

EMPLOYMENT OBSERVATORY

Trends

22

Changes in employment, analyses, evaluations
Series produced from the SYSDÉM network

Annual Report



Employment in
EUROPE



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR EMPLOYMENT
INDUSTRIAL RELATIONS
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EMPLOYMENT OBSERVATORY Trends



The Bulletin of the European
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The articles in the TRENDS Bulletin and the information presented in the Statistical Supplement reflect the views of the authors and do not necessarily reflect the opinions of the Commission of the European Communities.

Economic Recovery Fuels Optimism

1995 Annual Economic Report

DGII, CEC (1994)

The European Community's economy is experiencing a strong recovery from the sharp downturn it endured during the period 1992-93. Output is growing and the pace of expansion is stronger than anticipated. Exports to the rest of the world have increased rapidly throughout 1994 and investment is projected to expand strongly in 1995 and 1996. Employment is forecast to start growing again leading to a small reduction in unemployment over the period to 1996. The recovery is creating more favourable conditions for growth, employment and convergence than was anticipated by the European Commission's White Paper on Growth, Competitiveness and Employment published in 1994. It should create added impetus for the convergence between the more and the less developed regions of the Community.

The document is divided into two parts: Section A sets out the main trends at Community level and Section B examines the economic situation and policy issues in the individual Member States. The section on Community-wide trends can be further divided into chapters which explore the current economic recovery, further progress in convergence, the medium-term projections for growth and employment to the year 2000 and monetary and budgetary policies.

Available from: Office for Official Publications of the European Communities, L-2985 Luxembourg. EN, FR.

OECD Economic Outlook

OECD (1994)

OECD economies have now come out of recession and a number of them have been growing sufficiently rapidly to bring down unemployment. On the assumption of some increase in short-term interest rates over the next year or so, the OECD Secretariat projects steady growth, without the revival of inflation for the OECD area as a whole.

This Outlook from the OECD appraises current trends and projections for

the next two years. The first section sets out the main economic outlook and policies in OECD countries and provides a general assessment of the economic situation, recent developments and prospects, medium-term developments in OECD Countries, an estimation of potential output, output gaps and structural budget balances and trends in international trade.

In relation to trends in employment, developments in the labour markets in the OECD area have reflected stronger demand and output. OECD-wide employment is likely to grow by about 0.75% in 1994 reflecting the strong growth in the United States and a continued small rise in Japan. In Europe the decline in employment appears to have stopped during the first half of 1994 and since then the situation has been improving. Although these gains have been modest, they are noticeable in important sectors of the economy. For example, in Germany employment in manufacturing began rising in August, and in Italy it has been rising strongly since the second quarter. In the United Kingdom, full-time employment has begun to recover despite the early recovery being dominated by a growth in part-time work. In France, private dependent employment increased steadily from the early part of the year. These developments have slowed the rise in unemployment which, OECD-wide, is now expected to have peaked during 1994 at around 35 million, or 8.25% of the labour force.

In Chapter Two developments in individual OECD countries are set out. Developments are also included in non-OECD countries from central and eastern European countries and the Russian Federation, China and the Dynamic Asian Economies, South and Central America. The annex provides economic statistics based on both trends and projections.

No 56, December 1994 Available from: OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France. EN, FR.

Employment Observatory, Tableau de Bord (Synoptic table), General Framework for Employment

DGV (1994)

This document presents information on employment measures and key labour market statistics in a format which permits an overview and comparison between the twelve Member States. The production of this *Tableau de Bord* falls within the framework of the follow-up to the *White Paper on Growth, Competitiveness and Employment*. Included in the document are global indicators, policies and measures relating to education and training systems. There are sections covering recent measures and those in preparation relating to external flexibility, flexible working hours, leave and career breaks, incomes policy, geographic mobility and equal opportunities. Information is also included on targeted reductions in indirect labour costs.

The document examines active measures in employment policy, financial expenditure on these measures and it also examines the various schemes currently in operation such as job clubs, subsidies for employers and employment promotion for disadvantaged groups. Passive measures which effect employment policy, such as unemployment insurance and pre-retirement options are also included, as are measures which were under consideration by the Member States at the time of production. These include social security reform, vocational training initiatives and placement services. Measures on basic education and transition to working life for young people are included, and other measures which are not directly related to employment but which may have an effect on employment levels, such as childcare measures, social co-operatives and community care.

No 2, 1994. Available from Commission of the European Communities, DGV/A/2, Rue de la Loi 200, 1049 Brussels, Belgium. All Union Languages.

Service Vouchers - A Way of Developing Local Services

FONDATION ROI BAUDOQUIN (1994)

The conclusions reached at the Essen summit made it clear that while the achievement of economic growth is a necessary condition for the creation of employment opportunities, it is in itself insufficient. Other innovative measures will therefore have to be designed to assist the development of jobs in certain growth sectors. The White Paper on *Growth, Competitiveness and Employment* highlighted the potential for employment creation in the local service sector. It identified a rising demand in this area, which is not only due to the ageing of the population witnessed in all European Union Member States, but also to the increasing labour market participation rates of women. These and other developments require outside agencies to take on such responsibilities, which are so far insufficiently met by the market. The local personal social service sector also benefits from being sheltered from international competition and is traditionally highly labour intensive, thus providing the potential for large scale job creation. An initial report by a Commission interdepartmental group published following the publication of the White Paper states that Europe insufficiently exploits the potential for job creation arising from productivity differentials. The encouragement of local services provision is to be based on a reduction of employer social insurance contributions and the introduction of other taxes such as a CO₂/energy tax.

There remains, however, a great reluctance on the part of individuals to pay for personal social services and the aims of this report by the King Baudouin Foundation is therefore to explore the viability of the introduction of *service vouchers* and the possibilities for their use in Belgium. The use of service vouchers as a method of payment has the advantage of allowing proper targeting of beneficiaries, making the services accessible and increasing individual's purchasing power. Service vouchers can be used on a voluntary or obligatory basis and the report goes on to chart the experiences of using such systems for the purchase of local services in five Member States. The report concludes that although service vouchers can make a positive contribu-

tion to the development of employment opportunities and the meeting of needs, they can only be one element in what needs to be a larger strategy for employment creation.

Available from: Fondation Roi Baudouin, Rue Brederode 21, B-1000 Bruxelles, Belgium. EN, FR, DE.

Instruments for Designing, Implementing and Assessing Working Time Arrangements

EUROPEAN FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS (1994)

New investment, upgraded technology, a changing labour force, amendments to labour legislation, or increasing competitive pressure have meant that many companies and public organisations are having to adjust their working time arrangements to cope with these changes. The *Bulletin of European Studies on Time* (BEST network) has produced this short guide which sets out instruments for assessing, designing and implementing working time arrangements. It is also a guide to many of the areas for which instruments are less suitable, or where instruments have not yet been developed.

No 7. Bulletin of European Studies on Time. Available from: European Foundation for the Improvement of Living and Working Conditions, Loughinstown House, Shankill, Co Dublin, Ireland. EN, FR, DE.

Sustainability, Employment and Growth: The Employment Impact of Environment Policies

MEDHURST J (1994)

This document produced by ECOTEC Research and Consulting represents the first in a series of papers on topical and policy relevant themes in current economic, social and environmental debates. The paper asserts that an estimated one million jobs can be created by the year 2000 as a result of continuing environmental policy initiatives in relation to environmental protection, environmental management and the water supply industry. The total estimated environment expenditure of 63,000 MECU already supports over one million jobs throughout the Union. EU employment in the environmental protection industry alone is estimated at 370,000 employees engaged in production for the Internal

Market with an additional 92,000 jobs supported by exports to non-EU countries.

Positive employment benefits need to be emphasised to prevent environmental policy being derailed by perceived economic and employment risks. The paper argues that although some temporary employment losses may result as industry adapts to more stringent environmental standards, measures exist to limit these losses.

Through quantitative analysis of available data, this paper provides an important contribution to the ongoing debate over whether environmental regulation will create or destroy jobs. The complex nature of this policy issue is acknowledged and the necessity of examining the precise nature of policies and their impact on specific sectors is highlighted. It therefore provides information to stimulate future policy debates.

Available from: ECOTEC Research and Consulting Ltd, Priestley House, 28-34 Albert Street, Birmingham B4 7UD, UK. EN.

Urban Innovation and Employment Generation, Environmental, Social and Economic Initiatives in European Towns and Cities

DALGLEISH K, LAWLESS P AND VICAR G (1994)

This report is the second part of work produced by the European Foundation for the Improvement of Living and Working Conditions. The first phase of this work, *Innovations for the Improvement of the Urban Environment*, provided a European overview while this report examines the employment generated as a result of these initiatives. The report is set within the context of the *White Paper on Employment, Growth and Competitiveness* and attempts to further the debate on innovative approaches to job creation in Europe's urban areas.

The innovative projects which were first examined in the European overview are set within the context of the employment effects and are illustrated by twenty-one innovative urban projects. The report is based around three themes: environmentally, socially and economically sustainable projects. The projects are evaluated on a thematic basis under four main classifications: employment potential and innovations towards the *environmentally sustainable city*; employment potential and innovations towards the *socially sus-*

tainable city; employment potential and innovations towards the *economically* sustainable city; and key principles underpinning urban initiatives as sources of employment.

The authors set out issues to emerge from the case study analysis under three broad themes. These include: key principles which characterise the more successful projects; which initiatives are more successful in the creation of employment? And, finally, what lessons for future action can be learnt?

The importance is highlighted of local level initiatives, as opposed to National or Community level initiatives, and their direct or indirect employment impacts. The six principles which provide a broad framework on which to base future projects are then set out. These key principles are partnership, networking, imagination, the importance of multiple objectives, community resources and the role of *amineurs* (initiators). A checklist of criteria set out to judge potential future projects states, that projects should be targeted at disadvantaged groups; should offer a degree of training/education; should support local residents; and should have immediate and transparent gains for local residents. From the case studies examined, three sets of projects emerge as offering the best opportunities. Projects which: generate jobs in areas designed to sustain the 'green city'; are housing related (this is an important area for job creation); and projects which highlight the importance of social services and their role in job creation in deprived urban areas.

Available from: Office for Official Publications of the European Communities, L-2985 Luxembourg. EN.

Public Employment: A Comparison of Six European Countries

IVA-INSTITUTE OF THE UNIVERSITY OF BRABANT, TILBURG (1994)

The aim of this study is to provide a profile of the public sector in six European countries based on a common demarcation of the sector and its constituent sub-sectors. It contains the results of an international comparative study with respect to the size of employment in the public sector in the former West Germany, the Netherlands, Sweden, Denmark, Belgium and the United Kingdom.

The context is set out in Chapter 1 while Chapter 2 reviews the theoretical aspects of public sector economics using existing reports and readily available data sources. Discussion raises the problems associated with defining what the government sector, the nationally insured and subsidised sector (this includes mainly public authority financed and non-profit organisations) and the private sector comprise. Chapter 3 provides an insight into some important labour market characteristics in the countries involved in this research and Chapter 4 proceeds with a discussion of the employment profiles of these countries. Summaries of the main findings of the previous chapters along with conclusions in respect of methodological key findings and substantive aspects are set out in Chapter 5.

Much of this final chapter sets out the methodical problems of defining the public sector in such a way as to enable international comparisons. For example, the authors found that simply reviewing the existing readily available data did not allow accurate comparisons to be made. The need to devise a common definition (based on the sector model of the Ministry of Internal Affairs in the Netherlands) was stressed by the authors. The Dutch sector model includes the government sectors, such as employment in defence, police, judiciary and education. Others include those of administration, health, welfare and social services and a range of other categories. The subsidised and national insurance funded sector activities include other employment in administration, health, welfare and social services, and other services. A detailed technical annex lists the international standard industrial classification for each task. The experiences of each case study country is set out in tables using this definition and detailed comparisons are made of the size and characteristic of the sector.

The authors conclude that there is a definite need to develop a more sophisticated understanding of international differences in the complex organisational and functional structure of the public sector as a whole and the government sector in particular.

Available from: Directorate of Governmental Labour Affairs, Ministerie van Binnenlandse Zaken, Postbus 20011, 2500 EA 's - Gravenhage, The Netherlands. EN, NL.

ABBREVIATIONS USED IN SYSDÉM

| | |
|----------------|--|
| SYSDÉM | European System of Documentation on Employment |
| EU | European Union |
| CEC | Commission of the European Communities |
| DG | Directorate-General of the CEC |
| ETUC | European Trade Union Confederation |
| Unice | Union of Industries of the European Communities |
| MISEP | Mutual Information System on Employment Policies |
| NEC | The Network of Employment Coordinators |
| OECD | Organisation for Economic Co-operation and Development |
| ILO | International Labour Office |
| CEDEFOP | European Centre for the Development of Vocational Training |
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| SMEs | Small- and Medium-sized Enterprises |
| EMS | European Monetary System |
| EMU | Economic and Monetary Union |

COUNTRY

| | |
|------------|-----------------------------|
| B | Belgium |
| DK | Denmark |
| D | Federal Republic of Germany |
| E | Spain |
| F | France |
| GR | Greece |
| IRL | Ireland |
| I | Italy |
| L | Luxembourg |
| NL | The Netherlands |
| P | Portugal |
| UK | United Kingdom |

LANGUAGE

| | |
|-----------|------------|
| DA | Danish |
| DE | German |
| EN | English |
| ES | Spanish |
| FR | French |
| GR | Greek |
| IT | Italian |
| NL | Dutch |
| PT | Portuguese |

Labour Market Flexibility: Experiences from 12 Member States

Introduction

The debate on the need for greater labour market flexibility has intensified in recent years as a result of the challenges facing Western European economies in the light of the increasing internationalisation of production and markets. Over the last 10 to 15 years we have witnessed a sharpening of competition within the Single European Market, and from the newly emerging economies in the Far East, South America and Eastern Europe. These global developments have triggered changes in the production process bringing a move away from the so-called Taylorist-Fordist mode of production to just-in-time systems. More recently, the decline in competitiveness has combined with the effects of a world-wide economic recession to bring about spiralling unemployment.

The country studies in this review look at the way in which Member State governments and different policy makers at national level have sought to use flexibility measures in an attempt to reduce unemployment and to restore competitiveness. The reviews look at the policy debates, measures introduced and some of their effects (or potential effects) on national labour markets. In this overview we seek to highlight common trends and divergences in policy making as well as the overall impact of such measures on European labour market structures.

Outline of the Policy Debates

In order to fully appreciate the position of different actors in the flexibility debate it is important to understand that there are many different interpretations of the term labour market flexibility with a distinction most commonly being drawn between internal and external labour market flexibility. However, this distinction often proves hard to maintain in the context of the variety of labour market policies in the Member States. Generally, systems characterised by a high level of internal labour market flexibility usually display a high level of external and com-

pany level training, enabling workers to undertake different jobs in the same enterprise. Flexible working time can also be an expression of internal flexibility. Economies relying on this form of flexibility tend to base their competitive edge on high quality production.

External labour market flexibility relies on the reduction of labour market rigidities, particularly with regard to working time, pay and the right to hire and fire. Such economies are more likely to seek to compete on price and are therefore more dependent on successfully keeping social and labour costs down.

This overview will attempt to establish which form of flexibility is emphasised in the different Member States and by the various policy makers at the national level.

Current debates must be viewed against the background of widely varying policy traditions resulting from a number of historical, social, economic and political factors, which have led to very different degrees of labour market rigidity. It is generally agreed that Italy, for example, displays the most rigid form of labour market regulation in a system which imposes heavy penalties on employers in the case of individual redundancies and has only recently begun to allow the use of temporary contracts under very tight restrictions. The UK contrasts with its voluntarist tradition of labour market regulation which accords prime importance to management's right to manage with minimum state and legislative intervention.

These divergences serve to influence the positions of decision makers, and outcomes are equally informed by the nature and level of consensus in industrial relations and the social dialogue process. Again, the nature and level of social dialogue differs, and some countries have experienced dramatic reform and change over the past 10 to 15 years. The degree of consultation and consensus between the social partners and governments has varied dramatically in the predictably controversial debate on how to increase labour market flexibility, and

in many cases it has crucially influenced the outcome of policy debates. Countries such as Germany, Belgium, Luxembourg, France, Spain, the Netherlands and, in particular, Sweden and Denmark have very strong traditions of tripartite social dialogue, whereas the UK has experienced a dramatic move away from consultation over the past 10-15 years.

It is also important to remember that in the case of many labour market policies there are a number of levels of implementation, which may well have an impact on the success or failure of policies. In Belgium, for example, the policy aim of working time reduction and the redistribution of employment drawn up at the national level is so far finding little response in negotiations at the sectoral level, where the debate continues to focus on aspects of remuneration in the case of working time reduction. The reverse is true in Germany, where the new law on working time has given employers more room for manoeuvre and company level negotiations have taken the lead in the redistribution of working time.

The flexibility debate is by no means new and in some Member States, such as France, Spain or Italy, it has been ongoing for the past 20 years. The intensity of the debate is clearly conditioned by the level of unemployment and the severity of economic difficulties experienced. While some countries, which have traditionally suffered from high levels of unemployment, introduced tentative flexibility measures in the 1980s, the debate on competitiveness, the regulation of the labour market and social protection in most Member States continued to focus on how to preserve the welfare state and systems of employment protection. Academics and most socialist and social democrat governments hailed the merits of strong systems of social protection in achieving high productivity and social cohesion. The US labour market model was commonly held as inappropriate for Europe, due to the low-skilled, low paid, insecure nature of most of the jobs created. Despite some reforms aimed at increasing labour market flexibility (as in Portugal), most Southern European coun-

tries continued to give employment and wage protection highest priority, due to high inflation and the wish to maintain some political control over the social effects of industrial restructuring.

On the whole, however, the 1990s have witnessed a remarkable change in emphasis, with all Member States striving for some degree of deregulation. Employer organisations and many governments attribute the inability to reverse the trend towards rising unemployment to the lack of wage, labour and working time flexibility. Countries characterised by high labour and social costs increasingly fear low cost competition and all governments, irrespective of political persuasion, are now debating greater external labour market flexibility proceeding hand in hand with greater public sector austerity. In addition, the growing concern about the lagging competitive position of Europe vis-à-vis Japan and the USA calls for greater flexibility in the labour markets, in order to enable European companies to respond efficiently to on-going developments in information and communication technologies.

All Member States are also faced with the twin pressures of trying to contain growing social security budgets (of which expenditure on public pensions constitutes the largest part) and meeting the cost of increasing unemployment. The increasing influence of financial and monetary objectives in many countries' policy making processes is a significant factor determining public policy in labour and social affairs.

Most national governments have sought to approach these problems by introducing external flexibility measures, rather than improving internal flexibility by providing better and more targeted training, although there are some attempts to improve internal working time flexibility. In introducing external flexibility measures, countries are responding to employer demands for a greater deregulation of working time, employment relationships and wages.

Trade unions on the whole have been opposed to such measures, arguing that deregulation only creates greater insecurity without increasing employment opportunities, productivity or the quality of production. In countries such as Germany, however, where industrial relations are traditionally characterised by a

high degree of consensus, trade unions have increasingly taken on board the demands for greater flexibility.

It is clear that in spite of a certain degree of harmonisation arising from common pressures, important differences remain due to the above mentioned differences in legislative frameworks, the nature of decision-making, industrial relations systems and the varying levels of unemployment and economic difficulties. While the overwhelming trend is towards external flexibility measures, certain governments have been more active than others in changing legislation and some have faced greater resistance than others and have therefore been unable to introduce certain proposals. In some countries the introduction of flexibility measures has been left entirely to negotiations between the social partners, in others the social partners are very active within the framework of legislative changes.

Scope and Evidence for Labour Market Flexibility

The main targets for policies seeking to achieve greater flexibility can be summarised under the following headings: greater flexibility of employment relationships, working time flexibility, wage flexibility, and training to foster life-long skills for all workers.

In order to deal with the perceived need for **greater flexibility of employment relationships** most countries have extended the use of temporary and fixed term contracts to allow companies to deal with rises and falls in demand. These changes are based on either a deregulation of legislation or a decentralisation of collective bargaining. These measures have been further encouraged by the privatisation of public utilities in countries such as the UK and Germany and the contracting out of many previously publicly performed services. Many countries have also seen the encouragement of self-employment and the legalisation or deregulation of private employment agencies. Changes were also made to periods of dismissal notice and unfair dismissal legislation, thus increasing employers' rights to hire and fire (for example, changes to procedural rules in the UK Employment Promotion Act 1985/1989, and in Germany the abolition of indi-

vidual pieces of employment law giving protection against unfair dismissal).

Greater flexibility of working time such as more part-time working was sought for very different reasons by different policy makers. Employers wanted to increase flexibility to enable them to respond to the needs of the market, while trade unions sought it as a means to achieve job creation and to allow individuals greater say over the structure of their work and leisure time. Controversy generally arose over the way such reductions were to be funded. Many Member States now allow the annualisation of working hours and many have limited the amount of overtime allowed. In an attempt to achieve greater internal flexibility, the Netherlands introduced more flexible work patterns to enable mothers and fathers to combine work with childcare. Belgium and Denmark have extended options for educational leave and career breaks.

Wage inflexibilities have been at the centre of debate in many Member States, particularly with regard to the lower paid and the interactions between benefits and low wages. Changes in benefits (levels and indexation), systems of minimum wage determination and systems of taxing benefits and low wages have all sought to encourage workers to take up low paid jobs. In the UK, Wages Councils, which previously controlled the wages of some of the lowest paid, were abolished, while in the Netherlands the possibility of getting exemptions from minimum wage legislation was increased. Employers were encouraged to hire younger workers through the introduction of apprenticeship contracts, allowing remuneration at 90% of the full rate of pay in exchange for training. Appropriate legislation was introduced in Spain. In France, the equivalent failed to pass the statute book due to vociferous trade union and student protests. However, since the late 1980s France has introduced several measures to encourage the hiring of young people (under 26 years). Belgium witnessed the imposition of a pay freeze and in Germany union demands for pay parity between the West and the former GDR were not met. On the whole collective bargaining rounds have become tougher with many wage rounds remaining below the rate of inflation. One of the key debates is the contribution of widespread decen-

tralisation of wage negotiations to a better correspondence between wages and productivity at company level, while encouraging greater pay disparities.

Other measures introduced in most Member States in an attempt to free up jobs for young unemployed people include **flexible retirement and early retirement schemes**.

Compared with this list of external flexibility measures, **policies to increase internal flexibility** including training to foster life-long skills have been few and far between (although some countries traditionally offer more than others). Portugal has passed legislation on improving vocational training in an attempt to close the skills gap, utilising the experience of European Human Resource Initiatives. Greece has increased the level of employer contributions to training funds and has increased government and EU programme investment in peripheral regions.

Other forms of internal flexibility are changes in work organisation, ie, the introduction of group work or work sharing. Such developments have been taking place in many companies, but remain poorly charted.

Only Luxembourg has taken steps towards greater regulation with the introduction of equal opportunities legislation for part-timers and the limiting of the scope of temporary employment agencies.

Models of Flexibility

The Review of Member State experiences captures the variety of different systems of labour market accommodation. Other experts have sought to characterise this divergence through the application of models of flexibility:¹

A first model seeks to compete on the basis of low labour costs and relies on labour market deregulation and flexibility. Its social and employment law is characterised by the virtual absence of legal minimum standards and the replacement of **collective** employment rights (or immunities) with **individual** rights. Such a system also witnesses an increasing decentralisation of collective bargaining and a limited incidence of trade union derecognition and no-union deals. There are, nevertheless, excep-

tions to this general trend, such as the extension of employment rights to part-timers and the extension of maternity rights in the UK.

Second, the intermediate model, represented by countries such as Belgium, France, Germany, and more recently Sweden, is characterised by labour market reform, deregulation in employment legislation, the tightening of social security benefit rules and the lowering of benefits (albeit to varying degrees). Changes lean towards the extreme model without - thus far - destroying the overall consensus of strong employment rights and social partnership. The latter is the case for Denmark.

A third model, where unions have taken a proactive role and tripartite central agreements were concluded, attempts to provide a viable alternative to monetarism (Ireland and Italy).

