

The transition from unemployment to work: Measures to encourage people to take up employment

Belgium

Greece

Spain

France

Ireland

Italy

Luxembourg

Netherlands

Portugal

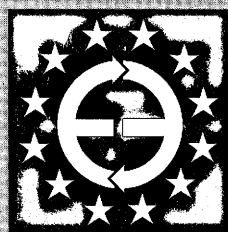
Finland

Sweden

United Kingdom

Evolution of Social Protection in the Member States

Austria



MISSOC

Mutual Information System on Social Protection in the European Union
Système d'information mutuelle sur la protection sociale dans l'Union européenne
Gegenseitiges Informationssystem zur sozialen Sicherheit in der Europäischen Union

FOREWORD

Dear readers,

Within the framework of the MISSOC, the Mutual Information System on Social Protection in the European Union, a work meeting takes place twice yearly of the member state representatives who act as national MISSOC correspondents. At this meeting there is always a discussion round on the agenda, which deals with a specific current topic that had been proposed by the correspondents of the country hosting the meeting. At the meeting held on 18-19 October 1996 in Cork, Ireland, the correspondents discussed the transition from unemployment to work and the existing measures intended to encourage people to take up employment offered within social protection systems in the EU. They had prepared extensive reports before the meeting on the situation in their own respective

countries, which we have printed here for our readers' information.

Concurrent to preparing this issue of MISSOC-Info, the Office for official publications of the European Communities has had printed the last issue of the annual MISSOC publication of the Directorate General V of the European Commission *Social Protection in the Member States of the European Union. Situation on July 1st 1996 and evolution*. You will be receiving this publication during the course of July. We hope you'll enjoy reading it!

Cologne, June 1997

MISSOC-Secretariat

Dr. Wilhelm Breuer

THEMATIC REPORTS

BELGIUM

Measures taken by the Belgium Government within the framework of the Act of 26 July 1996 on promoting employment and safeguarding competitiveness

In particular this act seeks to halt the replacement of jobs with other means of production in order to give a larger share of the working population a chance on the labour market.

For 1997 the Government has presented social partners with a sum of BEF 6.3 billion in reductions to the employer's share of contributions to be used under the agreement on employment intending to help create additional jobs.

Emphasis is also placed on the following measures:

1. The creation of 4,500 jobs in the non-trading sector by means of granting reductions to the employer's share of contributions (a granted sum of BEF 3.3 billion)

2. The development of the system of local employment agencies (ALE)

– a specific agreement will be concluded between the ALE and the unemployed person at the moment of registration;

– the training of those working with the ALE will be encouraged;

– the length of unemployment required to qualify for ALE employment will be reduced to 2 years for unemployed persons 40 years and over and may also be reduced in ALE agencies which are short of labour.

3. The creation of transition programmes for jobless persons who could be employed under at least a part-time contract for a maximum of one year. This duration of time can be extended by one year if the aforesaid persons were previously employed by ALE agencies.

The unemployed persons will mainly be engaged by municipalities and ASBL associations in socio-cultural, sports and environmental fields of employment...so as to respond to the collective needs of society which are not met by standard work networks.

These workers will receive a normal salary consisting of a lump-sum allowance paid by the national employment office (ONEM), a regional or (linguistic) community subsidy and a share paid by the employer (the municipality or ASBL) for the services performed.

4. The development of an experimental service voucher system for use in specific sectors where regular employment is marginal and illicit work widespread.

5. The harmonisation of the status for training and first work experience contracts.

Up until now the obligation of a training course consisted of an obligation to employ, in return for a reduction in the employer's share of contributions, 1.5% of trainees and 1.5% of young people under contracts of first work experience, which cannot exceed 6 months.

It has been proposed that these last types of contracts become, on the one hand, renewable once for a 6 month period and, on the other hand, that companies should be allowed to deviate from the obligation of employment as prescribed under this type of contract if they can prove that no candidates are available on the labour market.

6. The promotion of career interruptions and parental leave (the transposition into Belgian law of the Directive adopted on 3 January 1996 in this area)

7. The promotion of part-time work among unemployed persons by means of increasing the guaranteed income allowance (consisting of unemployment allowance and an additional lump sum).

In this way the supplementary lump sum, which amounts to BEF 5,305 for a worker supporting a family, BEF 3,183 for a single worker and BEF 1,061 for a worker living with someone else, will climb in the last two categories to BEF 4,245 and BEF 3,183 respectively.

8. The granting of a lump-sum reduction in contributions in cases where companies which are experiencing difficulty or undergoing a restructuring process apply work distribution measures (acting as an alternative to the bridging pension/*pré-pension conventionnelle*).

