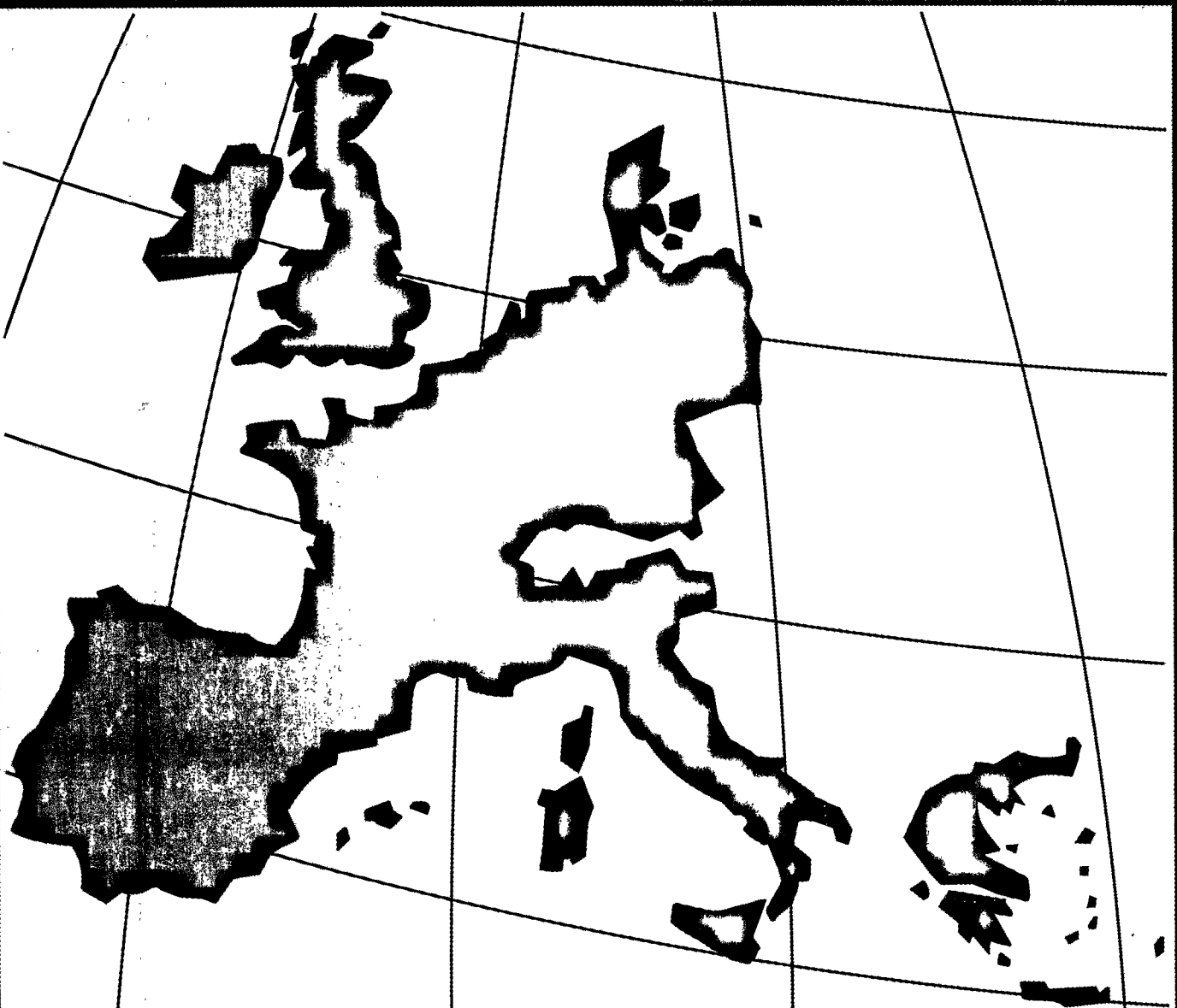


EMPLOYMENT OBSERVATORY

Policies

Developments in employment policies in Europe.
Series produced by the MISEP network.

46

 Summer 1994

Employment in
EUROPE

MISEP



European Commission
Directorate-General
Employment, Industrial Relations and Social Affairs

Developments at a Glance

- Belgium:** Within the Framework Employment Plan one can conclude a succession of fixed-term employment contracts without this justifying a permanent contract. It is now possible – with respect to employees on high incomes – for employer and employee to agree on a dismissal notice period on recruitment, rather than at the time of dismissal as was previously the case; this increases the legal security for employers. It has been decided to set up local employment agencies to place the long-term unemployed in service jobs not offered by the private sector.
In Flanders special subsidies are now available for workers moving from a full to a part-time job and for those taking parental and training leave.
Savings on wage-compensation benefits for the unemployed are expected from the decision to tighten entitlement conditions, reduce the time after which only a flat-rate unemployment benefit is paid, and to suspend benefit for those who have drawn benefits for a particularly long period. Efforts to combat benefit abuse are also being intensified.
- Germany:** An evaluation of the Employment Promotion Act of 1985 – which has been extended to the year 2000 – reveals a slight decline in fixed-term contracts in West, and an increase in East Germany; at 10.3% of all employment contracts, fixed-term employment is about twice as widespread in East as in West Germany.
- Spain:** Within the framework of the labour market reform, legislation to increase the role of collective bargaining and to make it easier to dismiss employees is going through Parliament. The aim of the reform of dismissal protection legislation is to counter the widespread use of flexible employment contracts.
- France:** Progress has been made in modernising the job-placement service, and the public service has improved its market share of placement to 25%. Evaluation of the retraining agreements which can be applied for those laid off for economic reasons points to a substantial increase in the use of this adjustment measure. This increase has, however, been accompanied by a steady deterioration in the labour market re-entry chances of those leaving the measure.
- Netherlands:** In 1993 the labour market authority exceeded its placement targets; actual results were below target level only with respect to the placement of the long-term unemployed and those from ethnic minorities.
- United Kingdom:** The government intends to promote networks of local decision-makers, which are to implement new initiatives to promote equality of opportunity for women.

EMPLOYMENT OBSERVATORY Policies



No. 46, Summer 1994

The "Policies" bulletin is compiled on the basis of information provided by national correspondents. It is published in English, French and German.

The "Focus" part is conceived and edited by the MISEP secretariat. The opinions and analyses contained in this section do not necessarily reflect the opinions or views of the European Commission or the correspondents.

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CORRESPONDENTS

Belgium: Joseph Remy (Ministère de l'Emploi et du Travail)

Denmark: Karen Thyrsoe (Arbejdsministeriet)

Germany: Jochen Jahn (Bundesministerium für Arbeit und Sozialordnung), Detlef Hein (Bundesanstalt für Arbeit)

Greece: Dimitra Gana (Ministry of Labour)

Spain: Delmira Paz Seara Soto (Ministerio de Trabajo y Seguridad Social)

France: Henri Roux (Ministère de l'Emploi), Claudine Elhaik (Agence Nationale pour l'Emploi)

Ireland: Vincent Landers (Department of Enterprise and Employment)

Italy: Mariarosaria Damiani (Ministero del Lavoro e della Previdenza Sociale)

Luxembourg: Jean Hoffmann (Administration de l'Emploi)

Netherlands: Ronald van Bekkum (Arbeidsvoorzieningsorganisatie)

Portugal: Victor Viegas (Ministério do Emprego e da Segurança Social)

United Kingdom: Graham Archer (Department of Employment), John Frankham (Employment Service)

EUROPEAN COMMISSION

Jean-François Lebrun (DG V/A/2)

MISEP-Secretariat:

I. A. S. Institute for Applied Socio-Economics

Bundesallee 117, D-12161 Berlin

Tel. +49 30-85 08 00 51, Fax +49 30-85 08 00 52

Angelika Zierer-Kuhnle; translation: Max Guggenheim (French), Andrew Watt (English)

Scientific consultant: Peter Auer

Wissenschaftszentrum Berlin für Sozialforschung

(WZB), Research Unit Labour Market Policy and

Employment (responsible for evaluation): Gunter

Schmid, Peter Auer, Klaus Schömann; Karin Reinsch

Layout: pinkun-fotosatz, Berlin

Printing: Druckerei: Conrad, Berlin

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Overall Developments

Belgium

The Framework Employment Plan

Within the Framework Plan for employment, competitiveness and social security, the Belgian Federal Government has implemented a series of initiatives, in particular measures to safeguard national competitiveness; these were introduced by the Royal Decree of 24 December 1993 (cf. iMi 45). A second package of measures was enacted with the social security law of 30 March 1994 (*Moniteur belge*, 31.3.1994). This article provides a brief commentary on the measures in as far as they relate to regulations on employment contracts and local employment offices.

Amendment to the law of 3 July 1978 on employment contracts

Surveys of employers had revealed that a number of the provisions of the law governing employment contracts in some cases constituted an obstacle to job creation. For this reason the following changes were introduced.

Firstly, it is now possible to conclude a number of fixed-term contracts in succession, without the obligation on the contractual parties to sign a permanent contract. Until the end of 1997 a maximum of four fixed-term contracts can be agreed in succession. The duration of each contract may not be less than three months, and the overall validity of the successive contracts may not exceed two years. With the prior agreement of the social security inspectorate, (a maximum of four) fixed-term contracts, each lasting less than six months, can be signed whose total duration may not exceed three years.

A second amendment applies to the period of notice the employer is obliged to give before terminating an employment contract. According to article 82 § 3 of the law of 3 July 1978, and subject to the condition that the annual wage or salary exceeds FB 864,000, the notice periods to be observed by the employer were determined either by an agreement reached at the time of dismissal at the earliest or by legal stipulation. In order to offer employers greater legal security, the notice periods to which the employee is entitled can now – above an annual wage/salary of FB 1,728,000 – be agreed on recruitment. This new provision applies from 1 April 1994.

Local employment offices

Although there has been a spectacular increase in tertiary-sector employment over the last twenty years, there is still a significant potential for service activities. Demand in a number of areas – such as the environment, the quality of life, household services, and health – remains unsatisfied. Meeting these needs could represent an important source of additional employment opportunities. Currently, such activities are frequently performed by moonlighters. Yet the inadequate effective demand for such services poses the problem of how such employment is to be financed.