Such models may be useful for exploring policy developments in the different Member States but they can also obscure important individual country pre-occupations and trends. The question remains, however, whether the pressures towards greater harmonisation will continue or whether systems will remain distinct. To some extent this depends on the development of European Union legislation and the success or otherwise of the social dialogue process.

The increasing prevalence of part-time and temporary employment relationships poses problems for policy makers because they are often insufficiently protected by social and employment protection legislation. The rights of such atypical employees have thus come to the forefront of policy debates at the national and transnational level. The European Commission has been concerned about these developments for over 10 years and there are various draft directives concerning the protection of the rights of non-standard employees before the Council.

With the implementation of the Maastricht Treaty on European Union, the balance of decision-making in the areas of social and employment law has potentially shifted further to the transnational level. With its White Paper on *Growth, Competitiveness and Employment* the Commission has made an important contribution to the discussion at Member State and EU level. The Essen

European Council put these guidelines into perspective through agreement to give absolute priority to the fight against unemployment and identified five priority areas for action: the promotion of investments in vocational training; the increase in the employment-intensiveness of growth; the lowering of indirect wage costs; the increase in the effectiveness of labour market policy; and the strengthening of measures for groups particularly affected by unemployment.

Conclusion

The country studies show that a consensus is slowly emerging that these developments can no longer be adequately dealt with and contained under the current framework of industrial relations and labour market and welfare state accommodations. However, the review also shows that in spite of a certain degree of harmonisation arising from common pressures, systems of labour market regulation continue to display characteristic divergences, which have their origins in historical, cultural, social, economic, legislative and political differences.

¹ *Bargaining in Recession. Trends in Collective Bargaining in Western Europe 1993-94*. ETUI, Boulevard Emile Jacqmain 155, B-1210 Brussels, Belgium.



Belgium

Labour Market Flexibility

The Policy Debate

The debate on labour market flexibility has been conditioned by the deterioration of the employment situation, which reflects fundamental problems in the Belgian economy. The decline in competitiveness has been acknowledged by the social partners gathered in the Conseil Central de l'Economie. The debate on flexibility has concentrated on the issues of pay and working time. With regard to the latter the reduction of working time has been the prime concern. This has to be seen in the context of rising numbers of part-time employees, particularly in Brussels and Wallonia (Holderbeke, 1994).

Another important factor informing the debate is the nature of Belgian industrial relations, which essentially operate on three levels. The Belgian policy is traditionally characterised by a high degree of social concertation at the national level. In 1993, the social-democrat Prime Minister therefore called upon the social partners to form a new social pact with the aim of finding solutions to the problems of competitiveness, high unemployment and the escalation of the social security budget. When these negotiations eventually failed the path was open for statutory intervention. This led to the drawing up of the Global Plan for Employment, Competitiveness and Social Security.

Measures and Negotiations

The most important measures introduced by the Global Plan are the abandonment of the linking of pay and social security benefits to the general consumer price index. This has been temporarily substituted by a health index, which excludes the effects of price increases of unhealthy products such as petrol, alcohol and tobacco. The Global Plan prohibits the award of real pay increases in 1995 and 1996 as well as the establishment of new occupational pension schemes and other benefits classed as pay. The Plan provides a legal framework for the negotiation of company plans for the redistribu-

tion of work, which could include the introduction of part-time work accompanied by redistribution, working time reductions and restrictions on overtime working with compensatory recruitment, career breaks and half-time early retirement, and other flexibility measures.

Other active labour market policy measures introduced by the Global Plan are wage subsidies for any hiring that increases the size of a company's labour force (in the form of a reduction in employer social security contributions) and the creation of springboard jobs for unemployed people under 30. This involves a reduction in the statutory notice period and allows hiring workers at 90% of the full wage. The use of fixed-term contracts has equally been extended and unemployed people are now allowed to combine unemployment benefit with part-time employment for up to 45 hours per month (Local Employment Agencies). These flexibility measures go hand in hand with budgetary austerity, aimed at reducing the public sector deficit.

The second important level for the negotiation of pay and working conditions is the interprofessional level. Negotiations at this level took place between September and December of 1994. In the light of the prescriptions of the Global Plan the scope for negotiations between the social partners was limited. The accord reached in December 1994 can be seen to breach the framework of the social plan by failing to put into effect the required wage freeze. It envisages a reduction of employer social security contributions of up to 100% for hiring a worker who has been unemployed for more than two years. A reduction in the early retirement age to 55 was also agreed (this is set to return to 58 after 1996).

It is now up to the third - the sectoral - level of collective bargaining to conclude agreements applying this intersectoral accord by March 1995. It is at this level that formulae for the redistribution of work have to be agreed. A major stumbling block in these negotiations is the disagreement between the social partners over the compensation for working time reductions. The employers argue

that a reduction of working hours without a cut in wages would imply a salary increase, which would be unacceptable under the Global Plan. The trade unions oppose this view, and the government has given ambiguous clarification of the issue.

Positions of Different Actors

In view of the 1995 general election the party political level of debate is crucial. All party congresses in 1994 discussed the issue of employment redistribution, and more precisely the 32 hour week. The main dichotomy is between the socialist parties, who favour a voluntarist and selective approach and the Christian socialist parties, who are strongly opposed to the linear reduction to a 32 hour week.

The position of the trade unions also has to be viewed against the background of the current political and social climate, with the most important factors being social elections and the 1994 inter-professional accord. The socialist trade unions (Fédération Générale des Travailleurs de Belgique, FGTB) argue for a linear reduction of weekly working time to 32 hours without a reduction in pay. The shortfall in labour thereby created has to be compensated by new hirings. This position is supported by the Centrale Nationale des Employés, which represents a branch of the Christian trade unions. Most other Christian trade unions are more inclined to accept a proportional reduction in pay. According to the FGTB such a reduction would allow the creation of 200,000-400,000 jobs. It argues that any additional employment could be funded from productivity gains linked to technological innovation. It also argues that the freezing of salaries in the last two years and company gains resulting from economic growth should have freed up enough capital.

The employers - under the umbrella of the Fédération des Entreprises Belges (FEB) - defend the necessity to reduce the cost of labour in the name of competitiveness. They also argue that any reduction in working hours must be accompanied by a reduction in pay. Instead of

working time reduction, the employers call for the extension of the use of part-time work and temporary and short-term employment to increase labour market flexibility. The FEB recalls that according to the White Paper a general reduction in working time or general work sharing would lead to a slowing down of activity and therefore an increase in costs.

Working Time

Research on working time reduction has had little evidence to build upon and it is therefore only possible to highlight the views of other actors. The Ministry for Employment is favourable to the concept of working time reduction (Simon et al, 1994), but draws attention to a number of problems. The authors estimate that working time reduction would only be effective if it were applied across all sectors to cover the entire working population. A gradual reduction would not be satisfactory because it would be at least partially compensated for by productivity gains, reducing the total employment effect. The reduction of working time entails a financial sacrifice and certain categories of workers would be excluded such as independent workers, employees in managerial positions and part-timers. This publication also highlights the problems associated with compensatory employment element of such proposals. Unemployed workers do not necessarily have the appropriate qualifications, nor are they necessarily found in the right geographical location. It is also important to remember that the redistribution of work will not eradicate all existing under-employment.

Heylen, Kesenne and Van Trier (1994) argue that an implementation of trade union demands would lead to an increase in the cost of production and the risk of a substitution of labour with capital. The heterogeneous nature of the labour market means that workers are not easily interchangeable, which may render compensatory hirings difficult, if not impossible. It is argued that reduction of working hours on full pay is essentially a pay increase which would create inflationary pressures and a loss of inactive wealth. An imposition of a reduction of working hours is undesirable for both individuals

and employers since it curtails flexibility. This measure would therefore have to be voluntary to avoid workers attempting to compensate for the loss of hours with overtime or by work on the black market.

The first sector where working time reduction and the redistribution of work has been implemented is the Civil Service. The social partners in this sector negotiated a package of options ranging from a 32 hour week, over half-time early retirement to the extension of career breaks. Civil servants taking up any of these options have to accept a proportional reduction in pay, which is partly compensated by the payment of a premium. This agreement is due to become law by July 1995 and it remains to be seen to what extent other sectors will follow suit. So far, enterprise plans have only created around 2,000-3,000 jobs - well below the desired result.

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Belgium: Employment and Labour Market Trends

Over the last year, employment has been at the centre of policy debates in Belgium. This increasing concern is due to the fact that 1994 saw unemployment rising to record levels. At the end of August 1994 222,314 men and 299,203 women were officially registered as seeking employment, despite the fact that August usually witnesses the highest point throughout the year on the unemployment curve. This figure represented an all time historical high. However, the latter months of the year saw employment rising again, particularly for the young, with unemployment amongst the under 25s decreasing by 10%. This can be attributed to the effect of government youth employment creation schemes.

In spite of this increase, the Bureau du Plan remains cautious with regard to future labour market trends. Although its "Medium Term Economic Perspectives" indicate that in 1995, as a result of economic growth estimated at 2.6% of GDP, employment figures

are set to rise again, unemployment figures are to remain static around the 520,000 mark until 1998.

For the coming four years, the Bureau du Plan predicts employment creation in the region of 50,000 and 70,000 jobs. Growth sectors are commercial services and to a lesser extent in construction, transport, communications and energy. On the other hand it is suggested that the steady drain in manufacturing is not yet over and it is estimated that this sector will only make up 19% of total employment, compared with 31% in 1973. Due to budgetary constraints, the public sector is also expected to experience a decline.

These bleak predictions have triggered a lively debate amongst the political parties, employers and trade unions, particularly in the light of the 1995 general elections.



Federal Republic of Germany

Labour Market Flexibility

The Policy Debate

The desire to legislate labour market deregulation, and to provide for greater flexibility of employment relations, has been on the agenda of the Bonn coalition government for some time. It is rooted in the belief that current laws on employment protection, and the social costs thus imposed on employers, are increasingly undermining the competitiveness of Germany as a site for production and service provision (*Standortdebatte*). In the late 1980s, the government set up a Commission on Deregulation (*Deregulierungskommission*) to sift through current legislation and produce recommendations. Although the Commission reported in 1991, it was not until the onset of economic recession in 1993-94 that its suggestions attained political currency. It was becoming increasingly apparent that the problem of rising unemployment could not be addressed in the current framework of labour market regulation. However, such legislation cannot be regarded as the only factor inhibiting job creation. According to a study by the McKinsey Global Institute (McKinsey Global Institute 1994), the regulation of the market in goods is an equally impor-

tant factor hindering employment growth in Germany.

The debate on the implementation of the Commission's recommendations proved predictably controversial. The difficulties in achieving progress in the debate are highlighted by the case of the planned extension of shop closing times which has been ongoing for at least ten years with no significant changes in the positions of the two sides of industry. The IFO Institute in Munich is currently preparing a report on this issue.

Scope and Evidence of Labour Market Flexibility

Some of the recommendations of the Commission on Deregulation have been implemented. In its 1994 Law on Employment Creation (*Beschäftigungsförderungsgesetz*) the German government legalised private employment agencies and extended the use of temporary contracts. Its Action Programme for Employment and Growth (*Aktionsprogramm für mehr Wachstum und Beschäftigung*) announced a part-time work offensive. With the amendment of the Law on Working Time (*Arbeitszeitgesetz*) the government gave employers more room

for manoeuvre in their attempts to achieve more flexible working time. These legislative changes have gone hand-in-hand with the privatisation of a number of public services (over and above the denationalisation of industries in the former GDR). The conversion of postal and rail services into joint-stock companies, the sell-off of energy utilities and the onset of a spate of privatisation at the regional and local levels has been viewed as a substantial impulse for employment growth.

Working time has long been a subject of debate not only in government but also between the social partners. For nearly ten years the trade unions have demanded a reduction in weekly working time as a measure to aid employment creation and to increase workers' quality of life. The issue of whether such working time reduction would be achieved on full pay was temporarily laid to rest with an agreement at Volkswagen, where the Works Council and management agreed to reduce working time by 20% to safeguard 30,000 jobs over a two year period. Employees accepted a proportional reduction in pay. Similar flexible working time arrangements are now in place in metal-working and in the steel and pharmaceu-

tical industries. Thus, working hours are becoming increasingly divorced from plant operating hours.

However, with regard to the employment generation effects of increasing working time flexibility, the evidence is very slim. Such adjustments have so far been used mainly to secure existing jobs and to aid the rationalisation of production. A series of recent studies shows that current initiatives for working time reduction are not a useful instrument for employment creation, and are in fact more likely to endanger jobs (Kraft 1993, Langmantel 1994).

When looking at the German debate it should be remembered that flexibility has always been defined rather differently than in other European countries. It is viewed in terms of company internal flexibility based on transferable skills rather than external labour market flexibility. Working time adjustments are achieved in the form of short-time/overtime work and through the ability to adapt skills to the changing demands of production. A relaxation of employment protection legislation as advocated by many neo-liberal economists could ease the reallocation of jobs in the labour market but could have a detrimental effect on productivity as it discourages human capital investments on the part of enterprises and workers. A study looking at the demands for greater external labour market flexibility assessed the claims that high unemployment was caused by a lack of flexibility and fluctuation in the labour market. It found that in fact the reverse was true, as people became more and more reluctant to move jobs as unemployment increased (Schettkat 1994).

Another important element of labour market flexibility is wage flexibility. German wages show a marginal response to changes in unemployment levels and productivity. Although the inflexibility of wages and the ratio between the wages of skilled and unskilled workers can be shown to be one of the major determining factors in explaining high levels of unemployment among unskilled workers (Vogler-Ludwig 1994), major changes in wage structures have never been at the centre of collective bargaining. To overcome this impasse in wage policy, the possible introduction of a negative income tax has been debated. This is linked

very closely with the discussions over tax exemption of subsistence levels demanded by the federal constitutional court.

The demands on labour market flexibility in eastern Germany reached levels unimaginable in the West due to the loss of nearly 3 million jobs. Some of the effects of these developments were cushioned by unemployment benefit, early retirement and other social security benefits. However, there remains a gap between supply and demand which so far appears beyond remedy. It also remains unclear who will bear the cost of the necessary labour market adjustments. Collective agreement concluded so far gives little indication that wages policy will provide a positive impetus for employers to create labour intensive jobs in the new Länder. Employment law also leaves little scope for a specific eastern German approach. Women are experiencing particular difficulties in obtaining employment whereas those who were already receiving higher salaries in the GDR found it easier to get jobs post-unification.

Conclusions

Policies encouraging deregulation and labour market flexibility have progressed more slowly in Germany than in most other European countries.

It has not followed the British model of encouraging quasi self-employment and part-time employment. There is no drive towards introducing more temporary employment contracts as in Spain or any move equivalent to the Dutch part-time work initiative. Unlike France it has not introduced wide-ranging changes to employment legislation, let alone sought to achieve a deregulated labour market as represented by the USA.

The question is whether Germany has continued to commit itself too much to the model of the full-time permanent employee. Neo-liberal economists would certainly argue this to be the case, and the World Bank in its last economic outlook report warned the German government to take further measures to achieve labour market flexibility. Such demands ignore the internal flexibility of the German labour market, which at least partly compensates for the lack of external flexibility. It also disregards the contradiction

between a high degree of labour market fluctuation and labour efficiency. The long-term nature of employment relationships in Germany offers the basis for extensive internal training and high productivity.

The question remains whether a greater deregulation of employment relationships should be used to help create employment. A reduction of employment protection would certainly lower the hidden cost of employing workers. However, such moves would seriously interfere with job and wage security, which, in a society seeking to achieve social progress, will not command electoral majorities. The contradiction between efficiency and equity therefore remains.

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Federal Republic of Germany: Employment and Labour Market Trends

The German labour market stabilised during 1994, earlier than expected. The unification recession in western Germany was quickly overcome. In the second half of the year, after a delay of about twelve months, the period of net job losses ended, though only after about a million jobs had disappeared in the course of the recession. In eastern Germany, the crucial first phase of structural adjustment - the privatisation of state-owned enterprises - reached completion, and the rate of job losses decreased as a result. Large numbers of vacancies in newly established firms helped to stabilise employment at roughly 6.3 million. Thus, at the end of 1994, there were 35 million persons gainfully employed in Germany as a whole, some 100,000 fewer than at the start of year. During 1995, the upward employment trend will be maintained in both eastern and western Germany, though economic research institutes and the Council of Economic Advisors predict only a slight increase of roughly 100,000 gainfully employed.

In western Germany, the biggest job losses were in manufacturing industry. The latest figures are for September 1994 and show some 400,000 fewer (-4.7%) employed compared to twelve months earlier, a trend also reflected in sectors closely linked to industry, such as energy, trade and transport, which saw falls of between 1% and 3% in the level of employment. Service sectors experienced a slight rise, private service enterprises in particular (+2.4%). These benefited from accelerated rationalisation in manufacturing, which had a marked displacement effect. Banks and insurance companies were also able to increase employment slightly. In the building trade employment rose by some 2%, buoyed up by the high level of building activity in eastern Germany and by low interest rates during the last two years.

The employment profile of eastern Germany has rapidly adjusted towards western patterns. Agriculture and industry in particular have seen a marked shift from the high level of employment in the former GDR to something resembling western German proportions today. The growth of the private service sector has helped to increase employment, though to a lesser extent than in the west. On the other hand, the building trade and the public sector absorb considerably more employment. The building trade share, at 15%, is twice that of western Germany. The public sector is one quarter bigger, and has a 25% share of total employment, pointing to the strong influence of the state on employment patterns. The overall level of employment is still dependent on government

support. A huge 123 billion DM worth of transfers from western Germany not only safeguards incomes but also the very existence of a large proportion of jobs. The transfers also boost employment in the west, as a substantial portion of eastern demand is met by western suppliers.

The core problem in the German labour market is high unemployment. At the end of 1994, 3.56 million unemployed people were registered at employment service offices. A further 1.8 million unemployed people were the subject of labour market measures such as short time working, retraining, continuing education and early retirement. At the year end, the unemployment rate was 8.2% in the west and 13.5% in the east (9.2% in Germany as a whole). If hidden unemployment is included, the pan-German figure is 13%. Unemployment fell slightly in 1994, due mainly to the upturn in eastern Germany. Western Germany only saw a slowdown in the rate of increase. In 1995, further falls in the number of unemployed people are forecast, which will be more marked in the east (-7%) than in the west (-1.5%). This is typical of the early stages of the economic cycle, in which increased employment opportunities are accompanied by growth in the supply of labour, thus delaying the fall in unemployment.

In the western German labour market, the impact of the upturn varied considerably from one category of employee to another. Women have better opportunities in services and thus are less affected than men by the recession in manufacturing. Young workers (up to age 25) find jobs more easily than older ones. German migrants from eastern and central Europe are easier to place than other migrants. With the differentiation of labour market experiences, there has also been a marked rise in long-term unemployment. At the year end, 30% of unemployed people had been without work for over a year. Any improvement here will depend on an increase in overall employment throughout 1995.

In eastern Germany, opportunities for women and for older job-seekers are poor. Female unemployment stood at 21% - double the male figure - one reason being the stronger orientation of women there towards gainful employment. Women do not have such good chances as men in filling available vacancies. Some of the increase in unemployment among older employees is also attributable to the expiration of early retirement schemes. Long-term unemployment now stands at 32% of overall unemployment.



Denmark

Labour Market Flexibility

The Key Debates

Unemployment has been the major social, economic and political issue in Denmark for many years. The accession of the Social Democratic-Centre party coalition in 1993 saw unemployment as a particular problem due in part to its traditional links with employed labour through the trades union movement. With the economic recovery during 1994 an improvement in the unemployment situation was expected. However, this improvement has only very recently been observed and one of the reasons given was a lack of flexibility in the labour market. The end of recession combined with greatly improved productivity created fewer jobs than was anticipated in the early part of the year although, in the latter part, more new jobs emerged.

Growth and Job Creation

Following a decline in the employment rate in previous years, 1994 was expected to be a turning point. The economy eventually witnessed employment growth in both the private and public sectors including a growth in employment in the industrial sector. The only sector where a decline was evident was agriculture which showed a slight employment reduction.

The small increase in employment overall last year does not fully reflect the scale of economic growth in Denmark primarily because of the tendency for productivity to markedly increase at the beginning of a period of substantial economic growth. Employment growth is, however, expected to continue to rise in 1995.

Initially, administrative problems may have had a negative impact on the new active labour market policies in that delays led to fewer entrants to job training and education measures in the first months of 1994 than in other previous periods. The public sector witnessed some increase in employment in the latter part of 1994.

Employment opportunities favoured full-time workers and also the workforce

in the middle age band. Workers within the age band 60-67 years experienced an increase in unemployment which is quite exceptional in Denmark's employment history.

Initially, the increase in employment showed an uneven regional pattern. Copenhagen City and its immediate surroundings continued to be the area with highest unemployment whereas the western part of the country experienced more rapid growth in employment. However, recent statistics with respect to Copenhagen point to a growth in employment even in this area.

Employment growth had a relatively small impact on the traditional, relatively high female unemployment rate. The slight improvement in women's employment is attributed to the new labour market measures targeted at both employed and unemployed people. Employment growth has benefited male employment to a much greater extent although recent trends in local government employment, especially in social services, may reverse this trend in 1995.

It should be noted that the crude unemployment rate is an effect of economic growth together with the results of recent labour market measures aimed at temporarily withdrawing people, in particular women, from either the unemployment register or from the labour market.

Labour Market Reforms and Increased Flexibility

Flexibility in Denmark is characterised by a number of measures, to which more were added in 1994. Measures providing for permanent exit from the labour market include early retirement pensions, part time pensions and retirement packages. Non-permanent measures include rehabilitation and retraining, and more recently educational, childcare and sabbatical leave. A feature is also the large proportion of the labour force on non-voluntary sickness leave, bringing them into the illness benefit scheme. In 1992 more than one million people out of a total population of 5.2 million received

temporary social benefits, a slightly larger number receiving permanent benefits.

The new measures (educational, childcare and sabbatical leave) have, in a short time, had a dramatic effect, particularly amongst women. The measures are available to employed and unemployed people alike. The largest group of beneficiaries are those taking childcare leave. In May 1994 some 33,000 people were 'on leave' from the labour market under this measure (of whom 30,000 were women). This compares to 6,600 on educational leave (4,500 women) and 1,800 on sabbatical leave (1,300 women). The measures are open to both employed and unemployed people - overall 55% of those taking part were in employment. For the 45% unemployed there are considerable incentives to take part, since the allowance paid is equivalent to full unemployment insurance benefit.

As well as being attractive to women in general, for some reason the new measures have proved particularly attractive to workers in the health and care sectors, leading to shortages of nurses and midwives in some areas.

Understanding flexibility in Denmark requires recognition of some particular features of the Danish labour market. Women's participation is very high, almost at the level of men's participation. Part-time work for women is at a higher level than in most other Member States. The rate of unionisation is very high; as is employment in the public sector, particularly local government, social and health services. There is some evidence of increased individual flexibility over wages, with the unions gradually accepting these negotiations.

There is disagreement over the analysis of women's employment, with some commentators arguing that female unemployment is marginalised, others believing women are increasingly holding stable jobs. The development of more flexible work organisation in companies is thought to be making women's work more flexible, but this may be an oversimplification. Overall it is likely that there will be both stable and marginalised

employment, and a truly dual female labour market is developing.

Salary developments also show some degree of increased flexibility, particularly in negotiations between the social partners. There is increasing use of agreed national minimum wages by major trade unions, with firm level negotiations providing local 'top-ups'. More personal incentives have also been introduced in the public sector.

In the forthcoming negotiations on salary and conditions, employers' representatives will be seeking many more flexible working hours, including reduced compensation for unsociable hours. This has been an issue for some time in Denmark, where strong traditions prevail in some industries (Gelting 1992, Pedersen and Plough 1993).

The motives and incentives behind work and participation in the labour market have been the subject of study in Denmark, with one view being that high

welfare benefits encourage withdrawal from the labour market. The evidence, however, does not seem to bear this out. On the contrary, people work for a variety of personal, social and economic motives, although for some sub-groups such as lone parents, the effect of benefits may influence their labour market decisions.