More concretely, the employer will come to receive a reduction in contributions of BEF 57,600 per year and per worker once the latter enters a 32 hour/week work schedule. The wage reduction experienced by the worker on account of the shortened work week is compensated by a supplementary salary amounting to BEF 3,250 per month, which is borne by social security.



GREECE

Unemployment is a relatively recent phenomenon in Greece. Up until the mid-60s the waves of unemployed people were absorbed by a massive emigration to the United States in the 20s and 30s and later to Germany and Australia.

From the end of the sixties Greece experienced a period of economic development which led to a surge in job creation and practically the disappearance of un-

employment. Unemployment has resurfaced since the eighties in the form of long term unemployment in particular, in view of the fact that emigration, which only constitutes a marginal factor, does not compensate for this situation.

The official unemployment rate in Greece was 10.5% in 1993, a figure steadily rising for some years now: 8.7% in 1991 and 9.2% in 1992. Currently unemployment is at a low and according to official estimates it affects 10% of the working population.

In actual fact unemployment turns out to be an extremely complex phenomenon, quite difficult to discern. Because of the importance of a parallel economy, which is valued at 40% of the GNP, the significance of double employment and tight family bonds, unemployment is rendered barely visible in the end and any statistical evaluation becomes approximate.

Even if overall figures are subject to cautious scrutiny, the type cast of the unemployed, on the other hand, leaves no room for doubt: the unemployed person is young, female and educated. At present young people and women continue to be particularly affected by unemployment: almost two thirds of the unemployed are under 30 while this age group represents less than a quarter of the working population. As was similarly noted in 1993, 58.8% of jobseekers are women while their share of the working population only comprises 37%.

It should also be noted that the education level of the unemployed is much higher than it is with respect to the average working population: Among the working population 49.9% hold a degree opposed to 71.8% among the unemployed.

In this case, the present government examines the question of unemployment which deeply affects Greek society. Confronted by the major issue of employment, a new structure policy has been implemented to fight unemployment and promote job creation by way of the following measures:

1. Collecting all data relating to the labour market (registration of worker and job potential) and observing changes which occur on the labour market; managing and administering work supplied by the Office for Employment (OAED) which is fully equipped with computer systems for this purpose.
2. Integration of a policy of "passive" unemployment benefits and an active job promotion policy through supplying benefit "cheques" which can be used for various purposes.
3. Introduction of a "work card" for all domestic and foreign workers.
4. Extension of occupational training activities through the support of businesses and the creation of several training positions in companies for persons

coming from institutes of higher and specialised learning.

5. Promotion of occupational and geographic mobility for workers and unemployed people.

6. Implementing early retirement programmes for older workers

7. Introduction of special incentive measures for recruiting young unemployed people and the fight against unemployment in regions most affected (regions having priority).

8. Modernising the organisational and functional structure of the OAED as well as re-evaluating and extending agencies for the use of the OAED to create job centres.

9. Strengthening the participation of representatives from both sides of industry in the management of the OAED.

10. Elaborating the educational system to reflect labour market trends and provide for the repercussions of technological changes and international developments.



SPAIN

One of the main problems that have characterised the Spanish employment market in recent years has been the volume of unemployment and its effect in the economic context. The concern for this fact has led public authorities to adopt a number of measures regarding industrial relations with the purpose of promoting employment, providing assistance to job-seekers in order to find a gainful occupation, and contributing to the effective operation of the labour market.

The efficiency of such measures against unemployment is reflected in the increase of the employment rate, which became stable at the beginning of 1995 and has been gradually increasing since then. During the first half of 1996, the volume of employment has risen above 12 million, which is a figure that had not been achieved since 1992 and it implies the creation of 353,942 new jobs (9.49% higher than the figure corresponding to the same period of the previous year.)

Nevertheless, this upturn is recent and we cannot assume that unemployment has fallen significantly. Insofar as the increase in employment continues, the unemployment rate will start to decrease (the number of unemployed persons registered during the first half of 1996 amounted to 2,234,702; this figure implies a reduction of 8.2%, compared to the same period of the previous year).

The main measures taken for the purpose of promoting employment and developing efficient strategies against unemployment are the following:

1. Measures to support training

1.1. National Occupational Training and Professional Rehabilitation Programme (Royal Decree 631/93 of 3 May)

It is addressed to unemployed persons in order to provide them with the qualifications required by the productive system so that they can enter the labour force. It applies to persons who lack specific occupational training or in the event that their qualifications are insufficient or inadequate.

1.2. Programmes of Workshop-Schools and Occupation Centres (Royal Decree 1593/94 of 15 July and Order of 3/8/94)

Their objective is to provide qualifications for young unemployed persons under 25 years of age, combining training and practice in jobs related to the recovery or promotion of artistic, cultural or environmental resources.

