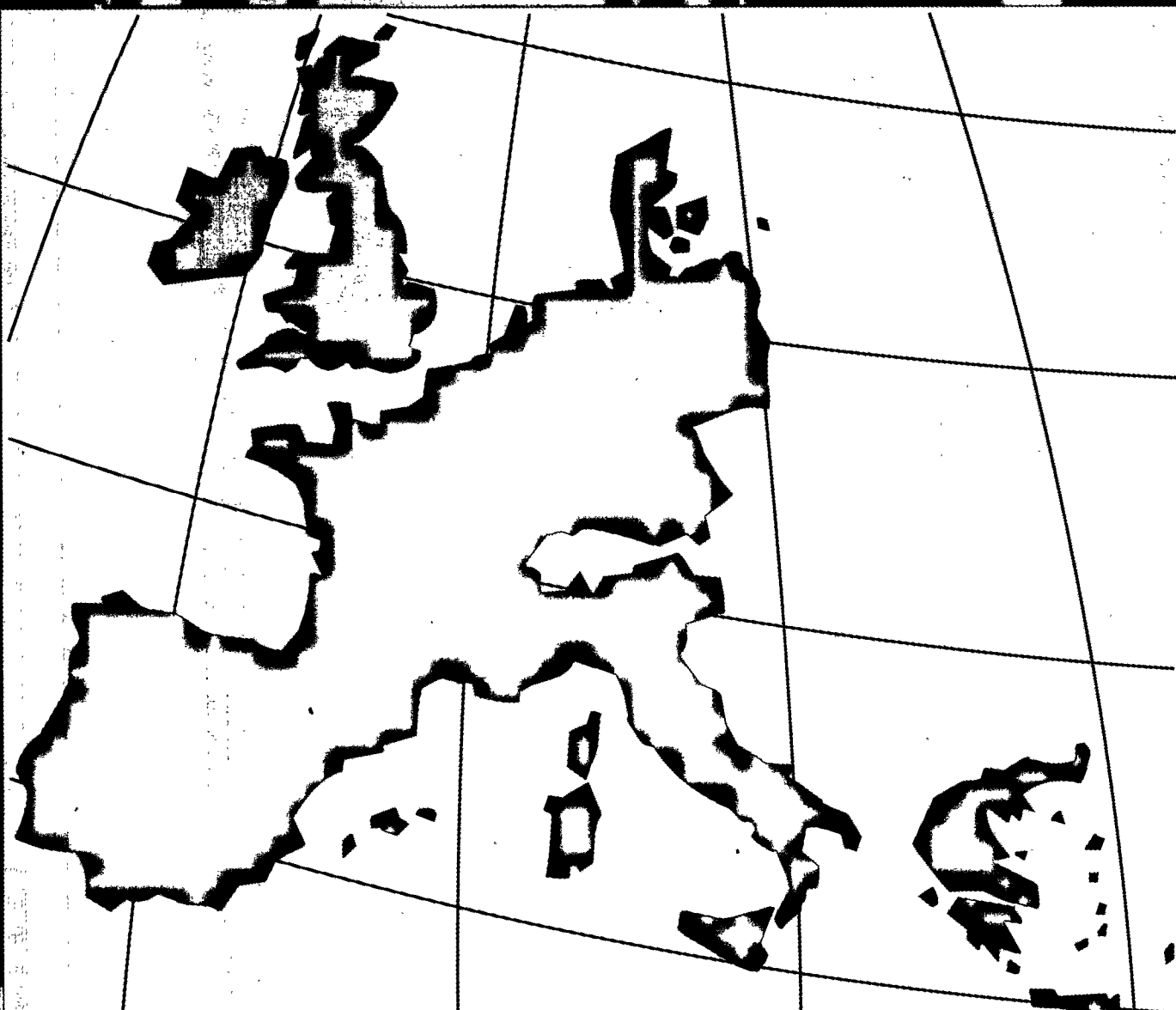


EMPLOYMENT OBSERVATORY

Policies

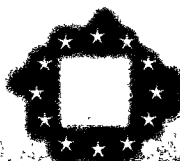
Developments in employment policies in Europe.
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43

 Autumn 1993

Employment in
EUROPE

for MISEP



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

Developments at a Glance

- Belgium:** The wage-compensation benefits which involuntary part-time workers can draw in addition to their earned income have been restricted. New regulations have been introduced specifying four existing measures; the reduction in social security contributions for employers recruiting young people, part-time retirement, the generalised right to a career break, and measures promoting the redistribution of work. A decision has also been taken on the deployment of the pay-roll contribution of 0.15% for risk groups and 0.05% for child-care initiatives; the MARIBEL wage-cost subsidy has been increased.
- Netherlands:** The number of job placements is to be increased, an additional policy aim being to ensure equal placement rates for all target groups. Difficult-to-place unemployed from the "job pools" are now able to return to the pool if they become unemployed again after a period of employment. The number of applications for redundancy approval has risen sharply.
- Portugal:** A nationwide support programme for young entrepreneurs, offering allowances and loans, has been introduced. Special measures in the field of vocational training are to promote the social and occupational skills and integration of particularly disadvantaged groups. In addition, a support programme for the integration of immigrants and ethnic minorities has been initiated.
- Denmark:** The emphasis of the new Government's labour market policy is to "activate" as far as possible passive benefits, to push ahead with decentralisation, and to improve flexibility by improving the opportunities to interrupt working life – through training and child-care leave and sabbaticals. Stipulations governing the replacement of those on a career break will bring about a redistribution of work.
- United Kingdom:** The Employment Service's placement efforts in 1992 were very successful, and the prospects for 1993 are good.
- Germany:** The conditions for participation in further training and retraining measures have been tightened, with limitations placed on course duration; grants for the costs of training have been reduced, with the full costs only being covered in those courses offering good chances of labour market reintegration for participants. Ever greater use is being made of the public job-placement service, not least by those already in employment.
- Spain:** The Plan for Training and Occupational Reintegration is now concentrating on vocational training measures for the unemployed.
- France:** The new Register of Occupations and Jobs has been adapted to take account of the changes which have occurred in working life. Placement can now be based on broader aggregations of related occupations.
- Italy:** A new tripartite framework agreement has introduced new regulations on wage-determination processes at national and firm level, on short-time working (CIG), and training-at-work contracts. The agreement also provides a basis for temporary agency work.
- European Commission:** Excerpts from the Community-wide framework for employment, the aim of which is to promote more employment-intensive growth.

EMPLOYMENT OBSERVATORY Policies



No. 43, Autumn 1993

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Overall Developments

Belgium

Results of the Nationwide Round Table on Employment

On the occasion of the budgetary audit for 1993, the Belgian Government decided to submit to the social partners a number of proposals for employment promotion. These proposals are themselves the result of earlier negotiations with the social partners, and refer to three areas:

- improving opportunities for youth employment by means of a temporary reduction in labour costs;
- promoting the redistribution of working hours by creating special forms of employment relation for those nearing the end of their career, by extending the right to career breaks and within the area of enterprise restructuring;
- flexibilisation of certain aspects of work organisation.

At the nationwide Round Table on Employment held on 12 May 1993 concrete proposals were announced. These have subsequently been elaborated jointly by the Ministry of Labour and Employment and the social partners.

On 25 June 1993 the Council of Ministers accepted the agreement which had been signed to this effect. For the short term it was decided to implement the four following measures with the aim of promoting employment.

The plan for youth recruitment (*plan d'embauche des jeunes*) is an active measure in the fight against youth unemployment, with the prime intention of preventing young people from entering the ranks of the long-term unemployed. It consists of a reduction in employer's social-insurance contributions for the first three years of their employment. By

this means a greater number of young people will have the chance of getting an initial taste of paid employment.

The second measure is the part-time early retirement scheme. It enables older workers to work half their normal hours and thus to benefit from partial early retirement until they reach the standard retirement age. The introduction of this measure corresponds to the wishes of a large number of workers who, while wanting to work fewer hours, do not wish to terminate their occupational activity completely. At the same time, the part-time jobs which become vacant in this way can be filled by young job-seekers.

A collective labour agreement, soon to be reached by the "Conseil National du Travail", will generalise the right to a career break for workers throughout the private sector. This will enable workers to withdraw temporarily from the labour market. Given that those employees taking a break from working life can be replaced by unemployed persons, this measure should also bring about a redistribution of the volume of available work.

The fourth and final measure concerns the redistribution of work within firms undergoing restructuring or in economic difficulty. Based on the philosophy that the greatest possible number of workers should remain in employment during restructuring, other alternative forms of work redistribution must be sought. Firms will be entitled to concrete support in drawing up measures which distribute the available work over a larger number of employees.

The four measures will be financed from the revenue generated by a tax on energy consumption.

This marks the end of the first phase of the Round Table on Employment. A second phase will begin in September 1993, when the Minis-

try of Labour and Employment will begin negotiations with the social partners on matching supply and demand on the labour market, on flexibility, the redistribution of work and reducing the cost of labour.

Denmark

The Main Elements of the Danish Labour Market Reform

The main elements of the Government's labour market reform are an "activation" and decentralisation of labour market policy (Act no. 272), and a redistribution of work and an enhancement of skills through new leave schemes (Act no. 273). The main principles of the reform are the following:

- to replace passive benefits by active offers to the unemployed wherever possible
- to ensure that the unemployed have clear rights and duties
- to ensure that regional authorities organise their activities in accordance with the wishes of the unemployed and the needs of the local labour market
- to ensure that better offers are given to the unemployed and at an early stage of the unemployment period, especially to those in risk of becoming long-term unemployed
- to tailor offers more closely to the needs of unemployed individuals
- to improve the access to leave for those in employment with a view to promoting job rotation
- to offer better opportunities for parental leave

- to offer both unemployed and employed persons better opportunities for further and continuing training.

The new Act on active labour market policy aims to decentralise labour market policy measures. In future, regional councils, composed of representatives of the social partners, will be responsible for organising measures for the unemployed. The aim is to ensure a closer cooperation with local firms so that the measures will be better suited to local needs.

Greater emphasis will be put on training and job rotation. It will be made easier to agree on job rotation schemes with firms that let their employees participate in continuing training courses. The unemployed who are to replace those on leave should be trained for the jobs they are taking over. This way, the unemployed will be trained in regular jobs.

Parental and training leaves

The new leave schemes (Act no. 273) represent an improvement on existing schemes. Under the new legislation, all parents with small children are entitled to leave to take care of their children for up to 26 weeks. They may also make an agreement with the employer to prolong the period of leave by up to a further 26 weeks. The person on leave will receive 80% of the unemployment benefit rate. The employer may supplement the benefit.

On 1 January 1994 new rules on training leave come into force. Training leave for up to one year may be taken by the unemployed, the employed and the self-employed, the aim being to promote life-long learning and the constant up-dating of acquired skills. Training leave must be agreed upon with the employer. During the currently existing collective agreements the training benefit is 100% of the unemployment benefit. Here too, the employer may supplement the amount, for instance by granting full pay during the period of training leave.

Finally, sabbatical leave is introduced as a pilot project for one year. Such leave must be agreed with the employer and the person on leave is to receive 80% of the rate of unemployment benefit.

The reforms primarily have a labour market policy objective, namely to contribute to an improvement of the skills of the labour force, for instance by increasing job rotation. But they also have positive educational and family-policy effects. The reform reflects the necessity – in the light of the present high level of unemployment – of creating the framework for a new working life which will, to a greater extent than at present, alternate between work, training and leave. Workers will be in a position better to reconcile working life, family life, and the need for continued training.

