does advocate

the development of low-productivity employment and jobs in non-merchantable personal services such as home helps for the elderly. In addition to actions to reduce labour costs, Matteoli recommends extensions to schemes which provide tax allowances for family employment, improvements to the supply side of service delivery and the creation of a simplified system for the self-employed. Two articles in INSEE's economic and statistical review focus on trends in jobs and qualifications in the French service sector. Using 1982 and 1990 census data,

the authors suggest that the tertiarisation of the French economy during the 1980s was largely due to a growth in services to business, although health and social service sectors also expanded significantly.

The worsening economic and employment situation stimulated a number of commentators to look into the incidence of exclusions and in his report to the Minister of Social Affairs, Chasseriaud puts the number of people who experience 'serious social exclusion' at 1,400,000 (Chasseriaud, 1992). This category comprises people who are

long-term unemployed, whose social and occupational adaptation is incomplete or people who have recently emerged from closed institutions such as psychiatric hospital or prison. The Centre for Revenue and Cost Research (Centre d'Études des Revenus et des Coûts) estimates that nearly half the French labour force are economically and socially vulnerable as a result of the economic situation, including people who are in unstable employment, those with once secure but now endangered jobs and the long-term unemployed.

### France: Employment Trends

1993 was a bad year for the economy in France, with GDP falling at a rate of -0.7% and the country experiencing the worst recession since 1945. The downward trend began in the autumn of 1992 and lasted until the spring of 1993, and one symptom of the worsening economic situation was an increase in the number of business failures - an 11.2% increase on 1992. Economic problems also affected employment: for example, in the non-agricultural marketable sector, employment fell by 1.5% during the year which constituted a loss of between 214,400 and 227,000 jobs, depending on different statistical calculations (those figures generated by INSEE and UNEDIC respectively). Continuing job losses were felt most acutely in several manufacturing sub-sectors: jobs in textiles and clothing fell by 7.6%; in machine manufacture and plant the losses were 6.7% and in construction and civil engineering, jobs were down by 5.4%. The service sector also saw job cuts in the first half of the year but positive gains in the second two quarters produced an overall net increase - +0.3% - by the end of the year. This gain is largely attributable to jobs in the non-marketable sector, since the marketable sector experienced a slight decrease of 0.7% on 1992.

Despite the fall in volume, the level of recruitment has remained relatively high, with some 5.7 million new hirings, according to UNEDIC figures. However, the bulk of these opportunities have been on the basis of temporary contracts and such short-term employment now accounts for 8% of all paid employment, which is twice as high as in 1985. This increase is against a background of an overall reduction in the amount of work which is contracted through temporary staff agencies, down by 18.5% on the previous year. These figures confirm the growing tendency for employers to grant fixed-term contracts to new recruits before offering them permanent positions.

The number of part-time workers continued its slow upward trend and now stands at 2.8 million compared to 2 million in 1982, with the difference being largely the result of women taking up work in low-skilled service sector employment. The labour force overall continued to grow at a rate of 130,000 people per year and this rise has been the consequence of two parallel movements. On the one hand, an increase of 190,000 people of employable age entering the labour force due to demographic trends, including a net migratory balance of 20,000, offset on the other hand, by a loss of 60,000 people due to a decline in the level of labour market participation. With fewer young people in the population generally, together with an increase in the school-leaving age, the number of young people becoming economically active is declining faster each year.

Notwithstanding these conditions, unemployment levels continued to rise through 1993 and, at the end of the year, the number of job seekers registered with the national employment service (ANPE) had risen to 3,290,000. This is an increase of 10.1% on the previous

year and, if the ILO definition is used, the rise appears to be slightly higher - up by 11.8%. The number of people who are long-term unemployed rose significantly during the year, up by 22.3% on 1992, and such individuals do not seem to be benefiting from the mobility in the labour market enjoyed by other members of the labour force. In addition, employers appear to prefer recruiting new employees from the pool of newly unemployed people. The amount of time it now takes to find a job is currently 267 days which is an increase of 16 days on 1992.

Youth unemployment is seen as a particular problem and there is a set of government measures which have been targeted at this group under the Five Year Employment Act. Youth unemployment has in fact been falling in recent years due to the raising of the school-leaving age and the development of so-called 'insertion' schemes. Over the past five years, the proportion of young people out of work has dropped by 230,000 or 27%. Unemployment amongst young people does remain high, however and is currently at 19.1% cent, although this figure must be interpreted with caution, bearing in mind the low level of labour force participation amongst young people generally. But it nonetheless appears that in many sectors, fewer young people are being taken on than has been the case in the past.

Unemployment amongst managerial groups also rose significantly over the year, up by 10.7% on 1992. Although this increase is less steep than for skilled workers (+14.7%) or technical and supervisory staff (+22.4%), it has captured the public's attention since it also affects the prospects of highly-qualified young people at the start of their careers. The 1988-90 economic upturn had boosted employment opportunities for this élite group and shortages in numbers of appropriately skilled and qualified managers and engineers had initially been feared. The subsequent downturn, compounded by policies aimed at raising the standard of educational qualifications, has turned this situation on its head and prompted numerous studies to look into the effects of 'protecting' such qualifications against unemployment. These worries should, however, be put into perspective: overall, young graduates remain substantially better placed than their peers entering the labour market who have no qualifications or with qualifications which are equivalent or inferior to the baccalauréat.

Several economic indicators suggest a gradual improvement in the employment situation since the end of 1993: for example, the rate of unemployment has begun to slow and job agencies have become busier. However, the environment is still uncertain and the achievement of more stable rates of employment and unemployment still seem unlikely unless the economy is able to grow by more than 2.5% for several successive years.

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## Italy

During 1993, the literature on labour market issues published in Italy focused on one or more of three linked topics: the agreement on incomes policy signed by government, the unions and the employers' confederation on 22 July 1993 and the difficulty in applying the policy; the variation in the application of the reforms in the public sector (Decree no. 29 of 3 February 1993) and the commencement of collective bargaining in this sector; and problems of unemployment caused by the recession and an economy having to operate in the context of tight budgetary constraints.