2. Measures for the creation of new jobs

Their purpose is to facilitate personnel hiring and the employment of certain specific groups by means of economic support and/or bonuses in Social Security contributions.

2.1. Measures for promoting employment in the private sector

2.1.1. Measures comprising non-monetary incentives:

a) Fixed-term contracts (Royal Statutory Order 1/95 of 24 March and Royal Decree 2546/94 of 29 December).

b) Part-time contracts

c) Contracts of traineeship

d) Contracts of apprenticeship (The legal basis of these three types of contracts is the Royal Statutory Order 1/95 of 24 March and the Royal Decree 2317/93 of 29 December).

e) Contracts of replacement (Royal Statutory Order 1/95 of 24 March and Royal Decree 1991/84 of 31 October).

2.1.2. Measures comprising monetary incentives:

A) Promotion of indefinite-term contracts for specific groups.

a) Indefinite-term contracts for young workers and long-term unemployed young persons (Act 22/92 of 30 July and Royal Statutory Order 1/95 of 24 March).

Their objective is to promote indefinite employment of young unemployed persons under 25 years of age or between 25 and 29, who have not worked previously for more than 3 months.

These contracts provide the employers with a grant of 400,000 Ptas.

b) Contracts for persons over 45 years of age (Act 22/92 of 30 July and Act 42/94 of 30 December).

The contracting employer is entitled to receive a grant of 500,000 Ptas per employed worker, as well as a reduction of 50% of the employer's contributions to the Social Security system for common contingencies, for the duration of the contract.

c) Contracts for women in professions or occupations where they have a low level of participation or for women re-entering the labour market after five years of inactivity (Act 22/92 of 30 July).

There is a grant amounting up to 500,000 Ptas per contract concluded.

B) Temporary contracts in compliance with the measures for employment development of 1996 (Royal Statutory Order 1/95 of 24 March and Royal Decree-Law 12/95 of 28 December).

This programme refers to temporary employment of unemployed persons included within the following groups:

- persons over 45 years of age;
- disabled persons;
- recipients of unemployment benefits.

The programme entails a reduction from 50% to 100% of employer's contributions to the Social Security system for common contingencies.

Every year, the Budget Act establishes which groups are involved.

2.2. Measures for promoting employment in the public sector

a) Agreements between the INEM and Public Institutions (Order of 2/3/94).

Their purpose is the execution of works and services of public interest by unemployed persons.

Grants are provided to finance all wage costs, including employers' contributions to Social Security.

b) Rural Employment Programme (Royal Decree 1387/90 of 8 November and Royal Decree 274/95 of 24 February).

75% of the workers employed to carry out the works included in this Programme should be temporary agricultural workers who had been unemployed.

2.3. Measures in support of self-employment

Their objective is to provide assistance to unemployed persons who start a self-employed activity or set up a business associated with other partners.

a) Promotion of self-employment (Order of 22/3/94)

Unemployed persons receive grants to finance projects that favour autonomous occupation or self-employment.

b) Support of the creation or maintenance of jobs (Royal Decree 1044/85 of 19 June and Act 22/92 of 30 July).

The objective is to promote employment for unemployed persons who intend to start a professional activity as members of joint work cooperatives or workers' cooperatives. There is also the possibility of receiving the full amount of the unemployment benefit payments in a lump sum.

In such cases, there is a 100% bonus of the worker's contributions to Social Security for the duration the unemployment benefits would have lasted had the worker not received the payment as a lump sum.

In addition to the measures explained, it should be pointed out that for the first time since 1987, a significant increase in indefinite employment has taken place. This upturn has proved to be steadily growing (2% per annum), even though it is still far from the increase in temporary employment (which has risen up to 7%).



FRANCE

The passage from unemployment to employment: The creation of job incentives in social protection systems

The Council of Europe has recalled, during its successive gatherings in Essen, Cannes, Madrid and Florence, the fact that the level of unemployment is unacceptable, and that the battle for employment must remain utmost priority for the European Union and its Member States. In this context, a draft resolution of the Council summons the Member States in particular to see to it that contributory measures towards the prevention of unemployment and the reintegration of the unemployed assume an integral part of their policy objectives in social protection.

In France the overall social protection system is seen as contributing to an aim of fighting unemployment and stimulating employment through measures ranging from encouraging firms directly or indirectly to

maintain or create jobs (I) to offering benefits to the unemployed under conditions which encourage them to find a job again (II).

I – Measures seeking to directly or indirectly encourage firms to maintain or create jobs

France's social protection system, taken in its full concept of the term, consists of a large number of measures aimed at encouraging firms to maintain or create jobs while providing them with assistance. These measures entail employment and professional training assistance (1), partial or total exemption from social contributions (2), a progressive transfer of the financing of social security to one based on accumulated incomes and not salaries alone (3).