However, the better distribution of the existing work through leave schemes and temporary replacement is not an alternative to creating more jobs: the redistribution strategy is only a supplement to other employment measures.

Italy

New Agreement on Labour Costs

On 3 July 1993 the Government and the social partners reached an important agreement concerning labour costs. This agreement is more than just the conclusion of lengthy negotiations (around 40 days): it should be seen as a new "social pact". The agreement initiates a reform of the system of industrial relations – already modified by the abolition of the automatic inflation compensation (*Scala mobile*, cf. iMi 40), and restructures the pay system, while establishing new job-creation instruments.

The agreement is a "framework agreement", as it is the entire foundation of Italian labour market policy, rather than specific elements, which are called into question. The agreement contains new flexibility concepts, new regulations for the election of workers' representatives and the right to collective negotiations at plant level.

The most important points contained in the new agreement are as follows:

(a) Collective agreements

- Collective bargaining at national level

The national collective agreement is valid for four years, although the wage rates agreed there apply only for two years. Wages may not increase faster than the expected rate of inflation. After two years, though, at least in the case of collectively agreed minimum wages, the discrepancy between expected and actual inflation must be taken into account.

- Collective bargaining at plant level
Plant-level agreements – also valid for four years – are to deal only with those matters not regulated at national level. The rate of wage increase is tied directly to the pre-determined targets of productivity growth, improvements in product quality and other competitive elements. Collective bargaining at plant (or regional) level is primarily tailored to the needs of smaller enterprises.

- Waiting period

During the waiting period before the renewal of the agreement, employees are to receive, three months after the old agreement expires, a provisional wage adjustment of 30% of the expected rate of inflation. After six months the adjustment rises to 50%.

- Union representation

The agreement reaffirms the principle of unitary trade-union representation at plant level. Representation is composed of workers

Overall Developments

ected from among the workforce (2/3) and representatives of the organisations which signed the national agreement (1/3).

(b) Labour market policy

The Government has committed itself to present draft legislation in order to bring about the appropriate changes to the statutory framework for labour market policy and the efforts to overcome the employment crisis. The aim is to exploit to the full the employment potential of the labour market, in particular by extending the range of labour market policy measures to include a number of initiatives already in operation in other European countries. This draft legislation will be drawn up along the following guidelines.

- Crisis management
The wage-compensation fund for those on short-time working (*Cassa integrazione guadagni*, cf. BIR-I) is to be rendered more functional. In particular, its intervention is to be limited to 40 days. Provided the state of public finances allows, the level of unemployment benefit will be increased at the same time.
- Training
For the training-at-work contract (*Contratto formazione-lavoro*, cf. BIR-I) the age limit is to be raised from 29 to 32 years. Firms may not conclude new contracts until they have converted at least 60% of the existing contracts into permanent employment relations.
- Temporary work
Temporary work is only permitted in the industrial and service sec-

tors. Low-skill workers are generally excluded from such employment relations. Temporary work is allowed for the short-term employment of skilled personnel, where the need for such labour cannot be foreseen by a firm's standard production planning, for the replacement of temporarily absent staff, and in those cases regulated by national collective agreement.

Agencies are to be established to organise temporary work; they are to guarantee employees a minimum monthly income.

Following its ratification by workers, the task now is to put the agreement on labour costs into practice "on the shop floor".

Training

Germany

New Regulations on Vocational Training

Those participating in a retraining or further training scheme run by the employment office must acquaint themselves with changed conditions for financial support. The administrative council of the Federal Labour Office has issued an administrative order, which specifies a number of provisions of the laws on assistance for families and pregnant women, the law on changes to the entitlement conditions for support under the Labour Promotion Act and other laws.

The order changes the rules governing the duration, content and im-

plementation of retraining and further training measures. The main aim of the new regulations is to improve quality. "Fly-by-night" training establishments are to be excluded from the outset. The Federal Labour Office intends to concentrate its financial support efforts in those areas offering the best chances of subsequent reintegration in the labour market. Applicants for funding from the employment office must register for an advisory interview at least four weeks in advance.

The most important changes are as follows:

- The duration of training measures which do not lead to a generally recognised qualification is limited to one year.
- The duration of retraining measures - relative to the length of ini-

tial training - is reduced further. Retraining (*Umschulung*), for example, may now in principle only last half as long as the corresponding initial training schemes.

- Training schemes on a full-day basis must in future normally consist of at least 35 hours per week.
- The employment office will only assume the full costs of training courses where they offer a reasonable chance of labour market integration.
- For unskilled employees, required training costs will only be met to a maximum of DM 3 per participant and hour.
- For schemes aimed at occupational promotion (e.g. further training to obtain a master craftsman certificate), training costs will only be reimbursed to a maximum of DM 2 per participant and hour.

- The allowance for the costs of child-care is limited to DM 60 per month; to DM 120 where the training scheme is "necessary", i.e. in cases of actual or threatened unemployment.

Including maintenance allowance, the Federal Labour Office plans to provide DM 14.76 billion for further training, retraining and job familiarisation in the current year. An average of more than 670,000 employees will benefit from such funding.

Spain

Revision of the National Plan for Training and Occupational Reintegration

Conscious of the great importance of vocational training within active labour market policy, the Spanish Government has begun a major restructuring initiative in this area. This effort has manifested itself recently in the staged transfer of responsibilities for vocational training to the autonomous local authorities, and the partial assumption by the social partners of the administration of further, in-firm training for the employed (cf. iMi 41). These changes, together with the need to link vocational training – which is organised within the education system – with practical training, and last but not least the current economic situation, have made it necessary to introduce changes to the Plan for Training and Occupational Reintegration (*Plan Nacional de Formación e Inserción Profesional – Plan FIP*). The emphasis here is to be on vocational training measures for the unemployed, as continuing training for those in work is assured by agreements on continuing training (cf.

iMi 41), while training for first-time job-seekers is organised by the education system and other bodies.

In this context, the revision of the *FIP Plan* (Royal Decree 631/1993, 3.5.1993) sets out a number of guidelines, all of which have the aim of adjusting vocational training to the needs of the labour market. Vocational training centres collaborating with the Plan, for example, must meet a number of minimum requirements, planning targets must be set several years in advance, and minimum general standards must be established for each career path, for which corresponding certificates will be granted.

The objectives of the *Plan FIP* are orientated towards the unemployed, whereby the following groups are, according to the Royal Decree already mentioned, to receive special priority:

- a) the unemployed drawing unemployment benefit
- b) unemployed persons older than 25 and registered as unemployed for more than a year (irrespective of entitlement to unemployment benefit);
- c) unemployed under 25, who had previously been employed for at least six months (whether or not entitled to benefit);
- d) unemployed facing particular difficulties in reentering the labour market, especially women wishing to return to work, the handicapped and emigrants.

Vocational training for first-time job-seekers will only receive support in those firms which commit themselves to taking on at least 60% of the trainees.

Participants in training courses are covered against the risk of accident arising out of course participation and are entitled to an allowance for maintenance, transport costs and accommodation.

Finally, handicapped persons are entitled to support in the form of a grant.

Portugal

Special Measures in the Field of Vocational Training

Following on the agreement on vocational training reached between the Government and the social partners, a decree (No. 140/93, 6.7.1993) now governs the promotion, organisation and implementation of special measures in the field of vocational training. The aim of these measures is to promote the social and occupational integration and skills of persons "facing especially difficult situations" or which belong to socially disadvantaged groups.

These special vocational training measures are based on the idea of mutual adjustment between trainees and training establishments, whereby the training provided by the latter differs from normal training in the following respects:

- its programmatic content
- the educational level
- pedagogical methods
- number of daily teaching hours, time-structure and overall length of the courses, and
- the inclusion of social-policy measures.

The target groups consist primarily of the long-term unemployed, the handicapped, ethnic minorities, immigrants, convicts and ex-convicts, drug addicts and former drug addicts, together with other individuals which, while not belonging to any of these groups, face particularly difficult individual situations.

Their integration into working life is to be facilitated by:

- retraining measures
- traineeships and complementary on-the-job training
- in-firm further training.

Technical and financial support is provided by the Institute for Labour Vocational and Training (IEFP). Applications are made to the employ-

Training

ment office responsible for the relevant support-institution.

The following can function as training support-institutions: private, socially-oriented institutions,

associations and collective organisations, co-operatives and other organisations offering support to specific social groups, and local authorities.

Employment offices and social-insurance institutions can function both as support institutions and as training centres.

Job Creation

Belgium

Reduction in Employer Contributions by an Increase in the MARIBEL Allowance

In the light of the deteriorating economic situation and the difficulties faced by those sectors most exposed to international competition, the Belgian Government has decided to reduce employers' social security contributions in such sectors. Broadly speaking this applies to manufacturing industry. The reduction is brought about by a flat-rate increase of FB 4,375 per trimester in the MARIBEL subsidy (cf. BIR-B, i.2, and iMi 42) for manual workers in the sectors concerned. This represents a cut of more than 1.5% in the overall labour costs of the workers involved. Because of its flat-rate nature, the reduction in labour costs brought about by MARIBEL is proportionately greater for the lowest wage and salary groups; thus it serves to stimulate job creation for relatively low-skill workers.

At the same time, the distinction made between small and medium-size enterprises to determine the extent of the reduction under the MARIBEL scheme is to be maintained. The reduction for small and medium-sized enterprises (i.e. that for the first five workers in firms with

a workforce of less than 20 workers) is raised from FB 2,825 to FB 3,000 per trimester for firms not belonging to the exposed sectors. This offers small firms with a high labour intensity, which still represent a considerable job-creating potential, specific and additional support.

From 1 July 1993 the MARIBEL reductions are as follows:

- in sectors exposed to international competition:
 - basic allowance: FB 6,250 per trimester and manual worker
 - for the first five workers in enterprises employing on average less than 20 workers: FB 7,200 per trimester.
- in the other sectors benefiting from the operation MARIBEL
 - basic allowance: FB 1,876 per trimester and manual worker
 - for the first five workers in enterprises employing on average less than 20 workers: FB 3,000 per trimester.

The additional financial resources required for the MARIBEL measure are to be obtained from a new tax on energy consumption.

Portugal

Support Programme for Young Entrepreneurs

June 1993 marked the nationwide introduction of the Support Programme for Young Entrepreneurs (decree No. 606-A/93, 28.6.1993). The aim of the Programme is to help young entrepreneurs – those aged between 18 and 35 – start up new businesses and implement projects to extend and modernise existing firms. Support is available in the following sectors of the economy:

- primary goods sector
- manufacturing industry
- communications sector
- services (except leasing of plant and machinery)
- cinema, theatre, radio, television and associated branches
- libraries, museums, botanical and zoological gardens
- tourism and related areas (except hotel and catering etc.).

Support is subject to the following requirements: the projects must be economically and financially feasible; the total investment volume may not exceed Esc. 50 million; and applicants must have equity capital of at least 10% of this total at their disposal.

The support consists of a financial stake equivalent to 30% of the total investment volume in the form of an

allowance, plus a bank loan at special conditions. Together the two sources of support may account for up to 90% of total investment.

The allowance of 30% can be increased if the projects are of special regional or structural significance or make a contribution to environmental protection.

The following institutions are responsible for distributing the funds: the Institute for Labour and Voca-

tional Training (IEFP), the Institute for Youth (IJ), the Institute for the Support of Small and Medium-Sized Firms and Investment (IAPMEI), the Youth Foundation, the National Association of Young Entrepreneurs (ANJE), and the financial institutions willing to make financial resources available to the Programme.