The debate over incomes policy centred, in the second half of the year, on its application in terms of collective bargaining, industrial relations and legislation. Most commentators, on both the union and the employers' sides, stressed the time-consuming nature of trying to apply the policy and the consequent

lack of action. The legislation concerning interim working measures is still to be considered by Parliament. It is difficult to see how approval will be achieved in the short term. Reforms in the area of education and training are still to be completed and the introduction of a special regulation that should facilitate the transition from school to work has been criticised by employers' organisations for its overly bureaucratic structure and cost implications.

The decree approved by government in November to prolong the use of CIG, the reform of training contracts and the introduction of public work schemes for long-term unemployed people and CIG workers, is viewed by most commentators as too concerned with short-term effects which will have few benefits in the longer term.

As far as industrial relations and wage bargaining is concerned, agreements covering these two aspects are already having an effect. Labour costs are slowing down and this is considered to be a very important step towards encouraging a structural economic recovery for the Italian economy and an improvement in the country's international competitiveness. In the latter part of 1993, a revision to the representation process at company level was introduced, which saw the formation of new workers' representative bodies, and the issues still being debated are those associated with wage bargaining at the level of the company.

Attempting to apply public sector employment reforms has been another contentious subject for several years. The main issues at stake are extending the collective bargaining system to determine wages in most



public sector areas, reforming and controlling the terms of employment for public managers, and the rules pertaining to strike action in certain industries. The barriers to resolving these issues are complex: some are in the form of trade union opposition to the reforms generally; the confederation of trade unions' opposition to the blockade of wage bargaining in the public sector resulting from a lack of public funds and opposition to the directives on internal mobility which have been issued by government. Many commentators argue that, given the complexity and ambiguities within the reforms and the pressure of some public employment organisations, there is a significant risk that the reforms will not be completed (see for example Brunetta and Tronti, 1993; Censis, 1993).

Some discussion of the poor employment situation that the country is experiencing has focused on the fact that, for the first time, there is very little in the way of public funds available to ameliorate the social costs of the recession and that, even with economic recovery in 1994, there will still be little upward movement in employment levels. Most research and forecasting institutes, such as IRS, Prometia, CER, Centro Studi and Confindustria, point to the fact that a restructuring process is going to begin in both public and private service sectors. The traditional role of services in Italy in absorbing excess labour supplies is no longer available but, instead, the service sector will itself shed labour. The situation is further aggravated by the chronic unemployment and social problems facing southern Italy and those areas in the north where the public chemical and steel industry is concentrated (CNEL, 1993). Debate therefore involves the type of labour policies which will address the country's structural labour problems: assistance vs. flexibility and active policies; work time reductions vs. time flexibility; and labour mobility out of the sectors and areas in crisis.

Trade unions stress the necessity of assistance interventions, mainly through the extended use of Cassa Integrazione Guadagni and pre-retirement measures, to help in the immediate crisis period. The unions also propose work time reductions through greater constraints on overtime and by providing incentives to reduce working hours as further ways to increase employment. The CISL trade union has developed a detailed proposal for reducing working hours which suggests a reduction in the working week from 48 hours to 40 hours, and which provides disincentives to overtime working which would then become much more expensive. The cash resulting from a reduced working week would be distributed by a fund that would be financed by the increased costs of working more than

35 hours per week. The fund should also provide incentives, in the form of reductions in labour costs, for working less than 32 hours per week, and to those companies which restructure, in order to offer permanently reduced working weeks below the ceiling given by collective contractors (CISL, 1993).

Employers' organisations and most labour economists, on the other hand, show the potential costs of the measures advocated by the unions and point to the necessity for a more flexible labour market. They argue that the legal and contractual constraints now operating in the area of hiring and firing regulations should be reduced, together with regulations controlling labour contracts and hours worked. An increased flexibility and mobility in the labour market, together with reforms in the education and training system and improved efficiency and productivity in private and public services, are all necessary, according to Confindustria, to increase the potential for growth (Confindustria, 1993).

Research institutes and labour economists also stress the importance of active labour policies together with increased wage differentials, which will give the correct price signals for the allocation of labour in the labour market. In addition, flexibility in working hours and labour relations could enable some employment opportunities to be created specifically in the personal services sector for both highly skilled and less highly skilled employees (Prometeia, 1993). An analysis of the Italian system of vocational education and training and of new directions approved in 1992 and 1993, together with a discussion of the proposals, is presented in Isfol (1993) and Censis (1993).

In a special study on the employment situation in Italy, CER proposes the introduction of a public agency which would employ the long-term unemployed on a range of socially relevant projects which would not otherwise be undertaken by the private sector (CER, 1993).

The government is trying, with some difficulty, to address the various economic problems which beset the country, whilst at the same time having to cope with few resources available to fund compensating actions. The measures advocated by the trade unions require at least three times the amount of money which is actually available. The actions which have been taken up - extending the use of CIG; incentives to encourage working hour reductions; temporary employment on social projects for the long-term unemployed and those on CIG; reforms in temporary training contracts - which is a proposal on temporary working with private agencies - appear to be extremely short-term and initiated as a way of improving control over the situation. One other

significant problem which hinders progress on reforms is the length of time taken up with bureaucratic procedures, which results in blocks to using the funds which are available for public works which were approved in August 1993.

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## Italy: Employment Trends

1993 was a bad year for the Italian labour market, largely due to the time lag between labour conditions and productivity, which meant that the labour market was most affected by the recession during this year. Reductions in the levels of employment were particularly marked in the latter half of 1992 and this trend continued into 1993. The latest labour market survey (October 1993) shows a decrease in employment of 556,000 over the same month the previous year, constituting a reduction of 2.7% over the year. In addition, the number of people seeking work rose by 350,000 over the same period and an economic decline of this magnitude was last seen in Italy in the early 1960s. What characterises this recession, however, is the fact that, for the first time in many years, job losses have not simply been confined to the agricultural sector (which in any case saw a reduction of 131,000, down 7.8% on last year), or the industrial sector (a reduction of 171,000 or down 2.5% on last year), but job losses across the service sector which showed employment decline of 254,000, down by 2.1%. Sub-sectors particularly affected were public services and retail.