1 – Employment and professional training assistance programmes

Three types of intervening logic can be distinguished in current aid given to employment: some are based on an economic approach to employment policies (consulting/training vouchers, apprenticeships, employment service vouchers), others direct assistance with priority groups in mind (initiative employment contract/CIE, job creation contract/CES, consolidated work contract/CEC, intermediary associations...) and others seek to aid firms and employees in adapting to changes in technology (aiding in particular restructuring measures: early retirement, re-training leave.. and support for flexible work time management: progressive early retirement).

2 – Partial or total exemptions of social security contributions

A lowering, total or partial exemption of social security contributions are often planned within the scope of employment assistance programmes specifically mentioned above or awarded otherwise directly. Since the Act of 25 July 1994 on social security, measures for the exemption of social security contribution, to take effect on 29 July 1994, should give rise to compensation of social protection schemes borne by the State budget. These cuts in social costs seek foremost to foster the employment of unemployed persons with a particular handicap or to reduce costs incurred by companies in a phase of creating or hiring first employees; they are part of a more common objective of diminishing labour costs on low-incomes in particular.

Thus, from 1 October 1996 to 31 December 1997, the exemption of family allowance contributions and degressive reductions of social security contributions paid by the employer for low-income earners will be fused into a single measure. This measure takes the shape of a degressive reduction of social security contributions paid by the employer (social insurance, employment injuries, family allowances) on the

earnings and monthly salary below a ceiling value set at 169 times the minimum wage rate (SMIC) which is increased by 33%. This reduction may be combined with a 30% cut in the employer's share of social security contributions in the case of part-time work and with the trimming of social costs planned within the framework of the agreements on flexible work time management and reduction of working hours.

For those businesses situated in a zone for rural revitalisation (businesses created in 1996 which correspond to the most susceptible rural zones) and certain newly established businesses, this single reduction only applies to salaried workers receiving 121% of the monthly SMIC or less, and these companies will continue to benefit from an exemption of family allowance contributions for salaried workers in accordance with specific rules. Moreover, an experimental device has also been implemented to reduce the employer's share of contributions for the textile, clothes, leather and shoe industries. In addition some employers may also benefit from temporary exemptions of their social security costs when hiring their first employee.

An exemption of the voluntary insurance contributions has also been instituted to a maximum of 12 months for new jobs, to the benefit of representative companies with salaried employees under 30 years of age working abroad (outside of the European Union).

Other measures for total or partial exemption from social contributions fall within the scope of employment measures, and these deal mainly with exemptions of employer's share of contributions planned in the way of initiative employment contracts (CIE), consolidated employment and the job creation contracts (CES). Payments made to apprentices are also exempted from the wage earner's and employer's share of social security contributions, and other alternative training measures such as employment and training contracts (*contrats de qualification*) and orientation contracts (*contrats d'orientation*) are also exempted from the employer's social security costs.

Finally, it can be pointed out that family employers (salaried employees in household) benefit from tax reductions which in effect will lead to the social security contributions being assumed for a person paid at the SMIC.

3 – The progressive transfer for the financing of social security based on accumulated incomes and not salaries alone

Nowadays social protection covers practically the entire population. It is therefore unfair to continue financing this by means of contributions hinging on occupational incomes alone which, furthermore, heavily penalises employment by increasing the cost of labour.

Consequently, a generalised social security contribution (CSG) has been instituted which is based on accumulated incomes. Some types of income (replacement income, capital income) still, however, are excepted from this. Also, within the future prospect of installing a universal health care insurance, the budgetary proposal for financing social security in 1997 seeks to broaden the CSG calculation basis to include capital incomes and certain replacement incomes, and a slide from 1.3 points of health care contributions paid by salaried workers to 1 point of the CSG as tax deductible, beginning as of 1 January 1997.

As for examining the quantitative record of how effective social protection's role is in the targeted fight against unemployment and the stimulation of employment by way of the measures referred to above, it should be mentioned that the measures aiding employment in their current configuration, which encompasses a large number of measures, have been the object of a parliamentary committee's enquiry report concluding namely that they needed to be simplified by suppressing some and redirected to priority groups. Some of these suggestions have been subsumed in the budgetary proposal for 1997.

II – Benefits available to the unemployed

Social protection also assures replacement income benefits for unemployed persons and social benefits to the under-privileged without jobs.

These benefits are awarded under conditions which encourage claimants to seek employment again, regarding the level of these benefits and the conditions for which they are granted.