Project-applications to the Programme are examined and evaluated by a commission of experts. A selec-

tion committee is responsible for allocating the funds. This commission consists of representatives of all the public bodies involved in financing. The Youth foundation, the ANJE and the financial institutions involved serve in an advisory capacity.

The financial coordination of the Programme is the task of the Youth Foundation under the guidance of the representative of the government responsible.

Special Categories of Workers

Netherlands

Reintegration Measures for Former Participants in "Job Pools"

Workers who left a "job pool" in order to take up regular employment, but who then become unemployed after a short time, will soon be able to reenter the "job pool". Difficult-to-place, long-term unemployed can be

allocated work from a "job pool" (cf. BIR-NL, vi.1). These pools draw together additional job opportunities in public and para-statal administrations. Such "job pools" are the last card which can be played by labour market policy, as unemployed persons can only be placed by means of the pools when all other chances of obtaining regular employment have been exhausted.

At present, participants in a "job pool" who are allocated a regular job, but then become unemployed again, are usually prohibited from reenter-

ing the pool, as unemployment benefit cannot be used a second time to finance work from such a pool: unemployment benefit is the most important source of financing for the pools. New regulations mean that unemployed persons can reenter this measure if they become unemployed again within two months. The final decision on whether to readmit an unemployed person under this provision lies in the hands of the pool itself.

At the end of 1992 around 13,500 people were working in "job pools".

Placement

Germany

Increasing Use of the Job-Placement Service – not only by the Unemployed

More and more job-seekers, even those who are not unemployed, are using the job-placement service pro-

vided by the employment offices. Last year in West Germany, for example, the employment offices were able to place 778,000 "non-unemployed job-seekers" in permanent employment, an increase of 13% on 1991. A further 781,600 unemployed people were placed by the employment offices.

In total, almost 2.35 million people were found new employment by the West German employment offices in 1992, 817,000 of them in short-term

employment relations. This is down by just 2% on 1991. The decline in economic activity led to a decline in both the number of registered vacancies (2.16 million) and the total number of new employment relations in West Germany of 7%. Thus in relative terms the year saw an increase in the role of the employment offices in job placement in West Germany.

In the new *Länder* the employment offices were able to place just

Placement

under 662,000 people in new employment relations; 541,200 (82%) of them had previously been unemployed.

These figures do not include recruitment via the "Job Information Service" (SIS; cf. iMi 42). By the end of 1992 some 80 employment offices were equipped with SIS. As the service was designed as an "anonymous" placement procedure, its success rate cannot be observed in the usual ways. Experience has shown, however, that around 10% must be added to the number of employment-office placements to allow for the effects of the SIS.

- to determine with greater precision the skills acquired by employees through work experience, even the most intangible, in order to facilitate their valorisation;
- to facilitate the identification of individual and collective training needs in order to enable the (re)integration of those who do not hold the skills and qualifications required on the labour market;
- to widen the range of career pathways to which persons confronted with occupational mobility have access.

ROME consists of four linked elements.

1. Alphabetical index of occupational terms

The alphabetical index of occupational terms constitutes a "password" into the ROME nomenclature and into the dictionary of occupations and activities. The occupations/activities are listed according to their current and most common titles.

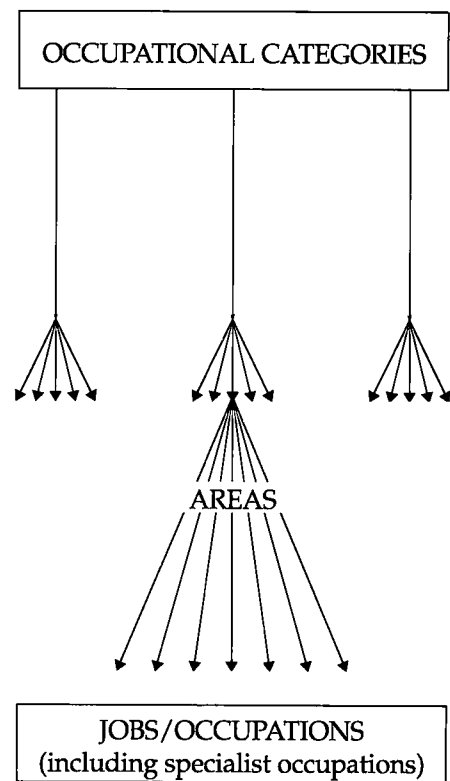
The index accords considerable space to new terms such as local development agent (*agent de développement local*), environmental engineer (*ingénieur en environnement*), thus reflecting occupational recomposition and the appearance of new functions and activities since the publication of the previous ROME.

Due to its alphabetical structure, the index facilitates the identification and recuperation of the title and the number of the relevant information sheet in ROME according to the occupational description formulated by the user.

In sum, without pretending to – an illusory – full coverage, the index brings together the vast majority of occupational titles currently existing in France (around 10,000).

2. The ROME nomenclature

The new nomenclature is based on a tree-diagram.



Its function is to identify, classify and process job offers and labour supply more efficiently. This procedure enables job offers and labour supply to be analysed more thoroughly, based on an approach which moves from the general to the specific.

Entries to the nomenclature are made by occupational categories:

22 occupational categories (CP)

corresponding to the first two digits of the ROME number

The occupational categories link social status with a distinct occupational area.

For example,

category 14 – distributive and sales personnel

category 53 – technical white-collar workers in industry

Collective activity is subordinate to individual activity.

For example, a secretary working in a hospital or in the public service is classified as a "secretary" in the category "administrative and commercial services personnel" (CP12), and not in the health or public service.

France

The New ROME: Register of Occupations and Jobs

Faced with technological developments and changes in work organisation and firms' recruitment practices, there is an urgent need for access to up-to-the-minute references and descriptions of the (re)composition of occupations and skills.

The aim of the new ROME is operational in nature. In particular it seeks to:

- redefine the "occupational spaces" which translate the changes in the economic environment and which facilitate professional intervention;
- increase the proficiency of the dialogue developing between the various actors (ANPE, users, firms, etc.) concerning activity contents and the skills and abilities required to exert them;

Each category is divided into a number of areas corresponding to the different fields of knowledge and technical know-how:

61 occupational areas (DOM)

The occupational areas allow trans-sectoral occupations, of which large numbers have arisen in recent years, to be identified and processed.

For example, the various occupations in the field of information-technology can be found in construction companies, engineering, firms, and insurance agencies.

The areas indicate

- the so-called “transversal” functions

for example: area 321 – administrative management staff

- the sector

for example: area 132 – restaurant personnel

- or the technologies used

for example: area 452 – system controllers in the metal sector

466 occupations/jobs (E/M)

corresponding to the two final digits of the ROME number

These are listed in the dictionary of occupations/jobs.

3. The dictionary of occupations/jobs

The ROME Dictionary constitutes, together with the ROME Nomenclature, an exhaustive national reference guide to occupations and activities. For the ANPE it serves a triple function:

- it supports the qualitative analysis and the definition of the profiles of job offers placed with local employment agencies;
- it represents an operational and up-to-the-minute documentary source of occupational and job contents for placement staff and users;
- it reinforces a common language between ANPE and its partners to increase the effectiveness of its labour market interventions.

It presents, in two volumes, the 466 information sheets on occupations/jobs.

The occupation/job forms the basic unit of the nomenclature. It employs the concept of “aggregated jobs” (*agrégation d’emploi*), which identify areas of similarity between related occupations, in order to promote occupational mobility.

This wide-ranging approach enables occupations/jobs to be identified in a way which does not imprison individuals within strictly defined and closed spaces, which are largely incompatible with the way in which the labour market now operates and the way job contents are changing.

Example: Within one occupation or job, secretaries are grouped, irrespective of their specialisation, as “specialised office secretaries” (secrétaire bureaucratique spéciale) – no. 12 131

Example: “home-helps” (no. 11 112 – l’intervenant à domicile) is a generic title covering family-support, household-aid, health-care activities, etc.

Example: “Information technician” (“l’informaticien d’étude”) groups together the jobs of programmers, analysts, application technicians, and development technicians.

The subdivisions take account of the diversity of working situations which the occupation/job in question covers on the labour market.

If they are carefully and flexibly combined, the profiles of job offers and demands can be characterised according to the type of enterprise organisation, experience and know-how of employees.

The subdivisions, the number of which varies from job to job, allow the ANPE to identify and compare essential information in bringing together the profiles of job offers and job-seekers.

4. Mobility areas

The mobility areas are one of ROME’s tools. Starting from a “source” occupation/job they allow a series of “related” occupations/

jobs to be determined to which the user has access. They are developed on the basis of a comparison between occupations/jobs, and aim both to provide orientation support and a guide to possible reorientation within the same sector, in neighbouring sectors, or in other sectors.

These mobility areas are the result of intensive evaluation of research and experience on the ground. Starting from the principle that knowledge and skills are transferable, they reveal occupational similarities and point out new career paths, accessible either directly or in stages.

Availability of ROME

The new ROME already exists in an intermediate “paper” version for the exclusive use of the staff of the ANPE. From 1 October 1993 it will be available from, and distributed by the official publishing house “Documentation Française”.

Netherlands

Number of Placements to be Increased by 2% per annum

Despite the difficult economic context the Dutch labour market authority is sticking to its target of placing 2% more unemployed persons in employment each year for the next four years. The target of 167,500 vacancies by the year 1997 is to be achieved by improving the quality of service and intensifying contacts with firms. The labour market authority expects that this will also help solve the problem of difficult-to-fill vacancies.

By increasingly focusing on labour-market target groups the authority intends to maintain its record of roughly equal placement rates for women, the unemployed from ethnic

Placement

minorities and the long-term unemployed.

Dilemma

In seeking to realise their policy aims the regional labour market offices will increasingly have to face up to a number of dilemmas. In future, the policy approach will have to seek to establish a balance between reducing existing unemployment and unemployment prevention, and between the fight against long-term joblessness and the short-term unemployment due largely to mass redundancies.

Due to regional differences on the Dutch labour market, no central targets have been established in these areas. Job-placement in the regions must, however, aim to be both efficient and just.

Cooperation with firms

The attempts being made to intensify cooperation with business enterprises are to concentrate on small and medium-sized firms. The regional labour market authorities should – not least in order to strengthen their market position – cooperate with the small and medium-sized firms and branches in their region, as these have a great employment potential.

The aim of improving the services offered to employers is to be realised by intensifying enterprise contacts and other accompanying measures.

Women and ethnic minorities

The success of the authority's "target-group-oriented" policies depends heavily on the extent to which employment offices exploit their contacts with firms in order to place unemployed persons in job vacancies. If it proves possible to ensure that women continue to be placed in line with overall placement success rates, the authority will be able to place around 57,500 women a year in a permanent job from the start of 1994. If the same condition is fulfilled with regard to the unemployed from ethnic minorities, around 20,000 placements per year from 1994 can be expected for this group.

The long-term unemployed

The labour market authority aims to achieve a placement-success rate for the long-term unemployed equal to the average by 1996. The planned total for 1994 is 46,300 placements of long-term unemployed, rising to 62,000 by 1996. The labour market authority is to cooperate with the social-insurance institutions with the aim of introducing a service tailored to the needs of the long-term unemployed.