The government has decided to promote the reintegration of the unemployed in activities covering these types of need. The basic means to this end is to be the local employment office in each local authority. These agencies will play a central role in co-ordinating:

- on the one hand, the demand for a number of activities which are not offered by the private sector and which therefore do not compete with it: home helps, child-

care, care for the sick, environmental protection, small gardening work, cleaning work for private persons, etc.;

- on the other, the interests of job-seekers in (re-)gaining employment. The long-term, fully insured unemployed and persons living on the subsistence level may apply to their local employment office on their own initiative. It is also planned to oblige those which have been out of work for more than three years and unemployed young persons who have been drawing unemployment benefit for more than two years to report to their local employment office.

The law of 30 March 1994 creates the statutory framework for the compulsory creation of local employment agencies. In particular the law stipulates the following:

- local authorities are obliged to set up local employment offices;
- these offices are, together with the ONEM (*Office National de l'Emploi*), responsible for organising and supervising activities not offered on the regular labour market
- unemployed persons performing such tasks are not tied by an employment contract.

A Royal Decree will determine, among other things, the maximum number of hours that an unemployed person may spend in such activities, the value of the supplementary allowance to which he/she will be entitled on top of his/her existing benefit, and the activities which can be performed within the framework of a local employment office.

Belgium

Unemployment Trends in 1993

Change in the level of unemployment

In 1993 there was an average of 476,000 fully insured recipients of unemployment benefit (i.e. those out of work, looking for work, available for work and drawing unemployment benefit) in Belgium. This figure has been rising steadily since 1991, a trend which reflects the economic recession which has hit all the industrialised countries in recent years. The unemployment rate, as defined according to the common criteria set by Eurostat, is 9,7% (as compared with 10,7% in the European Union as a whole).

The situation on the labour market is expected to improve in 1994, as the figures for recent months indicate that the rate at which unemployment is rising is slowing, particularly for young people. The employment measures initiated by the Belgian Government within the context of its Framework Plan (cf. iMi 45) should, together with the economic recovery forecast by the Planning Office, at least limit the further rise in unemployment.

The fully insured unemployment-benefit claimants represent only a sub-group of total unemployment, however. In response to workers' aspirations, Belgium has, namely, developed a number of measures to combat unemployment. These include early retirement under collective agreement (cf. BIR B-vi.10), the promotion of part-time work and career interruption (cf. BIR B-i.4).

In 1993 the total number of unemployed, drawing full or partial benefits from the National Employment Office (ONEM) amounted to 994,000 (daily average). This figure breaks down as follows:

- 476,000 fully unemployed job-seekers entitled to unemployment benefit;
- 74,000 unemployed persons over 50 no longer seeking work;
- 25,000 unemployed persons who, for social or family reasons, are not obliged to register as job-seekers (cf. iMi 42);
- 6,000 unemployed persons who have returned to school and are thus not obliged to register as job-seekers;
- 144,000 persons working part-time involuntarily and drawing an allowance; since 1993 the number in this category has fallen considerably following a change in the regulations (cf. iMi 43).
- 60,000 temporarily unemployed persons (i.e. workers whose employment contract has been temporarily suspended due to a lack of work for economic reasons, bad weather etc. - cf. BIR B-iii.4);
- 137,000 persons in early retirement who draw unemployment benefit and an additional allowance paid by their last employer; the decline in their numbers results primarily from the increase in the age of entitlement;
- 56,000 persons who have interrupted their careers;
- 16,000 unemployed persons in vocational training; the increase registered in 1993 is the consequence of a number of support measures and particularly the *plan d'accompagnement pour chômeurs* (cf. iMi 40).

Analysis of the regional distribution of the different categories shows that the number of fully insured job-seekers entitled to unemployment benefit is relatively higher in Wallonia than in Flanders. The relative number of persons on early retirement, on a career break and of those unemployed persons not obliged to register as looking for work, on the other hand, is higher in Flanders than in Wallonia.

The budget

In 1993 unemployment-related spending amounted to FB 232 billion. The expenditure trend is moving parallel to the rise in unemployment.

Safeguarding the unemployment insurance scheme

In recent years the Belgian Government has initiated a number of measures designed to ensure the continued operation of the social security system. Additional measures were implemented in order to maintain one of the characteristics of the Belgian system, namely the absence of a time limit on entitlement to unemployment benefit. Clearly, the responsible and equitable administration of the system of insurance against involuntary unemployment requires that only those persons entitled to benefit actually receive it.

In particular, the following measures were taken in 1992 and 1993.

Firstly, checks on the involuntary nature of unemployment and the availability for work were intensified:

- the penalties for benefit abuse were increased;
- the suspension of benefits for the long-term unemployed was extended, notably to cover those working part-time involuntarily and those registered unemployed on leaving school or higher education;
- agreement was reached with regional and local government to cooperate by exchanging information relating to unemployed persons' availability for work (cf. iMi 40).

The instruments in the battle against moonlighting were reinforced by raising the penalties and intensifying the controls.

Measures were initiated in order to bring the system of part-time work into line with that in other European countries. This ensured that net earnings for part-time

Overall Developments

work were always in excess of the unemployment benefit drawn by those made redundant from full-time work, and that part-time workers enjoy full social protection (cf. iMi 43).

Considerable misappropriation of benefits was found among those involuntarily working part time. Many of these persons were not actually looking for full-time work. Moreover, the provision of unemployment benefit as a supplement to earned income for those working part time involuntarily was a measure found only in Belgium (cf. BIR B-iii.3).

The part-time employment trend has confirmed the effectiveness of the measures implemented: despite the considerable decline in the number of involuntary part-time workers drawing benefit, there has been a steady rise in the total volume of part-time employment. During the past three years the number of involuntary part-time workers drawing benefit has fallen by 40,000, while the overall number of part-time employees has increased by 80,000.

These measures implemented by the Belgian Federal Government reduced spending in 1993 by a total of FB 19 billion. The measures are inspired by a concern for social justice, as they are aimed at unemployed persons abusing the system at the expense of society at large. The Government opted for selective measures in preference to a linear reduction in unemployment benefit which would have hit all the unemployed.

Spain

The Labour Market Reform in Spain¹

The cornerstones for the initiation of a reform of the Spanish labour market – the Royal Decree-law 18/1993 on immediate employment promotion measures and law 22/1993 on taxation measures, legal reform in the public administration and of unemployment assistance (cf. iMi 45) – have been enacted and are now in force. The most important measures of the reform have thus been initiated. The legal proposal to change certain articles in the “workers’ statutes” (*Estatuto de los Trabajadores*) and the labour procedure act is moving through parliament and is expected to come into force during the second quarter of this year.

In the context of the internationalisation of the economy², the diversification of demand, technological innovation, etc., firms must raise their competitiveness with the help of industrial policy measures such as research and vocational training. The reform of the workers’ statutes, the basis for the development of labour relations in Spain, seeks to pay particular attention to the employment perspective during the required adjustment of the legal framework to meet the changed context. An important aim is to maintain the required balance between labour market actors, without this constituting a barrier to employment. In brief the reform is based on two axes as follows.

1. a balanced distribution between “adjustment” and “flexibility” in the course of the development of labour relations. The trend towards a dual labour market is to be countered by enabling justified dismissals to be made, whereby justification must be with reference to objective criteria. Such dualisation results

when, on recruitment, excessive use is made of flexible employment relations due to the difficulty of making workers redundant. Simultaneously, collective negotiations are to be strengthened, modifying the conditions on the basis of which employment relations develop.

2. The second axis is formed precisely by these changes in collective bargaining as formulated by the law. Collective bargaining is to be strengthened as a regulatory element in working conditions. This will make bargaining an important factor in adjustment, as the reform will enable collective agreements to regulate areas which were previously governed by law.

Contents of the proposed law to change the workers’ statutes and the labour procedure act

Collective bargaining

The collective agreement is one of the foci of the proposed modernisation and adjustment law on industrial relations. The collective agreement is to provide a framework within which the rights and duties of the social partners together with more fundamental aspects of industrial relations are to be negotiated and set out. The basic principle in this regard is the strict adherence to minimum rights regarding working time, wages, geographical and occupational mobility, working conditions and other areas. Collective bargaining is to take place at different levels with varying content in order to adjust agreements made at higher level to the conditions prevailing in individual firms. Branch-level collective agreements are to set guidelines for wage bargaining, taking account of the economic situation

¹ Legal proposal to change certain articles in the “workers’ statutes” (*Estatuto de los Trabajadores*) and the legal article on the labour procedure act (*Ley de Procedimiento Laboral*).

² With the possibility this brings of accessing markets in countries with very different levels of (wage) costs.

in the branch, employment trends, productivity etc. At this level, too, the conditions for "opening clauses" in collective agreements are to be determined: subject to agreement by workers representatives at company level these clauses can then be applied in firms whose economic situation would deteriorate if the wage increases agreed in the branch-level collective agreement were introduced. Plant-level agreements are to regulate, among other things, wage trends, working time, breaks, piece-time rates and the possible use of the opening clauses in view of the situation facing the individual enterprise.

"Work ordinances" (Ordenanzas Laborales)

The law abolishes the work ordinances (pre-constitutional components of Spanish labour law). They are to be replaced by general agreements, which are to be signed after negotiation between employers and workers' representatives by the end of 1994.

Wages

The wage-structure guidelines are to be replaced by collectively agreed regulations. Where these are not in operation, individual contracts are to be signed. Collective agreements may contain clauses abolishing or replacing seniority bonuses.

Working time

The law includes the following provisions:

- the establishment of the 40-hour week whereby working hours may, by collective agreement, be distributed unevenly throughout the year;
- possibility of scrapping the maximum daily working time of 9 hours by collective agreement;
- introduction of strict youth-protection legislation regarding working time in line with EU directives;

- adjustment of Spanish laws on health and safety at work to EU directives;
- the value of night-work bonuses is to be set by collective agreement, whereby wage compensation in the form of extra time off is to be made possible;
- overtime payments are to be set by collective agreement, whereby compensation in the form of extra time off is to be made possible;
- the minimum uninterrupted weekly break of 1 1/2 days can be placed together in two-week blocks;
- paid holiday can be split and the legal minimum holiday entitlement (30 days per year) can be extended by collective agreement.