Concerning the allowances granted under the insurance scheme for the unemployed as an example, the single degressive allowance (AUD) is, as its name suggests, reduced on a sliding-scale basis in four-month intervals; this allowance is granted to salaried workers who lose their job involuntarily or otherwise refrain from working, with this resulting in a dismissal, a termination of a fixed-term contract, resignation for a valid reason or breach of contract, for a contribution period of at least four months. This degression does not, however, affect some recipients receiving allowances at 59 years of age. The maximum length of time that AUD is granted is 33 months for a minimum daily allowance which generally amounts to FF 92.21 after degression. Limitations in terms of time and a progressive reduction in allowances should encourage the unemployed person to find a job. Moreover, in this respect, the unemployed are allowed, under certain conditions, to re-engage in work while retaining their unemployment benefit.

In 1988 the State especially instituted a minimum income (RMI) for the under-privileged. This is a differential allowance granted to a person for a maximum monthly amount which is clearly below the SMIC.

The person seeking this benefit, however, must commit to participating in re-integration activities or programmes.



IRELAND

1. Traditionally, the role of the Department of Social Welfare in relation to unemployment was passive, concerned primarily with the provision of income support to a person during a period of unemployment. However, in recent years there has been a change in the way in which the Department views its relationship with its unemployed customers, in recognition of their need to return to the labour force as soon as possible and its role in facilitating that need. This new perspective is reflected in a move from a passive to a pro-active and work supportive relationship evident in the establishment of the **Employment Support Services (ESS)** in July 1993. The ESS is active in facilitating the transition back to work by encouraging long term welfare dependents to avail of an enhanced range of work, training, development and education options delivered by either the Department or other agencies.

1.1 An innovative option introduced with the new service was the Back to Work Allowance (BTWA) in October 1993. The ESS is delivered by a **Jobs Facilitator** based at all of the local Social Welfare offices. The main aim of the BTWA is to allow (and encourage) people who have been long-term welfare dependents to test employment options and regain a foothold in the labour market while retaining some degree of financial security during the early years of employment or self-employment. This is done by enabling long-term welfare dependents who undertake employment or self-employment, to retain 75 %, 50 % and 25 % respectively of their existing social welfare payments, along with any secondary benefits to which they have been entitled, over an initial three year period.

1.2 The Jobs Facilitators play a key role in marketing the BTWA scheme by providing information to the unemployed and employers and in ensuring that the long term unemployed have access to and advice on the full range of options which are available to them from all agencies/institutions etc. In this regard, they work closely at local level with FAS, (National Placement and Training Authority) Vocational Education Committees, County Enterprise Boards, Area Partnership Companies and the new Local Employ-

ment Service as well as locally based voluntary and community based groups.

1.3 In recognition of the difficulties faced by unemployed people starting a business, in gaining access to funding, a joint loan of £ 0.5 m was set up by the Department with **First Step** in 1995 to provide interest free loans to BTWA recipients. (First Step is a non profit company limited by guarantee, with charitable status which aims to promote the awareness of enterprise amongst unemployed people and assist them to start their own businesses). The loans, which average about £ 3,000 are repaid by deductions from the BTWA. Clients are notified about this facility by the Jobs Facilitators and the final decision on granting the loan rests with First Step. A condition of the loan is the acceptance by the BTWA recipient of the services (free of charge) of a designated business mentor. Other options aimed at facilitating access to business funding are currently being explored.

1.4 Also in 1995, a **Technical Assistance Fund** was put in place (currently amounting to £ 600,000) for use in the assistance of BTWA recipients in the following areas; bookkeeping and accounts work; help with business plans; help with marketing; advertising and other promotional material and purchase of small items of support for business e.g. mobile phones, answering machines etc. This money is disbursed at local level by the Jobs Facilitators who make an assessment of the proposal and if approved ensure that the service is delivered to the client.

1.5 An independent evaluation of the Back-to-Work Allowance scheme carried out by a team of social and economic consultants was completed in March 1996. The Report found that the scheme had played a significant role in encouraging the long term unemployed to take up employment (40 %) or self-employment (60 %). It activated both those who were up to that point unsuccessful in their work seeking activities, those who had become discouraged and were no longer actively seeking work and those who were no longer actively seeking work. The Report found that a total of 35 % of recipients had not been actively seeking work in the 12 months prior to receipt of the allowance. In a small percentage of cases (9 %), the scheme resulted in the regularisation of work previously undertaken in the black economy. The Report also found that the scheme acted as an incentive to employers (most of whom were in the small to medium sector) to recruit from among the ranks of the long term unemployed. Furthermore, in 95 % of cases the jobs on offer were new jobs and about 50 % of employees believed that the job would continue when support under the scheme ceased. In the case of those who were self-employed the post scheme survival rate was estimated by the consultants to be about 60 %. As a measure of the success of the scheme, the number of

places on the scheme has been increased from 10,000 to 15,000 in 1996 - 14,000 were participating by October 1996.