Preventive measures are the best way of combating long-term unemployment. At the earliest possible opportunity the employment offices must select unemployed persons threatened by long-term unemployment, and offer them additional measures. Such measures include the provision of better information, and an improved selection of fixed-term job offers (in cooperation with temporary work agencies). The regional labour market authorities should be able to further intensify their services to employers operating in branches where temporary work is common, particularly in those areas where the lack of job offers is leading to large-scale moonlighting. Intensive cooperation with sectoral social-insurance institutions and local-authority social security offices is indispensable here.

Other target groups

The problems of youth unemployment are at the core of the evaluation of the employment guarantee law for young people. The approach to be taken to placement for the partially disabled will depend on the results of four experiments which are being conducted in the course of this year in cooperation with the "Federation of Branch Associations for the Social Insurance".

The labour market authority is also improving its services for the highly skilled unemployed. An inter-regional information system on demand and supply on this sub-market is being developed. Some placement officers will specialise on work for this group.

These guidelines have been published in the "National Medium-Term Policy Framework" (1994-98) – Landelijk meerjarenbeleidskader – of the Central Labour Market Authority.

United Kingdom

UK Employment Service in 1992/93

Last year was a challenging year for the Employment Service (ES) – perhaps the most demanding since becoming an Executive Agency in April 1990. However, against a difficult labour market background, ES performance was consistently good, either meeting or coming close to the very stretching targets which had been set by the Government. Here are some examples of what was achieved during the year.

Helping unemployed people back into work

In total, 1,420,000 people were placed into jobs – just 5,000 short of the overall target. Of these, 24% (345,000) were long-term claimants; 34% (almost 490,000) were people in inner cities and over 40,000 (2.8%) were people with disabilities. Such performance is all the more commendable when it is borne in mind that ES actually received 80,000 fewer vacancies than anticipated.

Placements of long-term claimants were particularly impressive, being nearly 75,000 more than targeted. Two programmes – *Jobclub* and *Job Interview Guarantee* – between them placed nearly 150,000 long-term claimants into jobs. Helping disabled people into work, too, was a successful area, where the new *Placing Assessment and Counselling Teams (PACTs)* showed an improvement in placings of 24% over the last year.

Benefit payment

On the benefits side, ES met all its targets, despite high levels of unemployment: over 96% of unemployment benefit payments were made correctly; 94% of claims were input within six days; and over 61,000 claims were withdrawn following investigation.

A cost-effective and quality service

In 1992/93 ES achieved efficiency savings of £17.9 million in a variety of ways, including better methods of procuring goods and services and the continuing programme of integrating *Jobcentres* and *Benefit Offices*. At the end of the year, ES was within its budget of £1.162 billion.

Over the last few years, ES has been working hard to improve the quality

of service on offer to clients. The Jobseeker's Charter has been introduced, which sets out minimum standards for the services offered and encourages clients to measure performance against them. Clients' views are also collected regularly by means of national and local customer satisfaction surveys. With the Benefits Agency, ES is looking at ways of working jointly to make the benefits system simpler and easier to administer.

Other achievements

Real progress has been made too in other areas of business during the course of the year: for example, starting in November 1992, roll-out began of a new computerised benefit payment system which is due to be in place in the whole network of local offices by September 1994; a compu-

terised system has been set up in nearly 700 offices to support the administration of Claimant Adviser work; and a unified advisory service has been implemented, whereby a single group of advisers carry out the full range of advisory and counselling tasks.

The year ahead

Next year ES again has a demanding set of targets, with the most comprehensive range of programmes and services ever available to clients. The way business is handled is also being developed, to make sure that a high quality of service is offered to clients and to ensure the cost-effectiveness and value for money of operations. A tough year lies ahead; ES will be trying to make this one as successful as the last.

Working Time

Belgium

New Status for Involuntary Part-Time Workers

From 1 June 1993 workers accepting an involuntary part-time job are subject to new regulations and have the status of "involuntary part-time worker with continued entitlement" (to unemployment insurance).

Workers taking up an involuntary part-time job prior to 1 June 1993 continue to benefit from the previous regulations until 31 December 1995. Their supplementary allocations (*allocation complémentaire*) will gradually decline, however, reaching zero on 1 January 1996. Such workers can, at any time, opt to adopt the new status.

This article describes the most important characteristics of the new status for "part-time worker with continued entitlement".

Conditions of access

To be considered as a part-time worker with continued entitlement an employee must meet the following conditions:

- on entering part-time employment the worker must fulfil all the conditions of entitlement for unemployment benefits as a full-time worker;
- on entering the part-time working regime, the worker must be involuntarily unemployed; the new status does not apply to workers who voluntarily leave full-time employment in order to take on a part-time job, unless, that is, he or she moves to a part-time job with the same employer within the framework of a restructuring plan;

- the part-time job must correspond to at least a third of normal working hours;
- the application for the status of a part-time worker with continued entitlement must be made within two months from the day after starting the part-time job.

Status

The difference between the new status and the previous status of "involuntary part-time worker" lies in the fact that part-time workers are no longer entitled to supplementary unemployment support benefits (*allocations complémentaires*).

Yet in order to guarantee that the income of such workers exceeds the level of unemployment benefit, the new status allows such workers to make an application for an income-guarantee allowance (*allocation de garantie de revenu*). The involuntary part-time worker with continued en-

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titlement can, for the duration of his/her employment on a part-time basis claim this allowance provided he/she meets the following conditions:

he/she

- must notify the regional employment service that he/she is employed on a part-time basis; this must be done within two months of starting work;
- must register as a job-seeker for full-time employment, and must remain so registered;
- be available to the labour market on a full-time basis;
- must be entitled on average to gross monthly pay below the reference wage (FB 40,843 as of 1.7.1993);
- be employed on a working-time regime which does not exceed 3/4 of a regular full-time job;
- must have applied to his/her employer for a vacant full-time job;
- must, where necessary, apply for an adjustment to his/her working

time in accordance with collective agreement No. 35 if overtime is worked.

If the conditions mentioned above are fulfilled, the income-guarantee allowance is equal to the difference between net earned income for the month in question and the level of unemployment benefit to which the worker would otherwise have been entitled, plus

- FB 5,000 if the worker is head of a family
- FB 3,000 if the worker is single
- FB 3,000 if the worker is a household member.

The net value of the income-guarantee allowance may not exceed two thirds of the level of unemployment benefit to which the worker would have been entitled had he/she been unemployed in the month in question.

If the part-time job is for the same employer for which the worker previously worked full time, part-time workers with continued entitlement

are not entitled to the income-guarantee allowance for a period of three months starting from the day after the period of notice (or the period covered by redundancy payments). This three-month waiting period does not apply if the reduction in working time is part of a restructuring plan agreed with the Ministry of Employment and Labour.

A final point is that the unemployment-benefit entitlements of part-time workers with the new status can no longer be suspended due to long-term unemployment during the period of part-time work with continued entitlement. However, in the case of subsequent unemployment the period of part-time employment covered by a guarantee allowance will be taken into account when determining the duration of such a worker's unemployment and the level of his/her unemployment benefit. If no guarantee allowance was paid, the period of part-time working does not affect the calculation of the duration of unemployment.

Miscellaneous

Belgium

The Employment Fund 1993 and 1994

The principles

The legal programme introduced on 30 December 1988 imposed on employers the obligation to conclude – in 1989 and 1990 – a collective labour agreement under which 0.18% of the total wage and salary bill were to be assigned to employment promotion

for risk groups among the unemployed. For the years 1991 and 1992 the required allocation was increased to 0.25% of the payroll. Firms not bound by such agreements were obliged to pay an equivalent sum into the Employment Fund (*Fonds pour l'Emploi*). The revenue derived from these contributions was passed on to other initiatives working to promote the occupational integration of risk groups (cf. BIR-B, vi.7).

For the years 1993 and 1994 the national collective agreement (cf. iMi 41) retained the contribution rate at 0.25% for 1993, increasing it to 0.3%

for 1994. At the same time, the overall contribution was divided up in a different way:

- 0.1% was reserved for financing the accompanying programme for the unemployed (*plan d'accompagnement pour chômeurs*; cf. iMi 40);
- the 0.05% supplement for 1994 is set aside for financing child-care initiatives;
- the remaining 0.15% is earmarked for the continuing efforts, begun in 1989, being made to integrate risk groups.

The Law of 30 December 1992 on social and other contributions stipu-

lated that, in principle, all employers employing workers under a labour contract are subject to the obligation to pay 0.10% of their wage and salary bill to the National Social Security Office to enable it to finance the *plan d'accompagnement pour chômeurs*.

The law of 10 June 1993 passed into law a number of provisions contained in the national collective agreement of 9 December 1992 (*Moniteur Belge*, 30.6.1993), and providing a legal basis for the 0.15% contribution for 1993 and the 0.05% for 1994.

The 0.15% contribution

Fundamentally, the 0.15% contribution is a continuation of the system based on a 0.18% and 0.25% contribution. In principle all employers employing workers under a labour contract are subject to the obligation to conclude a collective agreement providing for 0.15% of their wage and salary bill to be earmarked for risk groups among the unemployed and for persons eligible for the *plan d'accompagnement pour chômeurs*. This collective agreement must be reached before 1 June of the year to which it applies.

In addition, a means of establishing adherence to the collective agreement has been introduced. Each year an evaluation report and a balance of accounts relating to the implementation of the agreement must be drawn up by the signatories: this must be done by 1 July of the year following that to which the convention applies at the latest.

Those employers which do not conclude a collective agreement on these lines must make an equivalent payment to the Employment Fund. The revenue so raised will be used to promote initiatives for child-care, in accordance with the conditions and provisions determined by Royal Decree (having gained the approval of the *Conseil National de Travail*).

0.05% for child-care

The Law of 10 June 1993 mentioned above also provides the legal basis for an additional contribution of

0.05% of the wage and salary bill for 1994. The contribution is to be made to the Fund for Collective Facilities and Services (*Fonds d'équipements et de services collectifs*) instituted by the National Office for Family Allowances for Workers (*Office national d'Allocations Familiales pour Travailleurs Salariés*). It too is earmarked for the support of measures linked to child-care.

Netherlands

More Applications for Redundancy Lodged with the Employment Offices in 1992 than 1991

The number of applications for redundancy approval made by firms to the regional employment offices in 1992 was 13% higher than in 1991. Redundancy approval was sought for a total of 85,669 workers. Collective redundancy – i.e. for 20 or more workers simultaneously – was requested for 7,777 employees.

61% of redundancies were for economic reasons, 19% for non-economic reasons, and 20% were due to incapacity to work.

During the last quarter of 1992 the number of redundancy applications for economic reasons rose sharply: the figures for the year were as follows; 11,164 in the first quarter, 11,154 in the second, 11,626 in the third quarter, but 18,222 redundancies in the fourth quarter.

On the total number of applications 6.2% were rejected and 17% withdrawn.

Portugal

Integration of Immigrants and Ethnic Minorities

A ministerial decree (No. 48/93, 15.5.1993) has initiated a programme to support the integration of immigrants and ethnic minorities into Portuguese society. It is the task of the Ministry of Labour and Social Security to coordinate the funds for this target group during the implementation of the programme. At the same time, participation by the representatives of the groups affected and cooperation with government representatives from the relevant countries of origin are to be intensified.

The programme focuses mainly on the fields of education, job creation, vocational training and social security. More specifically, the aim is:

- (within the education system) to improve the quality of educational measures and integration within school and the community;
- (in working life and vocational training) to develop measures to improve information-provision, motivation, training and job creation;
- (in the field of social security) to take greater account of the needs of the target group and intensify participation by public and private bodies; advisory centres and other support measures are to be set up to deal quickly with particularly urgent cases.