Occupational and geographical mobility

- Occupational mobility: In order to promote functional flexibility, occupational qualifications are to be determined using broader occupational categories. Redeployment within the framework of functional flexibility - with no change in pay group - must be justified for technical or organisational reasons.
- Geographical mobility: economic reasons are to be included in the reasons justifying a request for geographical mobility. These can be placed individually or collectively. The requirement of obtaining prior administrative approval is abolished.

Change in working conditions

Prior administrative approval is no longer required for changes in working conditions implemented by firms for economic, technical or production-related reasons. Instead, the change will be subject to ex post legal examination.

Dismissal

- Organisational and production-technical reasons can now be used to justify dismissal.

- Redundancies affecting less than 10% of the workforce in firms with less than 300 employees (or less than 30 employees in firms with more than 300 employees) are no longer treated as mass redundancies.
- Prior administrative approval is still required for employment-regulatory measures and mass redundancies.

Recruitment

In accordance with the immediate employment promotion measures set out in Royal Decree 18/1993 (which permits the Government to initiate measures to promote the employment of those receiving unemployment benefit), firms may, during the period between the introduction of the reform of the Workers' Statutes and the end of 1994, hire workers on fixed-term contracts of between one and three years. This applies irrespective of whether the activity to be performed is temporary in nature or not. The provision applies to the following groups of the unemployed:

- a) those over 45
- b) the disabled
- c) those under 25 who fulfil certain conditions (only in firms with up to 25 employees).

If these fixed-term employment contracts are for full-time employment and are reached with recipients of unemployment benefit who have been registered with the employment office for at least one year, the following reductions in social insurance contributions take effect:

- for those groups listed under a) and b), the employer's social insurance contribution is reduced by 75%;
- for those groups listed under c), by 50%.

Training

France

Evaluation of the Retraining Agreements

Further training and "adaptation" contracts from the National Employment Fund (*Fonds national de l'emploi - FNE*), retraining leave, support for the transition to part-time work, support for geographical mobility, agreement on degressive wage subsidies, reinsertion cells, retraining agreements: the range of government measures to enable firms to organise the external reinsertion of workers they are making redundant is very comprehensive. The most important of these measures remains the retraining agreement (*convention de conversion*) instituted in 1986 by a national agreement and modified in 1988 and 1990.

Irrespective of the size of the workforce, firms are obliged to offer all those employees with more than two years' tenure and made redundant for economic reasons the possibility of joining a retraining agreement, the aim being to help such workers back to work by means of special measures: technical reinsertion teams, retraining cells.

The measure, which lasts six months, enables workers made redundant to draw up an "occupational balance" within evaluatory and orientation measures offered by ANPE, and, if necessary, to commence a retraining scheme of up to 300 hours. Depending on the results of the occupational balance, the measure may last longer.

As soon as the redundant worker enters such an agreement, his/her employment contract is terminated. He/she then receives for two months 83%, and for a further four months 70% of his/her gross

earnings in the form of a special retraining allowance; social insurance contributions are also paid. This allowance is financed by the employer, the government and the unemployment insurance fund *Assedic*. Of all those laid off for economic reasons in 1992 around 16% entered such an agreement, up from 12% in 1991. Since the measure was initiated there has been a steady increase in the number of participants, even in the years 1988-89 in which the number of those registered with ANPE as having been laid off for economic reasons declined. In 1992 alone, Unedic registered 104,377 new en-

trants, an increase of 56% on 1991. This increase reflects both a rise in the number of agreements signed (+38.4%) and an increase in those joining the scheme as a proportion of those potentially eligible (51.2% in 1992 compared with 45.8% in 1991).

Although an increasing proportion of those facing redundancy are joining a retraining agreement, the effectiveness of the measure is declining: there has been a continuous decline in the proportion of participants who had returned to work within two months after leaving the scheme; from 48% in 1989 to 34% in the first half of 1992.

Table 1: Reinsertion Rate by Occupational Group (in %)

Occupational group	Entrants ¹⁾ 1992	Reinsertion rate ²⁾		
		1992	1991	1990
Unskilled	8.0	32	33	40
Skilled blue-collar	18.0	41	45	52
White-collar	47.0	31	35	42
Master craftsman, technician	9.0	38	45.5	54
Managerial	8.0	34	39	48
Other	10.0	40	43	57
Total	100.0	34	38	46

1) Source: Unedic
2) Source: ANPE, first six months of the year

Table 2: Retraining Agreements - Annual Results

Year	Entries ¹⁾ (in thousands)	Participants (end of December) ²⁾	Reinsertions ³⁾ (in %)
1987	11,485	5,600	-
1988	24,626	7,300	-
1989	30,356	9,300	48
1990	40,770	18,500	46
1991	66,968	33,145	38
1992	104,377	63,300	34

1) Source: Unedic, number of first benefit payments
2) Estimates based on Unedic payments statistics
3) Source: ANPE, first six months of the year

Netherlands

Annual Results of the Employment Offices 1993

During the course of 1993 the labour market authority filled a total of 167,000 vacancies, 4% more than the target for the year. 156,000 vacancies were filled by direct mediation. This is 6% more than the target value and 8,000 more than in 1992.

In addition, more than 11,000 job-seekers were helped back to work through further training and job clubs. The employment offices placed a further 26,000 unemployed persons by means of the framework agreements for the un-

employed (work familiarisation and experience), job pools and the youth employment guarantee law.

The central labour market administration (CBA) has thus met its targets for 1993.

Target groups

The target for placement of the long-term unemployed was not met: 32,000 long-term unemployed were placed, 84% of the target figure. The target for placements of unemployed persons from ethnic minorities was almost (96%) fully realised. Only with respect to unemployed women was the target exceeded – by 11%. The labour market authority does not set targets for unemployed youth: 57,000 young unemployed found steady employment through the employment office.

France

Modernisation of ANPE

In December 1990 the administrative council of ANPE ratified the "internal development plan", a concretion of the "Progress Contract" signed six months earlier by the government and ANPE in July of that year (cf. iMi 34). The state provided extra staff (almost 1,000 new employees) and financial resources, while ANPE committed itself to modernising its network, reorganising its services and improving its results: filling a greater number of vacancies in the shortest possible time and offering timely support to job and training-seekers to limit the risks of their exclusion from the labour market. These mutual obligations, which originally were to be met within three years, have now been realised: in the four years from 1991 to the end of 1994.

By the end of February 1994, 65% of the local employment offices had been modernised, a figure which should reach almost 100% by the end of the year.

Which of the changes are the most apparent to users?

– For *employers* the most important change consists of the greater degree of professionalisation of the officials at ANPE. This has been achieved due to the implementation in medium-sized and larger employment offices (with more than 15 staff) of sectoral teams, each with between six and ten staff members, and responsible for contacts with the firms from one or a number of the major sectors (construction, transport, trade, etc.) within the office's area. Before the reform such tasks were distributed purely according to geographical criteria. Employers now deal with more

Table 1: Placement 1993 – Actual vs. Target Values

	Target	Actual	%
Placement in standard employment:			
– Placement by the employment offices	147,059	155,959	106
– Placement through institutions affiliated to the employment offices: Further training centres (CV), Centres for Vocational Orientation and Work Familiarisation (CBB), Colleges for Women (VVS), job clubs	13,171	11,249	87
Total	160,230	167,388	104
Placement in special forms of employment:			
– Framework agreement work familiarisation/experience (KRA/WER)	7,077	5,394	76
– Job pools (JP)	7,811	8,052	103
– Youth employment guarantee law (JWG)	8,106	10,647	131
– KRU	3,579	2,268	63
Total	26,573	26,361	99

Placement

clearly identifiable and responsible – and consequently more professional – staff members.

This has already led to a concrete change: there has been a significant increase in the operational time spent on contacts to firms and on processing job offers; the job placement rate rose from 77% in 1992 to 85% at the end of 1993, and the time lag between the notification of a vacancy and successful placement was reduced. This has enabled ANPE to expand its market share of all job vacancies to around 25%. In January and February 1994 around 30% more vacancies were reported than in the same period the previous year.

Contacts between employers and ANPE have also been facilitated by the introduction of telefax machines in all employment offices and the opening of special telephone links for firms in many offices.

– The most important change for *job-seekers* is the newly developed “immediate service”: job-seekers no longer need to come to the employment office several times in order to speak to different staff members, each responsible for a different area. They now have immediate access (with less than one hour waiting time and a single official) to the entire range of basic services: registering, reporting, job offers, establishing contact to firms, information on rights, vocational training measures, the local labour market, etc. Only career guidance and very complex cases require longer interviews with specialist staff and require an appointment to be made. To distinguish it from the immediate service, this procedure is termed the “programmed service”.

In addition to these changes, clients will now be welcomed in renovated, larger, more functional and better equipped offices. By the end of 1994 all the employment offices will have either moved or have been renovated or remodelled. In

order to encourage user autonomy, equipment such as telephones, Minitel (a teletext service), photocopiers and typewriters will be available free of charge in the new offices. In each office the “free welcoming zone” will feature a board with job offers, places on training courses, information on the local labour market, etc. There will also be a “self-service documentation room”, appropriately furnished, in which documents, newspapers and journals relevant to the fields of the labour market, careers, training, etc. will be available.

Surveys conducted by independent institutes show that job-seekers frequenting the modernised offices are more satisfied. The increase in employer satisfaction, on the other hand, is not yet at a significant level, as the establishment of sectoral teams is not yet complete and it inevitably takes longer for the effects of the modernisation to become visible.

Consequences for ANPE staff members

The modernisation and the parallel introduction of a new personnel statute have brought about the complete restructuring of local employment offices and placed new demands on staff members.

The necessity of providing the immediate service collectively forced all members of staff to extend their knowledge and skills, while at the same time enabling each one to transfer his/her specific knowledge and know-how to others. The creation of sectoral teams, in particular, intensified the need for team-work. The transformation of occupational structures meant that all staff members now have to work for both types of users (job-seekers and employers).