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Denmark: Employment and Labour Market Trends

1994 saw a major shift in the main labour market trends in Denmark. New labour market policies were introduced by the new Social Democrat coalition government, and, combined with improvements in most industrial sectors, this has seen unemployment begin to fall slowly but steadily.

The first half of the year saw unemployment reduced mainly through new temporary leave schemes, but the second half brought an increase in conventional full time jobs in traditional sectors. Growth began in the west of the country but is spreading to the more densely populated east. Public sector employment (primarily in local government) is showing some increases, particularly in relation to the care sector which in turn promises increased female employment.

After the new government took office, negotiations with opposition parties resulted in a number of labour market initiatives. As expected by the Government, employment growth continued through 1994, although at a slower rate than might have been anticipated from the strength of economic growth.

By December 1994, having seen the unemployment rate reach 1991 levels, traditional disagreements between the Social Partners concerning wage negotiations re-emerged. Strong economic growth has strengthened the position of trade unions, with calls from them for the abolition of individualised 'local salaries'. Employers, on the other hand, would prefer to see a continuation of this system.

The beginning of last year saw the introduction of various labour market reforms, covering three areas: leave for education; parental leave; and sabbatical leave. These have proved popular, particularly with women, so successful in fact that some tightening

of eligibility has already been introduced. Educational leave, for example, must now be for a minimum of 20 hours per week. Employers have seen bottle-necks in the health sector as a side effect of these schemes.

Active labour market counselling for unemployed people has also been introduced. This stresses the creation of an individual plan of action for each unemployed person. Unemployment centres are convinced that this will create better job opportunities for unemployed people.

Long-term unemployment has been falling during the recovery. This is likely to improve the finances of local authorities who are responsible for these people. It also questions current orthodoxy concerning segmentation in the labour market and the assumption that there is little likelihood of integrating long-term unemployed people back into the labour market.

Looking to the coming year, the unemployment benefit system is expected to be streamlined. The current system is highly complicated, with particular administrative difficulties in high demand areas. Plans are unclear, but the trend in recent years has been for beneficiaries to be mobilised through various programmes

Further modifications to the temporary leave schemes are expected, particularly focused on alleviating their effects in key areas. This includes nursing and midwifery, where their popularity and large take-up has caused labour shortages.

As the economic recovery continues, further full-time, traditional jobs are likely to be created in sectors such as construction, along with more growth in public employment following increases in local government tax income.



Spain

Labour Market Flexibility

The Policy Debate

The debate on labour market flexibility is not new in Spain. It first arose in the early 1980s, as the Spanish economy experienced employment decline, and approached record high levels of unemployment. Initially the issues raised were of an orthodox economic character - high unemployment was due to stubbornly high wage levels, hence to inflexible wages. Other commentators, particularly from employers' organisations, felt that employment relations were equally inflexible, with redundancy and dismissal costs very high, and a low rate of labour turnover. The prevailing ethos was of a 'job for life', with dismissal being very difficult for employers (though not for employees, who were presumed not to want to move). This situation was a contrast to that prevailing under Franco, where although employment arrangements were similarly rigid, the absence of genuine collective bargaining provided more wage flexibility for firms.

Other commentators and trade unionists, however, argued that problems of flexibility were less severe than presumed. Wages had been growing only moderately, whilst profits had regained high levels. The costs of dismissal notwithstanding, firms had also carried out very substantial employment adjustment.

Between 1983 and 1988 a widespread debate over flexibility took place, with flexibility becoming a catchword meaning different things to different people. A report by a Spanish commission appointed by Parliament in 1987 to study unemployment was anxious to avoid the word, since it had become a synonym for 'cheaper dismissals', although it did recommend that firms should be better able to adapt to prevailing economic conditions. The main policy measure concerning flexibility at this time was the 1984 reform of labour law, allowing wider use of fixed term contracts, which became for most workers the norm on entering a new job. This model was one of 'employment flexibility at the margin', leaving regulation of existing contracts untouched. Wages remained regulated by collective bargaining.

Three positions developed around the 1984 measures: employers were happy with fixed term contracts and wanted to turn their attentions to permanent workers; trades unions denounced the widespread use of fixed term contracts, arguing that insecurity was becoming the norm in the labour markets; whilst labour market analysts pointed out the limited, though beneficial, effects of the new regulations on overall employment. They also indicated the growing duality between the core of permanent workers and periphery of those on fixed terms, with unexpected inflationary consequences on wage bargaining. There was however little active debate over the issue, due to the strong economic and employment growth seen in Spain during the late 1980s.

With the onset of recession in 1991, a new debate over labour market 'reform' began. This was couched in terms related more to the reform of institutions in pursuit of efficiency rather than flexibility per se. The high rates of unemployment in Spain were seen as prima-facie evidence of the need for reform. In 1993 the government prepared a document to be discussed at the recently created Economic and Social Council, a 60 member council made up of employers, trade unions, various other interest groups, and six experts appointed by the government. These discussions were aborted by the call for the 1993 general election.

Following the elections, the government tried to reach a 'pact for employment' with unions and employers, which had been a major campaign issue. However, negotiations failed completely, and at the end of the year the government unilaterally passed a wide ranging series of laws to reform the labour market. The reforms were initially welcomed by the employers and totally rejected by the unions, to the extent that a general strike was called at the end of January 1994.

Labour Market Reforms

Flexibility was a central element in the government's reform, although once again this term was avoided, being mainly replaced by 'adaptability'. Its declared

aim was to increase firms' adaptability as a means of achieving better competitiveness and higher employment levels, whilst at the same time maintaining the European culture of worker protection and the welfare state. There were two main strands: to make collective bargaining a more significant element in labour relations, by assigning to it responsibilities previously regulated by law; and to alter various aspects of the labour contract from entry mechanisms, through functional and geographical mobility to exit mechanisms. Entry issues included the creation of a new apprenticeship contract; promotion of part-time work; and control of some forms of fixed term contract. Exit mechanism issues concerned economically related dismissals, aiming to reduce costs and the level of severance payments.

Unemployment protection was left, in principle, untouched. However, two apparently minor changes introduced in the Budget of 1994 could be of significance: the new, more restrictive definition of the family responsibilities of unemployed people; and the inclusion of unemployment benefits into taxable income.

Results of Reforms

It is as yet too early to determine the effects of these reforms. Part time contracts, now defined on a yearly basis and excluded from social protection for short hours (less than 12 hours per week) have been used more than ever before during 1994. Little is known of the net effects of this, nor of the effects of apprenticeship contracts. Hiring practice does not seem to have been affected by the measures relating to unjustified fixed term contracts. The proportion of workers declared as being under temporary contracts remains high, at 34%. Overall a culture of 'temporariness' seems to have entered the labour market, with employers able to find a legal means to achieve these ends when they want to.

Government officers have observed a significant reduction in severance payments to redundant workers, although

this is based on impressions. Overall, however, no significant changes seem to be taking place concerning redundancy, since the bargaining mechanisms related to it are still in place at both individual and collective level. Individuals may still go to court over dismissal, with continued provision for compulsory conciliation, whilst mass redundancy still requires government authorisation.

In the area of collective bargaining, agreements reached during 1994 have not in the main included the new provisions established by law. Initially, trade unions seemed willing to bargain for lower wage growth in exchange for non application of the reforms. As a result, wage agreements have been the lowest for some years, at 3.5%, although the influence of the reforms on this is compounded by the recession. Employers, who were initially enthusiastic, have cooled towards the reforms, since they impose an obligation to bargain over many new areas. There seems to be an additional danger that existing, large scale agreements are being undermined by

those taking place at more local level under the reforms.

The rate of unemployment compensation in relation to the registered unemployed has fallen greatly during 1994, from a high of 70% in early 1993 to less than 50% in late 1994. The reasons for this are unclear, although the continuation of recession may be a factor since benefits are time limited, as are the reforms.

Prospects for 1995 are uncertain. There is a climate of political uncertainty due to corruption allegations affecting high officials. The social partners are demanding a solution to allow the Spanish economy to continue the recovery begun in mid 1994. Further results of the labour market reforms will appear during the year. Some are already arguing that the reforms have not gone far enough, particularly in terms of redundancy costs. Overall, however, Spanish firms are now on a broad parallel with their neighbours in terms of flexibility and their ability to compete.

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Spain: Employment and Labour Market Trends

The Spanish economy has been slowly recovering during 1994 from the deep recession of 1992-3. In the twelve months from the fourth quarter of 1993, employment as measured in the Labour Force Survey increased by 46,600, an annual rate of 0.44%. This overall rate masks a number of fluctuations, where employment reached its trough in the first quarter, grew strongly in the second and third, then fell sharply again. This pattern is, however, a typical seasonal pattern, and does not detract from confident forecasts that Spanish employment will grow by 1-2% during 1995.

These relatively minor changes in employment mean that unemployment has remained at a similar level throughout the year. Peaking in the first quarter at 24.6% of the labour force, it fell back by the end of the year to 23.9%. More significant is the decrease in unemployment of 'household heads' from 12.9% to 12.5%, although this figure is still higher than in the fourth quarter of 1992. The proportion of households with all their active members unemployed has also decreased from 11.6% to 11.3%. Therefore, although overall unemployment levels have remained constant, its concentration in non-household heads has increased. Unemployment amongst spouses of household heads has increased by 1.4% to 26.2%. The rate amongst young people remains very high at 37.8%, with only a 0.3% reduction during 1994.

Female unemployment has increased by 1.2% to 31.7%, compared to a drop of 0.9% to 19.2% for males. Labour force participation behaviour seems to be the driving force behind these figures, since the female participation rate has continued its rising trend to reach 35.8%, whilst the male rate has continued to fall to 62.4% of the male population over 16. In absolute terms the

increase in employment has been split evenly between men and women.

The structure of employment has increased its concentration in the prime ages (25-54) for both men and women, at the expense of both younger and older workers. Other important features include changed sectoral composition, with agriculture losing ground (6% fall in 1994), probably due to a fall in the number of 'family workers'. By the fourth quarter of 1994 the share of agricultural employment was 9.4%, down from 10.1% a year earlier. Conversely the construction sector experienced an increase of 4.8%, and the service sector 1%, while manufacturing employment has remained stable, a significant improvement over the massive job losses of 1993.

1994 saw significant labour market reforms concerning temporary and part-time work. Although in the area of temporary work restrictions on the use of fixed term contracts have increased, the LFS indicates that temporary employees have increased by almost 200,000, whilst permanent employment has fallen by 110,000. The proportion of workers under fixed term contracts has increased by 2.0% to stand at 34.5% at the end of 1994. Part-time work was to be one of the most significant employment promotion policies in the reform. There has indeed been a significant increase during 1994, particularly amongst women, whose full-time employment has decreased slightly. By the last quarter of 1994, part-time employment was close to 15% of female and 2.5% of male employees.

On the whole the situation for both employment and unemployment has stabilised during 1994. Better prospects are expected for 1995, but unemployment will remain a very significant problem for the Spanish labour market.



Italy

Labour Market Flexibility

The Policy Debate

Debate over labour market flexibility in Italy has gone on since the early 1970s, but has become pressing since the mid 1980s, when important measures were taken to reduce rigidity. Most attention has been paid to the regulation (or deregulation) of employment relationships - wage rates, employment conditions - rather than structural aspects of flexibility such as labour 'quality' and training.

The scale of the issues around labour market flexibility can be seen in responses to legislation proposals prepared by the Employment Minister, Giugni, in 1993, aimed at extending fixed-term contracts and introducing temporary work (see Varesi 1994, Arrigo 1994). The Italian social partners had reached agreement on incomes policy but, from different positions, both trade unions and employers opposed the extension of temporary work and sought further discussion.

Historically, trade unions firmly opposed every form of flexibility. Employers sought it, but not too keenly, since the consequences of employment adjustment in medium and larger firms have been artificially subsidised by the tax payer through the CIG system (where the State pays up to 80% of temporary laid-off workers' wages) and other measures. The State itself has not been enthusiastic over flexibility. Its monopoly on work placement is an important political lever, and Ministerial involvement in negotiations around all large scale redundancies gave great discretionary power to the Ministry.

The climate is now changing. Trade unions and workers have accepted flexibility as a necessity to combat high unemployment, but ask for rules in order to avoid a totally unregulated market (Prospettiva Sindacale 1994). The July 1993 incomes agreement saw trades unions agree to reduced constraints on fixed-term contracts and part-time work, and the introduction of temporary work. At plant level, collective agreements increasingly include different forms of flexibility such as fixed-term contracts, 'verti-

cal' part-time work (at weekends only for instance) and flexible hours.

Employers and their organisations stress the need for increased flexibility and mobility through deregulation of labour contracts, fewer constraints on hiring and firing, increased linking of wage rates to company performance, and more local or plant level decision making. They also seek to end the public monopoly of placement, and to devote increased attention to education and training, to improve the quality and potential of Italian human resources (Rapporto Confindustria 1994).

Economists and labour market analysts stress the need for increased flexibility, although with different emphases. Bertola and Ichino (1994a, 1994b) summarise the current debate. They conclude that Italy is in a transitional situation from extreme rigidity to flexibility. The 1991-93 recession coincided with new legislation on mass redundancy and fixed-term contracts, leading to faster and deeper employment reduction than ever before. They argue that the move towards flexibility needs rapid completion to ensure that the ensuing recovery includes efficiency and employment improvements. The move to flexibility needs greater credibility, and more attention to its redistributive effects. Its credibility is weakened by the prevailing case-by-case approach to employment problems, where employers and workers expect a solution (usually involving income support and employment guarantees) to be found, with the costs of mobility and flexibility externalised to the tax payer (as in the Crotone, Fiat and Olivetti cases). Some analysts see this compounded by the inefficiency of the Italian public administration system (Bruni and De Luca 1994).

Other analysts (Salvati 1988, Rapiti 1994) argue that flexibility is not of itself sufficient. Italian unemployment and poor use of human resources are due to structural problems which demand medium-term solutions. These should include the growth of new areas of production, increased levels of training and education and investment in the South and new

technology. Others go further and conclude that capitalist economies cannot generate sufficient employment, and that new jobs must be sought outside the market economy, for instance in 'socially useful' work (Lunghini 1994). Spain is a cautionary example of the negative substitution effects of new, flexible contracts over secure full-time jobs. All are agreed on the need to accompany greater flexibility with more efficient employment services, particularly information and training, and intervention in the South where flexibility measures cannot possibly overcome structural unemployment on their own (SVIMEZ 1994).

Scope and Evidence of Labour Market Flexibility

International comparison points to Italy as one of the most rigidly regulated labour markets in the industrialised world, particularly with regard to hiring and firing, and limits to the use of atypical contracts (OECD 1993, EEC 1993). The Italian version of flexibility has been characterised by a complex mix of decentralised production towards small firms, which are less strictly regulated, the expansion of the 'black economy', and the large scale use of social 'shock absorbers'.

Unfair Dismissal/Legislation

Compared to other countries, sanctions against unfair dismissal are severe and widely applied. Legislation concerning individual unfair dismissal was passed in 1966. This, and all the following dismissal legislation, excludes mass redundancy. It was not until 1991 that mass redundancy was contemplated and regulated. Since 1966 the controls on dismissal have been progressively tightened, in particular to include firms with sixteen or more employees in 1970, and those with fewer than sixteen in 1990 although the conditions are marginally less stringent for smaller firms. Dismissal must have an individual or business related justification, and any dismissed employee

can lodge an appeal within 60 days. Appeals are heard by a specialist judge (pretore del lavoro) who decides on the validity of the employer's reasons. If found against, the employer must reintegrate the worker. Treu (1993) estimates that 40% of all dismissed workers who win their appeals are reinstated.

Prior to 1991 mass redundancy was governed by collective agreement rather than by statute. Collective agreements regulated periods of notice, required consultation with trade unions, and joint discussion of planned redundancy and ways to avoid them. In practice the CIG system has superseded mass redundancies. Legislation in 1991 concerning industry was later extended to large commercial firms and some small sectors in crisis, whereby redundant workers are placed on a 'mobility list', entitling them to mobility benefits and re-employment facilities.

Employment relations, such as fixed-term and part-time contracts were only legalised in 1983, with modifications in 1984. Temporary work is still prohibited, with legislation planned following the 1993 income agreement. Legislation in this area simply sets the basic framework, with extension and implementation details left to sectoral collective bargaining. Part-time work may be horizontal (short working each day) or vertical (full days for only part of the week), with the working time clearly specified in the written contract. Change from a full- to part-time contract must be approved by the local Public Employment Office. Part-time work is not an individual matter - its use and extent is governed by collective bargaining at national and firm level. These controls, combined with the high level of protection afforded part-time workers (substantially the same as full-timers), explain the fact that in Italy only 5% of employed people are part-timers.

Fixed-term contracts

After 1987, fixed-term contracts were slightly less strictly regulated, with the possibility of their use following collective bargaining agreement. Fixed-term contracts have only ever been seen as a solution to particular business problems, rather than an unemployment measure. They are thus not encouraged, and only

affect about 5% of employed people. Work training contracts are an exception, being fixed-term contracts for the hiring of young workers in need of training, which can last for up to two years, and attract reduced social contributions.

Working Time Flexibility

Working time flexibility is higher than in some European countries, with firm level practice resulting from collective agreements (Ajello et al 1994, CNEL 1993). Collective bargaining has traditionally consented to a high level of 'controlled flexibility' concerning hours and working time. Working time flexibility has been encouraged by two pieces of legislation, much used by firms during downturns: CIG (see above, and Tronti 1993), and solidarity contracts. Both measures allow for reduced working time during downturns, with income support for workers from the State. These measures, and the practice of plant level bargaining over working hours have led to scepticism from both sides of industry concerning ideas for a general reduction in the working week similar to those introduced in some parts of Germany.

Hiring was strictly regulated until 1991, when the obligation to hire in sequence from a waiting list compiled by Public Employment Offices (collocamento obbligatorio) was abolished. The last constraints went in 1994, so that firms with less than fifteen employees can now hire workers directly, without having to use placement offices (they have to indicate their hirings within 10 days). This leaves the future of the placement officers in Italy in some doubt.

Wage Flexibility

Wage rigidity has been progressively reduced following the 1983 social partners' agreements on wage indexation and income policy in 1992 and 1993. Wage bargaining now occurs at national sectoral level and at firm level. At firm level, bargaining takes local labour market conditions into account, varying wages in relation to the firm's economic position. There are no longer rigidities caused by wage indexation.

Taken in combination, the conditions outlined here (costs of dismissal, regulated employment contracts, income sup-

port measures, social 'shock absorbers') result in particular distortions in the Italian labour market.

Firstly, it is more convenient for firms to use collective redundancy procedures, and/or to declare a crisis situation, than to dismiss individuals - the former situation brings CIG into play, whilst the latter has potentially high costs (Del Boca-Rota 1993).

Secondly, it is advantageous to limit the growth of the firm to certain levels, since smaller firms have fewer regulations concerning employment practices and conditions. This has led to larger firms decentralising production units, and to smaller firms merging with the 'black economy' to avoid adjustment and labour costs applied to larger firms. Recent estimates from the Labour Ministry see the black economy as occupying 2.4 million workers. Small firms tend to have a high labour turnover, as does the Italian economy as a whole - recent estimates (Contini et al 1994, Rapiti 1994) show a turnover of 20% in the private sector. Average staff turnover rates are around 34%, compared to 38% in the USA, and are particularly high in the commercial, construction and retailing sector - all characterised by small firms. Small firms also have greater diversity of employment contracts (Gavosto and Sestito 1994).

A high level of employment protection for certain groups of workers (those employed in medium to large firms in the industrial sector), together with constraints on hiring and firing, have greatly reduced labour mobility and segmented the labour market. Unemployment is concentrated amongst first time job seekers. At the beginning of the 1980s young people represented 63% of total unemployment, with long-term unemployment also concentrated here (59% of long-term unemployment is amongst 15-24 year olds, compared to 5% in the 45+ group).

A further consequence of existing policy is stability of incomes and a lack of wage differentials. Unemployed people prefer to wait for a job in the 'primary' sector, whilst at the same time working in the black economy, rather than competing through wages for lower paid jobs (Bertola-Ichino 1994, Bodo and Sestito 1991).

A final feature arises from income support measures such as CIG and early

retirement. These are very costly for the State to implement, and their administration, largely from public funds and with few disincentives, leads to collusion between firms and workers (Tronti 1993).

Since the mid 1980s a progressive but very slow movement towards increased flexibility can be seen at both legislative and contractual levels. Labour market indicators reflect these changes: youth unemployment has decreased, adult unemployment increased, wage flexibility and differentials have increased, the growing trend to self-employment (particularly amongst very small concerns) has ended, and employment overall responds more closely to the economic cycle.

Conclusions

The Italian experience is instructive in two ways. Its history is a lesson in the risks associated with rigidity. It leads to a highly segmented market, with first job seekers excluded from employment; low wage elasticity leads to unemployment; and an inefficient lack of inter-regional and inter-sectoral labour mobility. Yet the ways in which Italy is seeking to reduce rigidity are quite unusual. There is extensive use of collective bargaining, with constant reference to the involvement of the social partners in developing new forms of intervention. Whilst this leads to a long period of adjustment, it also ensures the absence of conflict and an attitude of co-operation amongst the social partners.

The moves towards greater flexibility will probably last. Even the Berlusconi government (a right wing coalition) based its labour market policy on consultation with the social partners. Apart from pensions, - currently the most pressing issue for the Labour Ministry - future agreement and legislation is anticipated in the area of temporary work, fixed-term and part-time contracts. Proposals are before Parliament, to liberalise fixed-term contracts when they contribute to new employment. Fixed-term contracts for 18 months are also proposed for the long-term unemployed over 32, with lower wages than those determined by sectoral collective agreements. Apprenticeship contracts are proposed for young people under 32, with lower wages than normal, although there would be limits on the numbers of such contracts for each firm. Lower wages in the South of Italy are also

a possibility, with a 15% reduction in the first year and 10% in the second where new permanent contract jobs are created.

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Italy: Employment and Labour Market Trends

For the second consecutive year, 1994 saw employment decline and unemployment increase in Italy. After a fall of 372,000 (-1.8%) between October 1992 and October 1993, a further 324,000 (-1.6%) jobs were lost in the following twelve months. The unemployment rate was 9.3% in January 1993, 11.1% in January 1994 and 12.2% in January 1995, when long-term unemployment was 63.6% of the total.

A large proportion of unemployed people is still made up of young people, but 1994 also saw a large increase in the numbers of laid-off workers. Those affected by mass redundancy increased by 32% between January and October 1994, an addition of 68,000, to reach a total of 278,000. Despite these falls in employment, the associated increase in unemployment was less than might have been expected due to a fall in the size of the labour force, attributed in part to discouragement effects.

Paradoxically 1994 also saw a strong increase in production and an increase in the growth of GDP, due to the devaluation of the lira and increased exports. This has yet to impact on the labour market. There is a general view amongst labour market analysts that for some years Italy will experience a period of economic growth without employment growth. There is a prevailing climate of institutional and political uncertainty, and a widespread process of rationalisation and restructuring throughout industry which began during the preceding recession. This began particularly in the service sector, which has traditionally absorbed much of the Italian labour force. The service sector has seen reduced employment levels since January 1993, particularly in trade, transport and business services - about 32% of the total decline in employment during 1993-94 is attributable to the service sector (some 200,000 lost jobs in 1993 and 79,000 in 1994).

Another dimension of the current situation is the increase in regional differences. Southern Italy has experienced the largest fall in employment and increase in unemployment. Some 46% of the fall in employment in 1993-4 occurred in the South, where unem-

ployment grew from the already high level of 16.1% in January 1993 to 18.5% a year later and 21.05% in January 1995.

Forecasts for 1995 are uninspiring. Most institutes consider it likely that the employment situation will stabilise at 1994 levels, with a possible 0.2 to 0.5% growth in employment in the second half of the year. This assumes an absence of dramatic changes in the institutional and political context, and no effective labour or growth policies.

During 1994 labour policy was unable to offset the caution of firms in their hiring decisions, nor to increase the employment content of economic growth.