In addition, local development initiatives are to be developed in regions in which the concentration of immigrants and ethnic minorities is particularly high. At the same time greater efforts are to be made to reach cooperation agreements in the field of work and vocational training, particularly with Portuguese-speaking African countries.

The implementation of the Programme is to be based on an intensified dialogue between the social partners and other interest groups.

European Commission

Community-Wide Framework for Employment

At the end of May 1993, the Commission put forward the proposal for a "community-wide framework for employment" within which a process of analysis and exchange of experience can be pursued in a structured and co-operative manner, between all the actors concerned, with a view to coordinated action. In the following we publish selected parts of this proposal.

The scale and nature of the employment problem

Unacceptable levels of unemployment

Over the past two decades, the rate of economic growth has averaged around 2% a year – much lower than in the two decades which went before. Employment creation has been insufficient to meet the growing demand for jobs, and unemployment has shown a persistent and disturbing upward trend. While falling during the period of recovery in the latter part of the 1980s, it has risen by even more during the current period of recession.

Unemployment has once more climbed above 10%. Over 17 million people across the Community are now out of work. Almost half have been out of work for more than a year. On current forecasts, unemployment will continue to increase during the rest of this year and next. If current trends persist, by the end of 1994 it will be some way above the record level of 10.8% reached in 1985.

At the same time, progress has been limited in achieving convergence between regions in terms of employment level, and in ensuring equal opportunities as regard access to the labour market. Many people – especially women – are effectively

excluded from the labour market altogether.

Low rates of employment

The community has a low rate of employment compared with other industrialised parts of the world. Less than 60% of the Community's population of working age are in work, compared with over 70% in the United States, EFTA and Japan.

The counterpart of such low rates of employment is, not only high unemployment, but a large hidden labour supply. Thus, even when employment increases, unemployment remains high as new people enter the labour market. In the late 1980s, the creation of over 9 million new jobs only reduced unemployment by 3 million.

The consequence is that, in order to get unemployment down from current levels of over 10% to more acceptable levels – say 5% – the Community will have to create extra jobs on a scale large enough not only to absorb the currently recorded unemployed, but also to meet the demands of those who will enter the labour market.

Job creation on that scale cannot be achieved on the basis of growth alone. Given the increased numbers wishing to work, 3.5% economic growth, with 2% productivity growth – the experience of the second half of the late 1980s – sustained over the rest of the decade, would still leave the Community well short of a target such as 5% unemployed.

The employment intensity of growth

Comparisons within and outside the Community

Levels of employment depend not only on the rate of economic growth, but also on the employment-intensity of that growth. Employment-intensity is determined not only by the relative use of capital and labour – which determines the volume of employment for a given volume of output – but also by the way in which a given volume of employment is di-

vided up between numbers of jobs and hours of work.

In this latter respect in particular, experience between the Member States varies. For example, while Belgium and Holland have similar levels of labour productivity, the Netherlands provide jobs for 10% more people of working age than Belgium. Equally, Denmark – with a lower level of income per head (measured in PPS) than the western part of Germany – has a much higher proportion of its population in work.

Comparisons with other industrialised countries are also revealing. In Scandinavia, the rate of employment has been at over 70% since the beginning of the 1970s. The main difference relative to the Community is with regard to women. Indeed, activity rates of women in the Community, although growing, are still lower than in most of the economically developed world.

Over the past decade, the United States has sustained a similar rate of growth of GDP to the Community – around 2% a year, once allowance is made for changes in the growth of population. During this period, however, the rate of income growth per worker has been lower in the United States than in the Community – 1% as opposed to 2%. On the other hand, the United States' rate of employment has continued to rise during this period to a level of 70% today – 10 percentage points above the Community level. Thus, while the overall growth of incomes has been the same in the Community and the United States, a larger proportion of the United States population has had access to paid employment.

Japan has also succeeded in achieving higher rates of employment than the Community. In common with other industrialised countries, including the Community, a competitive traded-goods sector with high productivity has been a means of generating income to create jobs in the service sector. The main difference is, however, that Japanese productivity in the service sector is

lower than in the Community – thereby generating more employment – even though earnings in industry and services are much the same in both cases.

While a more employment-intensive pattern of growth inevitably implies a wider spreading of paid employment, the effect on the distribution of income depends on the economic, social and cultural situation in the countries concerned. For example, in Scandinavian countries, and in Japan, a high level of employment has been achieved with an income distribution narrower than that in the Community. The United States, however, has seen a widening in income distribution as its rate of employment has increased.

While experiences are not necessarily easily transferable from one Member State to another, or from outside the Community to inside the Community, such differences as exist are sufficiently wide to warrant more detailed analysis in order to identify what approaches are both adaptable to the Community, and compatible with its overall economic and social aims. In particular, the Community would need to ensure that any changes to existing policies were carried out in ways that do not exploit workers in a weak position in the labour market, or inhibit the development of the high value-added, knowledge-based jobs which will be the key to future competitiveness.

Government actions and employment-intensity

In the face of high levels of unemployment, and long-term unemployment, governments have increased their expenditure on a range of policies and instruments designed, in general, to alter the incentive structures in the labour market in ways which can encourage a more employment-intensive pattern of growth, particularly in favour of the unemployed.

These measures have generally sought to make unemployed people more attractive to employers by re-

ducing the costs of employing them, by increasing their value as employees through training or other help, or by addressing problems of mismatch or transition, for example between school and work. Thus, government support measures have taken the form of grants, loans, tax incentives and subsidies to the unemployed and to potential employers, as well as the direct provision of counselling and training services. Governments have also sought to change the legislative environment in ways which encourage greater labour market adaptability.

Community support

The Community's employment objectives have been supported at Community level by a wide range of policies and activities – economic, industrial, technological and scientific. In addition, however, the Community has focused on employment and related human resource issues through a variety of more specific activities.

These have included analysis and research (e.g. Employment in Europe reports), experimental action-research and pilot project programmes (like LEDA, ERGO, ILE, etc.), the dissemination of best practice and the exchange of experiences and provision of information (Employment Observatory: MISEP, SYSDM), as well as funding from the Community's structural funds, notably the European Social Fund – which encompasses both mainstream funding and specific Community Initiative programmes.

Policy development has been reinforced through funding from the European Social Fund which now contributes some 6 billion ECU towards active manpower measures undertaken by national governments within the structure of Community Support Frameworks – some 13% of total expenditure by Member States, and a significantly higher proportion in priority regions of the Community.

That support has been targeted on the long-term unemployed and

unemployed young people, and on the needs of less developed regions in the Community. The bulk of the support is for vocational training, although some support is provided for employment subsidies to encourage recruitment and, in the less developed regions, for vocational education in schools.

New framework for action

From the above analysis, three main conclusions can be drawn:

1. The scale and nature of Europe's employment problem are cause for major concern. Action is needed if the problem is not seriously to impair the Community's economic competitiveness into the 21st century, and to inflict considerable damage to the fabric of our societies.
2. There is sufficient evidence and experience to suggest that ways of, at least, improving the situation can be found – over and above those which can result from higher levels of economic growth – by governments adopting policy mixes which favour a more employment-intensive pattern of growth.
3. Although the main instruments lie with, and within, the Member States, the Community has an important role to play as a catalyst, as a forum for coordination, and as a support through the use of Community-level policies. Action at the level of the Community is also necessary for reasons which are both economic (because the growing interdependence of our economies requires active cooperation across all policies) and political (because it is vital that the Community take an active interest in an issue of such importance for the well-being of the citizens of Europe).

Commission's role

The Commission undertakes to underpin this process as well as to contribute analyses and suggestions for

Miscellaneous

coordinated action. But this would in no way preclude others from doing the same.

In addition, the Commission will seek to promote the transformation of successful Community pilot experiences into mainstream policies, on the basis of a systematic evaluation of successful experiences and measures, such as those described above.

More generally, it is the Commission's intention to apply its financial support in ways which can contribute to the overall objective of employment expansion. The proposed reform of the European Social Fund – which aims to increase the flexibility of the Fund, to anticipate labour market developments and to link the Fund more with policy-driven objectives – is a step in this direction. In particular, however, the Commission's initiatives in this area will be able to support experimentation and innovation on a trans-European basis.

Issues for analysis and action

The Commission intends to present analyses and suggestions for coordinated action in a number of different areas. As far as specific issues are concerned, the Commission has identified, in particular, the following:

- adaptability at the workplace, and the potential for developing new forms of employment based on new forms of work organisation;
- the development of new working time structures able to expand employment opportunities;
- the development of training systems and qualifications able to improve integration into the labour market, and anticipate structural change;
- investigating the scope for reducing labour costs and increasing employment-intensity, notably by modifying the incidence of taxation systems;
- the exploitation of the employment growth potential of new areas of work – the environmental industries, the arts, household services, etc.;

- the creation of employment through small businesses and self-employment, and the role of SMEs generally;
- the role of local initiatives and local economic and employment de-

velopment in strengthening the capacity of areas to create employment;

- the role of different agencies and partners in developing efficient external labour markets.

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (on 7 September 1993):

Belgium	BFR	40.80
Denmark	DKR	7.76
Germany	DM	1.88
Greece	DRA	268
Spain	PTA	153
France	FF	6.63
Ireland	IRL	0.81
Italy	LIT	1,831
Luxembourg	LFR	40.80
Netherlands	HFL	2.11
Portugal	ESC	192
United Kingdom	UKL	0.76

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National Unemployment-Support Schemes in the EC

Prof. Dr. Bernd Reissert*

Due to national differences in institutional traditions, in social values and political constellations, the systems in operation in the various member states of the European Community in support of the unemployed have developed in very different ways. Organisational forms, modes of financing, conditions of entitlement to benefits, extent and duration of benefits for the unemployed all differ widely across the EC member states. Despite the fact that the EC is steadily moving towards a single labour market, the differences in national unemployment-support systems have – against the background of rising unemployment and the southwards extension of the Community – actually widened rather than narrowed. This article begins by providing an overview of the various unemployment-support systems in the Community member states. It then considers the problems which arise, or might arise, from the juxtaposition of different national systems of social security within a single labour market and economic area.¹

Two underlying principles of unemployment-support systems can be distinguished: the *insurance principle* and the *welfare principle*. In the former, support is determined by insurance contributions paid prior to unemployment and previous earnings (*unemployment insurance*); in the latter, the unemployed are provided with a guaranteed minimum income level (*unemployment assistance*).

– Typically the benefits offered by the *unemployment insurance* scheme are financed by wage-linked insurance contributions paid by employers and/or employees. They are only available to those who, during a previous period of paid employment, have paid insurance contributions. The duration of benefit-entitlement is limited, and depends on the length of previous employment. The benefit level is linked to previous earnings and, in some cases, to the duration of previous employment. Individual need-criteria have no influence on benefit entitlement.

– *Unemployment assistance* benefits, on the other hand, are usually independent of previous income and contribution payments. They are only granted in cases of proven need and are financed out of general taxation. The level of benefit is oriented to need-criteria and is lower than that provided by the unemployment-insurance scheme. The duration of benefit is unlimited.