The introduction of the immediate service and sectoral teams has proved to be a veritable lever for skill extension and professionalisation. A positive impact on the results was also exerted by other factors, notably: the quality of the ac-

companying internal training, the dynamic created by the collective elaboration of a services project for the employment-office users at the start of the process of change, and the ability of management to initiate, accompany and steer change processes.

The decentralisation which accompanied modernisation has delegated greater responsibilities to local employment offices.

For the agencies situated in 22 large urban centres, the need to conceive and implement a network project meant that team-work was required not only within, but also between employment offices. This enabled services to be offered which were of higher quality and better adapted to the needs of employers, job-seekers and other partners from the urban area in question.

The (individual and collective) opposition to restructuring, natural at the start of the process, diminished significantly over time. Those now employed under the new forms of organisation do not wish to return to the old ways, and those working in older offices are waiting impatiently for modernisation there.

A dynamic process

The modernisation of ANPE is not complete; 35% of the local employment offices have to be modernised before the end of the year. Efforts must also be made to avoid a drift back to the past, to ways and attitudes which, while more comfortable, are inappropriate to the needs of users. Finally, adjustment requirements which had not originally been foreseen, but which have proved necessary in the course of time must also be taken into account.

By the end of 1994 ANPE will have undergone a fundamental restructuring such as no other French administrative department has achieved in such a short space of time. This has involved major changes at both the material level

(real estate, furnishings, equipment, offices, etc.) and with regard to human and organisational aspects (decentralisation, delegation of responsibility, change in professional structures, extension and intensification of knowledge and skills, etc.). The task remains of making the dynamic development of the institution more widely known, particularly among non-user employers, in order to disas-

sociate the Agency's image from the current rise in unemployment.

The internal plan for 1994 foresees on-going work in the fields of communication, adjustment of services to user-needs, development of team-work (both within and between local employment offices), the regional evaluation of the changes made, and support for management and leadership parallel to further decentralisation.

In view of the tough challenge posed by the progressive increase in unemployment, the first wave of modernisation, as comprehensive as it was, remains inadequate. It is therefore to be followed by a second "progress contract" between the government and ANPE. This agreement is currently in the final stages of elaboration and will cover the years 1995 to 2000.

Worksharing

Belgium

Promoting the Reinsertion of the Unemployed by Means of Work Redistribution in the Flanders Region

By the Royal Decree of 24 December 1993 the Belgian Federal Government created the statutory framework for establishing company-level work redistribution plans (cf. iMi 45). Employers who, on the basis of such a plan, expand their workforce can claim back a flat-rate deduction (FB 25,000 per quarter) from their social insurance contributions. For its part, the Flanders region has decided to offer employees working in a firm implementing a work redistribution plan an allowance if they transfer from a full to a part-time job.

The Decree of the Flemish government of 2 March 1994 on promoting the reinsertion of fully insured unemployed persons or those of equal status with the help of work redistribution (*Moniteur belge*, 14.4.1994) provides the legal basis for this measure.

Field of application and conditions of entitlement

Within the limits of the financial resources set aside for this purpose, workers employed by a firm in the Flanders region in which a company plan approved by the Federal Minister for Employment and Labour is in operation are entitled to an incentive grant if they transfer from a full to a part-time job. The hours worked in the part-time job must represent between 50% and 80% of the normal full-time hours worked in the company. The allowance is available only for the approved duration of the company plan (and for a maximum of two years). The transition to part-time

work must begin on 31 December 1995 at the latest.

From the same budgetary fund, grants for training or parental leave (for care of children under the age of three), both of which are termed "career interruption" in Belgium, can also be granted. If the interruption is applied for in order to undergo vocational training, the duration of the grant is limited to the duration of the training scheme (and to a maximum of two years). If the interruption is applied for in order to care for a dependent child, the grant is available until the child's third birthday (and for a maximum of two years). In both cases the career break must have begun by 31 December 1995.

The condition of entitlement for the grant is that the worker in question was in uninterrupted employment during the 365 days prior to making the application.

Worksharing

Amount

The monthly allowance amounts to

- FB 3,000 for workers transferring to a part-time job with between 51% and 80% of normal full-time work;
- FB 3,000 for workers taking training or parental leave;

- FB 5,000 for workers transferring to a part-time job with 50% of normal full-time work.

Evaluation

The sub-regional employment committees must issue a statement on the implementation of the measure every six months.

At the same intervals a control commission consisting of representatives of the Flemish government and the Flemish social partners will evaluate the measure and consider whether it is to be extended.

Social Protection, Unemployment Benefits

Belgium

Adjustments to the Provisions on Entitlement to Unemployment Benefits

The Framework Plan developed recently by the Belgian Government aims not only to restore corporate competitiveness and to promote job creation (cf. iMi 45), but also to ensure the financial stability of the social security system. To this end, the Royal Decree of 27 December 1993 (*Moniteur belge*, 31.12.1993) contains a number of provisions governing entitlement to transfer benefits during unemployment.

Longer periods of prior employment required for entitlement

In order to draw unemployment benefit, an employee must have been in full-time employment for a certain number of days, the precise figure varying according to age (cf. BIR B-iii.1). On 1 January 1994 this minimum period was extended for all workers aged less than 36 to 312

days during the 18 months prior to registering unemployed. Before this amendment, certain categories of younger workers, namely those aged less than 18 and the 18-25 year-olds needed to show that they had worked for just 75 or 156 days respectively. The provisions applying to workers aged 36 or over remain unaffected by the change.

Shorter period of entitlement to unemployment benefit

The level of unemployment benefit paid to cohabiting unemployed persons without maintenance responsibilities declines as the duration of unemployment increases (degressive entitlement): previously this entitlement lasted 18 months. On 1 January 1994 the point at which the unemployed person is no longer entitled to a percentage of his/her previous earnings, but rather a flat-rate allowance, was brought forward by three months. As was previously the case, this period is extended by three months for each year of previous paid employment.

Longer suspension period after a return to work

Following a period of unemployment, a worker must now work full

time for an uninterrupted period of at least 12 months in order to be entitled to unemployment benefit (60% or 55% of last earnings for 12 months - cf. BIR B-iii. 1). Previously, six months' uninterrupted, full-time employment was required after returning to work in order to acquire a renewed entitlement.

Longer periods of prior employment required for entitlement to the "transitional allowance"

From 1 July 1994 young persons aged between 15/16 and 18 must have worked for 155 days after completing school or an apprenticeship in order to be entitled to the transitional allowance (cf. BIR B-iii.6). This is double the previous requirement.

Longer periods of prior employment required for entitlement to the "waiting allowance"

The period of employment required for entitlement to the waiting allowance (*allocations d'attente*: support for young people who cannot find a job on finishing school or an apprenticeship - cf. BIR B-iii.5) is extended for young people aged

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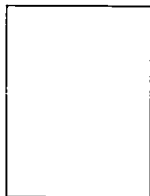
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less than 18 and for young workers aged between 18 and 25. From 1 July the periods are 155 and 233 days respectively (instead of 77 and 155 days as previously). As before, those aged between 26 and 30 must show that they have worked for 310 days).

Suspension of entitlement to unemployment benefit

Entitlement to unemployment benefit can be suspended for certain categories of workers if their period of unemployment exceeds twice the average period of unemployment in the region: account is also taken of age and sex. The director of the regional unemployment bureau is to notify in writing

the unemployed person of the date on which his/her unemployment will pass the limit so determined.

From 1.1.1995, the limit of twice the average regional duration of unemployment is replaced by a fixed time limit of 24 months for unemployed persons who, on receiving notification, are entitled to the waiting allowance.

Special Categories of Workers

United Kingdom

New Partnership Aims to Boost Opportunities for Women

A new regional initiative aimed at boosting opportunities for women was launched jointly on 25 April by Employment Secretary, David Hunt, and Equal Opportunities Commission Chairwoman, Kamlesh Bahl. "Fair Play for Women – Regional Partnerships for Equality" will be the first time that the Government and the EOC have joined together in such a partnership. It is modelled on the successful "Chwarae Teg" programme, created three years ago in Wales.

The partnerships are a regional network of local decision-makers, set up to plan and implement activities to increase women's opportunities in their areas. They will take the form of ten regional consortia – one for each of the UK Gov-

ernment's ten new Integrated Regional Offices (IROs). The network will be coordinated by the newly-integrated Offices and members will include Training and Enterprise Councils (TECs), local authorities, major local employers and Opportunity 2000 (an organisation to increase the quality and quantity of women's participation in the workforce). The CBI and the TUC have also promised support.

Within the overall aim of the Fair Play initiative, these consortia will be independent, enabling them to respond better to local conditions as they find ways to help women participate more fully in each of the regional economies through:

- complementing existing and local and national initiatives;
- maximising the impact and effectiveness of current local activity;
- improving regional commitment to harnessing the talents of women;
- developing projects and ideas that will encourage women to participate more fully in key aspects of regional activity; and

– sharing ideas and good practice. In addition to £350,000 nationwide to fund the establishment of the Regional Partnerships, consortia are encouraged to find ways to link with budgets already available to TECs, Government IROs, local authorities and employers, as well as being eligible for additional sources of regional and European funding. The Government has also budgeted an additional £125,000 in 1994/95 to help fund the consortia's initiatives. A further £130,000 will be available in each of the next two financial years.

Germany

Fixed-term Employment Largely Stable – An Evaluation of the Employment Promotion Act 1985

The Institute for Labour Market and Occupational Research (IAB) of the Federal Labour Office recently published the results of an evaluation of fixed-term employment under the Employment Promotion Act of 1985.

The law made it easier to conclude fixed-term contracts. It was made generally possible to limit the first employment contract to a period of up to 18 months. No specific justification had to be offered for such a contract, as had previously been legally required. This provision was initially valid up to 1990, and was then extended to 1995.

The Employment Promotion Act of 1994, which forms part of the Action Program for higher growth and employment, has extended the provisions in force since 1985 up to the year 2000, the aim being to enable companies to pursue a more flexible personnel policy. This should lead to rising employment, even if economic prospects are uncertain.