Labour market intervention was directed mainly at continuation of the income support policies of previous governments, for example increased use of CIG (wage support for workers at risk of redundancy), solidarity contracts (*contratti di solidarietà*) amongst groups of employees to share collectively reductions in work, and early retirement. This was combined with new employment incentives, through the creation of enterprises, and fiscal incentives for hiring. Other important dimensions to the problem which featured in the new Government's programme have yet to be tackled.

In the area of labour market flexibility there is a proposal concerning the deregulation of fixed-term contracts, and the introduction of lower wages for those entering the labour market for the first time. Areas demanding urgent action have not been tackled yet, including the public placement service, and income support system that discriminates between workers and firms in different sectors, and the system of vocational training. Intervention instead took place in the area of public sector industrial relations, where a new collective contract for one million workers in central and local administration was signed. This brought more transparency and private sector style rules involving more direct bargaining and localised decision making. A further three million public workers will be brought in to this scheme during 1995.

Statistical Supplement No 22

Labour Market Flexibility

(All statistics are from the Labour Force Survey)

Measuring the concept of labour market flexibility is difficult. There is no single indicator that can be used and no combination of statistics that is absolutely right for each Member State. It is a particularly imperfect field for labour market statistics that needs to be addressed.

Discussion here centres on the following three indicators:

- Part-time working
- Self-employment
- Temporary working

Index of Part-time Working

Figure 1a
Index of Part-time Working
Belgium

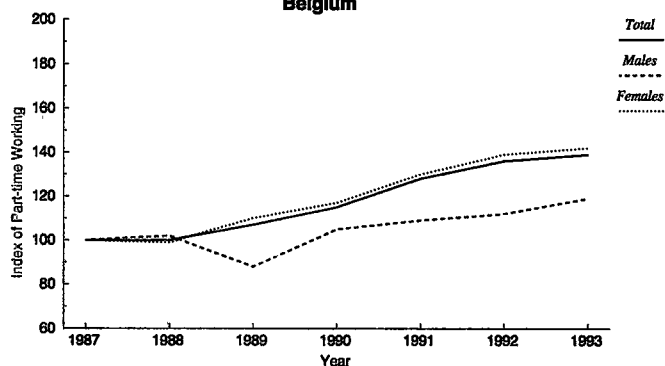


Figure 1b
Index of Part-time Working
Denmark

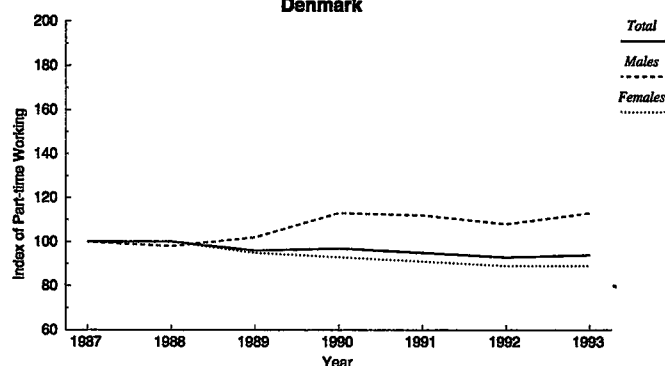


Figure 1c
Index of Part-time Working
Germany

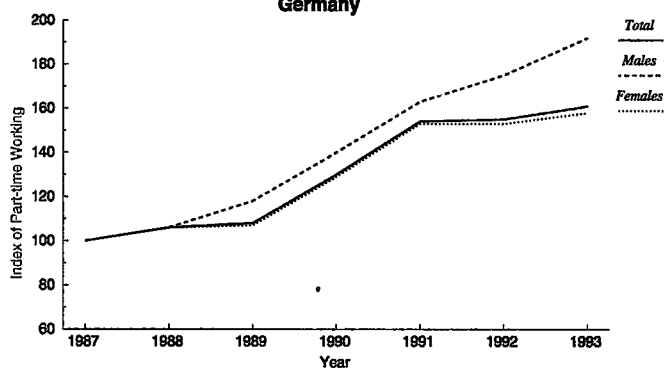


Figure 1d
Index of Part-time Working
Greece

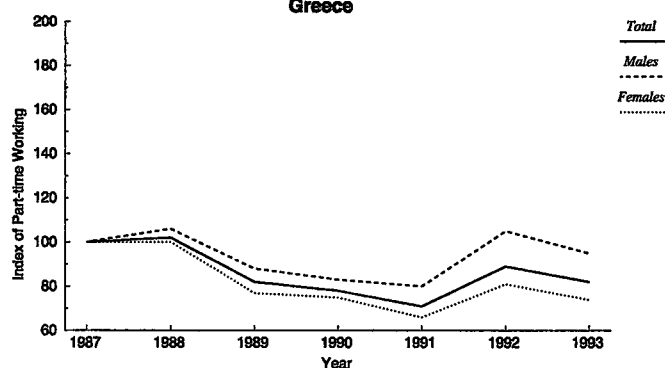


Figure 1e
Index of Part-time Working
Spain

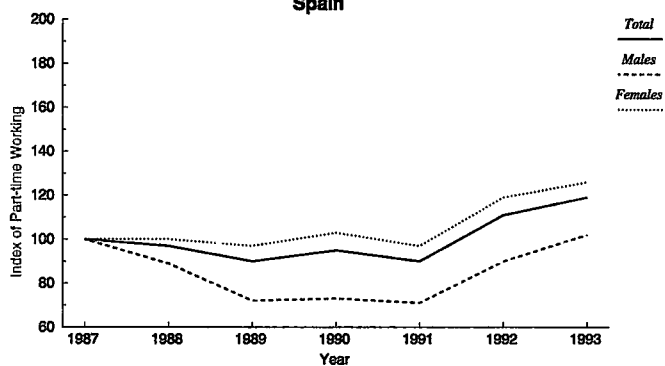


Figure 1f
Index of Part-time Working
France

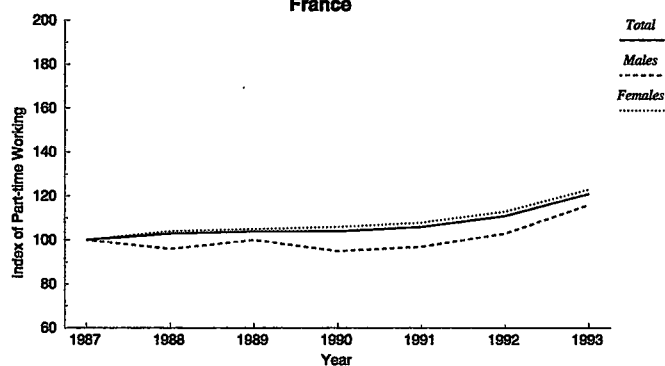


Figure 1g
Index of Part-time Working
Ireland

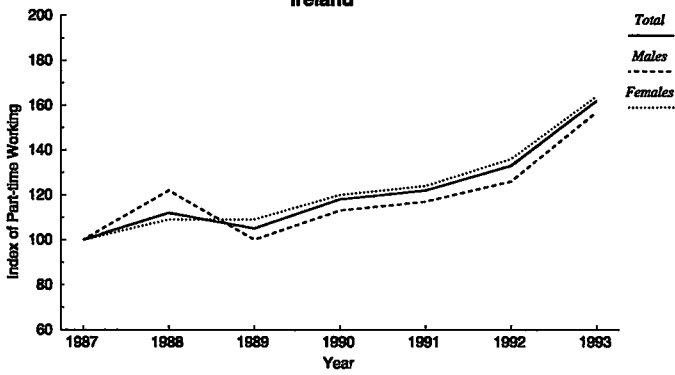


Figure 1h
Index of Part-time Working
Italy

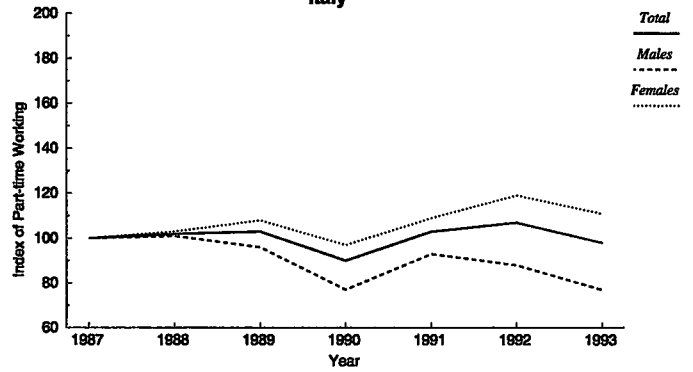


Figure 1i
Index of Part-time Working
Luxembourg

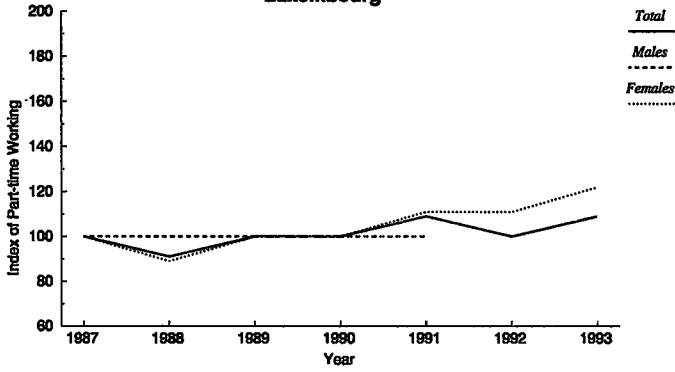


Figure 1j
Index of Part-time Working
Netherlands

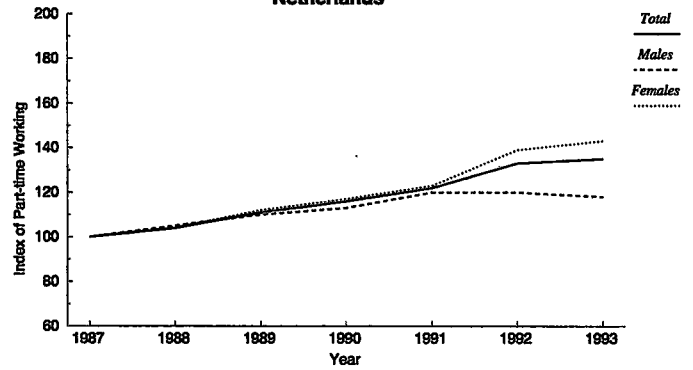


Figure 1k
Index of Part-time Working
Portugal

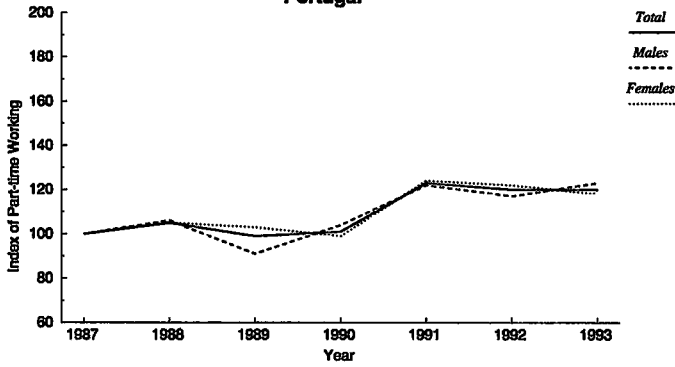
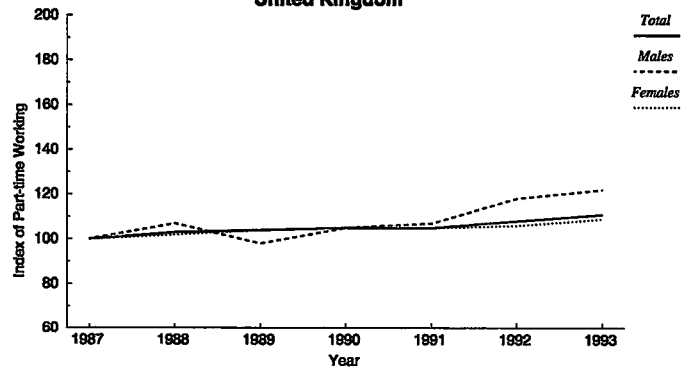


Figure 1l
Index of Part-time Working
United Kingdom



Part-time Working as Percentage of Total Employed Labour Force

Figure 2a
Part-time Working as Percentage of Total Employed Labour Force (Males and Females)

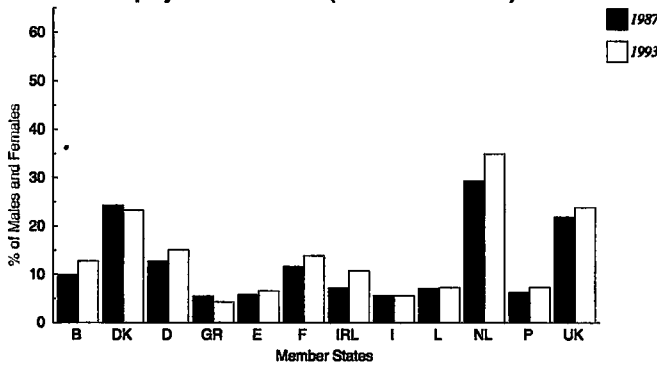


Figure 2b
Part-time Working as Percentage of Total Employed Labour Force (Males)

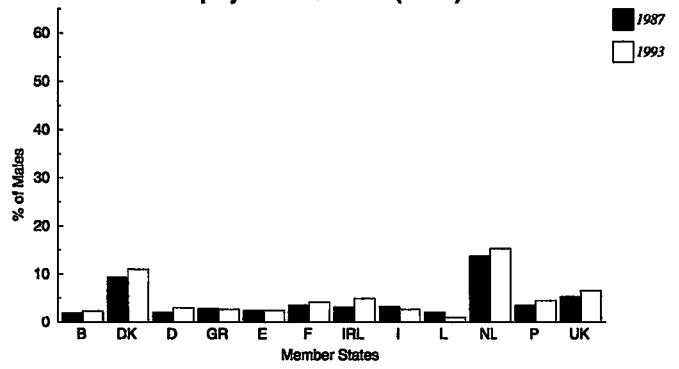
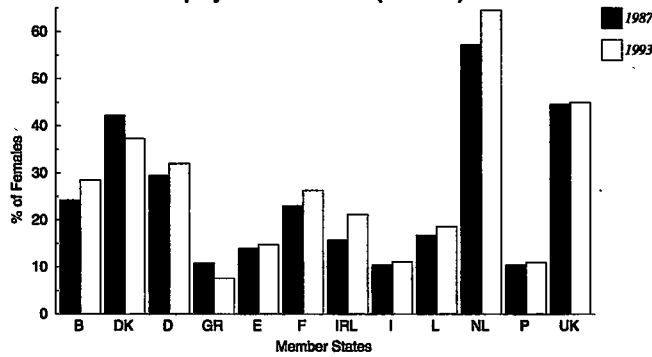


Figure 2c
Part-time Working as Percentage of Total Employed Labour Force (Females)



Index of Self-employment

Figure 3a
Index of Self-employment (Males and Females)
Belgium

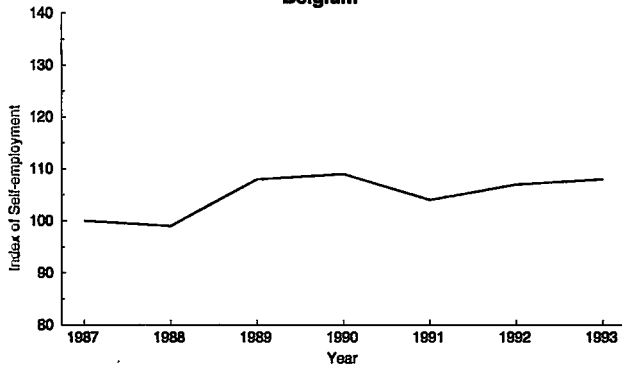


Figure 3b
Index of Self-employment (Males and Females)
Denmark

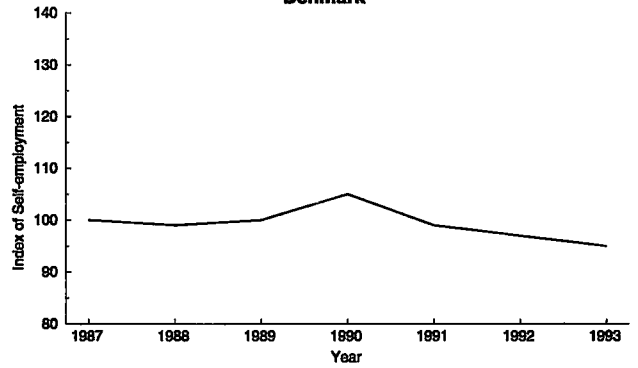


Figure 3c
Index of Self-employment (Males and Females)
Germany

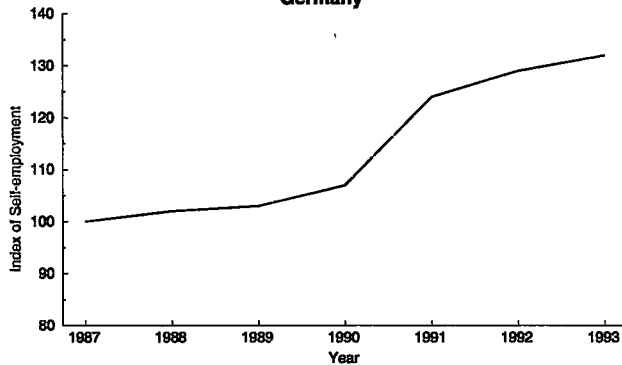


Figure 3d
Index of Self-employment (Males and Females)
Greece

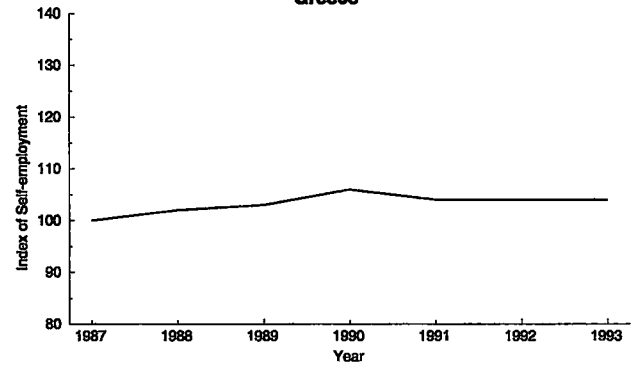


Figure 3e
Index of Self-employment (Males and Females)
Spain

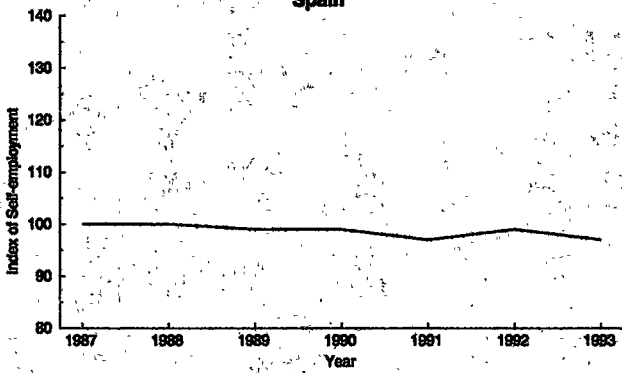


Figure 3f
Index of Self-employment (Males and Females)
France

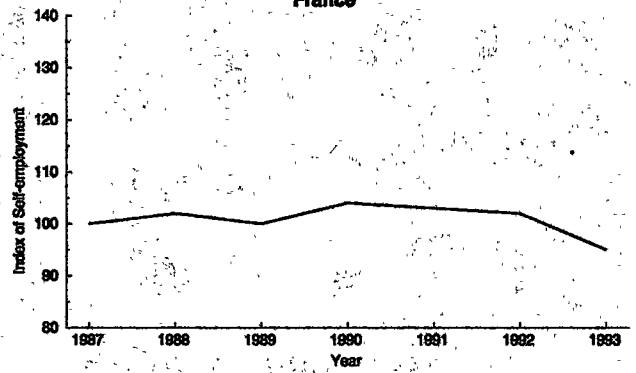


Figure 3g
Index of Self-employment (Males and Females)
Ireland

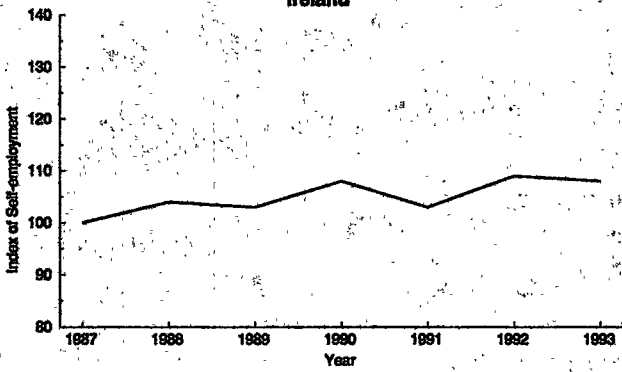


Figure 3h
Index of Self-employment (Males and Females)
Italy

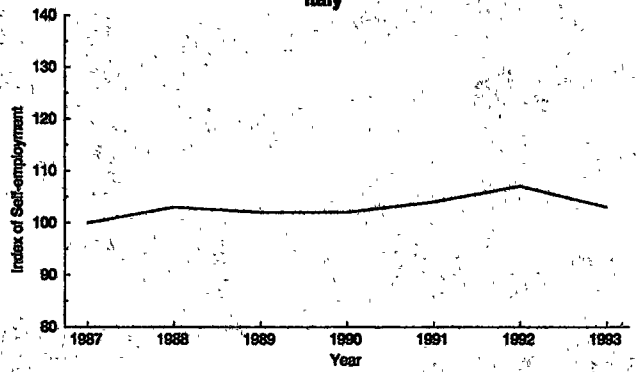


Figure 3i
Index of Self-employment (Males and Females)
Luxembourg

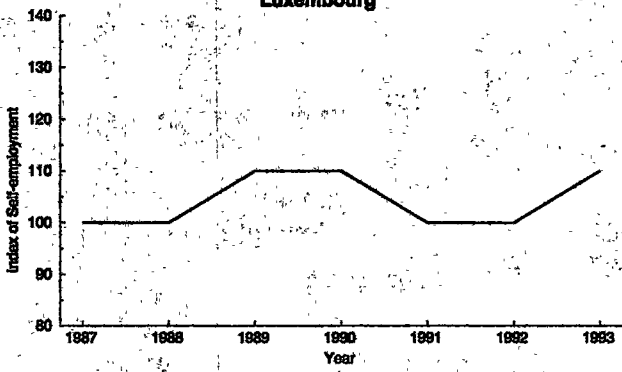


Figure 3j
Index of Self-employment (Males and Females)
Netherlands

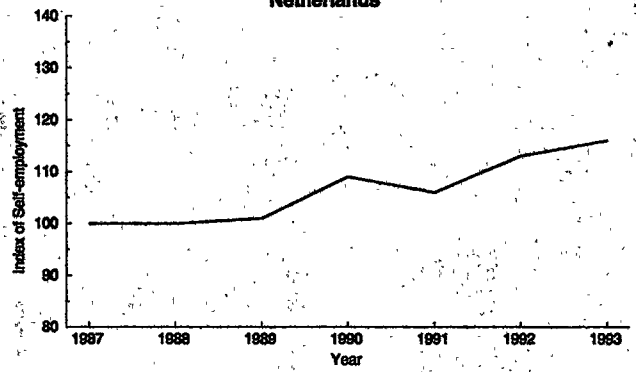


Figure 3k
Index of Self-employment (Males and Females)
Portugal

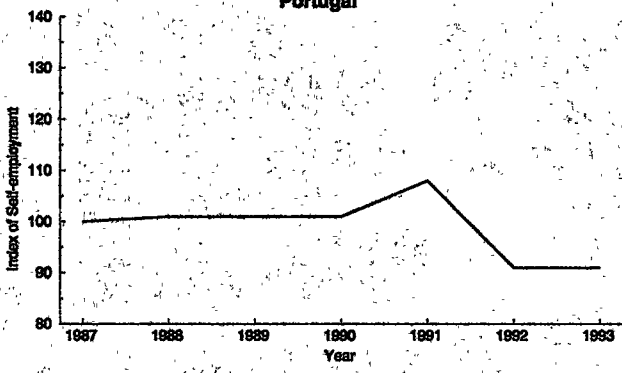
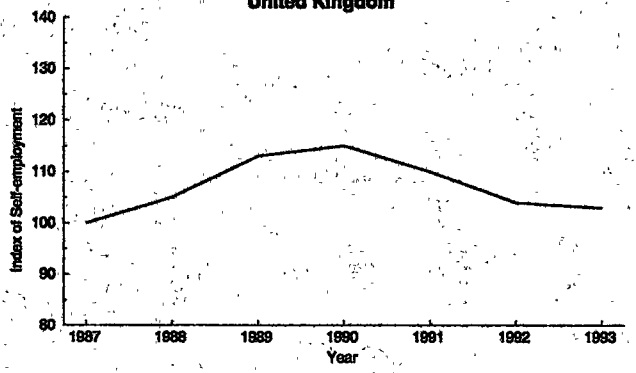
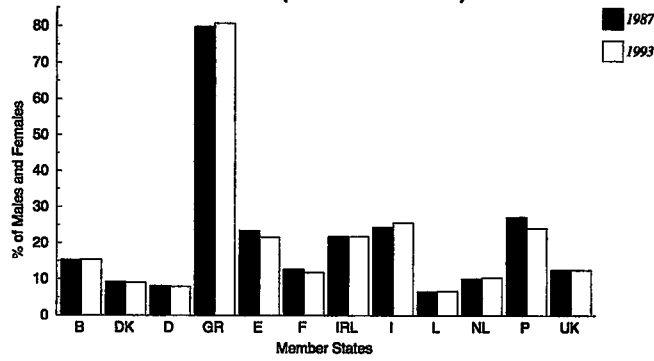