2. A range of „**second chance**“ education schemes have been introduced both at second level and at third level, which give long-term unemployed people and lone parents the opportunity to improve their educational qualifications and thereby enhance their prospects of returning to the work force. Participants in these schemes receive an allowance equivalent to their basic welfare payment and retain existing entitlement to social welfare secondary benefits.

3. **Family Income Supplement**, introduced in 1984, was designed to provide financial support for employees on low earnings with families and thereby preserve the incentive to remain in employment in circumstances where they might be only marginally better off than claiming social welfare payments. The initial take-up of the scheme did not meet with expectations, perhaps because of the stigma associated with claiming income support, or a reluctance to furnish information about personal income. However, the emergence of a new marketing strategy in 1993 aiming to raise awareness of the employment incentive aspect of the scheme and the benefits of the scheme, has improved take up significantly from a low of 7,221 families in May 1993 to a high of 11,501 in July 1995.

A number of other improvements have been made to the scheme since its inception, including reducing the threshold for participation to 38 hours per fortnight (in 1984 full employment meant 30 hours each week); making the scheme available to jobsharers; reducing the qualifying period in employment for entitlement to FIS from six to three months; increasing the income limits on a regular basis and abolishing the concept of maximum amounts. (The level of FIS is determined by reference to a percentage (currently 60 %) of the difference between the income threshold and the amount of gross weekly earnings. Previously, the amount paid could not exceed a certain maximum which was related to the number of child dependents).

4. In tandem with providing supports which encourage unemployed people to take up employment, and those in low-paid employment to remain in it, much has been done over recent years to remove obstacles in the social welfare system which militate against unemployed people who wish to take up employment.

4.1 **The Expert Working Group on the Integration of the Tax and Social Welfare Systems** identified a number of such obstacles in its final report in 1996, for example, the immediate loss of Child Dependent Allowances when an unemployed parent takes up employment. In order to overcome this disincentive, provision was made in 1996 to allow long-term unemployed people to retain entitlement to Child

Dependent Allowances for a period of 13 weeks if they take up employment which is expected to last at least 4 weeks. The benefits of the latter measure was further maximised by providing that persons eligible for Family Income Supplement can receive Child Dependent Allowance or FIS whichever is the higher, with effect from commencement of employment.

5. Unemployment payments like the rest of the social welfare system, are based on the model of full-time employment. Nevertheless, a considerable amount has been done to adapt the social welfare system towards atypical work in order to encourage the unemployed to avail of any available employment opportunities in the labour market. The extension of social insurance cover to part-time workers in 1988 was the first step in this process. In the same year, the **Part-time Job Incentive** scheme was introduced. This scheme encourages long-term unemployed people (15 months on live register) to take up part-time paid employment which will help them make the transition to full-employment. Participants receive a special income supplement which is payable by their Social Welfare Local Office. Improvements to the **Family Income Supplement Scheme**, such as reducing the threshold for participation to 38 hours per fortnight and making the scheme available to job sharers have also taken account of the increasing incidence of atypical work. (See point 3).

5.1 The method of assessing earnings from employment in the means test for Unemployment Assistance was identified by the Expert Working Group on the Integration of Tax and Social Welfare as a disincentive to people considering engaging in part-time or casual employment. Previously, the complexity of the means test made it difficult for a person to assess the degree of improvement to his financial circumstances if opting for part-time or casual employment. In order to enable people to more readily determine their financial position if taking up part-time or casual employment, and to ensure an improvement in financial circumstances in the event of pursuing that option, the method of assessing earnings was simplified. Formerly, Unemployment Assistance was only payable in respect of a day of unemployment. The new basis for assessment of entitlement is a week of unemployment rather than a day, a week of unemployment being defined as any 3 days of unemployment in a period of 6 consecutive days. This means that Unemployment Assistance can be paid in respect of both days of employment and unemployment providing for an improved level of income support for people opting for part-time or casual work. 60 % of earnings are taken into account in the means test so as to ease the withdrawal of income support as earnings increase.

6. It has been recognised that in addition to encouraging and motivating the unemployed to return to

work there is also a need to encourage employers to create and retain employment and the **Pay Related Social Insurance (PRSI)** system can play a role in this regard. In this context, the burden of PRSI levies on both employers and employees have been adjusted downwards in the past number of years in order to minimise the impact which its levy has on employment and employment creation. In 1996, social insurance contribution rates for employers were reduced from 12.2 % to 12 % in the case of the standard rate, and from 9 % to 8.5 % in respect of the reduced rate. The earnings threshold for the reduced rate of employer contribution was increased from to £ 250 per week with effect from April 1996. (The standard 12 % rate applies in any week that earnings exceed £ 250). In the case of employees paying full rate (5.25 %) PRSI contributions, a weekly **PRSI-free allowance** of £ 80 now applies.