The results of the micro censuses conducted between 1985 and 1991 provide information on the way in which fixed-term contracts have developed in the various economic sectors and for different sub-groups of the labour force. In addition, data are now available – for April 1991 – on the diffusion of fixed-term contracts in the new federal states. All the figures refer to blue and white-collar workers, and thus exclude civil servants, military personnel and trainees.

West Germany

According to the micro census, in April 1991 1.162 million workers were employed on fixed-term contracts in the “old” federal states (5.1%). This marks the first decline in the figures since 1987. The decline amounted to 145,000 jobs and occurred despite the rise in overall employment of 390,000. The percentage share of fixed-term contracts in total employment was also at its lowest since 1985 (highest value: 6% in 1986).

Thus fixed-term contracts have settled down at a relatively stable “platform” of around 5% of all employment contracts. Observations suggest that the current figure oscillates around this value within a band of around one percentage point, allowing for adjustment for cyclical or seasonal reasons. There is thus no question of fixed-term contracts being substituted for permanent contracts on a large scale. On the other hand, the results do not indicate any significant employment gains following the flexibilisation of employment contracts. The strongest reaction has been in the cyclically sensitive areas of manufacturing industry and in construction. Although the fluctuations observed are comparatively minor, they are in line with the reactions which would be expected in the light of economic prospects. The favourable economic trends of 1990/1991 led to a decline in fixed-term contracts in favour of recruitment under permanent contracts. It seems plausible to assume that in the current recession and in the subsequent economic stabilisation, fixed-term contracts will increase slightly as a share of the total.

Larger fluctuations and higher fixed-term shares are also to be found in the less cyclically sensitive service and agricultural sectors, but in the trade, transport and com-

munications and non-profit organisations they are higher than in 1985. In the trade sector the share rose from 4.4% to 4.7%; in transport from 4 to 4.6% and in non-profit organisations from 9.6 to 10%.

Overall, more than a third of those on fixed-term contracts work in “other services”, which encompasses hotel and catering, cleaning services and also scientific and artistic institutions. The second-largest sector is manufacturing industry, accounting for just under a quarter of all fixed-term contracts, followed by trade, with about a tenth.

Analysis of the proportion of total employment accounted for by fixed-term contracts shows that the highest value – 10% – is to be found in non-profit organisations and private households, followed by other services (9.3%) and agriculture and forestry (8.6%). Government and the social insurance institutions are, at 6.6%, above the average for the economy as a whole.

In April 1991 600,000 women and 562,000 men were employed on fixed-term contracts; 6.2% and 4.3% of the respective workforce groups. Fixed-term shares are significantly higher among part-time employees, particularly those working less than half standard working hours. Fixed-term contracts are also found to a more than proportional extent among younger workers: 9.7% of those under 25. 6.6% of Germany’s foreign workers were employed on fixed-term contracts.

As far as occupations are concerned, it is social and education-related professions which are most frequently performed under fixed-term contracts (16.4%), followed by literary and artistic professions at 11.8% and agricultural occupations at 10%. Fixed-term shares are also significantly higher than average among health-service occupations

and labourers. In addition to the instability of low-skill activities in general and of seasonal activities in particular, budgetary restrictions are an important factor in explaining the wide-spread use of fixed-term contracts for highly skilled staff in the field of public services.

The results of the micro census for 1992 – which are available but have yet to be disaggregated – point to a further decline in the use of fixed-term contracts in West Germany.

East Germany

In April 1991, 726,000 fixed-term contracts were reported in the new federal states among blue and white-collar workers. Of these 356,500 were male and 369,500 female workers. This represents an overall fixed-term share of 10.3% (women 9.8%, men 10.9%). Thus fixed-term contracts are encountered twice as frequently as in West Germany. This is primarily due to the process of restructuring and closure within East Germany's public institutions and formerly state-owned enterprises, in the course of which many employees were provisionally retained on fixed-term contracts until decisions could be taken on new structures and the staff to be kept on in the longer term. It seems likely that a considerable proportion of those questioned reported that their employment contract was fixed-term in nature although what they meant was that their date of redundancy was already fixed. Job creation measures, on the other hand, still played only a minor role at this point in time: in April 1991 just 85,000 persons were involved in job creation programmes.

Government and the social insurance institutions (17.1%) and non-profit organisations (16.9%) report by far the largest proportion of workers on fixed-term contracts. Below-average use of such contracts was made in transport and communications (4.8%), energy and mining (5.2%) and construc-

tion (6.5%). Compared with West Germany, fixed term contracts were relatively widespread within manufacturing industry (10.5%): just under a third of all East German fixed-term contracts were to be found in this sector. In contrast to the sectoral distribution in the old states, the trade and banking and insurance branches exhibit above-average fixed-term shares.

Again in contrast to West Germany, fixed-term contract were distributed rather equally among full and part-time employees. Such contracts were found relatively frequently among workers below the age of 25 and above the age of 60.

The results of the micro census for 1992 point to a further increase in the use of fixed-term contracts in the new federal states.

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (June 1994):

Belgium	BFR	39.67
Denmark	DKR	7.55
Germany	DM	1.93
Greece	DRA	285
Spain	PTA	158,5
France	FF	6.58
Ireland	IRL	0.78
Italy	LIT	1,869
Luxembourg	LFR	39.67
Netherlands	HFL	2.16
Portugal	ESC	200
United Kingdom	UKL	0.76

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Sweden: The End of Full Employment

Peter Auer and Claudius H. Riegler

For decades Sweden was one of the few European countries which was able to maintain full employment even after the economic crises of the mid-1970s and early 1980s. Only between 1982 and 1984 did unemployment temporarily exceed 3%, and participation rates and employment increased, not least because within the "Swedish model" active labour market policy measures were deployed to a far greater extent than in other countries.

On entering the 1990s, however, the model as a whole and Sweden's active labour market policy in particular appear to have lost some of their impact. Despite a further extension of active labour market policy, a sharp decline in growth and employment has led to a rapid rise in unemployment to a level comparable with that in many EU countries. A further fall in employment and rising unemployment are forecast for 1994, although the economy as a whole should recover slightly during the year.

The following article summarises economic, employment and unemployment trends, discusses the contribution made by active labour mar-

ket policy to the "Swedish model" and considers the factors responsible for the dramatic decline in the Swedish economy at the start of the 1990s.

Economic growth and employment

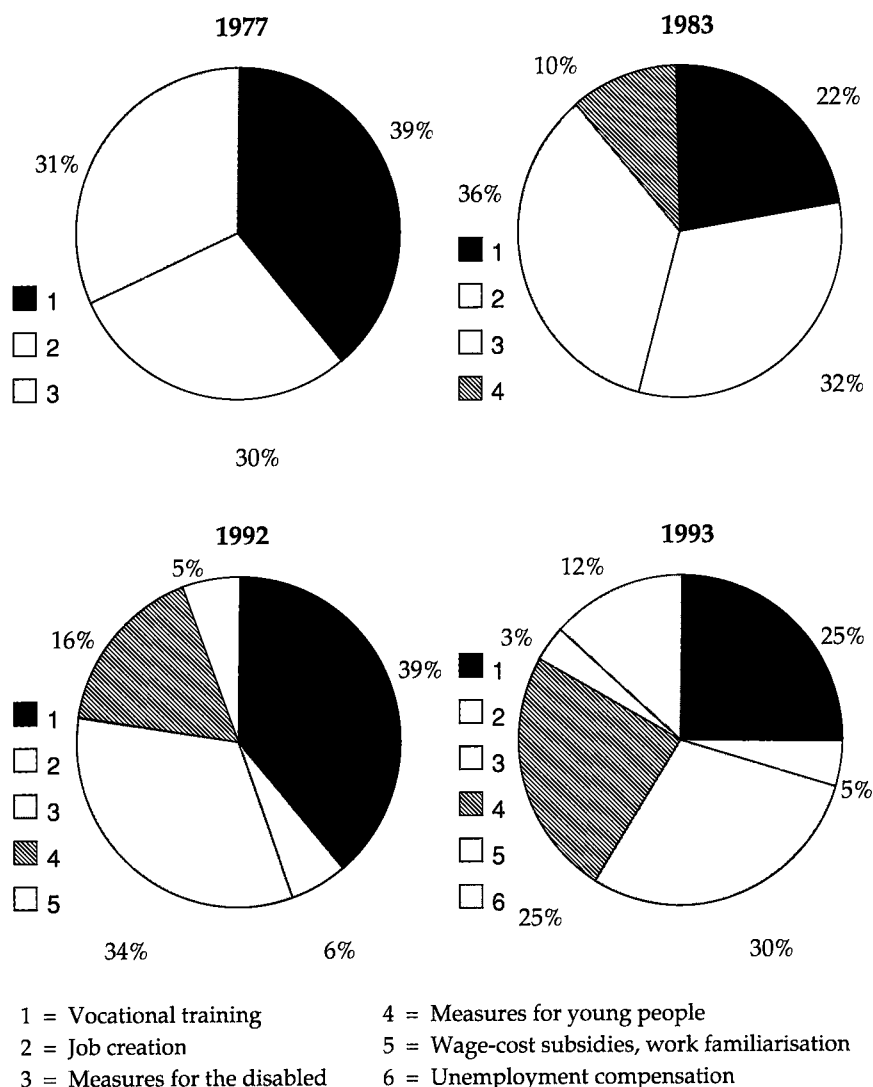
As Figure 1 shows, in the two economic crises of 1976/77 (Sweden's economy was hit somewhat later by the first oil shock than other European countries) and 1981/82 the Swedish economy suffered from lower growth and employment, but the effects were minor in comparison to the current economic situation. During the period 1973 to 1990 as a whole the rise in employment for each percentage point of economic growth was, at 0.42%, almost twice as high as in the EU (0.22%). However, the correlation between economic growth and employment weakened in Sweden during the 1980s, whereas growth in Europe became more employment intensive. In the most recent upturn, from 1984 to 1989, the employment elasticities were in fact equal (cf. Table 1): from crisis to crisis the employment elasticity of growth in Sweden became weaker and weaker. Between 1976 and 1977 employment actually continued to rise despite a decline in growth, whereas in 1981/82 it fell slightly and, since 1991, with an absolute decline in output, has fallen sharply. Although no direct causal relationship between economic growth and employment can be derived from these figures, it shows that in the 1970s Sweden's economic development was linked to low productivity growth, a trend which then changed in the 1980s. According to the OECD, between 1973 and 1979 Sweden had the second slowest (after the USA) rates of productivity growth – in terms of GDP per employee – of all OECD countries: 0.5% per annum, compared