Figure 3l
Index of Self-employment (Males and Females)
United Kingdom



Self-employment as Percentage of Employed Labour Force

Figure 4
Self-employment as Percentage of Employed Labour Force (Males and Females)



Index of Temporary Contracts of Work

Figure 5a
Index of Temporary Contracts of Work
Belgium (Males and Females)

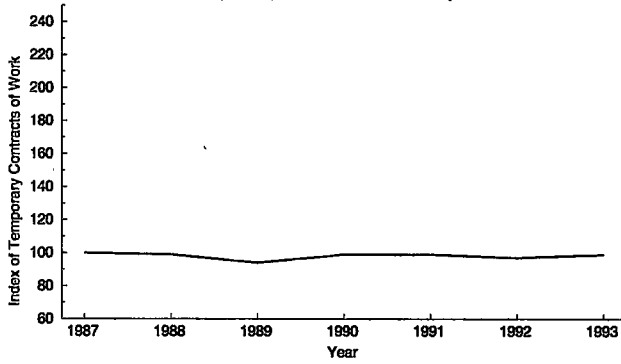


Figure 5b
Index of Temporary Contracts of Work
Denmark (Males and Females)

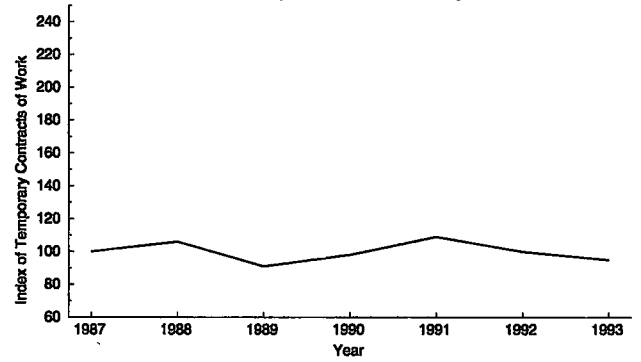


Figure 5c
Index of Temporary Contracts of Work
Germany (Males and Females)

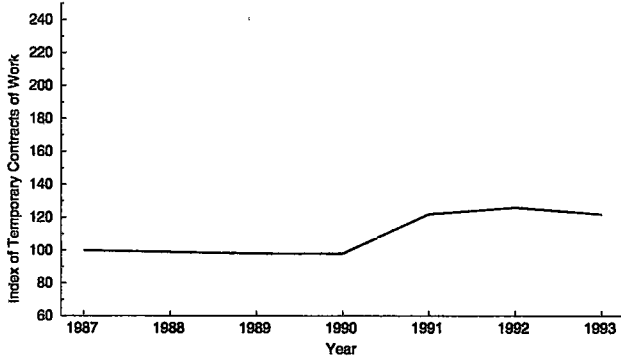


Figure 5d
Index of Temporary Contracts of Work
Greece (Males and Females)

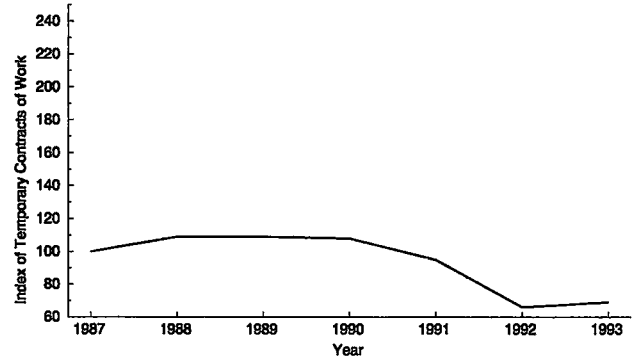


Figure 5e
Index of Temporary Contracts of Work
Spain (Males and Females)

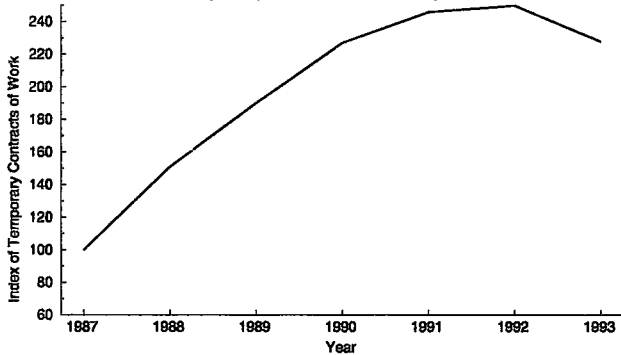


Figure 5f
Index of Temporary Contracts of Work
France (Males and Females)

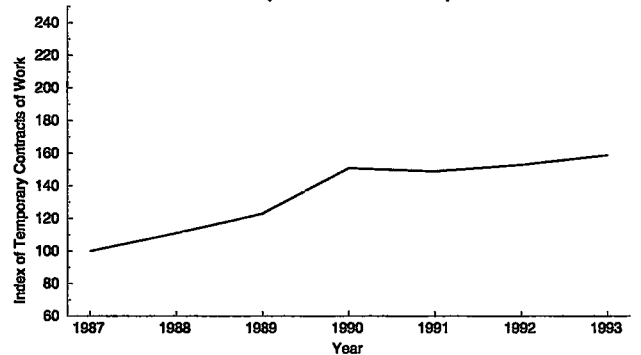


Figure 5g
Index of Temporary Contracts of Work
Ireland (Males and Females)

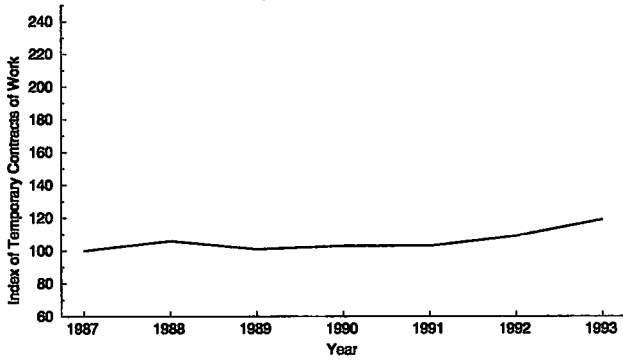


Figure 5h
Index of Temporary Contracts of Work
Italy (Males and Females)

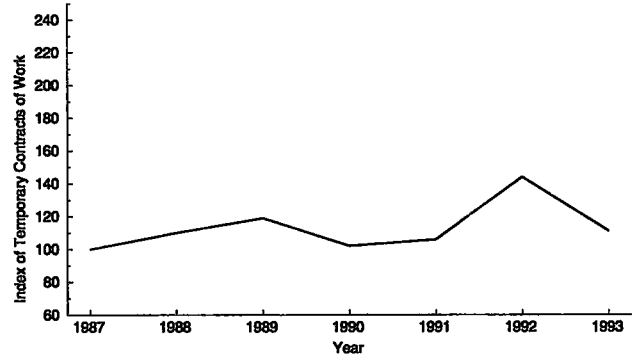


Figure 5i
Index of Temporary Contracts of Work
Luxembourg (Males and Females)

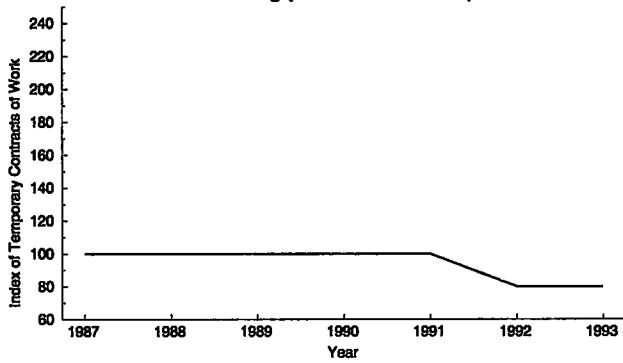


Figure 5j
Index of Temporary Contracts of Work
Netherlands (Males and Females)

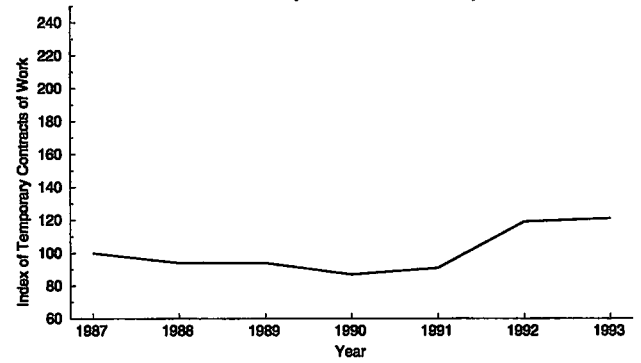


Figure 5k
Index of Temporary Contracts of Work
Portugal (Males and Females)

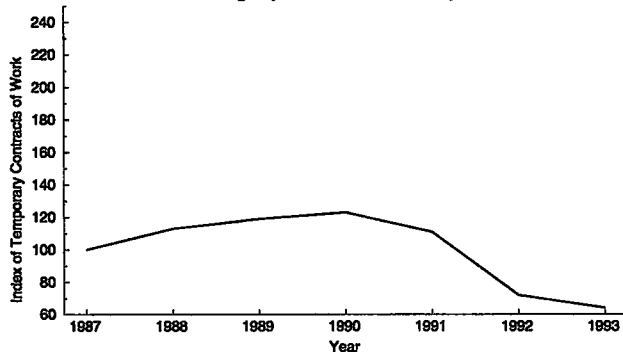
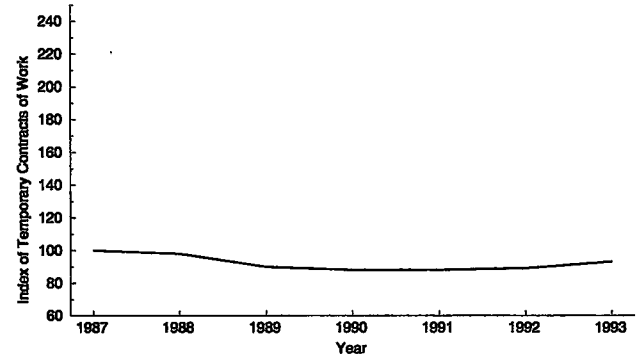
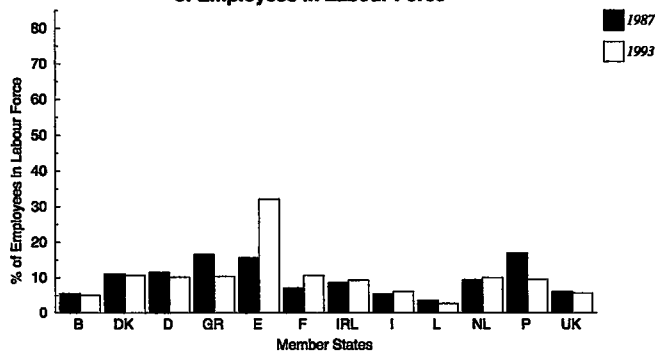


Figure 5l
Index of Temporary Contracts of Work
United Kingdom (Males and Females)



Numbers on Temporary Contracts as Percentage of Employees in Labour Force

Figure 6
Numbers on Temporary Contracts or as Percentage
of Employees in Labour Force



Commentary

Introduction

Measuring the concept of labour market flexibility is difficult. There is no single indicator that can be used and no combination of statistics that is absolutely right for each Member State. It is a particularly imperfect field for labour market statistics that needs to be addressed.

At best, all that can be achieved is to use a range of more general labour market indicators that illustrate ways in which labour markets have adapted to employment practices that deviate from the norm of permanent full-time work. However, it should be remembered that permanent full-time work is still the norm for the vast majority of workers in the Member States of the EU.

Discussion here centres on the following three indicators:

- Part-time working
- Self-employment
- Temporary working

Information is available on all three indicators from the *Labour Force Survey* and is gathered in a fairly consistent pattern across the EU, thus permitting reasonably reliable comparisons. However, like all LFS results it relies to a great extent on the truthfulness of the respondent and furthermore relates to the respondent's situation during the reference week of the survey. As such it represents a 'snapshot' of the labour market situation at a particular point in time. Trend data has been used from 1987 to 1993, 1987 being the earliest point at which all current Member States began collecting such information.

Part-time Working

Under the LFS the distinction between full-time and part-time working is largely left to the spontaneous answer given by the respondent. Eurostat considers it impossible to provide a more precise distinction between full- and part-time work because of variations in working hours between Member States and in different sectors of industry. However, the responses given to the question can be checked against the number of hours worked which is also requested in the survey. Normally full-time work would be expected to involve 30 or more hours a week.

Respondents are also asked about the reasons why they are working part-time, attempting to identify those doing so by choice from those forced to do so because of factors such as the following:

- Combining a part-time job with training or education;
- Period of illness or disability;
- Taking a part-time job because they could not find full-time work.

The extent of part-time working necessitated by a lack of full-time jobs is one ingredient of underemployment. It forms part of 'visible' underemployment representing measurable aspects of the problem and is receiving increasing attention from organisations such as the ILO and Eurostat.

Figure 1 plots the evolution of part-time working over the period 1987-93 in each Member State. Using 1987 as the base year the figures show that all but two Member States (Denmark and Greece) exhibited rises in their index of part-time working. The increases were particularly high in two Member States, Germany and Ireland, with figures of 161 and 162 respectively. The rise in part-time working has been consistent in these two countries over the reference period which is also the case in most of the other Member States. However, in some instances the overall changes have been modest, as in the United Kingdom, for example.

Examined by gender, the increase in part-time working amongst males is most dramatic in Germany with the index almost doubling to 1993. Ireland also records a significant change, but for the remaining Member States the upward movements are quite modest. Italy, Greece and Luxembourg all record falls in their indices of male part-time working. For females the changes are much more varied with comparatively big increases in Belgium, Germany, Ireland and the Netherlands. Only Denmark (of the twelve) showed a fall in the index of part-time working amongst females.

Figure 2a shows that there are large differences between the Member States in the proportion of the employed labour force working part-time. In 1993 the largest proportion was in The Netherlands with 35% followed by the United Kingdom with 23.9% and Denmark with 23.3%. The remaining nine Member States had much smaller part-time proportions with the lowest in Greece with 4.3% and Italy with 5.6%.

Figures 2b and 2c confirm the gender differences with the proportion of males in the total labour force working part-time being consistently low in all Member States with the exception of Denmark (11%) and The Netherlands (15.3%). The incidence of part-time working amongst women in the employed labour force is much greater in all Member States with the exception of Greece (7.6%), Italy (11.1%) and Portugal (11%). In The Netherlands almost two out of three working women are part-timers which is ahead of the closest figure of 45% in the United Kingdom.

It might be expected that part-time working would show signs of increasing as labour markets become more flexible but, as figure 2a shows, increases between 1987 and 1993 have been relatively modest in all Member States. For example, in Belgium the change was from 9.9% to 12.8%, in Germany from 12.7% to 15.1% and in The Netherlands from 29.4% to 35%. In Denmark and Greece the proportions working part-time actually fell slightly whilst in Italy the figure was constant. Most increases have been amongst women although the majority of Member States have also seen male part-time working increase.

Self-employment

It is possible to identify from the LFS those in self-employment (with or without employees). Figure 3 uses 1987 as the base year and shows the evolution of self-employment in each Member State to 1993. In eight of the Member States self employment

increased but in Denmark, Spain, France and Portugal the index had fallen by 1993. Large increases were recorded for Germany (132) and the Netherlands (116), otherwise changes were modest. Furthermore, examination of the changes year by year shows considerable fluctuations, suggesting that self-employment levels vary with changes in the economy.

Figure 4 provides details of the proportion of the employed labour force that is self-employed. In 1993 figures were high in Greece (which, at 80.7% is the majority employment status for the labour force), Spain (21.6%), Ireland (21.8%), Italy (25.6%) and Portugal (24.1%). However, much of this can be explained by the significance of the agricultural sector in these Member States which traditionally have been family owned and operated. In the other Member States it is interesting to note that there has been little change in the proportion of the labour force working as self-employed between 1987 and 1993.

Temporary Working

Figure 5 provides an analysis of the trend in the numbers of employees working on temporary contracts between 1987 and 1993. With 1987 as the base year, in only half of the Member States have the indices increased, most significantly in Spain where it has more than doubled. In France the index increased by 1993 to 159 and in Germany to 122. However, for the other six Member States the indices show falls over the seven year period, most significantly in Portugal (64) and Greece (69), although in both countries there have been significant fluctuations over the period, suggesting a varying pattern to temporary contracts.

In most Member States fewer than one in ten employees are on temporary contracts, Spain being the exception with almost one in three temporary workers in 1993. Significantly, in Member States such as Belgium, Denmark, Germany, Portugal and the United Kingdom, those people working on temporary contracts have actually fallen between 1987 and 1993.

Other Indicators

Figure 7 provides information on the extent of three other possible indicators of labour market flexibility taken from the 1992 LFS. The incidence of shift working will be related to the structure of industry in each Member State. The proportion of the labour force normally working shifts was highest in Luxembourg at 25.4%, followed some way behind by Italy at 13.3% and Belgium with 13.1%. For the majority of Member States the figure was around 10% or under.

Regular Sunday working was most common in Denmark affecting almost one in five workers in 1992. The lowest proportions were in Italy (7.7%), Luxembourg (8.3%) and Belgium (8.7%). Naturally, Sunday working will be greatly affected by the legislation in Member States concerning such issues as the opening of retail premises and transport provision.

Figure 7 : Other Indicators of Labour Market Flexibility
(percentage of total employed labour force)

| Member State | Shift Working | Sunday Working | Home Working |
|----------------|---------------|----------------|--------------|
| Belgium | 13.1 | 8.7 | 11.6 |
| Denmark | 7.7 | 19.4 | 11.0 |
| Germany | 10.0 | 10.0 | 5.2 |
| Greece | 7.3 | 13.8 | 1.7 |
| Spain | 4.7 | 14.1 | 0.8 |
| France | 7.3 | 8.8 | 0.8 |
| Ireland | 9.5 | 18.4 | 20.6 |
| Italy | 13.3 | 7.7 | 5.5 |
| Luxembourg | 25.4 | 8.3 | 5.5 |
| Netherlands | 7.6 | 14.0 | 5.6 |
| Portugal | 6.5 | 12.3 | 4.4 |
| United Kingdom | 11.8 | 11.5 | 7.6 |

Source: Labour Force Survey (1992)

Finally, Figure 7 also provides some data on the extent of those in the labour force normally working from home. In 1992, homeworking was most common in Ireland with just over one in five of the labour force home based. This was well ahead of the remaining Member States, the majority of which showed single figures and in the case of Greece, Spain and France, very low figures of around 1%. Since 1992 the incidence of homeworking is likely to have increased through the development of teleworking.

Summary

The indicators presented above illustrate the often wide divergences between Member States in some basic measures of labour market flexibility. However, much of this variation is likely to be due to intrinsic differences in the structure of industry in each Member State, the legislative frameworks and social conditions. It is also interesting to note that in many cases the indicators do not show great changes over the period 1987-93. Moreover, in the absence of comparable data across the EU, it has not been possible to illustrate 'hidden' flexible working amongst the full-time permanent workforce and this remains a crucial area for the development of better indicators.



United Kingdom

Labour Market Flexibility

The Policy Debate

The policy debate concerning increased flexibility in the labour force began in earnest in the UK in the early 1980s. Firstly, attention was focused on the ways in which firms were adopting different contractual arrangements with their employees and the impact of this development on the wider labour market. For example, Atkinson and Meager (1986) examined these trends, and in particular, highlighted the differing attitudes being adopted by firms in relation to their core and peripheral workers. These trends were primarily a direct response to the economic and political circumstances of the early 1980s as, although firms were rationalising their workforces, they were increasingly reluctant to recruit when circumstances improved.

The relationships between employers and the workforce fuelled a second debate about the merits and disadvantages of more flexible forms of working. It was clear that many firms were adopting these practices due to the volatile climate of the market. It was considered unrealistic for firms to maintain a stable permanent labour force when demand for their product or service was unpredictable. The disadvantages of flexible working became all too evident, however, with the segmentation of the labour market into those with permanent employment with prospects and those without secure employment. This latter group was likely to move in and out of unemployment, and receive little investment from their employers in the form of training or other human capital development. The debate has become more complex since the early 1980s and now encompasses the wider aspects of labour market flexibility, such as deregulation.

Over the last decade, deregulation has affected the UK labour market. Major initiatives include the abolition of the Industrial Training Boards (except in agriculture and construction sectors) and the abandonment of the Wages Councils (except the Agricultural Wage Councils), which set minimum wage levels in vulnerable sectors of industry. A series of measures aimed at

deregulating industry has also been introduced. The Department of Trade and Industry emphasised amongst other things the need for further freedom for firms so that they can create jobs, set in the context of the UK's international competitive position (White Paper, 1994).

The Social Partners have adopted traditional positions in the flexibility debate. The Confederation of British Industry (CBI), the Institute of Directors and other employer dominated bodies, have been enthusiastic supporters of the flexible labour market as a pre-requisite for business success in an increasingly competitive environment. In contrast, the Trades Union Congress (TUC) and the individual trade unions and representative professional bodies are generally less enthusiastic. Their view is that deregulation leads to the exploitation of vulnerable employees.

The Extent of the Flexible Labour Market

The concept of a flexible labour market has existed in the UK for a longer period than in most other countries and therefore the definition of flexibility is more developed. A recent article by Watson (1994) provides a useful overview of current thinking on the matter. The author suggests that flexibility has become associated with desirable human resource practices in firms, although a number of different interpretations have emerged concerning the term. The traditional explanation relates to different types of contracts such as part-time, temporary and sub-contracting. Other measures commonly used as proxies for labour force flexibility include a lack of wage rigidity (with potential movements down as well as up) and labour mobility. The prevalence of these measures can be estimated to some extent through analysis of available statistics. However, less obvious factors such as the functional flexibility that occurs within firms is more difficult to detect although is nevertheless prevalent according to commentators such as Rajan, (1994).

The degree of flexibility in the UK labour market can be measured through analysis of the nature of labour force participation. According to the 1993 Labour Force Survey, around 38% of the total employed labour force (approximately 9.7 million people) can be classified as flexible workers. The majority of these are accounted for by women part-time workers. Between 1986 and 1993, some 1.25 million workers became flexibly employed. The main features of this measure of flexibility are set out below:

- Approximately 38% of the total workforce were classified as being in the flexible labour market;
- Around 52% of women and 27% of men were counted as being in the flexible labour force;
- The vast majority of those in the flexible labour force were part-time workers, mostly women;
- There were 3.2 million self-employed, the majority of whom were males working full-time;
- Just over 5% of the total workforce were classed as temporary workers, with approximately half full-time and half part-time.

Figure 1 summarises the key trends for 1993 and includes details of those on government sponsored training schemes and unpaid family workers, given the precarious nature of both these labour market sub-groups.