The unemployment rate in October 1993 was 11.3% compared to 9.7% a year earlier and more women than men were unemployed: the rate for women increased from 14.2% to 15.9% over the year, whereas the rate for men increased from 7% to 8.5% during the year to October 1993. Southern Italy fared the worst with increases in unemployment from 16.4% in October 1992 to 18.9% a year later, whereas the net increase in northern Italy was only 0.9%. In some areas of the country, mainly southern Italy (but also in some central and northern areas where steel and chemical plants are located, for example in Genova and Venezia), the risk of plant closure is very high and the uncertainty is generating social conflict and tensions which could put considerable pressure on government policy. The 'Crotone' revolt, when social action was taken against the decision to close some ENI (the public chemical company) plants, could be easily followed by similar campaigns elsewhere.

Unemployment levels amongst people who have previous experience of employment (182,000) is higher than for first-time job seekers (143,000), partly due to discouragement about the

poor employment situation. A large part of the increase in unemployment is due to the reduction in productivity and problems of reconversion: workers on mobility lists who have been laid off through collective procedures totalled 180,600 by the end of September 1993. Of this number, 112,000 were in northern and central Italy and a further 69,000 in southern Italy. Another way to cope with the production crisis in the country is to use subsidised working hour reductions through the use of CIG. By the end of October, the industrial sector conceded working hour equivalents of 260,000 workers, approximating to 6% of dependent employment in the industrial sector.

Monthly and quarterly data on the labour market shows that the employment decline is gradually slowing down and it is likely that the lowest point of the recession was reached during the last quarter of 1993. However, forecasts are bleak. In 1994, employment levels during the first part of the year are likely to remain static even if the expected recovery takes place, bringing with it an enhanced competitiveness for Italian firms in foreign markets. Increases in employment are only forecast for the second half of 1994. Restructuring in the public and private sectors in an effort to gain efficiency and increased productivity is the main reason why employment increases will be slow to start. To give an example, the Ministry of Public Employment estimated that, in this sector, there are approximately 115,000 jobs which should be cut and 56% of these are within the education sector.

On the other hand, inflation seems to be under control and the incomes policy agreements of July 1992 and July 1993 have significantly reduced labour costs in 1993. Real wages declined by 1.3 percentage points due to the abolition of the indexation mechanisms and the blockade of wage bargaining at the company level in the industrial sector. Labour costs have increased less than productivity in the manufacturing sector and this has helped to lower inflation. For the first time in 1993, inflation will be lower than that planned by government. Economists and organisations such as Confindustria stress the necessity of maintaining such exemplary behaviour in order to provide a strong and 'structural' recovery.



## Luxembourg

The literature published during 1993 reflected the problems facing the Luxembourg economy in the wake of the recession which began in 1992 but which had far less impact on Luxembourg than on other Member States in the European Union. In the first half of the year, particularly, when negative growth of around -0.5% was fore-

cast for the EU as a whole and when economic analyses made by the OECD and the EC were published, economic predictions yet again needed to be adjusted downwards.

The industrial sector has been most affected by the recession throughout the EU (see, for example, FEDIL, 1993). The

steel industry in Luxembourg has not managed to avoid the more general European crisis and is likely to continue to shed excess production capacity, and need to implement a programme of redundancies. Despite the economic downturn, this sector has nonetheless attempted to maintain its initiative since 1992, most significantly by

adopting an investment plan to improve the competitiveness of steel companies. Looking at the figures for growth during the first half of the year, it would seem that the steel industry's efforts have not been in vain. Elsewhere, other sectors have endeavoured to improve their own competitive position by embarking on programmes of restructuring which have resulted in reductions in employment levels. These reductions have included early retirement, voluntary redundancy, economic redundancy and short-time working. However, these measures do not seem to have been particularly successful, as there has been a sharp drop in production in all non-steel industries, although the rate of contraction did become slower in the latter half of the year (see, for example, STATEC, 1993a; STATEC, 1993b).

The Economic and Social Council stressed that a better competitive position would be obtained through the improved control of costs. It also drew attention, however, to a rise in unit labour costs in non-steel industries following a wage increase and indicated that pay levels are a matter for the social partners to decide, even if, in the case of Luxembourg, this principle is tempered by government inter-

vention, most notably through the mobile pay scale mechanism.

A paper written by Glodt, and published towards the middle of 1993, looked at competitiveness in ship registrations, a sector which is also linked to international business (Glodt, 1993). He focused on the background to the growing phenomenon of transferring ships' registration from more traditional countries of registration to countries with a different regulatory system, the so-called 'B' regimes. The chief motive for changing registration is the desire to reduce costs and to benefit from greater flexibility of operation. A ship's operating costs are much lower under a 'B' regime than that of a traditional country, largely because, in the former, ships can take advantage of employing cheap labour from the developing world. A rapid reversal of this trend is highly unlikely in the near future, despite the increase in labour costs in recent years. However the use of cheap labour is bound closely to high rates of shipping accidents and to safety concerns more generally. Glodt believes that the re-registration trend will continue without any proper balance between social constraints and safety considerations on the one hand and competitive advantage on the other.