Table 1: Growth, Employment and Employment Elasticity, Sweden and EUR 12

	Sweden			EUR 12		
	Growth ¹	Employment	Elasticity ²	Growth ¹	Employment	Elasticity ²
1973-1992	33.4	9.8	0.29	48.6	7.4	0.15
1973-1990	36.4	15.6	0.42	46.1	8.2	0.22
1984-1989	16.0	5.6	0.35	17.7	6.2	0.35
(1st oil crisis) 1976-1977 (S)						
1974-1975 (EUR 12)	-0.5	0.8	(-1.6)	1.1	-0.2	(-0.18)
(2nd oil crisis) 1981-1982	1.0	-0.3	(-0.3)	0.8	-1.9	(-2.40)
1991-1992	-3.4	-5.8	(-1.7)	2.5	-0.9	(-0.36)

1 Real GDP growth based on the GDP weighting of 1987 in 1987 US-dollars.
2 Employment growth per percentage point of economic growth (where this is positive). Negative elasticities result when employment contracts despite growth or, as in 1976/77, employment expands despite declining growth. Elasticity figures can only be considered as of relevance on a longer-term view. Even then a causal relationship should not be assumed to hold, due to the intervention of other variables (productivity, working time, etc.).
Sources: OECD, SCB; European Commission; own calculations.

Figure 1: Composition of Active Labour Market Policy: 1977, 1983, 1992, 1993



with 2.3% in the EC over the same period. Between 1983 and 1989 average annual productivity growth increased to 1.7%, which put it only slightly behind the European average of 1.9%.

It should be noted, however, that the calculations by the OECD do not take account of the large proportion of part-time employment in Sweden nor the smaller number of actual working hours (due to the various forms of leave – training, parental leave – or the generally high level of absenteeism).¹

Expansion of public services and currency devaluations

Notwithstanding the major importance of labour market policy for Sweden, it is clearly not the decisive factor determining economic and labour market developments. As both Bouyoux and Sapir (1993) and the Commission led by A. Lindbeck on "New Conditions for Economy and Politics" (which has proposed a far-reaching liberalisation of the Swedish labour market) conclude, the principal reason for the success of the Swedish economy with regard to employment and unemployment during the 1970s and 1980s was the primacy within economic policy of the aim of full employment, which

was not replaced as the leading policy aim (by the fight against inflation) until 1990. The enormous expansion of public-sector employment between 1973 and 1980 (+38.7%; EU +16%) played a particularly important role here. At the same time, the growth and employment rates achieved would not have been possible, particularly in view of the pace of wage rises, without the repeated devaluation of the Swedish Krona (between 1976 and 1983 by around 35%), with its positive effects on Sweden's foreign trade position.

Employment

Sweden's positive employment record up until the start of the 1990s is thus at least partly due to economic policies whose prime aim was full employment. Three factors are particularly important in this context: on the demand side, the expansion of the service sector, and in particular of public services, linked, on the supply side, to the sharp increase in female participation rates and the willingness of Swedish women – at least until the mid-1980s – to work part time. Last but not least, active labour market policy contributed to employment growth both directly – by raising demand – and indirectly – by improving the supply of labour and facilitating adjustment processes on the labour market.

More service jobs

As can be seen from Table 2, employment in the service sector expanded between 1980 and 1992, whereas it declined in both industry and agriculture. The net effect of these trends was a "surplus" of just 31,000 jobs, as over 310,000 jobs were lost in industry and agriculture (180,000 were lost between 1990 and 1992 in industry alone. Within the service sector it was public services which contributed most to the expansion of

¹ At 1,466 working hours per annum (1987) Sweden's average annual working hours were lower than in Germany (1,620), France (1,684) or the Netherlands (1,534). Even so, between 1973-90 the growth of output per hour in manufacturing was lower than in other European countries (average annual growth of 2.6% against an average of 3.7% for 7 EC-countries). Low productivity was thus not exclusively caused by the large public sector.

employment. By 1992 the public sector accounted for almost 40% of total employment (EUR 12: 17.6%). In 1975, by contrast, the figure had been around 25%. It was here that many of the jobs for women were created.

Between 1970 and 1992 female employment increased by a total of 545,000, while male employment fell by 56,000. Between 1973 and 1990 the female participation rate increased by more than 15 percentage points. 57% of all female and male jobs created were part time, 43% full time. Until 1985/86 more part-time than full-time jobs were created for women, but subsequently full-time job creation increased; on balance, for women the number of full-time jobs created actually exceeded that of part-time jobs (344,000 full-time as against around 200,000 part-time jobs). As a result part-time employment fell from 26.2% of total employment in 1986 to 23.4% in 1990. More recently the figure has been rising again, despite an absolute decline in the number of part-time jobs, due to heavy redundancies among (full-time) industrial workers (1992: 24.3%). Among male workers the number of full-time jobs fell substan-

tially, while part-time work increased. Even so, by 1992 just 8.4% of male workers were employed part time (up from 5.4% in 1979), whereas 41.3% of employed women worked part time (down from 46% in 1979) (see Table 3).

In 1993 a further 250,000 to 300,000 jobs were lost, with the public sector this time suffering job losses of 100,000. Until 1992 it was primarily male unemployment which had risen sharply (from around 2.5% in the first quarter of 1990 to around 10% in the third quarter of 1993, with an average unemployment rate for 1992 of 6.3%); since 1993 female unemployment has also been increasing significantly, almost touching 8% in the third quarter of 1993 (1992 average: 4.2%). In just four years, from 1990 to 1993, the overall unemployment rate increased from 1.7% to 8.2%. Particularly dramatic was the rise in youth unemployment: by 1993 the unemployment rate among 16 to 24 year-olds had reached 21.4%. Long-term unemployment has also risen: in June 1993, 40% of the unemployed had already been out of work for more than six months. Still, it has not yet reached "European" dimensions,

and the proportion of the unemployed continually out of work for more than a year is even now below 10%, whereas in the 12 EU countries it is around 50%.

At the same time, around 6.5% of the workforce (annual average for 1993) was involved in active labour market policy measures, so that in 1993 a total of around 15% of the labour force was not in regular employment.

Labour market policy

Labour market policy has played a leading role within the "Swedish model", developed in the 1950s by the economists Rudolf Meidner and Gösta Rehn. This model, the core elements of which were a restrictive demand-side policy, a "solidaristic" wage policy and a selective labour market policy, has exerted a profound influence on Sweden's development in past decades, although it was never actually applied in its pure form. The declared aim was full employment coupled with price stability and continuous economic growth. An additional significant part of the model was the realisation of economic democracy. Laws were passed to this end in the 1970s (e.g. the Co-determination Act of 1976) and the gradual take-over of capital by the so-called workers' funds was planned. The resources required for this were to be siphoned off from the excess profits of the most productive sectors. The principle underlying the "wage policy of solidarity" – equal pay for equal work irrespective of production location and branch – which was achieved through centralised wage bargaining, led to differences in wage pressure depending on productivity levels. Low-productivity firms – particularly small enterprises – were forced by the relatively high wages to undergo structural adjustment – or go out of business; high-productivity firms were able to earn excess profits as the wages agreed at central level were lower than could potentially have been paid by such firms. These excess profits were at least partially to be siphoned off and invested in so-called workers' funds which would then

Table 2: Change in Sectoral Employment Levels, 1985-1992 (in thousands)

	Agri- culture	Industry	Services	of which: public	Total
1980-1992	-72	-241	+344	+194	+31
1980-1990	-59	-62	+406	+214	+285
1990-1992	-13	-179	-62	-20	-254

Sources: SCB (1994, p. 167); own calculations.

Table 3: Change in Level of Full and Part-time and Male and Female Employment (in thousands)

	Full-time			Part-time			Total		
	M+F	M	F	M+F	M	F	M+F	M	F
1970-1992	210	-134	344	279	78	201	489	-56	545
1990-1992	-228	-164	-64	-25	10	-34	-253	-155	-98

Sources: SCB (1994, p. 165); own calculations.

gradually assume majority control of the leading limited companies. Although in the final analysis the model was only realised in diluted form – regionalised funds which were only allowed to acquire a minority shareholding in firms – conflict arose between workers' organisations (the trade unions and the Social Democratic Party) and the employers and the political parties close to them, which brought about a lasting change in the "climate" of Swedish industrial relations.

Although it proved impossible to realise this aspect of the model – also price and wage stability was not reached as inflation stood at an average of 8% a year during the 1980s – the "solidaristic" wage policy and the labour market policy still exert a major influence on Swedish policy. The gap between high and low wages narrowed significantly until the mid-1980s – although it has increased since then – while labour market policy, the original aim of which had been to cushion the structural adjustment caused by, among other things, the solidaristic wage policy, has now, under the conservative governing coalition, reached new heights. On the other hand, labour market policy has been subject to significant changes over time, and the original intention of "selective accompaniment" of structural change, particularly by means of supply-side instruments such as mobility support, and further training and retraining measures within the Rehn/Meidner model have recently increasingly had to give way to a policy oriented more directly to the problems of unemployment and the unemployed.

Anti-cyclical deployment of labour market policy

Swedish labour market policy reacts – after a time lag – to changes in the business cycle and the level of unemployment (cf. Figure 1). In principle little has changed over the years with respect to the anti-cyclical deployment of labour market policy: the fundamental rule is still: as economic growth declines and unemployment rises, both spending on, and the number of participants in active la-

bour market policy expand. The composition of the various measures has, however, changed over time, and new measures have been initiated. In the first cyclical downturn in 1977, vocational training measures were given precedence, whereas during the second "oil crisis" greater use was made of job-creation measures. Since 1992, training measures have again increased in importance, while job creation has tailed off significantly. In addition to measures for the disabled, in 1993 it was again training measures, this time primarily for young people, that took priority.