The growth in certain categories of the flexible labour market must be in part due to the deterioration of traditional employment opportunities. This is true of self-employment in particular and it is a subject that has attracted some attention (Meager, 1992). Unemployment has undoubtedly had a 'push' effect in forcing the displaced to consider self-employment as an option and many of the government support programmes for unemployed people promote self-employment as a real alternative. However, this has led in some cases to what has been called a dynamic environment (Meager 1994) with many people drifting in and out of self-employment, interspersed with periods as an employee or unemployed.

Figure 1: Structure of the Flexible Labour Force (1993) (Percentage of total employed UK labour force)

| Employment Status | Total | Men | Women |
|-------------------------------|-------|-------|-------|
| Employed labour force | 100.0 | 100.0 | 100.0 |
| Full-time permanent | 61.8 | 73.2 | 47.9 |
| Flexible labour force | 38.2 | 26.8 | 52.1 |
| <i>of which:</i> | | | |
| - F-T temporary employees | 2.6 | 2.8 | 2.3 |
| - P-T permanent employees | 18.6 | 3.7 | 36.7 |
| - P-T temporary employees | 2.5 | 1.2 | 3.9 |
| - F-T self-employed | 10.2 | 15.6 | 3.7 |
| - P-T self-employed | 2.3 | 1.4 | 3.4 |
| - Government Training Schemes | 1.4 | 1.7 | 1.1 |
| - Unpaid family workers | 0.6 | 0.3 | 1.0 |

Source: *Employment Gazette* (Vol 102, No 7, July 1994)

Individual choice emerges as a key issue in the flexible labour market debate. Again, results from the Labour Force Survey allow for a preliminary assessment of this as far as part-time and temporary workers are concerned. For example, in the Summer of 1994, approximately half of all men and 40% of all women working in full-time temporary jobs were doing so due to their inability to find full-time employment (*Employment Gazette*, Vol 103, No 1, January 1995). Of those people employed part-time, around 26% of men and 11% of women were currently employed part-time as they could not secure full-time work.

These figures suggest that significant proportions of the labour force are working flexibly through necessity rather than choice. In addition, they also point to a significant degree of under-employment in the UK labour market.

The amount of flexible working taking place in the permanent full-time workforce is the most difficult element to estimate. Aspects to be considered include functional flexibility (staff being used in different functions according to business needs and with little demarcation of skills arguably the most difficult aspect to measure), and working time flexibility. The 1993 Labour Force Survey provides a useful insight into the extent of such working arrangements, the key features of which are summarised below:

- Over 12% of all employees in employment were working flexi-time;
- Some 9% of all employees worked a form of annualised hours;
- Term-time working applied to over 5% of all employees in employment;
- Just over 1% of employees job-shared;

- The nine-day-fortnight (where employees take one day off per fortnight on a rota system) operated for 0.6% of employees;
- Some 2.9% of employees worked a four-and-half day week on a regular basis.

It is interesting to compare this national view with a local labour market perspective carried out in the county of Cambridgeshire in eastern England (Gaskell and Reeve 1994). The study involved a survey of local firms and enquired about their use of flexible working practices. Whilst the majority of firms employed some part-timers, only a minority had introduced other forms of flexible working. Nevertheless, around 60% of employers felt that flexible working practices offered them a way of retaining or recruiting staff in the future.

The majority of flexible working measures have been introduced to allow employers to match their human resource input more closely to production or service needs. However, it should be remembered that many of the practices are popular with employees and allow them greater flexibility to balance the demands of home and work and it is this dual benefit which has allowed such measures to proliferate (nevertheless, some part-time and temporary workers are in such employment because of the lack of suitable full-time jobs).

The Future for Labour Market Flexibility

The latest official review of UK labour market prospects (*Employment Department*, 1994) predicts that flexible working will continue to increase. It forecasts that full-time employment which cur-

rently accounts for around 62% of all types of employment, will fall to 57% by 2001. Playing a large part in this change will be the expected increase in part-time working, with an extra 1.3 million by 2001, taking the proportion of part-timers from 24 to 28%. The official review concludes as follows: "*Flexibility is becoming a prerequisite of success in the labour market for more and more people.*"

Labour market flexibility is now established in UK industry and is becoming more acceptable (albeit reluctantly in many cases) to the labour force. The government has pledged to keep the labour market unencumbered of unnecessary restraints, although it is difficult to see where further policy can be directed. In reality the main activity will be to continue to resist pressure from Brussels on implementing aspects of social policy that might run counter to the stated aim of labour market deregulation.

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United Kingdom: Employment and Labour Market Trends

The past 12 months have seen continuing economic growth in the United Kingdom. GDP increased by 4.2% over the year ending September 1994 and over the same period the growth in retail sales increased by 3.3%. This latter indicator is considered an important factor in UK recovery and the disappointing level of growth can, in the main, be attributed to the caution being displayed by those in employment as a result of an increasingly unstable labour market. There was more encouraging news from the balance of payments figures which have recorded some significant improvements (albeit still in deficit), particularly on the visibles side.

Although these improved economic indicators are beginning to impact upon the labour market, they have had a limited effect on employment. The latest figures from the Employment Department¹ show that in the third quarter of 1994 employment increased by around 146,000 and whilst the majority of this increase was accounted for by employees, surprisingly over 27% of this growth can be attributed to growth in the numbers of self-employed. A somewhat less dynamic situation is suggested by the Labour Force Survey. Over the 12 months ending in the Summer of 1994, overall employment increased by just 224,000. The growth in self-employment is again important with an increase of 106,000 or 3.4% over the same period.

The expansion in employment opportunities has had a distinct impact on the level of unemployment. The official measure of claimants of unemployment benefit shows that by November 1994 the rate of unemployment, at 8.6%, was the lowest since 1991 and had fallen short of the 2.5 million mark. Fewer unemployed people are now participating in support programmes such as training for work. This suggests that some but by no means all these individuals are moving into some form of employment. Many local labour markets have levels of unemployment under 4%, but the majority of these are to be found outside the hitherto low unemployment areas of the South East of England. However high unemployment persists in the traditional areas despite continued efforts at economic restructuring.

The government measures to assist unemployed people, outlined in the 1994 Budget, fall into two categories. Measures aimed at the retraining of unemployed people and those which encourage employers to recruit unemployed people. As such, a number of pilot schemes operating over the last few years have been extended. These include *Workwise*, a four-week course for younger long-term unemployed people, and the 1-2-1 individual guidance measure which aims to prepare unemployed people for the labour market. The 1994 Budget also introduced an incentive measure for

employers whereby they receive concessions on National Insurance Contributions if they recruit people who have been unemployed for at least two years.

The government is relying on the continued economic recovery to create more jobs which unemployed people will be 'encouraged' to take. This is anticipated in the light of the announced restrictions on unemployment benefit and, more positively, the "Back-to-Work Bonus" and other incentives.

Some familiar aspects of labour market difficulty have emerged due to the economic recovery. Skill shortages have surfaced after a noticeably long absence during the recession. The latest survey of skill needs² suggests that the incidence of hard-to-fill vacancies (often used as a proxy for skill shortages) increased to 11% in 1994 from 6% in 1993. Part of the increased difficulty reported stems from the general increase in recruitment activity as firms move out of recession. However, the survey also highlighted the increasing need for higher and/or technology based skills.

The figures on recruitment difficulties, however, require careful consideration. For example, according to the 1994 survey the worst affected sector was hotels and catering which is traditionally a low skills industry. The sector is more likely to suffer recruitment difficulties due to the comparatively low wages and poor working conditions on offer. This situation is likely to become more severe as the economy picks up and job seekers are provided with alternative employment opportunities. The worst affected manufacturing sector was textiles, clothing and footwear which again suggests that the main reasons for any skills shortfall are the relatively poor wages and conditions attached to this industry.

Despite the obvious difficulties in accurately assessing skill shortages, they remain an enduring feature of the UK labour market. There have been significant improvements in the attitudes of employers and employees towards training, undoubtedly encouraged by government measures in this field. Nevertheless, it is sometimes difficult to reconcile the achievement of a more flexible labour market with the parallel goal of a more skilled workforce. Features of the former such as peripheral jobs, (part-time working, temporary contracts etc) and minimal wage regulation may not encourage the acquisition of skills at the workplace.

¹ There is some debate at present about the alternative measures of employment. In addition to the official figures from the Employment Department, the *Labour Force Survey* figures are now used alongside.

² *Skill Needs in Britain 1994* (IFF Research Ltd for the Employment Department, London).

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Greece

Labour Market Flexibility

Facts, Figures and Debate

All sources of employment trends in Greece, the official ones such as the Greek Manpower Employment Organisation (OAED) and the National Statistical Service (ESYE), as well as university research institutes, show that unemployment has become an increasing problem for the Greek economy. Combatting unemployment now constitutes a top priority on the government's agenda. Over the last few years, and particularly since 1994, a number of measures have been taken to promote job mobility, improve employment opportunities and increase the flexibility of the labour market.

The Labour Force Surveys of the years 1991-1993 (ESYE, 1994) show an overall increase in part-time employment: 139,599 people in 1991, 176,195 in 1992 and 162,309 in 1993. This amounts to 4.5% of the labour force. It is, however, believed that the actual number of part-time employees is significantly higher than the official figure, since it is known that part-time employment is in most cases not registered as such. All employment observers agree that part-time employment is higher than it was a few years ago and that now it corresponds to a real need in the labour market. The increase in the number of part-time employees is seen to be a direct result of recent legislative changes to accommodate this form of employment in the Greek labour market.

According to the 1991 population census (ESYE, 1994), the number of unemployed people was 314,200, that is 8.8% of the total labour force of 3,571,957 people. Estimates for 1994 bring this number up to 415,500. In addition, both the 1991 census and more recent data show a rapid increase in the unemployment rate of young people under 25 years of age as well as of women between 20 and 24 years of age.

Policy Measures

Significant amounts of the Community Support Frameworks for the period 1994-99 have been earmarked in order to coun-

teract the above mentioned trends and to facilitate the economic integration of Greece. In particular, it has been announced that 100 billion DRA (75% of which is Community contribution) will be invested in measures. The largest part of this amount (approximately 32 billion DRA) will concern measures to facilitate the integration into the labour market of returning Greek migrants from Western European and former socialist countries.

In addition, important legislative changes have been initiated in order to allow for greater labour market flexibility and to increase job opportunities. The Ministry of Labour in collaboration with other Ministries concerned, has limited the amount of overtime in public as well as private sector enterprises to 15-20 hours per month for 1994 and the first semester of 1995. In order to minimise labour market irregularities, the Ministry is currently examining the possibility of legalising immigrant employment. Illegal immigrants seeking employment in Greece are estimated to be between 400,000 and 600,000, depending on the season. This represents a significant proportion of the labour force.

Since 1994, the government has started a dialogue with the social partners regarding issues of unemployment and vocational training. The dialogue has initiated a spirit of collaboration and co-responsibility between the government and the social partners. As a result, a number of legislative measures were passed. Law 2224 of 1994 imposes additional contributions on behalf of employers (0.5%) and employees (0.2%) towards a fund to be managed by OAED. This fund is aimed at supporting long-term unemployed people, unemployed people who are five years before their retirement age, as well as other categories of the workforce that face difficulties in entering the labour market.

The above mentioned law imposes on employers an additional contribution of 0.45% to be transferred to vocational training organisations (described in Greek legislation as Legal Entities of Private Law). The basis of calculation of all

types of contributions is the daily wage of an unmarried skilled worker with no previous vocational experience.

Specific measures have also been taken to alleviate the problems resulting from the increase in the number of long-term unemployed people and from the fact that unemployment benefits in Greece are very low (well below subsistence level) and are provided for a relatively short period of time. To this end, the Ministry of Labour has established a committee of experts on unemployment issues whose first priority is to examine the possibility of extending the unemployment benefit period for older workers as well as the possibility for earlier retirement of unemployed people approaching their pension age. In addition, the Ministry of Labour recently announced a 10% increase in unemployment benefit.

The specific ministerial committee has undertaken to propose measures on combatting unemployment. The results will form a White Paper on the Greek labour market. The General Confederation of Greek Workers (GESEE) has also undertaken to establish a similar committee to work on the same issues.

General Considerations

In addition to specific labour-market policy measures, a number of other actions are being undertaken which are expected to contribute to the improvement of labour market prospects. In particular, a new development law has been approved: Law 2234 of 1994, amending Law 1892 of 1990. This particular law aims to stimulate private investment through a series of subsidies, notably investments over 5 billion DRA directed to peripheral regions of Greece. The economic recovery expected to be stimulated by such investments will lead to the creation of new employment opportunities in some of the least developed regions of Greece.

The implementation of measures relating to the labour market is expected to benefit greatly from the supply of more detailed and accurate data and a more

systematic examination of trends. To this end, the Ministry of Labour and OAED have recently established the Experimental Institute for Vocational Training and Employment which will house a National Employment Observatory. The Observatory will benefit from an integrated system for labour market analysis which will include data from a number of different sources such as ESYE, the Federation of Greek Industries (SEB), the Confederation of Greek Workers (GESEE), the Institute for Social Security (IKA) and the Chambers of Commerce. The objective is to register labour market trends at local, regional and national level and to formulate policies against unemployment.

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Greece: Employment and Labour Market Trends

Following a long period of low growth, the Greek economy started showing definite signs of recovery in 1994. The GDP increased by 1% in 1994 (as compared to a decrease of 0.5% in 1993) and is estimated at 1.5% for 1995. The 1994 increase is accounted for mainly by increases in the agricultural and manufacturing outputs (2 and 1.3% respectively) and an increase of 10% in tourist activity.

The Consumer Price Index increased on average by 10.9% which showed a reduction relative to 14.4% in 1993. The 1995 target is to remain below 10%. This is a considerable improvement compared to a rate of inflation of 20.5% in 1990. The state budget deficit is expected to be further reduced, from 12% of the GDP in 1994 to 9.8% in 1995.

The economic upturn has had a positive impact on employment. According to the Greek Manpower Employment Organisation (OAED), registered employment has been steadily increasing since 1993: from 2.267 million people at the beginning of 1993 to 2.401 million at the beginning of 1995. The increase in employment in recent years is primarily due to women's entry into the labour market.

Employment increased in all but the primary sector, where it has been steadily declining: an average of 2.3% per year since 1973. This decline accounts primarily for the increase in unemployment over the past few years.

An interesting phenomenon in the Greek labour market is the relatively high proportion of people declaring more than one job: 3.8% of the active population as compared to an average of 2.7% in the EU. The actual number is estimated to be significantly higher.

According to the OAED, which is the main source of registered unemployment in Greece, the unemployment rate for the period from January to October 1994 was 7.1%. This represents a small increase in comparison to the same period in 1993, when the registered unemployment rate was 7%. In absolute numbers, registered unemployment has increased from 172,100 persons in 1993 to 175,300 persons in 1994.

A second important source of employment data in Greece is the Labour Force Survey undertaken annually by the National Statistical

Service of Greece (ESYE) on the basis of a population sample. The ESYE's estimate of the number of unemployed people in 1994 is 415,000. This represents 10.1% of the labour force. At the beginning of 1995 the OAED records show only 178,000 persons registered as unemployed. The discrepancy between these figures indicates that the majority of unemployed in Greece are not actually in receipt of unemployment benefit.

Quantitative and qualitative data from both OAED and ESYE indicate that unemployment in Greece has been increasingly of a long-term character. The 1994 ESYE data show that 50.2% of unemployed people have been without a job for more than 12 months.

The unemployment rate of 10.1% in Greece is higher than the OECD average of 8.5%, but remains below the EU average of 11.3%. However, Greece fares worse regarding certain categories of unemployment. For example, the unemployment of young people under 25 years of age as a percentage of total unemployment in Greece is double that of the EU average: 40.8% as compared to 20% in the EU (EUROSTAT, Eurostatistics Monthly Bulletin). The rate of long-term unemployment is also higher: 50.2% in Greece as compared to an EU average of 45% (European Economy, July 1994).

In comparison to other EU countries, unemployment benefits in Greece are very low (to such a degree that they are not sufficient to live on) and they are only provided for a relatively short period of time. The advanced welfare state system as well as the successful implementation of policies in favour of part-time employment, have helped alleviate some of the consequences of unemployment in most EU and OECD countries. However, although this has not been the case in Greece, the strong family tradition and the financial support that family members provide to each other is having a positive effect on the consequences of unemployment and has allowed for decent living standards in the majority of cases of unemployed people, particularly young and long-term unemployed people. This, however, does not obliterate the socio-economic problems raised by unemployment, which still have to be tackled at policy level.



Ireland

Labour Market Flexibility

Introduction

Flexibility can be defined as many different things depending on the perspective taken and the debate in Ireland in this context is similar to other countries. The perspectives of the social partners contrast, for example, whereby the employers' view of the labour market involves excessive rigidity while the trade unions, on the other hand, argue that the existing regulatory provisions are the minimum necessary to maintain workers' fundamental rights. In addition, it is felt that these measures are beneficial in a wider economic and social sense on the grounds that a workforce which enjoys such support performs more efficiently in the long-term. Most economic analysts, or at least those who are disposed to comment publicly on this issue, support the view that the Irish labour market does suffer from inflexibilities. In an overall EU context, however, the market is not regarded as being unduly regulated although its operation is, of course, less liberal than that which applies in countries such as the US, Canada or Australia.

In this short article the emphasis will be put on three aspects - wage rigidity and labour costs, adaptation in the work place, and recruitment and dismissal practices. It must be recognised that these issues are interrelated and cannot be discussed in isolation.

Wage Rigidity and Labour Costs

As for flexibility in regard to *wages and labour costs*, the position of Ireland varies between sectors. In the indigenous sector of manufacturing, wages and other labour costs would tend to be more rigid as they are based to a degree on traditional structures, in which for example, craft-based trade unions would be influential. The position within the mainly high-tech multinational sector is, however, somewhat different. Traditional structures or occupational demarcation lines do not apply to the same degree, and generally speaking the sector involves much greater diversity in terms of skill

levels and earnings. Hitherto it can be said that wage flexibility in the multinationals has not been fully put to the test, as the sector has been in almost continuous expansion and earnings have tended to be maintained at a reasonably high level. However, recently some sectors such as motor components have come under pressure from external competition which has resulted in enforced real wage reductions. The important issue here is that this represents an example of the increasing globalisation of trade (in particular the emerging economic significance of the countries of the Far East) which can impose such downward flexibility when the alternative is either redundancies or plant closure.

It is difficult to assess the question of wage flexibility in the private services sector in view of the diversity of activities and the large number of small firms. In addition, little information exists on earnings in this sector. The available evidence suggests that flexibility has emerged more in the form of different work practices and it is, therefore, more appropriate to pursue the discussion under this heading. Not unexpectedly there has been little or no wage flexibility in the public sector as it tends to be organised on the basis of traditional grade structures.

One overriding aspect which needs to be borne in mind in the Irish context is that in overall terms wage negotiations tend to be determined by means of national collective agreements. The current such agreement, the Programme for Competitiveness and Work (PCW) covers the period from 1994 to 1996 (see Bibliography). While such agreements are important in moderating the overall level of increases in wage costs and facilitate planning at both national and enterprise level, they can place constraints in the way of achieving more flexible local or plant based arrangements. Some analysts, for example, Walsh (1992), have called for changes in the wage bargaining process so that prevailing unemployment can be more realistically taken into account.

There is now a growing view that high levels of personal taxation on low paid workers are proving an impediment to achieving wage flexibility. In the 1995 budget the Irish government eased the tax burden on the low paid and reduced employers' social insurance contributions. While few would object to cutting income tax for the lower paid, the second proposal, reducing employers' social insurance contributions, has not met with universal acceptance. Some earlier studies (Fitzgerald and McCoy, 1992) suggest that a general cut in wage costs achieved in this way is likely to have a very limited impact on employment, especially when the tax foregone is recouped in other ways. Others, however (Tansey 1991) argue that it is necessary to reduce the 'tax wedge' which has developed between paid earnings and labour costs, causing employees and employers to view the issues from increasingly different perspectives.

Adaptation in the Work Place

With regard to *adaptation in the work place*, this can take several forms. There has been a significant rise in part-time working in Ireland. Even though its extent is still low by EU standards, virtually all of the recent increases in employment can be attributed to part-time work (particularly involving women). Currently some 15% of women in the workforce are engaged in part-time activities, but this proportion is expected to rise to over 20% over the coming years. There has also been a very substantial increase in self-employment in the non-agricultural sector, the numbers rising by nearly 50% throughout the 1980s; during the same period the non-agricultural employees remained virtually static. A contributing factor here is likely to have been the increasing tendency for firms to off-load functions on a contract basis, instead of carrying them out in-house. There has also been a moderate rise in the degree of 'fixed term' employment in Ireland, even though its extent, constituting about 7 to 8% of total paid employment, is much

lower than in some other Community countries (eg, Spain) but is roughly equivalent to the overall EU average (see Schomann et al, 1994).

The foregoing discussion provides illustrations of instances where adaptability, when viewed in a relatively wide sense, involves changes in status (eg, from employee to self-employed, etc). However, even within the more narrowly defined confines of status groups, changes have been occurring, even if more slowly. Craft based demarcation lines are beginning to erode, even in traditional sectors. A notable example occurred recently when, in the State-owned steel industry, craft union members agreed to carry out a wider range of general tasks usually performed by semi-skilled operatives, as part of the necessary rationalisation plan. Here, again, an important factor was the effects of external competition and, also in this case, limitations on further State subsidies, as these are now disallowed under EU competition rules.

Recruitment and Dismissal Practices

As for *hiring and dismissal practices* the Irish labour market is not considered to be over regulated, at least not in the EU context. There is, of course, a body of basic labour law, including unfair dismissal legislation, which applies to workers who have been engaged by an enterprise for more than a twelve-month period. Many of the changes which have been implemented in this sphere in recent years have been in pursuance of EC legislation in areas relating to working time, maternity and health provisions. Employers take the view that these changes are a deterrent to employment creation and render the labour market less flexible. Workers' representatives, for the reasons already outlined, take a different view. One change of particular interest was legislation introduced in 1992 which extended labour law protective provisions to a much wider range of part-time workers. Fears were expressed at the time that this would inhibit employment growth; these do not appear to be justified in view of the continuing increases in part-time employment, although it may be too early to anticipate what the longer-term effects might be.

Government policy in Ireland has endorsed and sought to promote greater adaptability in the labour market by means of training and education policies, especially in recent years. It should be noted in this regard that a much higher proportion of EU Structural Funds support is expended on training and education in Ireland than in other EU Member States.

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Ireland: Employment and Labour Market Trends

The most notable event in the Irish labour market in 1994 was the resumption of significant employment growth after several years of stagnation or marginal increases. Official estimates produced by the Central Statistical Office last autumn show that in the year to April 1994 the total number of persons at work rose by 30,000 or 2.5%. The increase occurred across several sectors, covering not only services, but also manufacturing and building and construction. In contrast to the trends in recent years the number of males in employment rose during 1993/94, even though females again constituted the majority of the overall net increase. The unemployment rate, when measured according to standard ILO definitions, dropped from 15.8 to 15.2%. Net emigration is estimated to have risen slightly in response to improving conditions in external labour markets.

The rising number of persons accommodated on special employment schemes should be considered when interpreting these figures. These schemes underwent a significant expansion in 1993/94 (involving an increase of some 8,000 when measured in stock terms) and this may well have contributed to the unexpected rise in male employment. However, even when due allowance is made for this, the recorded rise in the numbers at work is still impressive, especially since the overall trend involves a continuing decline in agricultural employment.

Subsequent estimates contained in the ESRI short-term forecasts suggest that total employment will continue to increase. The forecast increase for 1994/95 is at much the same level as in the preceding year.