In practice, however, the two principles are often combined within national systems of unemployment support. The German "Arbeitslosenhilfe", for instance, is a needs-related benefit, but one whose level depends on previous earnings, while entitlement to British unemployment benefit depends on payment of insurance contributions, but the benefit level is not linked to previous earnings (since 1982). Some countries also have, in addition to, or instead of, unemployment assistance, a guaranteed minimum income (social benefit) which is available to all those in need, irrespective of whether, as registered unemployed, they are available for

paid employment or not. On this basis three basic types of support systems can be distinguished in the Community member states:

- unemployment insurance only – in Italy;
- unemployment insurance and unemployment assistance – in Germany, Greece, Spain, France, Ireland and Portugal;
- unemployment insurance and guaranteed minimum income (social benefit) – in Belgium, Denmark, Luxembourg, the Netherlands and the United Kingdom.

A number of countries with an unemployment insurance and unemployment assistance system, also provide those not or not adequately covered by either of the two systems with a minimum income in the form of social benefit.

Unemployment insurance schemes

Unemployment insurance schemes, whose benefits are conditional on previous paid employment and the payment of insurance contributions, operate in all the Community's member states. The ideal-typical characteristics mentioned above are, however, to be found to a varying degree in national systems. Not only are the regulations governing national insurance systems more complex in practice than in theory, they are often not even consistent (cf. synopsis). As regards the *mode of financing*, the German, Spanish and French systems appear to come closest to the ideal-typical

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¹ The first part of this article is based in part on a draft for Chapter 7 of the report "Employment in Europe 1992", co-authored with Günther Schmid; cf. Commission (1992a): 157-172.

The Regulation of Unemployment Insurance and Assistance, January 1992

	BELGIUM	DENMARK	GERMANY	GREECE	SPAIN	FRANCE
Unemployment Insurance (UI)						
1. Title of Benefit	"Allocation de chômage"	"Arbejdsløshedsforsikring"	"Arbeitslosengeld" (AG)	Ordinary unemployment benefit	"Prestacion por desempleo nivel contributivo"	"Allocation de base" (AB); Allocation de fin de droits" (AFD)
2. Financing	Contributions by employers (1.35%) and employees (0.87%), state subsidies	Fixed membership contributions to recognized UI-funds, employers' contributions, state subsidies covering about 70% of expenditure	Employers' (3.15%) and employees' (3.15%) contributions, state subsidies to cover deficit	Employers' (2.35%) and employees' (1%) contributions; state subsidies	Employers' (5.2% + 0.4% for Wage Guarantee Fund), and employees' (1.1%) contributions	Employers' (4.51%), employees' (2.33% + 0.50%) contributions
3. Qualifying Conditions	Varies according to age from 78 days in the past 10 months to 624 days in the past 36 months	Membership contributions of at least 12 months and employment of at least 26 weeks within the past 3 years	At least 360 days contributory employment during the last 3 years	At least 125 days contributory employment in the 14 months before unemployment	6 months contributory employment in last 4 years	Depending on age and length of insured employment; minimum for AFD at least 6 months insured employment
4. Waiting Period	None	None	None, except if job voluntarily quit (8-12 weeks)	6 days	None except if job voluntarily quit (6 months)	Depends on the number of holidays not yet taken
5. Rates of Benefits (Initial)	60% of gross wage (55% for cohabitants without dependants), taxable	90% of gross wage; ceiling of DKR 2,502 per week, taxable	68 (63)% of net wage; ceiling 6,800 DM per month (West), 4,800 DM (East)	40% of daily wage for manual workers, 50% of monthly wage for employees, non-taxable	80%; ceiling 170% (220%) of statutory minimum wage, nontaxable	AB: 40% + lump sum; AFD: flat rate (81.30 FF/day), taxable
6. Duration and Dynamics of Benefits	Indefinite but degressive; benefit can be suspended if unemployment duration doubles the regional average	2.5 years; with extension up to 7 years if using the right to job offers	156 to 832 days depending on duration of insured employment and age (6 days per week)	5 to 10 months depending on duration of insured employment and age	3 to 24 months depending on duration of insured employment; degressive (60% in second year)	AB: 3 to 45 months degressive, AFD: 6 to 27 months, both depending on age and insured employment
7. Alternatives to Regular Unemployment Compensation	Short-time working compensation; temporary unemployment allowance	Compensation for involuntary part-time unemployment and layoff periods	Short-time allowance; promotion of winter production; bad weather allowance		Short-time working; early retirement with replacement conditions	Short-time working; early retirement
Unemployment Assistance (UA)						
8. Title of Benefit	No separate UA; "Bestaansminimum" (BM)	No separate UA; "Social Bistand"	"Arbeitslosenhilfe" (AH); "Sozialhilfe" (SH)	"Extraordinary benefit"; no scheme guaranteeing a national minimum income	"Subsidio por desempleo" (SD); various social assistance schemes	"Allocation de Solidarité Spécifique" (ASS); "Allocation d'Insertion" (AI); "Revenu Minimum d'Insertion" (RMI)
9. Qualifying Conditions for UA			Registered as unemployed but not qualifying for AG or no longer entitled to AG, and in need; at least 150 days insured employment in preceding year		Registered as unemployed but not qualifying for insurance benefits or no longer entitled to those benefits, and in need; at least 3 months insured employment	ASS: unemployed but not qualified or no longer entitled to AB/AFD, and in need; AI is for young people looking for first job, single woman with children, ex-prisoners etc.
10. Extent and Duration of Assistance			AH: 58% of net earnings and 56% for recipients without children; unlimited, as long as no suitable job available		75% of current minimum wage; 3 to 24 months; (for unemployed over 53 until retirement age)	ASS/AI/RMI in 1988: FF 2,000 per month for wage earner (+ conditional supplements), ASS/RMI unlimited; AI one year max.

The Regulation of Unemployment Insurance and Assistance, January 1992

	IRELAND	ITALY	LUXEMBOURG	NETHERLANDS	PORTUGAL	UNITED KINGDOM
Unemployment Insurance (UI)						
1. Title of Benefit	"Unemployment Benefit" (UB) and "Pay-Related Benefit" (PRB)	"Trattamento ordinario di disoccupazione"	"Indemnité de chômage complet"	"Werkloosheids Uitkering" (WW)	"Subsidio de des-emprego" (SD)	"Unemployment Benefit" (UB)
2. Financing	Employers' and employees' contributions included in overall social insurance contributions (PRSI)	Employers' contributions (4.11% industry, 1.61% commerce); state subsidies	Contributions to Employment Fund by employers, local authorities and income tax	Employers' (1.44%) and employees' (1.04%) contributions; variation according to industry; ceiling	Contributions included in health insurance	Progressive employers' and employees' contribution to National Insurance Fund
3. Qualifying Conditions	At least 39 weeks PRSI-contributions	Insured employment of at least 2 years, 1 year in 2 years preceding unemployment	At least 26 weeks employment during 12 months preceding unemployment	At least 26 weeks employment during 12 months preceding unemployment	540 days of contributory employment during 2 years preceding unemployment	Within the last 2 tax years contributions as an employee for at least 50 times the lower weekly earning limit
4. Waiting Period	UB: 3 days; PRB: 3 weeks; 6 weeks if unemployment voluntary or through misconduct	7 days; 30 days if Unemployment voluntary or through misconduct	None, except young entrants (39 weeks)	None	None	3 days: up to 6 months if unemployment voluntary or through misconduct
5. Rates of Benefits (Initial)	Flat rate (UB) + 12% (PRB) of weekly earnings over IRE 72 and below IRE 220, non-taxable	20% of last salary	Up to 80% of gross earnings depending on partner's income; ceiling 2.5 times statutory minimum wage	Up to 70%, taxable	Up to 65%; ceiling 3 times the guaranteed minimum wage, taxable	Flat rate + adult dependants supplement, taxable
6. Duration and Dynamics of Benefits	UB: up to 390 days; PRB: up to 375 days (6 days per week)	Up to 180 days (extension to 360 days in the building sector possible)	365 days; extension up to 12 months possible, then partially degressive	6 months to 5 years depending on length of service and age; 70% of minimum wage for another year	10 to 30 months; extension for aged over 55 possible up to early retirement at 60	1 year
7. Alternatives to Regular Unemployment Compensation		Special unemployment benefit for redundant workers (66% up to 180 days); Wage Compensation Fund (CIG) for short-time work		Disability pensions and early retirement regulated by collective agreement	Early retirement	Redundancy payments; occupational pensions
Unemployment Assistance (UA)						
8. Title of Benefit	"Unemployment Assistance" (UA)	No general UA; "Sussidio straordinario" (SS) in some regions	No separate UA: "Revenu Minimum Garanti" (RMG)	"Bijstands-uitkering" (ABW, RWW)	"Subsidio social de desempleo" (SSD)	"Income Support" (IS)
9. Qualifying Conditions for UA	Unemployed who do not qualify for, or are no longer entitled to UB; and in need			Registered unemployed who do not qualify for, or are no longer entitled to WW, and are in need; scheme open to other persons in need	Unemployed who do not qualify for, or are no longer entitled to SD, and are in need; at least 180 days insured employment in preceding year	Registered unemployed who do not qualify for, or are no longer entitled to UB; scheme open to other persons in need
10. Extent and Duration of Assistance	Up to IRE 52 per week depending on need, durations of unemployment, etc.; unlimited			Flat rates depending on age and status, e.g. HFL 1,148 per month for singles living alone; unlimited	70% of the minimum wage + supplements depending on children; half the period for which SD has been granted or SD-period if no SD has been granted	Flat rates depending on age and status, e.g. UK£ 39.65 per week for singles 25 years and over; unlimited

cal insurance principles: here benefits are financed out of wage-related contributions to a very large degree. Although the way in which the burden of contributions is divided between employers and employees varies greatly between these countries, the fact that indirect wage costs can be passed on to prices and wages or offset by other factors means that such differences are of relatively minor importance. In the other countries the financing of the unemployment insurance scheme deviates from the pure insurance principle in the following ways:

- the provision of substantial public subsidies to the insurance fund (in regular way and not only to compensate deficits arising in the insurance system) - in Denmark, Italy and the Netherlands;
- the payment of a single contribution to the social-insurance system as a whole in which the funds destined for the unemployment-insurance scheme are subsumed - in Ireland, Portugal and the UK;
- flat-rate rather than income-related contributions - in Denmark.

In all EC member states entitlement to benefits under the unemployment-insurance scheme is conditional on a minimum period in socially insured employment. This period ranges from 360 days in Germany to 78 days for workers under 18 in Belgium. Since the mid-1970s a number of countries (incl. Germany, France and Spain) have reacted to the increase in long-term unemployment and the widening deficits in the unemployment-insurance funds by raising the minimum period of employment and/or linking the duration of benefit entitlement more closely to the length of previous employment. In the majority of member countries the *maximum duration of benefit entitlement* now varies according to the length of previous employment (in some cases also with the age of the person affected); this duration can reach five years (France, Netherlands) for older workers with many years' paid contributions, and is virtually

unlimited in Belgium. In a number of countries (Greece, Ireland and the UK) benefit entitlement does not commence until after a waiting period of several days.

For countries in which unemployment benefit is wage-related, the *level of benefit* at the start of the period of unemployment varies between 20 and 50% of the last gross wage - in Italy, Ireland and Greece - and 90% in Denmark. The level of benefit is subject to somewhat atypical regulations in Germany and the UK: in Germany it depends not on gross, but on net wages, and in the UK unemployment benefit is not wage-related but is a flat-rate allowance. In some countries - incl. Belgium, Spain and France - the level of benefit has been staged degressively, i.e. benefit levels fall with increasing duration of unemployment, a response to the rise in long-term unemployment.