6.1 **The Employers' PRSI Exemption Scheme** has evolved since it was first introduced in 1990 to encourage employers to take on extra workers from the ranks of the long-term unemployed. This scheme exempts employers from their PRSI contribution for two years in respect of each unemployed person or young person under 23 years old seeking their first full-time job who takes up a new additional job. The net increase in the number of workers must be retained throughout the exemption period. 6,700 new jobs benefited from this incentive between April 1995 and April 1996.

7. The **Strategic Management Initiative**, launched by the Government in 1994, has identified unemployment and social exclusion as issues which cut across Government Departments and which, to be addressed effectively, will require initiatives involving all Departments. Much work has yet to be done in this area. However, there is already a significant level of co-operation between the Departments in relation to employment supports as follows:-

- Participants in **FAS Community Employment Programmes** (whereby unemployed people, lone parents and those referred by the National Rehabilitation Board can take up part-time employment with a sponsor for one to three years) receive a weekly wage not less than their social welfare payment prior to joining the Programme and retain secondary benefits.
- In response to recommendations in the Interim Report of the Task Force on Long-Term Unemployment, the Government introduced a **Local Employment Service** in 1995 on a phased basis in the twelve original **Area Based Partnerships** and in two non-partnership areas. (*The Area Based Initiative is co-ordinated by the Department of the Taoiseach and implemented by the Area Partner-*

ships/Companies. All the relevant state agencies i.e. Department of Social Welfare, FAS, Industrial Development Authority (IDA) and Vocational Education Committees liaise with the local partnership in providing improved options and greater back up support for the unemployed). The service is designed to offer a full range of counselling and placement support which dovetail with contact points for the unemployed through which unemployed people can gain access to the services they need.

These developments will necessitate an increasing degree of co-operation at local level between the Department's locally based staff and the other agencies to ensure a coherent and comprehensive approach is put in place for dealing with the long-term welfare dependency. The Department is strongly supportive of the partnership concept and believes this is the proper framework within which to deliver an integrated package of measures to facilitate the transition from unemployment to work.



ITALY

The Passage from Unemployment to Employment: Stimulating Job Creation in Social Protection Systems

On 24 September the Italian government and social partners signed a "Pact for Employment".

This is quite a significant agreement whose objective, in line with community indications, is the search for solutions to the major problem of unemployment.

Considering the fact that an increase in investments alone does not always correlate with a job increase, a specific policy has been implemented to bolster employment levels, borne of a co-operative effort between the social partners which must work closely together. This agreement takes the complexity of the issue of employment into account, and there are therefore numerous measures provided for in the "Pact for Employment".

1. Education and Training

- Raising the compulsory school age to 16;
- Close co-operation between the labour market, educational and training facilities by means of a co-ordination between the institutions concerned, which would allow the necessary training skills to be constantly identified;
- Contracts between the regions and firms as a result of agreements concluded between the social partners;

Apprenticeship

- Extending apprenticeships to all economic sectors, including agriculture;
- Raising the age to be between 16 and 24 years (26 for the South);
- Duration of contracts varies from 18 months to 4 years;
- Fixing the salary according to collective bargaining;

Internships

The agreement facilitates the integration of young people into firms by means of internships which seek to have young people establish contact with the working world.

Work-training contracts

In the South reductions in contributions will be deferred for three years if the worker is hired for an indefinite period under this type of contract.

2. Job creation

Temporary work

In order to meet job supply and demand, firms can hire workers for very short periods of time by means of temporary employment agencies; these agencies must be able to furnish economic and legal certification and are under the Ministry of Labour's control.

Temporary work can be taken up in all economic sectors but only for those workers with an intermediate qualification degree or higher.

The work terms and conditions will be set out in the basic agreements concluded between the social partners.

This type of contract may not be used for replacing workers on strike, if the firm has reduced its staff within the previous 12 months or for work deemed particularly dangerous by law.

Socially useful work

An outline law will assess local initiative in this area; Interested subjects will mainly be unemployed persons who are no longer entitled to compensation and those people who have never worked;

The qualitative aspects of projects, particularly in the "new basins of employment" (cleaning up the environment, natural parks etc.) will be improved.

Reduction of work hours

The Government is committed to implementing the EEC-Directive on working hours within the prescribed period and in conjunction with the social partners. An initiative aiming to establish the new 40-hour work

week by law (presently the maximum is 48 hours) will be taken.

A part of the employer's share of contributions will be distributed in such a way that longer work weeks will become more costly for the employer which, at the same time, will encourage shorter work weeks.