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## Luxembourg: Employment Trends

*Luxembourg's economy proved to be just as vulnerable to the problems of economic recession which have affected the rest of Europe. Whilst the country's economy had been much more resilient than many others until the middle of 1993, the second half of the year saw negative, if sometimes contradictory, trends begin to emerge. However, due to efforts to consolidate the structure of the economy, Luxembourg was less vulnerable to international fluctuations than many of her European neighbours and many economists argue that the country's economy was not, strictly speaking, in recession during 1993 but rather displayed a marked deceleration in growth.*

*As far as unemployment is concerned, what is true for the European Union as a whole is also true for Luxembourg. Unprecedented economic contraction, albeit small, in the volume of employment, together with a steady rise in unemployment levels, indicates that, for the first time, the country is experiencing a reduction in growth, and unemployment levels are predicted to rise until at least 1995. The figure of 3,980 for October 1993 was an increase of 1,037 individuals (35%) on the previous year and was at a record level, although the number of people who were unemployed and entitled to benefit (1,799) had already exceeded the February 1984 figure of 1,738. However, the figures are still far below the European average. Short-time working was static during the first half of 1993 but increased once more towards the end of the year, peaking in November.*

*During the first 6 months of the year, domestic employment rose by 2.2%, showing the net effect of contrasting trends ranging from a decline in industrial employment levels to a marked increase in the retail sector. During the year, employment in the industrial sector fell and, despite some positive trends, this sector was the worst hit with a decrease of 9.7% on the previous year. Other sectors have been affected, but not so severely. By contrast, the construction sector saw marked growth in employment, up 7.8% in the first six months over the same period in 1992, and the same was true for the commercial sector. Although employment remained static throughout 1992, banking and insurance sectors saw an upward trend in employment with 1,000 new jobs created, constituting a 5.6% rise in one year. In 'other services' (which comprise a residual sector made up of services to enterprises), employment has been growing steadily over the past few years.*

*Frontier workers still constitute a major feature of Luxembourg's labour market: over the past few years, they have accounted for two-thirds of the increase in employment and currently make up 20% of the employed workforce. Another important characteristic of the labour market is the volume of foreign workers, with resident and non-resident foreign labour making up half of all employees at the beginning of the year. These trends suggest that the economy in 1994 will be little different from that of the previous year.*



## The Netherlands

The continuing recession has influenced much of the debate on labour market issues as well as research in the field of labour market and social security studies during 1993. Key issues in the debate on the demand side have been the gap between wages and wage costs and wage levels, especially minimum wages. On the supply side, attention has focused on measures to encourage unemployed people to re-enter the labour market. Documentation on the Dutch social security system deals mainly with different kinds of non-participation in the labour market.

The Dutch government pays special attention to the lower skill segments of the labour market where problems of unemployment are concentrated. Attention has focused on reducing the high rates of unemployment amongst members of this group. The government has initiated an advisory committee to search for measures to mobilise the labour supply in those less skilled segments of the labour force. Creating labour-intensive employment for mainly unskilled workers is given a high priority and the sectors in which this initiative could take place are commerce, hotels, cafés, bars, restaurants, cleaning and personal services (see Ministerie van Sociale zaken en Werkgelegenheid, 1993a). Government proposals include:

- more flexible rules for dismissal (prior testing by the Employment Services of dismissal is to be replaced by testing by a judge afterwards);
- more flexible rules for employment agencies (no licence needed to start the agency), liberalisation of the maximum duration of the contract (presently a maximum of six months with one firm);
- more freedom for entrepreneurs to pay 5-10% of their employees the minimum wage which means that the payments will be below the lowest scale agreed in the general agreement on employment regulations (Collectieve Arbeids Overeenkomst);
- more flexible rules with respect to working conditions;
- the guidelines for collective bargaining (CAO) will be directed from task broadening (job enrichment) to function dif-

ferentiation: this way, more unskilled jobs will be created for unskilled or low skilled workers;

- reduced or zero-growth wage increases (Ministerie van Sociale zaken en Werkgelegenheid, 1993a, 1993b).

Although the participation of part-time workers is already high, the Labour Foundation suggested the further expansion of part-time working. Recent research by the OSA (1993) indicates that 13% of the male working population and 14.5% of women workers would like to work fewer hours, while 8% of men and 10% of women would like to work more. These preferences could, in principle, lead to 110,000 extra jobs, mainly in business and other services (government and education). However, it is not always possible to put these preferences into action at a micro-level. One risk is that labour productivity might rise, causing a negative effect on the number of part-time jobs because of a reduction in non-productive hours.

On the supply side, the Vermeend/Moor Act will be broadened during 1994. According to this Act, companies are exempt from paying employer premiums for a number of years when they take on an employee who has previously been long-term unemployed. Companies will also be exempt from paying social premiums when hiring an employee who is at risk of becoming long-term unemployed. A special tax reduction for companies involved in research and development of new products will also be introduced. This reduction concerns the labour costs of qualified personnel and also applies to institutions performing contract research for companies (Ministerie van Sociale zaken en Werkgelegenheid, 1993b).

A new law on working hours (Arbeidstijdenwet) suggests more flexible rules for working hours by deregulation and the virtual abolition of the permit system for working overtime, thereby disconnecting firm time from working hours. In 1994, the Ministry for Social Affairs and Employment will make an inventory of obstacles in existing legislation which hamper further flexibility (Ministerie van Sociale zaken en Werkgelegenheid, 1993a).

As stated in a publication of the Central Planning Bureau (Working Document No. 50), tax relief might have a considerable effect on employment. The tariff of the first tax bracket is to be lowered and the fixed tax deduction for employees will be raised. The application of tax relief to strengthen incentives is expected to be effective because it influences demand in various ways, for example, through wage negotiations but also, more importantly, by increasing the effective supply, thereby generating a wage-suppressing effect. Measures are also to be taken regarding social security and, as in 1992, government attention has been directed to controlling and restricting the use of the social security system.

The debate surrounding disability issues has intensified with the formulation of rules in the new law on restricting the take-up of disability benefits (Wet Terugdringing Beroep op Arbeidsongeschiktheidsregelingen, TBA). Disability for one type of work no longer automatically results in the right to full disability benefit. Instead, the right to the benefit is reassessed every 5 years, and the duration and wage-related aspect of the benefit is to be related to age (Kwartalbericht Arbeidsmarkt, tweede kwartaal, 1993). On the employer side, research has found that the attitudes of employers, (for example, altering jobs to suit employees with disabilities and keeping in touch with employees who are ill), may affect the chances of an employee continuing to work for the company (Nijboer et al, 1993).