Unemployment assistance and guaranteed minimum income

Five EC countries - Germany, France, Spain, Ireland and Portugal - have special unemployment assistance schemes, which provide, under certain conditions, unemployed persons who are not, or no longer entitled to benefits from the unemployment-insurance fund with needs-related support. In other countries the only source of support for such unemployed persons is the general social security system, which guarantees a minimum level of income. At the same time, in three of the five countries - Germany, Spain and Portugal - the unemployment assistance scheme is not open to all unemployed persons in need, but is restricted to those who were previously entitled to unemployment benefit or had been employed for a short period of time. In principle - the exceptions here are Spain and Portugal - unemployment assistance is paid for as long as the claimant has no other source of income and is available for employment. In most cases benefit is paid at a flat rate, although one which varies according to age, marital status and number of chil-

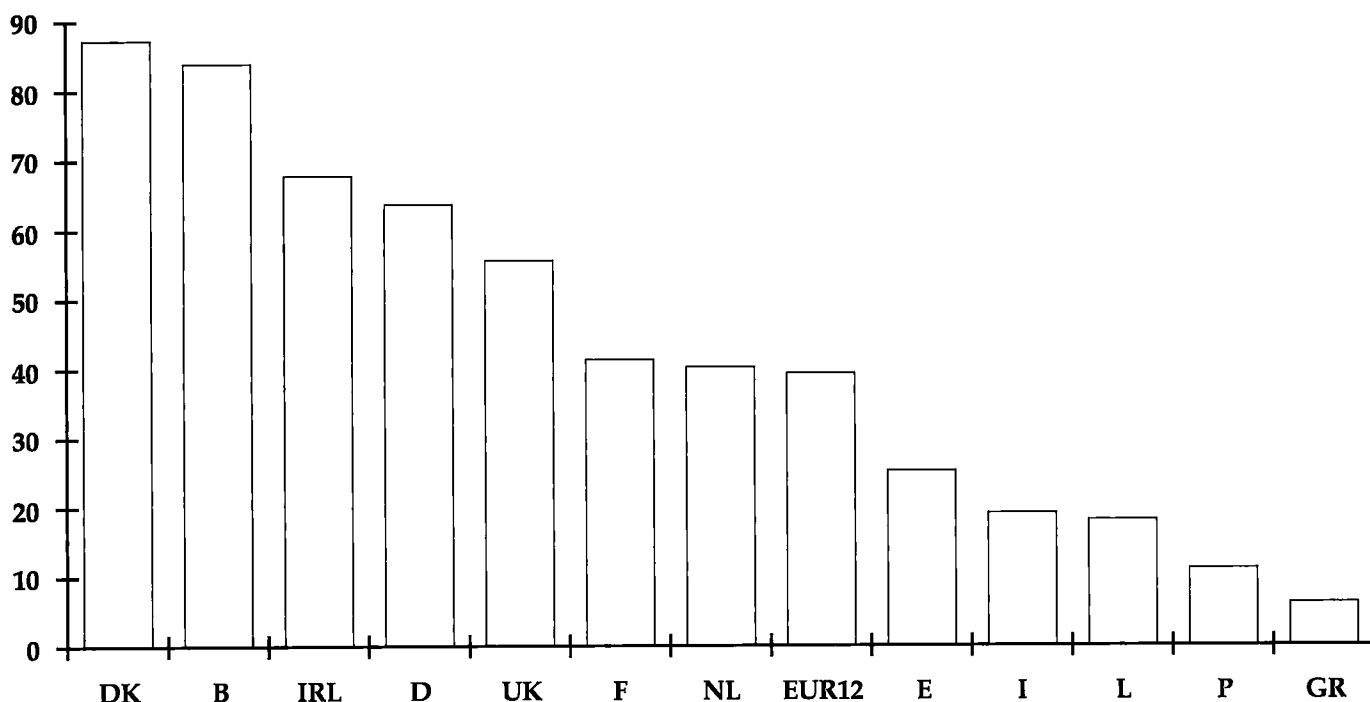
dren. Only in Germany is the level of unemployment assistance linked to previous earnings, although at a lower level than that of unemployment benefit.

Insurance and welfare principles

The comparison between the EC countries shows that the national systems of support for the unemployed are based to widely varying extents on the insurance or the welfare principle (Chassard 1992). Germany, France and Spain are clearly the countries in which the insurance principle is most dominant. Here - following the tradition of Bismarckian social insurance legislation - benefits are most closely linked to previous employment, wages and paid contributions. In the United Kingdom and - to a lesser extent - Ireland, on the other hand, the welfare principle predominates: here - in the tradition of Beveridge - national systems guarantee a minimum income, a flat-rate benefit level which varies according to marital status and number of children, and which is financed from taxes and progressive (rather than proportional) contribution payments.

Analysis of the changes which have occurred in national unemployment-support systems since the mid 1970s shows that no convergence has occurred between the insurance and welfare-oriented systems. Under the pressure of rising unemployment and the increased financial burden on support schemes, the two systems have, indeed, further sharpened their respective profiles. The insurance-based systems in Germany, France and Spain have, for instance, tied their benefits even more closely to previous employment. The welfare-oriented British system, on the other hand, loosened this linkage to an even greater extent in the course of the 1980s by abolishing income-linked benefits, introducing progressive insurance contributions, and permitting a gradual shift to occur away from unemployment benefit and towards the general social security system.

Figure 1
Share of unemployed receiving unemployment compensation in the Member States, 1990



Benefit-recipient quotas and wage-compensation rates

Differences in the unemployment-support systems are also shown by the figures on actual benefits paid and claimant numbers. Two indicators are particularly revealing here: the benefit-recipient quota, i.e. the number of benefit recipients as a proportion of total unemployed; and the wage-compensation rate, i.e. actual benefits as a proportion of earned income.

According to figures collated by the European Labour Force Survey, benefit-recipient quotas in 1990 ranged from less than 20% – in Greece, Portugal, Luxembourg and Italy – to more than 80% – in Denmark and Belgium (cf. figure 1). Even though caution is required when interpreting these figures, due to a number of methodological difficulties², they clearly show that very different proportions of the unemployed are in receipt of financial support in the different member states. Generally speaking, benefit-recipient quotas are lower in the southern countries of the Community than in the North, and are lower

in countries adhering strictly to the insurance principle (Germany, France) than in other comparable countries (Belgium, Denmark). Detailed analysis reveals that the lower quotas in countries whose systems are based on the insurance principle are due to the fact that younger workers and the long-term unemployed are less well protected than other workers (Commission 1992a, p. 163-4). This reflects the close linkage in such systems between benefits and previous employment, and the consequently lower level of protection afforded those who have not paid a sufficient number of contributions. Welfare-oriented systems, on the other hand, treat the majority of unemployed persons equally – even the “bad risks”; however, they only provide a minimum degree of income compensation.

The difference between insurance and welfare-based systems is also shown by the comparison of wage-compensation rates illustrated in figure 2.³ In those countries most closely approximating to the welfare principle – the United Kingdom and Ireland – the level of benefit (compared

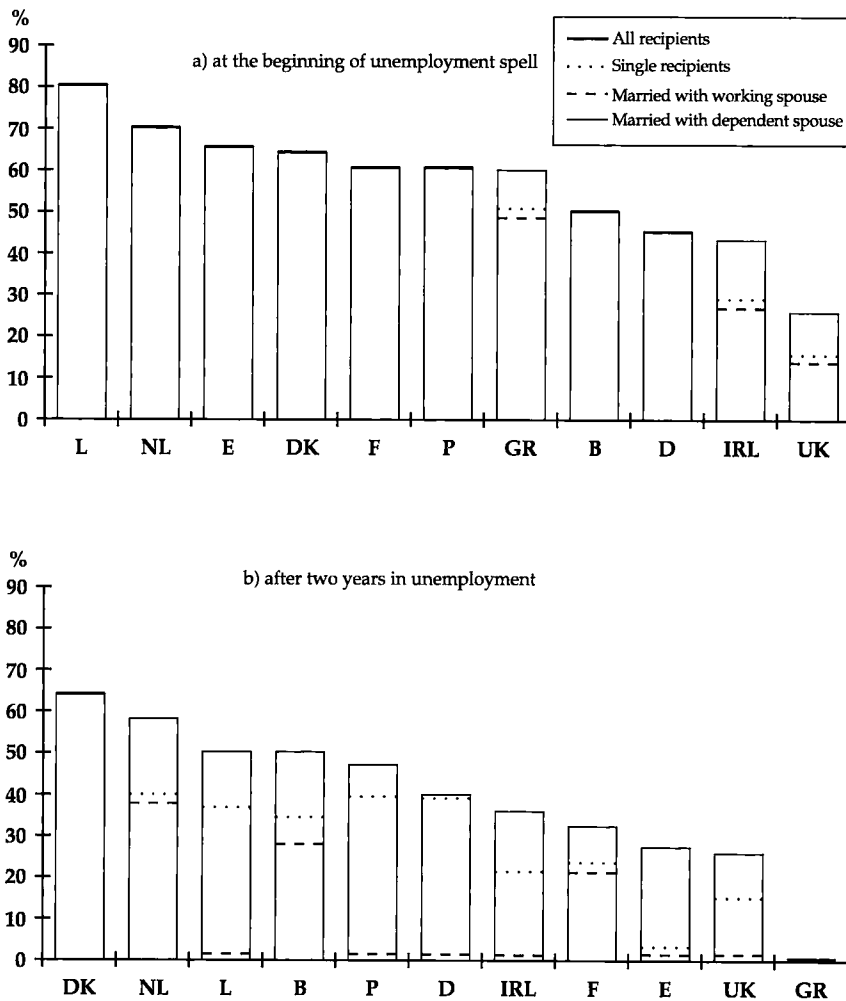
with previous earned income) is, for short periods of unemployment, the

2 The figures presented here are in some cases very different from national data found in other publications. This is due, among other things, to the fact that the European Labour Force Survey applies a uniform definition of unemployment – all those not in paid employment for at least one hour per week, but who are looking and available for work – which is very different from that employed in a number of countries. At the same time, it is possible that the Survey underestimates the number of benefit-recipients in some countries, for example because benefits are low or are so inadequately specified that survey respondents are not aware of being in receipt of unemployment compensation. A further point which needs to be taken into account is that important alternatives to unemployment support exist in a number of countries which are not covered in the survey. Examples include benefits for short-time workers (in particular in Germany), early-retirement benefits (especially in France), invalidity pensions (particularly in the Netherlands), and the benefits provided by Italy's wage-compensation funds (*Cassa integrazione guadagni*).

3 The gross-wage-compensation rates given here measure pre-tax benefits (unemployment benefit, unemployment assistance, social benefit) as a proportion of average gross wages according to the benefit levels and entitlement regulations prevailing in 1989. They apply to a 40-year old, childless person who, before becoming unemployed, worked for ten years at the average wage for an industrial blue-collar worker. For Germany, where unemployment assistance is oriented to net wages, benefits (plus a fictitious income-tax payment) were estimated as a share of gross wages in order to maintain comparability with the other countries. The relevant data are not available for Italy. Source: OECD 1991, pp. 227-234, calculations by the author.