A number of the reports and research articles on labour market issues which were issued in 1994 are indicative of the main aspects currently under debate (see Bibliography). The paper by Walsh studies changes in the labour force over the period from 1971 to 1991. The position of women in the labour force is the subject of special analysis, especially the causative factors underlying increasing female participation. The Report by the National Economic and Social Council (NES) on education and training policies addressed a number of key issues including the link between standards of human capital and training and productivity, the educational basis for skill development and equality of oppor-

tunity. Among its main conclusions was that the current Irish labour force suffered from inadequate levels of qualifications and was relatively weak on management skills. It was thus not well prepared for the sweeping changes in the economic environment which confronted the Irish economy over the past decade. The paper by Kennedy contained in the ESRI publication "Economic Perspectives for the Medium Term", provides a critical assessment of the Delors White Paper and its implications for Ireland. The article finds that while the White Paper falls short of a clear statement of EU capital policy on unemployment, it gives renewed expression at the highest level of the Community to concern about unemployment. The requirements for Ireland in adhering to the White Paper objectives would be formidable; if the unemployment rate were to be reduced by one half in the period up to the year 2000 (as the White Paper advocates) this would require virtually unattainable levels of employment growth, especially in the context of low net emigration.

Finally the report by the National Economic and Social Forum, "Ending Long-term Unemployment", is indicative of continuing concerns regarding this intractable problem. The report's central recommendation is the establishment of a revamped Employment Service which would be responsible for measures aimed at the prevention of long-term unemployment and the integration into the labour market of those already long-term unemployed. It is envisaged that the service would be the gateway to all employment and training programmes, would possess a high degree of autonomy and would gradually benefit from the transfer of budgets in respect of programmes for unemployed people with a view to the separation of the purchase and delivery of such programmes.

One event of particular note in early 1994 was the negotiation of a further broadly based economic strategy, the Programme for Competitiveness and Work (PCW), between the Government and the Social Partners. Apart from setting out a broad range of agreed macro economic and sectoral policies designed to generate employment, the central provision of the Programme is an agreement by the social partners on pay increases. On a cumulative basis these will amount to just over 8%, but will be paid in stages over the three year time span of the Programme (which runs until the end of 1996).



Luxembourg

Labour Market Flexibility

The Policies Debate

Not unlike other Member States of the European Union, Luxembourg is confronted with social and economic problems resulting from the internationalisation of the economy and the globalisation and liberalisation of markets. These developments have brought about a slowing down - and in some Member States a reversal - of economic growth, a loss of competitiveness, a crisis in employment and an exacerbation of unemployment.

National debates on these issues have been informed by the recommendations of the Delors White Paper on Growth, Competitiveness and Employment. In Luxembourg they also have to be seen against the background of a number of domestic developments.

The year 1994 was marked by tripartite negotiations and agreements between government, employers and trade unions, as well as the general elections, bringing in a new government. It was also the year which saw the Prime Minister, Jacques Santer, elected president of the European Commission. He was succeeded by the Christian Socialist Jean-Claude Juncker, former Minister of Employment and Finance.

The tripartite meetings held between January and March 1994 followed talks between the social partners. These were instituted in the framework of the Action Plan negotiated at the European Council meeting in Brussels in December 1993. Although the objectives of the Action Plan were addressed at the Community level, it was for the Member States to choose the appropriate measures to bring about their achievement, according to the principle of subsidiarity. The Tripartite Co-ordination Committee was set up to address these issues and produced a common position on its recommendations in March 1994.

Measures

Emphasis was placed on measures aimed at fighting unemployment and improvement of institutions administering the labour market. The transparency and func-

tioning of the labour market were to be improved and the fight against illegal and undeclared employment stepped up. Other measures designed to encourage employment creation were the rigorous enforcement of legislation on working hours (particularly on overtime), and a commitment to life-long education. Further policy proposals were launched to help curb inflation, and to reinforce the country's economic potential, as well as improving labour market flexibility. The importance of enhancing the competitiveness of domestic companies, and the responsibility of the social partners were also highlighted.

With regard to labour market flexibility the text provides for greater flexibility of working time in some specific sectors, but stresses that the government only approves negotiated agreements which do not affect employees' rights to social protection.

An envisaged reduction of the cost of labour through the reduction of employers' social costs is designed to improve the competitiveness of domestic enterprises. The social partners have declared their willingness to negotiate agreements, adapting contracts and working conditions to the needs of particular companies in order to maintain or help create employment. In return, the state is to commit itself to keeping a check on total public spending, including public sector wage bills.

Throughout the tripartite negotiations, employers stressed the need for more decisive measures aimed at restoring the competitiveness of domestic enterprises. They demanded the abandonment of the linking of salaries with the increase in the cost of living, a measure which was heavily opposed by the trade unions. Wary of a demise of social peace and stability, the government refused to institute any measures introducing greater salary flexibility.

Immediately following the general elections, the Federation of Industrialists of Luxembourg (FEDIL) issued a memorandum urging its members to take steps to ensure the competitiveness of enterprises, calling for greater labour market flexibility. Its recommendations are based

on the view that enterprises can only create employment if they are free to respond to the demands of the market. The memorandum argues that it is the rigidity of employment relationships which poses a barrier to employment creation. It calls for legislative changes to extend the use of part-time and temporary employment contracts. With regards to working time, FEDIL stresses the importance of the maintenance of the 40 hour week, arguing that a reduction in working time is not justified due to the shortage of domestic labour, as highlighted by the employment of 50,000 foreign workers in domestic enterprises. Additionally, FEDIL calls for greater working time flexibility to be introduced through the annualisation of working hours. The availability of overtime, part-time and temporary work is seen to be the only means to deal with the vagaries of demand. The memorandum also underlines the employers' view that an increased flexibility of employment relationships does not render jobs more precarious, let alone dismantle employees' rights, but represents a necessary adaptation to the existing market conditions and the needs of companies and their staff. None of these views are shared by the trade unions.

It is important to underline that the positions taken by the public authorities have by no means fully reflected the demands of employers. At the beginning of the year the Christian Socialist Prime Minister stressed that since 1989 Luxembourg had followed a different policy from the other Member States of the European Union, thus indicating that he did not wish to follow the demands of European and domestic employer federations. On the contrary, May 1994 saw the adoption of a law limiting the scope for the activity of temporary employment agencies. The use of atypical forms of employment is strictly limited by measures requiring the authorisation of any such contract and strict control measures are imposed on enterprises regarding their adherence to these rules. Since 1993, legislation is also in existence imposing the principle of equal pay and equal treat-

ment of full- and part-timers. This law requires employers to pay part-timers the appropriate proportion of a full-timer's salary. A law restricting the use of temporary contracts still applies.

Outlines of Negotiations

At the time of their introduction all these legislative measures caused controversy with employers and fears of economic decline. The Employment Minister argued that, in fact, the reverse was true: "Countries which had used labour market flexibility had in fact experienced a sharp increase in unemployment. Making dismissals easier does not encourage employers to hire more workers. Instead of decreasing the number of unemployed these measures risk increasing their number and are therefore counterproductive". However, unlike the trade unions, the government is not in favour of a wholesale reduction in working hours, preferring a negotiated approach dependent on the need of each company. It is up to employers and trade unions to negotiate agreements which would ensure the maintenance and creation of employment at the company level. Like FEDIL, the government favours the annualisation of working time (in all sectors apart from construction, tourism and catering).

When looking at the debate on labour market flexibility and the outcome of tripartite negotiations it is useful to note that Luxembourg has a very high level of unionisation. The labour market is characterised by the large numbers of foreign and cross-border workers with nearly half of all employment taken up by migrants. Luxembourg's extremely open economy is highly responsive to the vagaries of the global market.

However, the country's economic and employment situations remain exceptional as both continue their upward trend. At approximately 3%, the rate of unemployment is much lower than the EU average and questions of introducing labour market flexibility are therefore far less pressing in Luxembourg than in other Member States.

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Luxembourg: Employment and Labour Market Trends

The labour market situation in Luxembourg over the last year can only be characterised as paradoxical. On the one hand, 1994 witnessed an increase in total employment figures by 2.6%, thus continuing a trend which has been ongoing since 1990. On the other hand there was a significant increase in the rate of unemployment, surpassing 2.7% in 1994. Although this figure represents a slowing of the trend, there is no indication that unemployment will return to the low levels of the late 1980s. These figures came as a surprise because until last summer forecasts predicted a definite downward trend in unemployment figures in Luxembourg.

The rise in unemployment can be attributed in part to the slowing down of GDP growth since 1993. This, however, fails to explain why the steady growth of the domestic labour market has been unable to absorb the demand for employment of those resident in Luxembourg.

Labour market analysts have therefore turned to alternative explanations. One of the principal characteristics of the labour market in Luxembourg is the high level of cross-border working, which is included in the survey of domestic employment. Most of the employment created over the last year was in fact taken up by cross-border workers, even if the rate of growth of this form of work has slowed down (from 10% between 1990-1992 to 8.3% in 1994). There is evidently a discrepancy between the supply of jobs offered by domestic companies and citizen's demand for employment.

Analysts call for further analysis and suggest a critical re-examination of the functioning of labour market mechanisms, placement services and the benefits system.

Figures for the evolution of the sectoral distribution of employment in 1994 are not yet available. Figures from the previous year show a decline in employment in the extractive and manufacturing

industries. The hardest hit was the textile, leather, shoe and clothing sector with a decline of 25%. Employment in the private service sector has increased by 4% with the highest growth figures in communications and related sectors 13.5%. Figures from the year 1993 show an increase in part-time employment from 8.5% in 1992 to 9% in 1993. Such employment is virtually exclusively taken up by women and constitutes a third of women's employment.

As a response to the European level discussions on competitiveness and employment, the social partners and the Luxembourg government have set up tripartite talks (Comité de Coordination Tripartite). This came as a result of the assessment of the worsening national and international economic and social environment and the rapid evolution of technical progress.

The employers argue that to increase the competitiveness of domestic enterprises, wage costs would need to be contained. This should be achieved through the abandonment of the linking of salaries to the increase in the cost of living. Trade unions and the government have rejected this approach in order to maintain social stability in the Grand Duchy. Instead, the government has proposed to stop employer family benefits. These will now be paid by the Caisse Nationale des Prestations Familiales, and are to be funded via an increase in company solidarity tax and the introduction of a "social levy" on petrol. Tripartite negotiations concentrated on competitiveness and the fight against unemployment.

At the end of 1994, the new government elected in June announced the adoption of new methods of fixing minimum income, the adjustment of the level of income support and the abolition of the minimum reference wage. Social protection policies are also subject to change.



The Netherlands

Labour Market Flexibility

The Policy Debate

Four broad themes have emerged since the early 1980s as the key issues in relation to labour market flexibility: working time, the nature of labour contracts, the number and composition of staff, and the remuneration of labour performance. In the late 1980s, the government assigned primary responsibility for policy on working conditions, including labour market flexibility, to the social partners. The current government favours more flexibility of the labour market and calls for an enhanced role by the social partners.

In 1994, the National Trade Union Museum (Nationaal Vakbondsmuseum)

organised a conference on *Flexibility of labour*. This conference perceived flexibility as a means of generating a dynamic economy, employment growth and the introduction of new technologies. In the 1980s, the left-wing political parties and trade unions were more concerned with the preservation of the merits of the welfare state than with promoting flexibility. Their perception was that the experience of flexibility in the United States had produced negative results. Despite this perception, in 1982 the social partners approved the agreement setting out more decentralised and flexible working relations (Akkoord van Wassenaar). Based on the principle that co-operation

was necessary to increase the profitability of firms, and with a view to promoting employment growth, this agreement provided for wage moderation in exchange for a reduction in working time. It was also agreed that responsibility for employment conditions would be fully decentralised and entrusted to collective bargaining on a sectoral and company level (De Haan, Vos and De Jong, 1994).

In 1993 two more agreements were reached by the Labour Foundation (an association of unions and employers) on working time (allowing for part-time work and a differentiation in working time patterns) and working conditions in the broadest sense (eg, policies for older

workers, sick-leave and workload). These agreements were reached following the recognition that a mutual need existed for more freedom of choice within the regulatory framework. These agreements sought to establish a balance between the demands of enterprises and the need to secure the legal protection of employees. A favourable attitude towards individualisation and responsible autonomy for workers prompted the unions to sign these agreements. Their decision was also influenced by the increased labour market participation of women with high levels of education and an aspiration to economic independence, and by the need for men and women to combine work with care activities. Although the introduction of a legal right to part-time work was rejected by the social partners at the national level, reaching agreements on part-time working on a sectoral level is encouraged (De Lange and Van Lent, 1994).

The two largest trade unions at the national level (the Confederation of Christian Trade Unions in the Netherlands, (CNV) and the Netherlands Trade Union Confederation (FNV), have taken the lead in this discussion. CNV has favoured a more balanced division of paid and unpaid work. Based on the Christian Social heritage, CNV took the view that every worker should be allowed to combine work and care activities. FNV shares this view, albeit on grounds other than religious. The promotion of tailor-made solutions for employees who have ceased to live in *Familie Doorsnee* households (ie, ordinary families in the 1950s, with one breadwinner and two children) is a central theme for FNV. In addition to part-time work as a means to share the available jobs, various forms of leave are proposed by the unions, for example parental leave, study leave, union leave and care leave. Part-time early retirement schemes and temporary, partial or gradual early retirement schemes with the right to return to the company are also proposed by FNV. Thus one of the major changes in the attitude of the unions has been the shift from striving for general measures on a national scale to promoting specific arrangements on a sectoral or even a company level (De Lange and Van Lent, 1994).

The opinions and proposals of the employers' associations are debated by

the Labour Foundation and the Social and Economic Council and appear in press statements. Flexibility in general is advocated as a means for enhancing the competitiveness of the economy and the cost-effectiveness of firms. Flexibility is called for at both company and labour market levels. Freedom of contracts, decentralisation and deregulation are keywords for the employers. One of the largest employers' associations, the Federation of Netherlands Industry (VNO), also expressed its willingness to make concessions in relation to the regulation of flexible labour relations in collective labour agreements (eg, quota for the number of workers employed through temporary work agencies).

The On-Going Debate

The debate on labour market flexibility is usually focused at a macro level. The central government and the central organisations of employers and employees play a leading role in this debate. According to both the former and the present Dutch government (Sociale Nota 1993 and 1994), deregulation could be promoted in the following areas of labour law: dismissals, working time, permits for employment services, the mandatory extension of collective labour agreements, and flexible retirement (Ministerie van Sociale Zaken, 1993, 1994). In 1994, additional issues, such as the possibilities for exemption from the law on minimum wages, the flexibilisation of labour relations, the probation period and the protection against dismissals in case of illness, were also integrated into the debate (Ministerie van Sociale Zaken, 1994). A relatively new player in the public debate is the Ministry of Economic Affairs, which has taken the view that a deregulation of the markets for goods and services, in addition to measures for reducing the collective tax burden, could greatly contribute to the "broad offensive against unemployment" (Weijers, 1994).

Scope and evidence of labour market flexibility

Legislation

The former government introduced various proposals to increase the flexibility of the labour market. A bill for a new Act

on working hours (*Arbeidstijdenwet*), including proposals to simplify the existing legislation on working hours, was introduced into Parliament on 16 March 1994. The current government favours the continued creation of jobs between the minimum wage and the lowest wage scales of the collective labour agreements (CAO). Discussion of the present system of mandatory extension of the collective labour agreements has been postponed to 1996 due to parliamentary opposition. The system of preventive dismissal testing will be adjusted, preserving its protective function but also decreasing the employers' reluctance to offer fixed contracts. The permit system for temporary work agencies and intermediary work agencies will be deregulated. The government intends to formulate proposals for measures to combine work with study or childcare through an extension of the possibilities for flexible working patterns, on the basis of dialogue with the social partners.

The budget for the public employment service was cut drastically. Several projects are studying issues of labour market flexibility (eg, quality of legislation, market and deregulation, flexibilisation of labour market relations).

Statistical evidence

In the bi-annual publications on trends by OSA (Organisation for Strategic Labour Market Research), data on flexibility are covered at a sectoral level. The share of part-time workers increased from 65% in 1990 to 69% in 1992, while the percentage of employees with flexible working week schedules increased from 4 to 7 in 1992 (OSA, 1994).

Definitions used in various statistics lead to slight differences in calculations. The Social and Cultural Report 1994 of the Social and Cultural Planning Bureau compared several outcomes for types of contract. The development in the share of flexible contracts in total employment, for example, depends on the types of contract considered and the way they are registered. Using one of the publications of Statistics Netherlands (*Arbeidsrekeningen*) as a starting point, it can be concluded that the number of flexible jobs (defined as temporary work via a temporary work agency and work without regular weekly working hours) has

increased steadily (from 414,000 in 1987 to 572,000 in 1993, representing an increase of 7.9% to 9.7% as a share of total employment). In another publication, Statistics Netherlands (*Enquête Beroepsbevolking*), the number of employees working within a flexible framework, according to a broad definition, has decreased from 591,000 in 1987 to 570,000 in 1990 (and rose again to 605,000 in 1991), leading to an average share in total employment of between 10% and 11% (Social and Cultural Planning Bureau, 1994). According to OSA, women work on the basis of a flexible contract twice as often as men, and employees under 25 years of age three times as often as older employees (OSA, 1993). Avoiding the broad term flexible means avoiding some of the problems mentioned above: data on working hours filled by temporary workers (defined as those workers who work with a firm on the basis of a contract with a temporary work agency) are unambiguous and, measured in working years, show an increase in 1994 after a decrease in 1992 and 1993.

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At the beginning of 1994, the first signs of an economic recovery became apparent. Whilst growth was sustained mainly by a recovery in foreign trade, consumption and investments exhibited lower growth figures. In 1994 the volume of GDP was 2.2% higher than in 1993 (when growth in GDP was 0.4%). The rise in bankruptcies was only 1% compared with an increase of 25% in 1993.

The number of jobs filled, whilst declining slightly during 1993, increased in the first half of 1994. In the second quarter of 1994, the total number of jobs filled was about the same as in 1993: 5.9 million jobs filled and 40,000 vacancies, approximately. However, this increase was due mainly to a rise in the number of part-time jobs. Comparing the figures for the second quarters of 1993 and 1994, the number of working years have decreased by 32,000 (to 4.8 million working years, seasonally adjusted). Less than two-thirds of all jobs are full-time (ie, 3.7 million full-time, 1.7 million part-time, 600,000 flexible contracts). Employment for temporary workers clearly improved in the third quarter of 1994, after a decline in 1993 and the first quarter of 1994. In the third quarter of 1994, 140,000 working years were filled by temporary workers.

Industry, transport and construction experienced a 3% growth compared to 1993. Since 1990 nearly 100,000 jobs have been lost in manufacturing. The number of jobs in this sector dropped sharply in 1993, and continued to decline in the first half of 1994. While industry and transport experienced net job losses, job growth was mainly determined by the service sector (commercial and non-profit), especially in trade, hotels and restaurants, and commercial services like consultancy and accountancy.

Registered unemployment (defined as those persons registered at the public employment service, who do not have a job for more than twelve hours or more per week and are available for a job of twelve hours or more per week) declined in the second quarter of 1994, following a very sharp increase during the previous six months. Only part of this decline was due to seasonal factors. Unemployment figures, adjusted for seasonal influences, remained more or less stable in the last quarter of 1994, reaching a total of

480,000 people registered as unemployed. The last quarterly average for 1993 was 450,000 registered unemployed people. The number of people receiving unemployment benefits, which had stabilised in the second quarter of 1994, increased again in the second half of 1994, in line with the registered unemployment figures. Therefore, despite decreasing figures in the first half of 1994, the annual average unemployment figure for 1994 was considerably higher than for 1993 (approximately 760,000 people received benefit in 1994 versus 670,000 in 1993).

The increased unemployment figure (from 6.6% of the labour force in the third quarter of 1993 to 7.6% in the third quarter of 1994) was due partly to an increase in labour force participation. The number of unemployed people increased for all age categories. For a short period (July-September 1994), youth unemployment figures showed a more favourable situation compared to 1993, partly as a result of the specific labour market policy for young unemployed people. Youth unemployment, nevertheless, remained a cause for concern, due to the high percentage of unemployed people in this age category (11% for those under 25 years of age).

Discussions relating to the Dutch labour market in 1994 were dominated by the debate on globalisation and the need for more flexibility to improve the economic and labour force situation. The debate on flexibility covers issues such as the constraints on participation in the labour market, the costs of labour and the need for lower wage costs for the bottom tier of the labour market. A special commission to advise on the bottom tier of the labour market was established by the Ministry of Social Affairs and Employment in November 1993. This Commission on the Lowest Segment of the Labour Market concluded that a twofold approach would be needed, consisting of favourable tax regulations for employed people on the one hand, and reduced expenditure (especially on social security) on the other hand. The Dutch government also intends to formulate new proposals, on the basis of dialogue with the social partners, to increase labour market flexibility.



Portugal

Labour Market Flexibility

The Policy Debate

The debate on labour market flexibility is insufficiently developed in Portugal. This can in part be attributed to the fact that the rate of unemployment only started to increase in 1994. Another angle from which to approach the debate on flexibility relates to the current factors of competitiveness, which are still predominantly centred around labour costs.

Despite the apparent unanimity of views within the Economic and Social

Council (a body composed of representatives of government and social partners), positions regarding flexibility still vary markedly between institutional actors. While employers favour labour market deregulation in order to increase the competitiveness of enterprises and to create jobs, trade unions in spite of their different strategies continue to defend more defensive principles in support of the functioning of the labour market. According to trade unions, deregulation is more conducive to redundancies than to

job creation. Finally, the government acts like a referee: on the one hand it favours labour market deregulation; on the other hand it searches for consensus between social partners.

These divergent positions between the social partners in fact reveal the dichotomy in Portugal between the theory and the practice of flexibility. Despite the theoretical consensus concerning the importance of the human resource factor to increase economic competitiveness, social partners continue, in reality to de-

fend their interests. Their attitudes consist more of adopting defensive behaviour rather than defining strategies likely to promote an offensive flexibility.

Scope and Evidence for Labour Market Flexibility

Flexibility is an issue that is almost non-existent in the labour market policy debate in Portugal. In fact the debate that there is, is focused on dismissals and wages problems. The other dimensions of flexibility (internal occupational mobility, work organisation, etc.) are not yet to the fore.

The determination of wages is still based at the level of the individual and upon the professional experience of employees. This is despite the importance over the last few years that employers have been conferring on formal qualifications. With regard to collective bargaining and the indexation of wages, inflation (sometimes associated with a part of the average productivity gains) continues to form the basis for the calculation of wage increases. Mention should also be made of the fact that trade unions have been asking for the application of a coefficient designed to gradually close the salary gap between Portugal and the average EU rates. This request has not yet found much support from employers and the government.

Within this framework, collective bargaining is still affected by conflicts that are determined by either salary considerations or the government's attempts to revise existing legislation, particularly as regards dismissals. The lack of an Economic and Social Agreement for 1995 between the social partners is a good example of the difficulty in Portugal to reach agreement when salary or legal issues are at stake.

Despite the dominant discourse led by employers and government over the need to soften those elements of legislation that are perceived to hinder economic and social development, the existing legal framework in Portugal (*Decreto-lei 64-A/89*) in fact allows for collective redundancies and the issuing of fixed-

term contracts. In 1994, 11.2% of employees were working on fixed-term contracts.

The increase in self-employment is also worth mentioning. Recourse to self-employed status is increasingly used by employers as a means of reducing indirect labour costs and facilitating dismissals (employers bear no financial cost when dismissing self-employed employees). This trend, however, is likely to be reversed following the recent changes in social security regulations, which increased the level of individual contributions from self-employed workers.

Despite different attempts to bring about greater flexibility in the labour market, unemployment has been increasing gradually since 1994. At the end of the third quarter of 1994, 6.8% of the labour force was unemployed. Even if this figure is significantly lower than in most other Member States, the weakness of the welfare state in Portugal, coupled with the specific characteristics of the unemployed population (which is predominantly over 40 years old and poorly qualified), contribute to making unemployment a serious social problem.

Portugal's policy to combat unemployment consists of a series of measures and incentives that aim to stimulate the recruitment of unemployed people or their self-employment. These measures include the creation of the *Clubes de Emprego* (Job Clubs), which were established to accompany and motivate unemployed people in their search for employment.

With regard to vocational training, an agreement was signed in 1991 between the government and the social partners in order to: improve the articulation between training and employment; promote the integration of disadvantaged groups; to increase the provision of continuing training; promote consultation between institutional actors in the definition, development and implementation of employment and vocational training policies; support scientific research and improve the statistics on training and employment; and regulate vocational training in general (*Decreto-lei 401/91*) and

continuing training in particular (*Decreto-lei 405/91*).