As far as the lack of economic participation amongst older workers is concerned, debates range from discussions on legislation which allows for the dismissal of older employees in cases of large-scale redundancies, to the need to raise the participation rates of this group. The analyses and proposals to promote a greater degree of participation share a focus on the prevention of enforced retirement, the promotion of mobility and the remodelling of early retirement schemes towards flexible pension strategies (Wetenschappelijke Raad voor het Regeringsbeleid, 1993). Recent research on the relationship between flexi-

ble pensions and labour market participation showed that the existing situation of various routes to non-participation (social security, early retirement, flexible pensions) is not encouraging participation among older workers and the situation of partial employment should become relatively more attractive (see Trommel, 1993). In a recent governmental legislative proposal (Wetsvoorstel tweede fase pensioennota), some alterations are provided for, such as the obligation for a pro rata construction (to enable a pension build-up for part-time workers) (Ministerie van Sociale zaken en Werkgelegenheid, 1993c).

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## The Netherlands: Employment Trends

*The most salient feature of the Dutch labour market in 1993 was the rise in unemployment. Unemployment figures showed an increase of 8,000 new registrations each month, caused by a reduction in job vacancies (excluding government, education and temporary work agencies) from 77,000 in June 1992, down to 44,000 at the same time the following year. In the second and third quarters of 1993 the number of jobs remained the same (seasonally adjusted). The number of full-time jobs in the third quarter 60,000 (1.6%) was lower than one year before, but part-time employment continued to rise. The decrease in the number of vacancies continued in the third quarter of 1993. Registered unemployment surpassed the level of September 1992, after a decline for several years. The third and fourth quarters of 1993 showed a sharp rise in unemployment. In the fourth quarter of 1993, registered unemployment was 100,000 (28%) higher than one year before. Groups particularly vulnerable to unemployment were young people, the long-term unemployed and poorly qualified workers. By the end of August 1993, 669,000 unemployed people and school leavers were receiving unemployment benefit, compared to 600,000 the previous year.*

*The number of new vacancies fell amongst small enterprises (for those with fewer than 10 employees) and agriculture and construction industries showed the largest decrease in job opportunities. In the service sector, there was a much less significant fall in employment prospects. The general decline has been the result partly of widespread company bankruptcies: in the first three quarters of the year, 1500 firms went out of business every three months. The last time this failure rate was so high was in 1983-4. Commercial enterprises, hotels, cafés, restaurants and related services, together with services in the profit sector and industry, all saw high levels of business failure. More than 1% of businesses in the construction industry filed for bankruptcy during the year.*

*As far as type of employment is concerned, the proportion of all workers who were employed part-time was 25%, (measured in full-time equivalents) and 65% of the workforce were employed on a full-time basis. A further 10% of the workforce were engaged on a variety of flexible arrangements. Although the*

*level of participation in the Dutch labour market is about average amongst other EU Member States, labour market participation calculated in labour years is low. The low rate of participation amongst older workers continues to cause concern to the Dutch government but could be prevented by a number of policy measures such as flexible pension strategies. Central employers' and employee unions may support an 'age-conscious' personnel policy but, at the micro-level, companies often prefer to recruit younger employees and recent research shows that employers continue to use the disability benefit regulations to avoid having to dismiss older employees.*

*Despite the considerable drop in the number of school leavers seeking employment, the rate of unemployment amongst this group has increased from 15% in 1990 and 1991 to 20% in 1992 while, during the same period, unemployment actually fell slightly to below 7% in 1992. The average period of time spent unemployed increased by 40% in 1993 (to about 6 months) compared with the previous year. Unqualified school leavers are in the weakest position in the labour market, followed by university graduates. Young people with a junior or senior secondary vocational education, especially in technical subjects, are in the strongest position.*

*Skills in technical subjects at all levels continue to be very desirable in the labour market, especially at the lower, middle and apprenticeship system levels. Compared to previous years, medical studies at all levels are now popular. Long term forecasts on the outflow from education indicate that, if the same pattern is adhered to of educational options and the same policies as in previous years, the gap between education and the labour market will widen. The outflow of secondary school leavers without any type of qualification will increase, as will the outflow of qualified general secondary education pupils and university graduates, the latter group already occupying a weak labour market position. The outflow of school leavers with secondary vocational qualifications will decrease, although it is precisely this group which has the strongest potential for employment.*



# Portugal

1993 saw a number of labour market features including a rise in unemployment, the failure of the social partners to sign the Social Consultation Agreement and the establishment of new links between education and training systems, on the one hand, and economic and employment systems on the other. In addition, the process of industrial adjustment became more intense during the year. These trends helped to focus public discussion of labour market issues and, of the literature published during the year, the reports produced by the government have been particularly important. Under the general heading of *Preparing Portugal for the Twenty-first Century*, a series of documents defined government strategy for the years ahead.

One such document deserves particular attention, this being the *Regional Development Plan* which sets out regional development policies for the next five years. These policies are the subject of negotiation with the European Commission within the broader framework of structural grants to the less developed nations of the EU. A set of papers has been published which have analysed issues relevant to the debate on establishing new links between the education and training system and the labour market. One of these issues concerns the emergence of new approaches to youth vocational education and training. One commentator on this issue is Marques (1993) whose work describes the training model of vocational schools and discusses aspects of curriculum organisation and funding, as well as the role of such schools in the development of skills. Pedroso (1993) identifies the major characteristics of existing 'alternance' vocational training in Portugal, and Lima (1993) draws on statistical data to analyse the integration of young people into the labour market in both Portugal and the EU as a whole.

Neves et al (1993) examine the apprenticeship system (Sistema Aprendizagem, which is the main method of 'alternance' vocational training in the country), by exploring the institutional and educational organisation of training, identifying the training profiles of both staff and apprentices and evaluating the main barriers to the development of the system. Honório (1993)

explores the geographical and socio-occupational mobility brought about by the vocational training system. This work is particularly important given the substantial regional inequalities which exist in Portugal. The author concludes that, with the concentration of training facilities in the west of the country and the more active labour market also located in that area, demands for vocational training result in a shift of skills from the less developed interior to more dynamic regions.