Figure 2

Gross wage-replacement rates of unemployment compensation in the Member States, 1989



lowest, whereby, in accordance with the welfare principle, the level of benefit is dependent on family status from the onset of unemployment. In most of the other countries the initial wage-compensation rate is significantly higher (at 50 to 70%), and is independent of family status. This reflects the fact that the system of unemployment insurance in most countries ensures, at least for an initial phase of unemployment, a wage-related income independent of family status. It is interesting to note that the actual wage-compensation rate in a number of member states – Belgium, Denmark and Spain – is significantly below the benefit rate set out in the unemployment-insurance provisions. This is due to ceilings on the

absolute level of benefit which can be claimed.

Except for the United Kingdom, where the benefit rate – again in line with the welfare principle – remains at the same, low level throughout the period of unemployment, the wage-compensation rate in most member states declines as the duration of unemployment increases, while family status comes to play an increasingly important role (cf. figure 2). The determining factor here is that after a given period the unemployed lose their entitlement to benefits under the insurance scheme, so that claimants have to fall back on unemployment assistance or a guaranteed minimum income, unless another source of income is at hand. In such a

case, an unemployed person who is married and whose spouse is in employment is usually no longer entitled to any benefits at all, as their household income is above the minimum level. Single persons, or married persons with a dependent spouse, on the other hand, generally have an unlimited entitlement to benefits (exceptions are Greece and Spain). For the long-term unemployed, the wage-compensation rate in such cases is highest in Denmark, in the Netherlands, Luxembourg and Belgium.

Problems arising out of differences in national systems

The differences between member states described in the preceding sections show clearly that the Community is a long way from realising a “unified social area in Europe” with regard to social security for the unemployed. A number of observers have expressed the fear that the juxtaposition of such diverse national security systems for the unemployed within a single labour market and economic area will (or could) lead to major problems. Three problem areas can be summarised as follows (cf. among others Chassard 1992; Walwei and Werner 1991b).

- (1) Mobility barriers: Workers moving from one member state to another, in which the level of benefits are lower or entitlement conditions tougher, face the risk of losing, partially or entirely, their acquired social protection. Thus the differences in national systems of social security represent an obstacle to the mobility of labour – and thus to the optimal allocation of labour – within the Community.
- (2) “Social-security tourism”: the differences in social-security systems might equally induce people to migrate to those countries in which benefits are particularly generous and entitlement conditions lax.
- (3) “Social dumping”: Increasing competitive pressure within the Single European Market may in-

duce individual member states to reduce the benefits it offers to the unemployed, and thus the contributions paid by employers, in order to gain a competitive advantage over other member states. "Social dumping", as this is termed, could lead to a "race" between the member states to reduce social costs, and so to a general deterioration in social standards within the Community.

Unemployment support and migration

With the aim of at least mitigating the first two problems – the obstacles to the mobility of labour and the danger of "social-security tourism" – in 1971 the European Community passed a decree, based on Art. 51 of the Treaty of Rome, which regulates social security for migrants within the Community. With respect to support for the unemployed, the decree, in its most recent form (cf. Regulation 1992; Altmaier 1992; van Raepenbusch 1991; Wanka 1991), makes the following stipulations:

- A worker migrating from country A to country B who, after a period of employment in the latter country, becomes unemployed there is entitled to unemployment support according to the provisions prevailing in that country. However, in determining whether the worker is entitled to benefit and the duration of any such entitlement, the period(s) of employment and the contributions paid in country A must be taken into account. The level of benefit, though, is determined solely with respect to the last earned income in country B.
- An unemployed person, registered as unemployed in country A, who migrates to country B can only retain his/her benefit entitlement if he/she had been registered unemployed in country A for at least four weeks and registers as unemployed in country B within seven days of taking up residence there. In this case the person receives in country B the same benefits he/she would have received in country A –

for a maximum of three months. The costs are borne by country A. If the person returns to country A within three months, benefit entitlement there is retained. If the person remains in country B, he/she loses all benefit entitlements after three months.

- "Cross-border commuters", those living in country A and working in country B, are entitled to unemployment support according to the regulations prevailing in their country of residence. Seasonal workers and those sent to work abroad can choose whether to register unemployed in their country of employment or their original country of residence, whereupon they receive benefits according to the provisions of the country of employment and residence respectively.

By means of these regulations, the Community enables employed workers to transfer their potential claims on the unemployment insurance system from one member state to another. For those already unemployed, on the other hand, the "export" of benefits is only permitted for a short period of time and is subject to restrictive conditions. Community regulations can thus be seen as an attempt to find a balance between two conflicting aims – to increase the mobility of labour and to prevent "social-security tourism". Yet they cannot completely fulfil either aim. The fact that, while an employed worker can transfer his/her periods of employment and contribution-payments when moving to another member state, the level of benefit on unemployment is that prevailing in the new country of residence, can, for instance, reduce mobility where benefit conditions are less favourable in the new country of residence than in the old (Simon 1990: 30). Equally, even the tightly circumscribed opportunity to export benefits (the aim of which is to enable the unemployed to seek work in another member state) will be used, at least to some extent, by persons migrating for purely personal reasons, who are not

really seeking work in their new place of residence. Such individuals can rely, it is argued (Wanka 1991: 99), on the fact that the employment office in the new country of residence (which after all does not have to bear the cost of the export of benefits) will not be in a position to verify, nor will have an interest in checking whether they are actually available for work. In view of such problems (at least in theory), the efforts made by the EC Commission⁴ and the southern member states to increase the scope for benefit export have so far been unsuccessful. They have met stiff resistance from a number of member states with relatively generous benefit conditions and a relatively large proportion of foreign workers, who fear that any extension of the right to export benefits would be to their disadvantage.

At the same time, the influence of differences in national social security systems for the unemployed on potential or actual labour migration within the community should not, for a number of reasons, be overestimated. Firstly, against the background of the gradual narrowing of living-standard differentials in the Community, labour mobility between the member states has been declining since the 1970s: workers from other EC countries – some 2 million in all – account on average for less than 2% of national labour forces.⁵ Even in the coming years, this share is only expected (Simon 1990; Werner and Walwei 1992) to increase significantly in isolated segments of the labour market (among trainees and young, highly skilled specialists and executive personnel, and in border areas). Secondly, empirical studies of labour mobility show that social security benefits are only a subordinate motive for migration (Werner and Walwei 1991b). Third, the European Labour Force Survey shows that

4 Cf., for instance, the Commission's proposal of 9.7.1980, in: Official Journal of the European Communities, no. C 169.

5 The figures do not include Italy. Source: European Labour Force Survey 1990.

in the leading immigration-countries workers from other EC countries constitute only a very slightly higher proportion of unemployment-support recipients than their share of the workforce⁶. Fourth, national data indicate that the transfer of entitlement periods and the export of benefits are of relatively minor quantitative importance: the German unemployment insurance fund registered 16,275 persons in 1988 who had left Germany and made a request for confirmation of periods of insured employment in Germany in order to support a benefit claim abroad. In the same year the fund registered 6,803 unemployed persons who transferred their benefit entitlements to another country for a maximum of three months, and 665 unemployed individuals who transferred benefits acquired abroad, again for a maximum of three months (Walwei and Werner 1991b: 87).

"Social dumping"?

The question whether, and if so to what extent, national social security systems constitute a competitive advantage or disadvantage vis a vis other member states, and thus constitute an incentive to "social dumping" is a subject of great controversy. From a macroeconomic perspective there is no evidence for the view that the existence of a comprehensive national system of social security has a negative impact on the competitiveness of the national economy. Rather, international comparison shows that economic performance and the level of social security correlate closely (Wilensky 1975; Chassard 1992: 17). This can be partly explained by the fact that social security not only incurs macroeconomic costs, but also generates macroeconomic benefits; for instance, by protecting workers from the consequences of structural economic change it renders such structural changes socially acceptable.

For individual firms or branches, on the other hand, a generous social security system can indeed represent a competitive disadvantage, particularly where social benefits are fi-

nanced out of wage-related social contributions, and the resultant high level of indirect wage costs cannot be offset by a correspondingly high level of labour productivity. From this point of view, it is interesting to note that the systems of unemployment support in the EC member states not only provide very different levels of benefit, they also have very different impact on indirect wage costs. Contribution rates to the unemployment-insurance scheme range from less than 2.5% of wages (in Belgium, Denmark, Luxemburg and the Netherlands) to more than 6% (in France, Germany and Spain) (cf. synoptic table). Such differences place firms in certain countries – *ceteris paribus* – at a competitive disadvantage, and give rise to demands for a downwards adjustment and harmonisation of benefit levels.

This situation is reminiscent of the genesis of the unemployment system in the USA in the early 1930s, where, initially, various states attempted to set up a contribution-financed unemployment-insurance system. This plan failed, however, to gain approval in state parliaments, largely because of the argument that the burden of contributions on employers would put them at a competitive disadvantage against firms in other states. Not until 1935, when a federal law ensured that the burden of employer contributions would be the same in all states, did all the states set up their own unemployment-insurance schemes (cf. Schmid, Reissert and Bruche 1992: 77-78).

Convergence of national unemployment-support systems?

The differences between national social-security systems for the unemployed in the EC member states create both positive and negative migration incentives and competitive advantages and disadvantages, the importance of which, though, as the above analysis has shown, should not be overstated. In order to narrow the benefit differences between national systems and to mitigate their problematic effects, the EC Commission is

seeking to bring about a harmonisation of social security systems in the member states by agreeing on minimum requirements. These efforts are largely based on the Social Charter on employee rights, passed by the European Council (without the approval of the United Kingdom) in 1989, and the programme of action aimed at implementing the Charta published in the same year. By July 1992 the Commission had managed to persuade the Council of Ministers to make a recommendation on the "convergence of social protection objectives and policies" (Council 1992) based on the programme of action. This makes the following recommendations to all member states:

- "a) in accordance with the provisions of the recommendations of 24 June 1992 and subject to their active availability for work, to guarantee minimum means of subsistence for employed persons legally resident in the territory of the Member State;
- b) to make available to the unemployed, particularly to young people arriving on the job market and to the long-term unemployed, a range of measures against exclusion designed to foster their integration into the labour market, subject to their active availability for work or for vocational training with a view to obtaining employment;
- c) to provide employed workers who have lost their jobs with either flat-rate benefits, or benefits calculated in relation to their earnings in their previous occupation, which will maintain their standard of living in a reasonable manner in accordance with their participation in appropriate social security schemes subject to their active availability for work or for vocational training with a view to obtaining employment."

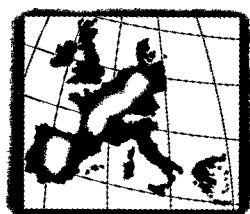
⁶ According to the European labour Force Survey of 1990 foreign nationals from EC countries accounted for the following proportions of unemployment-support recipients and the national workforce respectively: Germany 3.7% and 2.7%; France 2.8% and 3.0%, United Kingdom 1.8% and 1.6%.

Thus the recommendation conceives social security for the unemployed in terms of a combination of a minimum income (the welfare principle), active labour market policy, and the maintenance of living standards (insurance principle). The recommendation is not binding on member states, however. It is at present impossible to judge whether it will create an impetus towards convergence between national unemployment-support systems.

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EMPLOYMENT OBSERVATORY



Policies

inforMISEP

The Employment Observatory of the European Commission currently produces four 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 Community 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 Community. 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 Community. 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 "Trends" contains summaries and analyses of employment developments in the European Community 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 (SYSDÉM), which aims to collect, analyse, synthesise and disseminate available information on employment in the Community. "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 Community: the new German Federal States (*Länder*). The publication is addressed to 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.