Analysis of the measures as to whether they are primarily demand or supply-side oriented (i.e. improve the supply of labour, e.g. through vocational training, or increase the demand for labour respectively) reveals no clear picture, as the measures implicitly (and more recently explicitly) pursue both aims. Participation in active measures permanently eases the pressure on the labour market, and thus has the same effect as additional demand, while at the same time enabling workers to acquire training and work experience. If this reservation is ignored for the moment, and the analysis based on the traditional division between demand and supply-side measures, it is demand-side measures which have predominated, particularly so until the mid-1980s, due to the growing importance of cyclically insensitive measures for the disabled. In Sweden as in other European countries, the importance of the "classical" demand-oriented measures (job creation, wage-cost subsidies, not introduced in Sweden until 1984 in anticipation of the economic recovery) has declined since 1985, while that of training measures has increased rapidly (until 1992). Since 1992/93 the traditional measures of (adult) training have been gradually replaced by measures for young people. This has involved the deployment of new measures, the common characteristic of which is the simultaneous attention they pay to both supply-side and demand-side factors. Under these fixed-term youth traineeships, employers provide a taste of working

life while participants receive the same public subsidy (maintenance allowance) available to those undergoing training. The measure which has expanded most rapidly since 1993 (ALU – work introduction) is open to all recipients of unemployment benefit. It is based on the principle of "activating" passive benefits (maintenance allowance as a wage-cost subsidy) and providing an introduction into working life in an (additionally created) job.

Recently there has also been an increase in fixed-term recruitment of workers to replace those on training leave, subsidised by the state in the form of reduced social security contributions. In addition to raising skill levels, the aim is to redistribute work (on the course taken by labour market policy cf. Tables 4 and 5 and Figures 1 and 2).

The aim, formulated at a time of low unemployment, of using labour market policy to transfer labour from sectors in crisis to more productive sectors has declined in importance in the face of the dramatic decline in employment and the high rate of unemployment among school-leavers (unemployment among the under-25s now amounts to over 20%). Thus the instruments of Swedish labour market policy are not restricted merely to the "insiders" of the labour market (as Calmfors suggests), but have also to cope with entry, exit and transitional problems (cf. Schmid 1993).

Effects of active labour market policy

The effects of Swedish labour market policy are not uncontroversial, particularly when its side-effects are taken into consideration. There can be no doubt that labour market policy measures have helped to maintain employment and reduce registered unemployment. If it is assumed that all the participants in policy measures would otherwise have been unemployed, the unemployment rate in 1993 would already have been around 8%, and would now be in excess of 15% (cf. Figure 2). The rigorous deployment of measures, enforced by the legal entitlement of the

Table 4: Labour Market Indicators, Sweden and EUR 12

	1975						1992					
	EUR 12			Sweden			EUR 12			Sweden		
1. Population	312.4			8.2			330.0			8.7		
2. Population of working age	197.9			(5.3)*			221.7			(5.52)**		
3. Employment	124.3			4.1			134.8			4.25		
4. Unemployment	5.3			0.07			14.1			0.214		
5. Participation rate Employment rate (3/2)	M+F	M	F	M+F	M	F	M+F	M	F	M+F	M	F
	65.4 ¹	87.8 ²	44.6 ²	78.6 ³	88.1 ³	62.6 ³	67.2 ⁴	79.7 ⁵	53.6 ⁵	80.7 ⁶	82.7 ⁶	78.7 ⁶
	62.8	-	-	(77.3)	-	-	60.8			(77.0)		
6. Spending on labour market policy (as % of GDP)												
- active	-			-			0.91 ⁷			1.69 ⁷ (3.17 ⁸)		
- passive	-			-			1.85 ⁷			0.88 ⁷ (2.59 ⁸)		
- total	-			-			2.76 ⁷			2.57 ⁷ (5.76 ⁸)		
7. Unemployment rate	4.1			1.6			9.5			4.8		
- rate < 25	-			3.8			18.5			11.0 ⁹		
- long-term unemployed as % of total unemployed	-			-			45.0 ¹⁰			8.1		
8. Sectoral distribution of employment in %												
- agriculture	11.2			6.7			5.9			3.4		
- industry	38.8			37.0			30.8			26.6		
- services	50.0			56.3			63.1			70.0		
public sector as % of total employment	15.1			24.8			17.6 ¹⁰			39.4		
1 3 + 4/2	6 Labour Ministry 1993											
2 1974, OECD	7 1991 (EUR 11 without Italy); Sweden 1990/91											
3 1973, OECD	8 Budget 1993											
4 3 + 4/2	9 Estimated											
5 1990, OECD	10 1991											
* November 1975	** 1991											
Sources: European Commission; OECD; Swedish Labour Ministry; SCB.												

long-term unemployed to fixed-term employment (in the public sector) after 14 months' unemployment, has so far enabled Sweden to avoid the problems of mass long-term unemployment. From the point of view of the theory of hysteresis, which sees the fact of having once been unemployed for a long period as an important cause of further periods of unemployment, this is a not inconsiderable result (Bourdet/Persson).

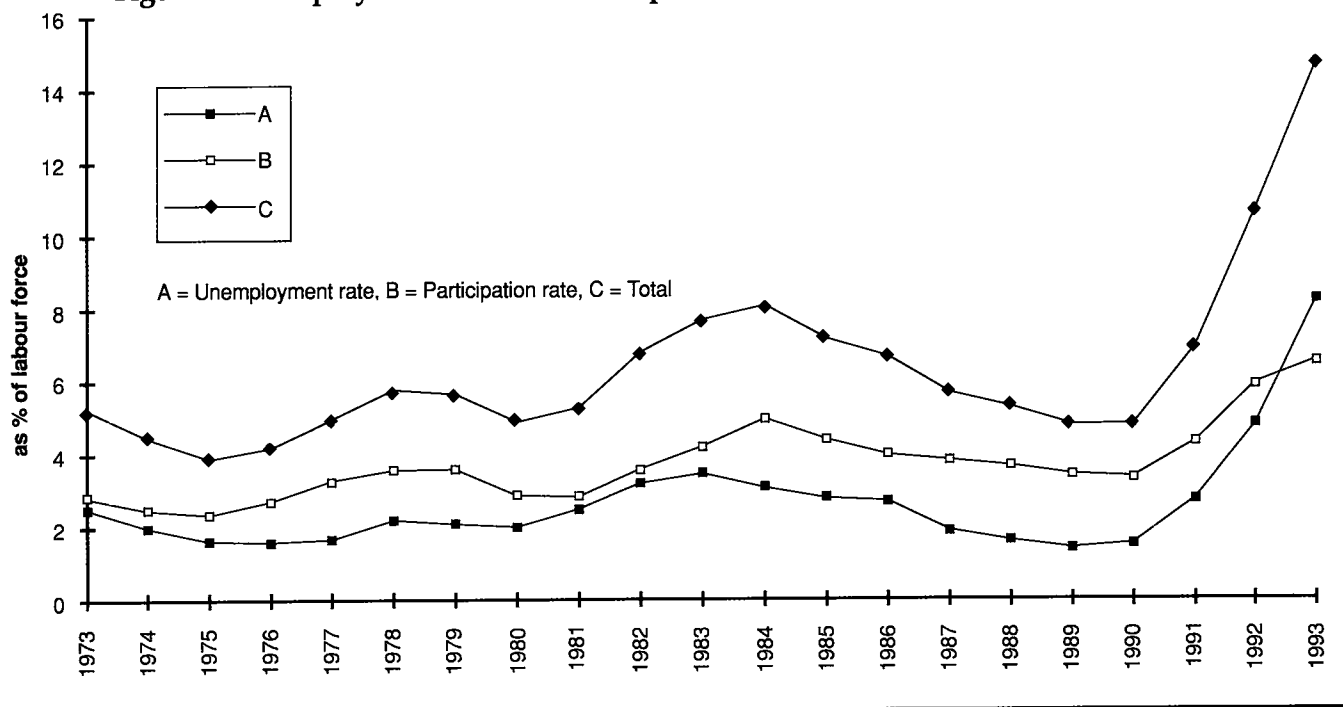
The stabilising effect on the economy as a whole of Sweden's anti-cyclical labour market policy, which is financed out of taxation and not out of unemployment insurance contributions (which tend to reduce the

financial scope for active measures when unemployment rises, and thus prevent them being deployed anti-cyclically) has also been emphasised (cf. Schmid/Reissert/Bruche 1992). Moreover, the implementation of this policy is facilitated by the fact that it is deployed recurrently at each economic downturn, making it easier for local government to plan measures such as job creation schemes. This is in contrast to countries with a rapid succession of different ad hoc programmes (cf. Auer 1983). The comprehensive and efficient way in which the public job placement service is organised and the early quasi-private organisation of labour mar-

ket training programmes (AMU) are additional institutional factors contributing to the positive overall evaluation of Sweden's active labour market policy.

On the other hand, macroeconomic impact analysis shows that in Sweden, too, labour market policy often fails to exert significant lasting effects on employment due to deadweight, the crowding out of private-sector activities and other unplanned side-effects. Critical observers have also noted that the measures have a similar effect to high wage-compensation rates for the unemployed, reducing the pressure on trade unions to accept wage modera-

Figure 2: Unemployment Rate and Participation Rate in Active Labour Market Policy



tion. A high wage level, in turn, leads to a low employment level, so that in the final analysis an active public labour market policy crowds out private employment (cf. Calmfors 1991, among others). Layard, Nickell and Jackman (1991) come to opposite conclusions: as a whole labour market policy tends to increase labour supply, as a greater number of people remain in the labour market, raising competition between workers and so favouring wage moderation.