A further focus for discussion has been the process of industrial adjustment. The challenges of the Internal Market, and the characteristics of the Portuguese system of production which has specialised in traditional sectors and kept wage costs low, have all led to restructuring being seen as one of the most significant instruments of current industrial policy. Published work concentrates on certain aspects of restructuring, such as those relating to the transformation of competitiveness and the skills profile of the workforce. The first published results of research undertaken by Porter et al (CEDINTEC, 1993) identifies 'clusters' within the Portuguese economy and suggests a number of strategies which could make the best use of the competitive advantage of Portuguese companies. A study sponsored by INETI on information technology and electronics (INETI, 1992), analyses ways of developing this particular sector in the country, describing existing enterprises and identifying the occupational profiles needed to maintain a competitive edge.

Also worth citing here is the work funded through PEDIP (Specific Programme to Develop Portuguese Industry), such as the report which analyses technological and organisational change in industry (DGI/PEDIP, 1993). This report concludes that the spread of new technology is not being accompanied by new modes of work organisation. The authors stress that, in order to promote technological and organisational innovation, a positive attitude to change is required, particularly change in occupational profiles. They also argue that Portugal must invest heavily in vocational training (both initial training and advanced), in order to upgrade the technical and social

skills of its human resource base and thus take full advantage of the competitive edge which results from the country's system of production.

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## Portugal: Employment Trends

The employment survey of the National Statistical Office, INE, showed a contraction in the labour market during 1993, characterised mainly by the lack of job creation and by rising unemployment. These trends were due partly to a recent increase in the numbers of both women and men entering the labour market. There were also causal links between increases in adult male unemployment and job losses, both of which increased during the year.

There was a slight fall in the economically active population generally, with the annual activity rate falling by 0.2% on the previous year - down from 48.4% in 1992 to 48.2% in 1993. Over the year, average employment fell by 2%, or 85,000 jobs, with men and waged employees being hardest hit (down by 2.8% on the previous year). On the other hand, self-employed individuals saw a reduction in their number by only 0.2% over the same period. The proportion of the population gainfully employed fell from 46.4% in 1992 to 45.5% the following year and, for men, this downward trend has been more marked. The continuing prominence of the tertiary sector continued its upward trend during the year and this sector accounted for 55.8% of all employment in 1993.

Job losses were experienced in three broad economic sectors: a fall of 1.6% occurred in both agriculture and the service sector and a larger fall of 2.7% took place in the industrial sector. Most job losses could be attributed to the secondary sector (manufacturing) where 39,000 jobs were lost in 1993 and where women were hardest hit, experiencing a decline in their number of 4% over the year. Looking at specific sectors, the largest falls were to be found in textiles and leather sectors (down by 6.6% over the year) and the construction industry (down by 1.7%). By type of employment contract, there were fewer people in permanent jobs and significantly fewer people in temporary jobs, comprising reductions of 1.6% and 13.1% respectively. In the economy as a whole, male unemployment levels were worse than the female rate, showing a decline of 2.6% (men) and a 1.1% (women).

According to the INE figures, the average rate of unemployment in 1993 5.5%, was greater than in the previous year 4.1%, and reached its peak in the fourth quarter 6.2%. An analysis of trends in the average rates of unemployment in this period reveals rises in all

categories. The greatest increases were to be seen amongst women (up 1.6%) and young people (up by 2.7%), although unemployment amongst men also rose by 1.2%. Overall, the year saw a rise in average unemployment of 32.9% on the previous year, or 248,000 people (116,200 men and 132,200 women).

Most unemployed people were those seeking a 'new' job 84.3% which constitutes an increase in this category (up by 42.5%) on the previous year. This rise reflected an increase not only in the number of redundancies but also in the number of people who gave up looking for work. There was a slight fall in the number of people looking for a 'first job', which decreased by 2.2% on the previous year. People between the ages of 25 and 49 years comprised the largest group of job seekers, making up more than half of all unemployed individuals, although this group also has the highest potential for future employment. However, the number of people out of work for more than 12 months also increased significantly between 1992 and 1993, rising by 67.1% over the period.

By the end of 1993, the main reasons for a decrease in economic activity were the expiry of fixed-term contracts 33.2% and collective or individual redundancies 35.6%. These trends reflect the deterioration of the labour market and redundancies increased by 74.4% on the previous year, with textile and leather industries laying off the largest numbers of workers.

However, the rise in unemployment was smaller than might have been expected, bearing in mind the significant fall in employment levels. This suggests that many people who have lost their jobs and/or have not found alternative work (particularly women) have left the labour market and are no longer recorded as economically active. Such individuals are now invisible in the statistics but may rejoin the labour market once the economy begins to grow.

During the year it has been the traditional industries (chemicals, textiles and leather, basic metal industries and construction) which have enjoyed high levels of employment and whose competitiveness has relied on low wage costs, female labour and job insecurity. It is therefore these sectors which must demonstrate an effective capacity for innovation and efficient use of human resources if unemployment is to fall and employment to increase significantly in the future.



## Ireland

Although, as in previous years, the primary concern articulated through the labour market literature in Ireland in 1993 related to issues surrounding unemployment and the need to promote job creation, other features began to figure significantly in the debate. Notable among these was a perceived need to address the employment problem by means of a comprehensive and integrated set of economy-wide measures and also the question of enhancing the employment potential of economic growth. The training and education sectors also received particular attention, especially in view of the prospect of increased funding for these

activities under the terms of the Structural and Cohesion Funds which are available through the 1994-1999 tranche of funds.