The Portuguese government is also negotiating an agreement with UGT (the General Union of Workers), which will aim to ensure that young people do not leave the educational system before they have acquired at least one year of vocational training.

In short, the functioning of the labour market in Portugal is currently defined by quantitative adjustments aimed at balancing labour market demand and supply, with qualitative adjustments aimed at alleviating skill shortages, and within the predominance of defensive strategies adopted by the social partners.

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Portugal: Employment and Labour Market Trends

Since Labour Force Survey (LFS) data for 1994 has not yet been published by INE, this review is based on statistics available for the third quarter of 1994. Comparisons with data for the third quarter of 1993 and the second quarter of 1994 are drawn where necessary.

The general trend observed by the national LFS during the third quarter of 1994 was of an increase in the labour force and the employed population, and a reduction in the inactive population. The total labour force during the third quarter of 1994 amounted to 4,586,300 persons (55.1% men and 44.9% women). Compared with the same quarter in 1993, the labour force increased by 2.1% (95,500 people).

The employment activity rate during the last quarter of 1994 was relatively high: 49.1% (compared with 48% in the last quarter of 1993 and 48.8% in the second quarter of 1994). Within this figure, however, the activity rate for men (56.4%) showed an upward trend whilst the female activity rate (42.3%) stabilised. The youth activity rate, which had been decreasing, increased from 22.7% in the third quarter of 1993 to 23.3% in the third quarter of 1994. The total inactive population (4,732,300 persons during the third quarter of 1994) had decreased by 2.1% against the third quarter of 1993.

The employed population amounted to 4,275,400 persons (55.4% men and 44.5% women). This reflected a slight increase in employment compared with both the third quarter of 1993 (+0.8%) and the second quarter of 1994 (+0.4%). This increase, however, involved primarily those over 50 years of age, whilst employment for those under 25 and 25-49 decreased by 0.9% and 1% respectively.

By broad sector of activity, the employed population was distributed as follows: 11.6% in agriculture, 33% in industry, and 55.4% in the services sector. The industrial sector witnessed the highest number of jobs created between the third quarter of 1993 and the third quarter of 1994 (18,000 new posts).

At a more detailed level, the most significant increases in employment occurred in production and distribution of electricity, gas and water (+44.9%), manufacture of electronic and electric

machinery (+20%), retail trade (+6.2%), and textile and footwear industry (+4.6%).

The most significant reductions in employment were observed in extraction industry (-13%), financial intermediation and insurance (-9.6%), manufacture of furniture and recycling (-9.4%), manufacture of transport equipment (-9.2%), hotels and restaurants (-7.7%), transport and auxiliary activities (-6.3%), and manufacture of wood and paper products (-3.6%).

Compared with the third quarter of 1993, unemployment increased by 24.3% (60,700 persons) during the third quarter of 1994, and amounted to 310,900 persons (50.1% of men and 49.9% of women). The rate of unemployment, which has been increasing constantly since the end of 1992, was 6.8% in the third quarter of 1994. The most significant increase in unemployment (+31.6%) was amongst persons looking for their first job.

Unemployment is predominantly affecting the age group 25-49 and long-term unemployment continues to increase relative to total unemployment (36% during the last quarter of 1994, representing 111,600 long-term unemployed).

Redundancies (37.5%) and the ending of fixed-term contracts (30.4%) were the main causes of unemployment.

Unemployment by economic activity indicates that textiles, the manufacture of basic metals, the manufacture of transport equipment, construction and most activities in the services sector have been particularly affected by redundancies since the third quarter of 1993.

The increase in employment has thus benefited predominantly job seekers above the age of 50 and the self-employed. It also appears that employment growth in the industrial sector continues to be concentrated around traditional activities such as chemicals, textile, basic metals and construction. In this context, it will be necessary that future increases in the volume of employment are based upon factors of stability and are accompanied by a reduction in unemployment in line with the overall economic recovery.

Forthcoming events

The Institute for Employment Studies and the Socio-Economic Research Association are sponsoring an international conference entitled **Social Relations and Social Policy Under Conditions of Market Economy: Russia and World Experience**. It is scheduled to take place on 24-27 September 1995, in Moscow, Russia. The conference will address a wide variety of issues in relation to Russia and its social policy and changing economy. Discussions will take place on: social policy in theory and practice throughout the world; redistribution of power and property; social guarantees and social responsibility; social orientation of economy and criteria for economic expediency; psychological aspects of forming a market economy in Russia; confrontation in the sphere of social-labour relations and

problems of public consensus; and social stratification in countries with a market economy.

For additional information contact: Dr Gulnara Sorocoumova, Conference Co-ordinator, Institute for Employment Studies, Malaya Lubyanka Str., 16, 101000 Moscow, Russia. Tel/Fax: +7 095 928 8319. Internet: comm-pub@comlab.vega.msk.su

The **1995 EALE conference** will be held on 7-10 September 1995 in Lyon at the Université Lumière Lyon 2. The conference will be organised around ten parallel sessions and three keynote speeches with a round table on the reduction of working time.

For additional information contact: Marie-Claire Villeval, ECT, 93 Chemin des Mouilles, 69 130 Ecully, France. Tel: +33 72 29 30 79; Fax: +33 72 29 30 90.

The European Construction Institute's 7th conference in the series *Construction in Europe - Construction Sans Frontier Working Together for Exceptional Results* - will take place in Brussels in February 1996. Sessions will include: working with the Commission; clients and contractors working to deliver; government and private sector working together; and measuring performance.

For additional information contact: Ivor Williams, European Construction Institute, Loughborough University of Technology, Sir Arnold Hall Building, Loughborough, Leicestershire LE11 3TU, UK. Tel: +44 1509 222620.



France

Labour Market Flexibility

The Political Debate

The issue of labour market flexibility as a means for enhancing the competitiveness of enterprises has been at the centre of political debate in France over the past twenty years or so. Its importance has increased with the rise in unemployment and the economic downturn in recent years. Flexibility in employment, mainly with regard to working time and linked to the notion of work sharing, is increasingly presented as an alternative to job losses.

For the past twenty years, there has been a marked trend towards external flexibility: abolition of the special authorisation requirement for redundancies, institutionalisation of temporary work, large-scale early retirement schemes, a massive increase in special status type of employment such as fixed-term contracts, which have now become the norm. Those elements that do not form part of the hard core of the job tend to be externalised. As a result, the number of full-time salaried workers has been reduced to a minimum.

The issue of working time is at the heart of the debate, as well as the negotiations between the social partners. The left-wing government which came into office in 1981 adopted the 39-hour working week (paid for 40 hours). The debate has since continued in the light of increased unemployment and the limited effectiveness of measures aimed at reducing labour costs. The social partners have been called upon to initiate negotiations on working time in order to search for "a better equilibrium between those who have a job and those who do not". Agreements at enterprise level regarding types of work-sharing increased significantly in 1992-93 and received wide publicity. Advocates of greater flexibility argued that it reduces costs and creates employment.

At the end of 1993, the five-year law was passed, setting the framework for greater labour market flexibility and a reduction in working time: the weekly and hourly references regarding the duration of work are no longer mandatory,

annual references are possible and include part-time employment. Progressive retirement schemes are available and, most importantly, a greater margin is allowed for agreements to be reached at enterprise level.

By 1995, working time became the dominant element in the negotiations at enterprise level: flexibility in exchange for job security. Arrangements concerning working time have become a tool for enterprises to maintain or create employment with or without salary reductions and with or without the consent of the trade unions. The involvement of the social partners has, however, remained limited. There were no negotiations at branch level, for example, regarding annual references for the duration of work. Very limited use has been made of the possibilities offered by the law in negotiations outside individual enterprises.

A change, however, has been noted in the way the principle of work sharing is being understood and applied. Whereas the flexible employment agreements signed between 1992 and 1994 were aimed primarily at reducing job losses, the principle of work sharing is now increasingly being used as a tool to increase productivity and enterprise development. It is evident that this new approach to flexibility cannot be implemented without collective negotiations and the involvement of social partners. In fact, since the beginning of 1995 the Ministry of Labour has been trying to relaunch the social dialogue and encourage social partners to start negotiations on these issues.

Trends

The enterprises' search, since the first oil crisis, for methods to improve cost-competitiveness have led to the development of new types of employment which can be described as precarious in the sense that the work concerned is of limited duration. The main types of employment that have since emerged are temporary work and fixed-term contracts. Both types display a significant flexibility in

the mode of recruitment and favour the externalisation of the workforce.

In a recent publication, DARES (the statistical service of the Ministry of Labour) refers to three main reasons underlying these developments:

- employers need to adapt their resources to the changing rhythm of production activity; fluctuations in production necessitate flexible employment;
- there is a tendency to transfer certain functions of the enterprise, notably tertiary services, to external specialists; externalisation and tertiarisation have led to types of precarious employment;
- the increasing uncertainty with regard to new qualifications, as a result of the changes in work organisation, has led employers to opt for limited period contracts as a test prior to possibly offering permanent employment.

It should be noted that although the actual number of limited period contracts is increasing, the length of time covered by these contracts is very short: on average 2.3 to 2.6 months for the totality of activities in 1985. In fact, 44% of contracts concerned a period of less than one month.

The volume of employment on fixed-term contracts is higher in the manufacturing sector than in the tertiary sector. In manufacturing the number of this type of contracts is increasing rapidly, and so is their average duration. On the contrary, in the tertiary sector the average duration of this type of contracts is decreasing. Temporary employees tend to be younger and less qualified than the average. In 1990, fixed-term contracts were applied to 80% of non-qualified employees.

In addition to temporary work and fixed-term contracts, employers have resorted to a number of other measures in order to adapt their resources to the changing conditions of production: reduction of overtime, early retirement and the adoption of the partial unemployment benefit scheme since 1990. The increase in unemployment has, nonetheless, necessitated new types of intervention and

has led to new forms of negotiation, mainly at enterprise level.

In response to this need, the five-year law enacted at the end of 1993 introduced new measures to allow for greater flexibility in working time as a means to respond to fluctuations in production activity, while at the same time trying to safeguard employment: reference to annual rather than weekly employment for both full- and part-time employment; reduction of employers' contributions in the case of part-time employment; no social charges for enterprises which, before 31 December 1994, introduced a reduction in working time accompanied by salary cuts in order to actually increase employment.

In addition, the law allowed enterprises which have undergone a significant reduction in their activities over a long period of time, to place a proportion of their employees on partial unemployment benefit for the duration of 1200 hours over a period of 18 months. The State developed a special indemnities scheme for this case. About 150 enterprises participate in this scheme, and it is estimated that about 10,000 jobs have thus been safeguarded.

The law favours part-time employment on an annual basis through the provision of financial incentives. Enterprises can reduce working time by 15% and benefit from state aid to the extent that they increase employment by 10% and maintain it at this level for a minimum period of 3 years. This measure has not been successful (only 3 enterprises have participated in this scheme).

DARES has concluded that through the use of part-time employment, reduction of overtime, and partial unemployment benefit, working time "has become an instrument of flexibility, allowing for a short-term rapid response to the problem of fluctuations in productive activity". Part-time employment accounts for 65.5% of the reduction in average working time achieved over the last seven years, the reduction of overtime accounts for 24.1% and partial unemployment benefit accounts for 10.4%.

Variations are evident across sectors. In the sector of commerce and services, one in five employees works on a part-time basis. Only 3% of the workforce is employed on a part-time basis in the construction sector. The manufacturing

sector, on the other hand, has been able to cope with the crisis mainly due to the partial unemployment benefit schemes and through reductions in overtime.

Summary of the French Experience

Enterprises have been in search of flexible types of employment to correspond to changes in the organisation of production. This has led to extensive negotiations with employees at enterprise level and to new forms of employment. The legal structure has responded to this ongoing process through a number of new provisions. However, only a relatively small number of enterprises have entered the actual schemes proposed under the law. Negotiations tend to take place at enterprise level rather than through collective agreements.

In France, the search for innovative means to manage working time is seen as a possible solution to the problem of unemployment. Greater flexibility is increasingly presented as an alternative to job losses. Overall, the idea of sharing work through a reduction of working time has gained momentum. It has been justified not only on the basis of maintaining employment but also on the basis of improving the overall quality of life.

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France: Employment and Labour Market Trends

In 1994, the French economic situation was marked by a noticeable recovery with a 2.4% average economic growth rate estimated by INSEE for 1994. The trend was also confirmed by a range of general economic indicators: for example, the number of companies which were declared bankrupt dropped by 12% over the period June to August 1994 compared with the same period in 1993. There was also a reported decline in the marked upturn of part-time unemployment during the last three years. According to the 1994 Labour Department's first estimates, unemployment benefit reached the equivalent of 15 to 16 million days, which is nearly a third less than in 1993. The prospect of an economic recovery is further supported by BIPE's 1.8% economic growth estimate for the first semester of 1995.

The number of unemployed people continued to increase in 1994, in spite of the 230,000 jobs created during the year. According to ILO estimates the number of unemployed people increased by 39 000 between December 1993 and December 1994, reaching a total of 3.168 million (figures adjusted for seasonal variations). Monthly unemployment figures showed signs of stabilising. At the end of 1993 the unemployment rate was 12.4% and in March 1994 it was 12.6%. The ILO's unemployment rate for males remained at 10.8% from December 1993 to December 1994, whereas the unemployment rate for women reached the equivalent of 14.9% compared with 14.5% at the end of 1993.

During 1994, young people, particularly those in the 25-49 age band, were affected by unemployment with a rate of 11.7% at the end of December compared to 11.4% the previous year (figures adjusted for seasonal variations). During the same period of time, the unemployment rate for those over 50 grew from 8.3% to 8.4%. However, there was a slight improvement regarding those under 25 for whom the unemployment rate decreased from 24.8% at the end of 1993 to 24.4% at the end of 1994. An increased number of young people benefitted from training schemes. Over the first nine months of 1994 the equivalent of 200,000 people received training, compared with 150,000 in 1993. This situation is partly due to the

increasing number of young people who continued their schooling because of the difficulties of gaining entry into the labour market.

The unemployment rate for executives increased noticeably by 10.7% between 1992-1993, whereas the number of job vacancies for executives through APEC (Employment Agency for Executives) grew by 42% from October 1992 to October 1994. Despite a slight improvement for 1994, the number of unemployed executives increased by 0.4% between December 1993 and December 1994. Nevertheless, the statistics show a marked improvement in the labour market for both skilled and unskilled workers for whom the unemployment rate decreased by 3.6% and 4.7% respectively in December 1993 and December 1994. Over the same period the trend continued to increase for supervisors and technicians +5.5%.

In brief, with the exception of the most vulnerable groups, the downturn in the unemployment growth rate indicated a labour market upturn. For example, the service sector increased its employment rate by 2.9% in 1994 (INSEE), with the exception of the banking and insurance sector for which the number of jobs continued to decrease.

Given the number of jobs axed in some sectors of the economy, the global unemployment trend in industry and construction should be reduced by 0.8% even though jobs were created in the second quarter. The labour market upturn in industry is partly due to the trend to recruit using temporary contracts.

Employment forecasts for 1994 in industry, construction and services showed a 1.5% growth and 218,000 jobs compared with the 570,000 jobs between 1990 and the end of 1993. The number of non-salaried workers continued to decrease but at a much slower rate than in 1993. Regarding the number of non-salaried workers in the agricultural sector, the decreasing trend continues.

Thus, with regard to the latest employment trends and the GDP growth forecasts for 1995, +3.5% according to BIPE, the number of unemployed people should start to decrease from the first semester of 1995.

Employment Observatory Conference in collaboration with EUROSTAT.

MONITORING FLEXIBLE EMPLOYMENT PATTERNS: The Implications for Statistics

The annual Employment Observatory Conference took place on May 4/5 1995 in Lisbon, Portugal. The aims of the Conference were developed in conjunction with EUROSTAT and the event was organised with the support of the National Observatory for Employment and Vocational Training in Portugal, and assistance from DINÂMIA/ISCTE (SYSDM correspondent, Portugal).

The main purpose of the conference was to bring together users and providers of labour market statistics and to enhance the relationship between them. The requirements for policy making and impact assessment imposed by the White Paper and the conclusions of the Essen Summit make the availability of timely, accurate and comparable data on employment all the more vital. In

opening the Conference, Armindo Silva from DGV made reference to the conclusions of the Essen Council and the recommendations detailed in the Medium Term Social Action Programme 1995-1997, published by the Commission on April 12 1995. The recommendations relating directly to achieving growth in jobs concern:

- Enhancing employment monitoring and surveillance instruments;
- Intensifying collaboration: closer co-operation with the Member States in the field of employment and labour market policy, a strengthening of the Employment Observatory, further actions to support the social dialogue;
- Adapting and strengthening the role of the Structural Funds and particularly the ESF.

The Commission will be paying greater attention to the analysis of employment trends and assessing policy performance in co-operation with EUROSTAT, the national statistical offices and the Employment Observatory. The aim is to do more than collect information on policies. It is to determine the impact and cost of these policies. The Commission is to produce a report on the new role of the Employment Observatory later this year and another in 1996 on the quality and timeliness of statistical information on social developments.

Dr. Lidia Barreiros, EUROSTAT, summarised the approach of EUROSTAT in responding to the current EU employment debate. EUROSTAT has met with all those

involved in the collection of employment statistics to analyse their potential and shortcomings and the requirements of users for comparable, coherent and timely data. Current work by EUROSTAT was described over the course of the Conference, including the work undertaken on part-time and precarious jobs, underemployment, wage and labour costs, and expenditure on passive and active labour market policies. M. H. Charlier outlined the current developments and future plans for the operation of the Labour Force Survey.

In addition to speakers from DGV and EUROSTAT, papers were also given by representatives from UNICE, ETUC, other social partner organisations, ILO, OECD and the academic community.

The conference was felt to be a valuable contribution to the debate by all concerned and after two days of intensive debate of a great variety of issues inside and outside the conference room, the main general conclusions can be summarised under the following headings:

Requirements and resources

- The follow-up of the White Paper and the Essen recommendations necessitate the collection, greater integration, comparability and timely dissemination of labour market statistics. An additional requirement for data is caused by the crucial need to look at the cost and impact of all new employment policy measures carried out by Member States, especially the degree to which they enhance or reduce flexibility;
- There was general agreement on the need for more resources to be made available for the collection of social and labour market statistics.

Definitional issues

- Definitional issues underlie many of the problems experienced when seeking to measure the nature and extent of labour market flexibility, particularly in the light of the increasing incidence of non-standard forms of employment and the current EU and Member State policy debates. Terms such as part-time work, temporary work, etc, must be defined more clearly
- The terms 'internal' and 'external' labour market flexibility are inadequately defined and there is a case for the classification of measures falling under each category. Data must be made available to allow an assessment of their labour market impact. There is agreement that the incidence and nature of internal flexibil-

ity has to be defined and monitored more clearly.

Need for new and different data

- As a result, much of the debate focused on the need for more and different labour market data, ie, on working hours, duration of contracts, wage and labour costs etc. Data on non-standard forms of employment must be collected, allowing for more succinct differentiations;
- There was, however, disagreement over the extent to which the expansion of data collection would place an undue burden, particularly on small businesses and the extent to which such data was already available from other sources and merely required integration;
- It was highlighted that the integration and use of other sources of data such as household surveys, social security and tax data can be problematic because of confidentiality and lack of comparability;
- Data has its limitations and caution should be applied when considering the collection of new data;
- There is a greater need for qualitative data to evaluate the success of flexibility measures or active labour market policies, and to assess incentive structures underlying individual choice (ie, part-time work). The employment outcomes of policies seeking to encourage flexibility must be monitored closely, but equally important is a monitoring of the effect of such policies and the impact of non-standard forms of employment on overall and individual social protection and welfare;
- When measuring the success or failure of active labour market policies it is not enough to measure the costs and numbers of beneficiaries. Assessment must also look at qualitative and quantitative outcomes including, for example, any displacement effect;
- Not all those in the active labour force were adequately covered by data collection, especially those in atypical employment and/or manpower schemes. Data on underemployment and discouraged workers is essential.

Different needs of users

- Different users have very different needs and demands for data. This highlights the need for greater and continuous dialogue between users and providers;
- The social partners should be involved in all negotiations concerning statistical requirements at an early stage. There is a need for an information exchange between the social partners.

Practical issues

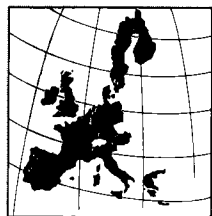
- To assess the performance of legislation and of active labour market policies and their implementation at the national level the Employment Observatory (SYSDM and MISEP), EUROSTAT and the national statistical services need to co-operate in order to create a core of comparable data which leaves scope for flexible additions according to the distinctiveness of the Member States. EUROSTAT is currently drawing up a framework to attempt to do this;
- Problems with regard to the timeliness of data are hard to overcome for EUROSTAT because of the magnitude of the surveys and the need to collect data from all Member States prior to publication. Consideration should be given to making better use of existing data and more effective use of existing instruments. EUROSTAT is actively considering changes in the structure and operation of the Labour Force Survey.

Key areas for further work

- How to define "adequate" and "inadequate" employment;
- Status in employment: categorisation of employees according to their types of contracts;
- To develop information on hours worked and work schedules;
- Labour cost: how to obtain more information on income from self-employment;
- Dynamics of labour market: retrospective questions on rotation schemes of the surveys, to monitor transitions in labour force status;
- Non-work situations: how to categorise different types of non-work situations including temporary absences, lay-offs etc;
- Labour flexibility monitoring through establishment surveys;
- Link between inflexibility and informal sector

The Employment Observatory Conference has provided the groundwork for continuing discussions between users and providers to achieve an improvement of data on labour market flexibility.

EMPLOYMENT OBSERVATORY



Trends

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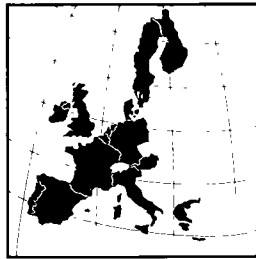
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Trends

SYSDEM

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.

Policies

The series inforMISEP "Policies" presents those measures, policies and instruments adopted by the Member States which are aimed at promoting and improving employment within the European Union. The reports are compiled on the basis of information provided through the Mutual Information System on Employment Policies (MISEP). MISEP was created to meet the need for an exchange of information on employment policies and institutions within the European Union. A bulletin of recent developments in employment policies is published quarterly in English, French and German. Basic Information Reports describing the national employment institutions, measures and procedures in each Member State are updated and published periodically. In addition, comparative reports on the effects of labour market policy measures will be published at regular intervals.

Trends

The series on "Trends" contains summaries and analyses of employment developments in the European Union on the basis of published work (books, reports and scientific papers) throughout the Member States. It disseminates the information collected by the European System of Documentation on Employment (SYSDEM), which aims to collect, analyse, synthesise and disseminate available information on employment in the Union. "Trends" is published quarterly in English, French and German.

Research

The "Research" papers present the results of studies on specific themes carried out jointly each year by the Commission and the Member States. The themes for these studies are chosen by the Commission in consultation with the Member States and the social partners in the light of the contribution which can be made by the national co-ordinators and of their relevance for on-going policy analysis. They are published annually in English, French and German.

Central and Eastern Europe

The "Central and Eastern Europe" bulletin is a new addition to the Employment Observatory, containing regular reviews on labour market and social conditions of Central and Eastern Europe. It aims to present up-to-date information on labour market and social conditions in these countries. It contains not only the latest statistical labour market indicators, but also analytical articles on employment developments in the six countries currently covered: Bulgaria, Czech Republic, Slovakia, Hungary, Poland and Romania. It is published twice a year, in English only at present.

East Germany

The aim of the series on "East Germany" is to present analytical and up-to-date information on the transformation process and its implications for the labour market in the one part of the former Eastern Bloc which has already become a part of the European Union: the new German Federal States (Länder). The publication is aimed at persons and institutions in Western, Central and Eastern Europe who have an interest in the transformation process from a planned to a market economy. This newsletter is published quarterly in German, English and French.