Similar controversy surrounds discussions in macro and micro-economic evaluation studies of the employment effects of active labour market policy, whereby here, too, the debate focuses on the crowding out of private-sector activities and the problem of deadweight (i.e. in principle, the question, how many jobs would have been created without the measures?). Concluding a discussion of micro and macroeconomic evaluation research, the OECD (1993) comes to the following conclusions: it is acknowledged that active labour market policy has raised the employment intensity of growth by improving the balance between supply and demand and enabling the unemployed to maintain their links with working

life. At the same time it seems that it is particularly opportune to spend more on labour market policy when the economy is starting to grow. The questions as to whether labour market policy is conducive to wage moderation or not remains undecided, with a slight preference for the former. Finally, it is emphasised that the way in which a programme is designed plays a decisive role in determining its impacts. Programmes oriented to target groups, for instance, are more effective than general programmes. A Swedish group of programme evaluation experts (SOU 43/1993) reaches similar conclusions, claiming, among other things, that more positive results could be expected if "outsiders" (such as the long-term unemployed) were more fully represented in the programmes (SOU 43/1993, p. 27). All in all, the group proposes that different measures be more finely tuned to the needs of various target groups, in order to improve their effectiveness.²

Generally speaking, policy-relevant results are more likely to be generated by evaluations which specifically analyse the conditions under which a certain type of measure oper-

ates, its objectives and the results obtained, than macroeconomic evaluation studies based on relatively crude data and the axiomatic points of departure taken by their authors.

The reasons for Sweden's current problems

According to neoclassically oriented critics, Sweden's current problems are structural in nature. Above all the high level state spending and taxation as a proportion of total output and the associated high social security level, high wage costs, the low level of wage differentiation, regulation of the labour market and centralised wage bargaining are considered to be the factors which have damaged Sweden's competitive position over the longer term and caused the present economic problems (cf. the conclusions drawn by the Commis-

2 Peters and Schmid (1982), however, point to a conflict of aims between narrow definitions of target groups and take-up. As a general rule it is true that the tighter the selection criteria of a programme, the lower the take-up rate (but the smaller the deadweight effects) or *vice versa*. To this extent a broader, less specific approach (one which, for example, defines jobless youngsters as long-term unemployed after just four months of unemployment, as in Sweden) can prevent "target groups" arising in the first place.

Table 5: Spending on Labour Market Policy Measures in SEK millions and as % of GDP, 1970/71- 1992/93

Financial year	Financed by labour market administration	In % of GDP	Labour market policy financed from other sources ¹	Total	In % of GDP	Regional policy resources	Temporary subsidies for industry	Total	In % of GDP	Unemployment rate
1970/71	2,089	1.3	540	2,629	1.7	340	-	2,969	1.9	1.9
1971/72	3,461	2.0	818	4,279	2.5	481	-	4,760	2.8	2.3
1972/73	3,943	2.1	1,157	5,100	2.7	379	-	5,497	2.9	2.7
1973/74	3,877	1.8	1,150	5,027	2.4	614	-	5,641	2.7	2.4
1974/75	3,826	1.5	1,022	4,848	2.0	846	-	5,694	2.3	1.8
1975/76	4,703	1.6	1,285	5,988	2.1	733	148	6,869	2.4	1.6
1976/77	7,632	2.4	1,560	9,192	2.9	768	2,343	12,303	3.9	1.7
1977/78	10,511	3.0	2,168	12,679	3.7	835	3,863	17,377	5.0	2.0
1978/79	11,255	2.8	2,462	13,717	3.5	649	4,177	18,543	4.8	2.2
1979/80	11,919	2.7	2,982	14,901	3.4	1,008	6,321	22,230	5.0	2.1
1980/81	11,763	2.4	3,273	15,036	3.0	1,020	4,341	21,397	4.3	2.3
1981/82	13,524	2.5	4,236	17,760	3.3	913	8,296	26,696	5.0	2.9
1982/83	17,128	2.9	5,633	22,761	3.9	957	11,700	35,418	6.1	3.3
1983/84	21,246	3.2	6,650	27,896	4.2	671	2,994	31,561	4.7	3.1
1984/85	22,611	3.1	6,496	29,107	4.0	663	4,771	34,541	4.7	3.0
1985/86	22,020	2.8	6,578	28,598	3.6	734	4,373	33,705	4.3	2.8
1986/87	23,380	2.8	6,647	30,027	3.5	905	998	31,930	3.8	2.4
1987/88	23,274	2.5	6,392	29,666	3.2	1,283	974	31,923	3.4	1.8
1988/89	22,874	2.2	6,286	29,160	2.8	1,114	1,169	31,443	3.1	1.5
1989/90	21,756	2.1	6,421	28,177	2.5	1,441	478	30,056	2.7	1.4
1990/91	27,379	2.3	6,923	34,302	2.8	900	182	35,384	2.9	2.0
1991/92	47,719	3.8	7,871	55,590	4.4	645	281	56,516	4.4	3.7
1992/93 ²	70,416	5.5	8,000	78,416	6.5	- ³	- ³	80,000	6.5-7.0 ⁴	6.5

1 Samhall (disabled persons foundation), local government, further training institutions (AMU), education authorities

2 Provisional

3 No data available

4 Estimated

Sources: J. Johannesson (1991); actualisation by J. Johannesson.

sion "New Conditions for Economy and Politics" led by A. Lindbeck).

In short the old "Swedish model", dominated by the Social Democrats and the unions, is seen as responsible for economic failure. For other critics the centre-right coalition which took office in October 1991 and which accorded priority to the fight against inflation, abandoned the aim of full employment and intends to reduce government influence on the economy bears the responsibility for the situation.³

The immediate cause of the crisis would appear to be neither the long-term structural barriers to the free market nor the policies of the new government, but rather a crisis of confidence in the economy and in the currency following a speculative boom, together with global economic recession. Partly due to deregulation of the financial markets, the Swedish

economy suffered from overheating and a speculative boom (particularly in the real-estate sector) in 1985 which came to an abrupt end in 1991, bringing a number of Sweden's largest banks to the brink of ruin. This also shattered confidence in the value of the Krona (tied to the ECU), leading to a drastic rise in interest rates. The phase in which the economy overheated, leading to a fall in the propensity to save and an increasing burden of debt on Swedish households (up by SEK 300 billion between 1987 and 1990) and firms was suddenly followed by a turnaround and a drastic rise in the propensity to save. This sharp rise in the propensity to save was actually termed the major factor behind the current crisis in a paper published by the Social Democrats, now in the opposition ("A Future for Sweden", 1993).

What is certain is that higher un-

employment rates have now – a process which started under the Social Democrats – become politically acceptable. This policy was then pursued – in an overall context of "anticipated accession" to the EU⁴ – by the conservative coalition government. The policy of the "hard Krona", also introduced by the Social Democrats, and which the new government intended to pursue, had, though, to be abandoned, leading to a fall in the external value of the Krona of around 20%. This is now reinforcing the upturn in the industrial sector.

3 Critics within the Social Democratic Party consider that the Social Democratic government was itself partly responsible, as in its last years in office it deregulated the financial markets, passed a tax reform which reduced the burden on higher incomes, and began the departure from the aim of full employment.

4 The failure of this "anticipated accession" (mainly through monetary policy) is a major cause of Swedish scepticism on the question of EU membership.

The Unemployment Insurance System in Sweden

Conditions of entitlement	Value/duration of benefit
<i>Unemployment benefit:</i>	
12 months' contributions to the unemployment insurance fund	80% of gross wages to a maximum of SEK 12,400 per month (until July 1993: 90%)
5 months' employment prior to unemployment	Duration: maximum of 300 days (if previously on job creation scheme, then from 1.7.1994, only 150 days; 5 days per week
Registering as unemployed	Unemployed over 55: 450 days
Available for work or training	For first period of unemployment: waiting period of 5 days
<i>Unemployment assistance (KAS):</i>	
Previously employed who are not members of an unemployment insurance fund	Value: SEK 198 per day (from 1.7.1994: SEK 227)
Members who do not yet meet entitlement conditions	Duration: maximum of 150 days; unemployed over 55: 450 days 5 days per week
New entrants to the labour market after a three-month waiting period	For first period of unemployment: waiting period of 5 days
Unemployed over 60 who are not entitled to unemployment benefit	
Registering as unemployed	
Available for work or training	
1 SEK = 0.11 ECU (June 1994)	

Since taking office in October 1991, the government has been forced by events to slaughter a number of sacred cows. Initially the government wanted neither to increase government activity as a share of GNP nor to pursue an expansionary fiscal policy. A balanced budget, achieved by the Social Democrats at the end of the 1980s – a result of the economic boom and tax increases (the burden of taxes and social insurance contributions (1990) was around 57% of GNP; EUR 12: 40%) – was also one of the aims of the government. The economic crisis has pushed economic policy in a different direction, however. The recession and the income-tax reform begun under the Social Democrats⁵ have together significantly reduced fiscal revenue, while at the same time rising unemployment consumes an ever-increasing volume of resources; the result has been a sharp increase in

the budget deficit.⁶ In 1994/95 public debt is expected to grow to 95% of GNP (from around 25% in 1992/93; as a reminder, 60% of GNP is the limit set by the Maastricht Treaty).⁷

As far as economic policy priorities are concerned, the government has now switched its focus back from the fight against inflation to the battle against unemployment. It is in many ways paradox that a government which was initially rather critical of labour market policy has expanded measures to such an extent that the public placement service (AMS) recommended they should actually be reduced, as otherwise their effective implementation could not be guaranteed.

Whichever parties form the new government – Sweden is to hold elections in the autumn – and whatever the differences in specific policies,

there is simply no alternative to retaining active labour market policy.

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5 In 1989/90 income tax accounted for 27%, social insurance contributions 14% and taxes on consumption 42% of public revenue; the tax reform and the recession have together shifted the revenue structure, so that in 1991/92 just 11% of revenue was generated by income tax, 18% by social insurance contributions and 50% by taxes on consumption.

6 In the financial year 1988/89 the budget closed with a surplus of SEK 18 billion; in 1992/93 a deficit of SEK 200 billion was posted, with an even higher deficit expected for 1993/94. Between 1988/89 and 1992/93 spending on labour market policy (active and passive) rose by around SEK 50 billion to SEK 70 billion.

7 Only 5 of the 12 EU countries meet this requirement.

EMPLOYMENT OBSERVATORY



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