The emergence of a more wide-ranging approach to resolving the problem of employment creation is best exemplified by the publication of the government report, *Employment Through Enterprise*, which was issued in May 1993. While this report represented the government's response to a previously published *Review of Industrial Policy*, the range of issues covered under this later document extends across a number of economic areas. This wider perspective derives largely from a growing con-

sensus in Ireland that progress in achieving a significant level of job creation cannot be achieved by concentrating attention on any one sphere, for example on industry, but rather through the implementation of a co-ordinated range of development policies which cover a number of strategic economic areas. Among the issues addressed in the report are taxation, energy, transport, communication and its infrastructure, competition, support for industry, education and training and, finally, new institutional arrangements for promoting enterprise and industrial expansion.

Looking specifically at education, the report accepts the need for an increased emphasis on vocational subject areas and the development of practical and usable skills in the school curriculum. As far as training is concerned, the report stresses the need to take measures to improve the skills of the employed workforce generally and a new division of FÁS (the National Training and Employment Authority) is to be created to enhance training for people in work. A National Education and Training Certificate Board is also to be established which will facilitate higher training and certification standards.

Over the past few years, there has been some controversy about the relatively low rate of employment expansion in Ireland when compared with the pace of output growth. The period 1986-91 provides a notable example of this disparity, where real GNP growth in Ireland was more than 24% but employment increased by only 4%. A growing concern over this anomaly prompted the National Economic and Social Council (NESC) to commission a study on the phenomenon, the results of which were published in the report *The Association Between Economic Growth and Employment Growth in Ireland* (1992). The study uses comparative data on the growth of output and employment in a range of Western economies over the period 1960-1990, and considers how the historical associations between output growth and employment growth have varied over time, both within Ireland and between Ireland and other countries.

The report reaffirms the significant difference between the average employment intensity of growth in the European Union and in non-EU economies. In the European Union, every 1% increase in real GNP during the period 1960-1990 was associated with a rise in employment of just 0.12%; in non-EU countries such as the US, Canada and Australia, the equivalent employment rise was between 0.56 and 0.59%. Ireland's economic performance, in common with other late developing European economies, lies at the lower end of the European spectrum with regard to employment intensity. This suggests that for the EU generally and for Ireland in particular, the relatively poor employment performance of the past thirty years was due more to substantial differences in the average employment intensity of growth, than to the relatively small differences in the long-range rate of economic growth.

In interpreting differences between output and employment growth in Ireland, the following factors should be kept in mind:

- the relatively large size of the agricultural sector which, in employment terms, is in continuous decline;
- the very high proportion of growth accounted for by manufacturing and the exceptionally rapid rates of productivity growth recorded in that sector; and

- the unusually severe contraction in non-market services in Ireland during the second half of the 1980s.

With regard to industry, both output and productivity growth tend to be overstated, due to the effects of transfer pricing by multinational enterprises. However, even when the data is adjusted to take account of this, the rate of growth in manufacturing output and productivity in Ireland remains relatively high compared with other countries. In addition, manufacturing industry's share of overall output growth continues to exceed that of most other Western economies. In future work, NESC proposes to build on and develop some of the issues raised in their initial study and the focus will be on interpreting and explaining the different developments and identifying the appropriate policy options to secure an improved employment outcome in the future.

The paper by Corcoran, Hughes and Sexton (1992) on occupational employment forecasts was written in response to the need to provide information on the likely occupational areas and skills required in the future. The results, which provide data for 39 broad occupational groups, will be of considerable use in determining medium-term human resource planning strategies and in organising appropriate training provision. Apart from assisting government and government agencies to conduct more effective and efficient planning of employment and education policies, business, commercial and trade union interests and, indeed, households and individuals could all find the information useful. Not only will the data allow organisations to adapt their approaches to education and training to take account of likely changes in future skills required and in occupational structures, but it will also enable a planned response to be made to expected changes in particular labour markets.

The findings from that study show that, whilst overall employment in the Irish economy is predicted to increase by 55,000 between 1990 and 1996, this figure will involve competing trends in different areas. The numbers working in agricultural occupations are expected to fall by nearly 30,000 but, conversely, the numbers working in non-agricultural sectors are predicted to rise by 85,000 over the same period. With regard to non-agricultural employment activity, the most rapid growth is forecast for managerial staff and owners, skilled maintenance employees and professional staff, as well as those working in the security services where, in each case, the increase over base year employment is expected to be between 13 and 15%. On the other hand, the report suggests a decrease in employment opportunities (down by 8%) for unskilled labourers, this latter representing a continuation of the long-standing downward trend for this group of workers. A smaller reduction is projected for transport and communication workers.

The report demonstrates that changes in the industrial structure of employment will have a more significant impact on occupational change than shifts in the occupational structure of employment within industries themselves. There are, however, a number of exceptions to this general trend: senior managers and business-related professionals, for example, are expected to continue to increase their share of total employment across a wide range of industrial and service subsectors. Equally negative within-industry effects are expected for such occupations as unskilled labourers and auxiliary transport workers.

A further report of particular interest was published in 1993 by Nolan on the subject of low pay - *Low Pay in Ireland*. The definition of a particular pay level as 'low' is necessarily rather arbitrary and, in terms of analysis, is generally related to the overall level of earnings in the economy taking, for example, a particular percentage of mean or medium income as the threshold. In this study, two different thresholds were used corresponding to IR£3.00 and IR£3.90, calculated at late-1992 prices. The findings show that, while 14% of employees covered by the study earned below the lower threshold, 26% earned below the higher limit, illustrating how sensitive the measured extent of low pay is to any given cut-off point.

The data indicate that low paid full-time employees are mainly young people: for example, two-thirds of those earning below the lower threshold are under 25 years. Among older full-time workers, women were shown to be much more likely to be lower paid than their male counterparts. Part-time employees are also more likely to be low paid than their full-time colleagues and most low-paid, part-time workers were women, mainly married. An individual's age and level of education were shown to be central determinants on the likelihood of low paid work, with gender, marital status and industrial sector also seen as important variables. Compared with other European Union countries, and defining 'low pay' in the same way for each (that is, as below half medium income) the findings show that the extent of low pay in Ireland is broadly similar to that found in the UK but greater than in Belgium, The Netherlands, Germany and France.

An interesting feature to emerge from the study is that low paid employees are most often found in households which occupy the middle or upper levels of income distribution. This would seem to be because there are often other earners or sources of income within the household, apart from the low paid worker, particularly where the individual is young or a married woman. This raises interesting questions about the concept of a minimum wage, which has been the focus of debate for many years in Ireland. The central objection to its introduction is that it may result in job losses, so that some of the intended beneficiaries may in fact



be worse off. This study shows that even if there were no adverse effects on employment, a national minimum wage would have quite a limited impact on poverty since most of the 'gains' would not go to households at the bottom of the income ladder as most low paid workers do not belong to such low income households. However, as the report indicates, putting in place a minimum wage may have objectives other than alleviating poverty, such as improving the position of women workers more generally or preventing exploitation, both of which could be met by the introduction of a minimum wage.

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## Ireland: Employment Trends

*When viewed in aggregate employment terms, the Irish labour market situation showed a modest improvement in 1993: total employment rose by some 7,000, in the year to April 1993, from 1,139,000 to 1,146,000. However, unemployment continued to rise during this period as the level of job growth did not match the expansion in the labour force. These trends should be viewed in the context of real GNP growth of some 2.25% in 1993 (as estimated in the most recent ESRI Quarterly Economic Commentary), compared with a growth rate of just over 3% in 1992.*

*Despite the overall rise in employment, the 1993 data indicate a continuing decline in the numbers at work in agriculture, as well as a reduction of employment in manufacturing and in building and construction. There were several significant closures among multinational manufacturing companies in 1993, although these job losses were partially countered by continuing inward investment. However, these declines were more than offset by significant employment increases in the services sector, especially in market services.*

*Although unemployment stabilised towards the end of 1993, and actually declined somewhat in the early months of 1994, it remains at an unacceptably high level. The current rate, defined in terms of Labour Force Survey definitions, is about 16%, one of the highest in the EU. However, the recent improvement can be viewed with some degree of optimism as the figures indicate falling unemployment among older workers (over 25 years) which is indicative of an increased rate of employment take-up. Unemployment has also recently fallen among younger workers, but this may be partly due to increased emigration accordingly as the situation in external labour markets improves.*

### Programmes

*In 1993, the National Development Plan for 1994-1999 was published, embracing the Irish Government's proposals for the utilisation of Structural Funds and Cohesion Funds over the period in question. The principal objectives of the plan involve:*

- *the development of the growth potential of the economy on a sector by sector basis;*

- *infrastructural investment to improve the capacity and competitiveness of the economy;*
- *the development of skills to improve initiatives in education and training; and*
- *a special emphasis on harnessing local community leadership and local initiatives.*

*The developmental measures in the plan, together with the necessary domestic policies, are expected to lead to a significant acceleration in the pace of job creation. During the lifetime of the plan, it is estimated that there will be a net increase in the total number of people in work of between 50,000 and 80,000. The final figure will depend largely on the improved level of wage competitiveness achieved and the strength of growth in the world economy.*

*Also in 1993, the Irish government set up the National Economic and Social Forum (NESF). This body involves not only government and the social partners, but also representatives of community groups, the unemployed and other interests. Its brief is to investigate economic and social issues (particularly the latter) with a view to making policy recommendations.*

### Industrial Relations

*The situation regarding industrial relations in Ireland has tended to involve comprehensive national wage agreements between government and the social partners. The last agreement - the Programme for Economic and Social Progress (PESP) - expired at the end of 1993. During the latter half of that year there were strenuous efforts to negotiate a continuation of the process and eventually a new arrangement, the Programme for Competitiveness and Work (PCW), was agreed. This programme is to run until the end of 1996. In certain respects the structure of the new agreement is like that of its predecessor, the PESP, in that it involves not only agreement on rates of pay increase, but also understandings across a wide range of economic and social issues, including job creation, sectoral developments, tax reform and social equity.*

## ABBREVIATIONS USED IN SYSDÉM

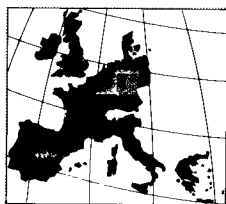
<b>SYSDÉM</b>	European System of Documentation on Employment
<b>EU</b>	European Union
<b>CEC</b>	Commission of the European Communities
<b>DG</b>	Directorate-General of the CEC
<b>ETUC</b>	European Trade Union Confederation
<b>Unice</b>	Union of Industries of the European Communities
<b>MISEP</b>	Mutual Information System on Employment Policies
<b>NEC</b>	The Network of Employment Co-ordinators
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>ILO</b>	International Labour Office
<b>UNESCO</b>	United Nations Educational, Scientific & Cultural Organisation
<b>CEDEFOP</b>	European Centre for the Development of Vocational Training
<b>GNP</b>	Gross National Product
<b>SMEs</b>	Small- and Medium-sized Enterprises
<b>EMS</b>	European Monetary System
<b>EMU</b>	Economic and Monetary Union

## COUNTRY

## LANGUAGE

<b>B</b>	Belgium	<b>DA</b>	Danish
<b>DK</b>	Denmark	<b>DE</b>	German
<b>D</b>	Germany	<b>EN</b>	English
<b>E</b>	Spain	<b>ES</b>	Spanish
<b>F</b>	France	<b>FR</b>	French
<b>GR</b>	Greece	<b>GR</b>	Greek
<b>IRL</b>	Ireland	<b>IT</b>	Italian
<b>I</b>	Italy	<b>NL</b>	Dutch
<b>L</b>	Luxembourg	<b>PT</b>	Portuguese
<b>NL</b>	The Netherlands		
<b>P</b>	Portugal		
<b>UK</b>	United Kingdom		

# EMPLOYMENT OBSERVATORY



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# EMPLOYMENT OBSERVATORY

The Employment Observatory of the European Commission currently produces five series of regular reports covering different aspects of the Community's labour market. The Employment Observatory complements the Commission's "Employment in Europe" report published annually in all Union languages.

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