Part-time work will be encouraged by lowering contributions, which will be paid in proportion to the length of time worked.

Services towards employment

The monopoly of public employment services will be disbanded by means of creating private intermediary bodies which are under the Ministry of Labour's control.

Employment services will be reorganised and decentralised, with administration of employment being reinstated at the regional level. At the same time the State will retain its role as programme planner and adviser.

3. Reducing social security charges and relieving taxes to favour investments

Reductions in contributions

- For firms established in the South, which hire workers for an indefinite period of time and thus increase the employment level;
- For women who return to work after a long interruption and older workers;

The National Health Service will no longer be financed by contributions paid by workers, employers and retirees but through taxation in general.

Tax relief

Fiscal measures to favour starting up businesses by:

- People under 32 years of age who start a business for the first time ;
- Unemployed people registered on mobility lists;
- Workers who benefit from allowance funds;
- Salaried workers;
- Handicapped people;
- People who start a business in the area of environmental protection

During the first 2 years (5 years for the South), these firms can be exempt from taxable income to a specified amount.

LUXEMBOURG

Luxembourg appears at first glance to be in a paradoxical situation: a steady rise in employment since the 80s has at the same time not been able to hinder an increase in joblessness.

This situation is due to the distinct features of the Luxembourg labour market as an open one, claiming a large number of non-Luxembourg workers who are either residents or frontier workers. By accounts at the end of July 1995, the Luxembourg labour market employed 55% foreign workers, of which 28.5% stemmed from the neighbouring regions.

As with the employment situation, joblessness in Luxembourg has its own characteristics. Besides a relatively low unemployment rate of 3.3% (September 1996), the following characteristics in particular should be noted: a higher number of unemployed were reintegrated in the labour market after a relatively brief waiting period (62% reintegrated into the market after a period of no more than 6 months). It therefore follows that long term unemployment is less important than in the other European countries (in fact only 14.8% of the jobseekers have been enrolled for over 12 months). Although the level of unemployment among young people is moderate in comparison to unemployment among older people, the relative percentage of women within the structure of unemployment is higher than their relative share in employment (young persons make up 27% of the unemployed, 44% of these are women, with 37% of the workforce being female).

Taking these particular characteristics into account, policies have established slightly different aims than those of other European countries. At the macro-economic level, the social security system has not been used as a social policy tool for battling unemployment. At the micro-economic level, a fair allowance has been sought for those lacking a job and highest priority has been placed on training and work reintegration measures, and this in order for the local workforce to better adapt to the demands of the labour market.

In respect of employment policy guidelines, a key advantage should be exploited: the three-party approach and consensus on employment policy. The three-party administration has been institutionalised in Luxembourg. Three-party bodies function at every level of Luxembourg's economic and social policies. This institutionalisation of three-party government involves social partners in all important discussions concerning the fight against unemployment.

As part of this approach, the social partners and government, who are joined within the framework of the national committee for three-party co-ordination, have



concluded a national pact for employment. With the awareness demanded of any legal and regulative instrument which is perfectly adapted to economic and social realities, the Government and social partners have agreed to centre actions on specific aspects of the Luxembourg market ("micro-solutions" which are to respond to "micro-phenomena") and to give priority to those measures seeking to improve the way the job market works and those aiming to particularly vulnerable categories for the unemployed.

The Luxembourg government refuses to consider undifferentiated deregulation as possibly being a miraculous solution to the problem of unemployment. This in effect would prove that dismantling labour regulation by means of, say, a reduction in protection against dismissal or the abolishment of a legal minimum wage would create jobs. To the contrary, the experience in Luxembourg shows that strict social legislation by no means restricts job creation and this even during periods of economic recession. An effective social protection system is able to assure adequate replacement income benefits, thus guaranteeing social cohesion and peace.

As for incentive measures aiming for a more rapid integration of the unemployed into the labour market, it should be shown that the Luxembourg legislature recognises several different means. Serving as an example, there are programmes of assistance on hiring certain categories of unemployed, social contributions assumed on hiring the unemployed, mobility benefits, tax relief for hiring the unemployed...And yet, after the fashion of the experiences made in different countries, such measures have not yet met with convincing success.

By contrast, there is no denying the success of those measures, addressed to young people, which combine work and reduction of wage costs within the framework of a partnership between the public job placement centre and its user.



NETHERLANDS

(Reference is made to the article on the creation of the so-called „Melkert“-jobs and experimental unemployment projects in the MISSOC-Info 2/95)

Employment in the Netherlands is growing fast and it is to be expected that the number of unemployed persons will drop to below 500,000 in 1997. The dynamism in the labour market is increasing the chances of individual jobseekers of finding work. More than 700,000 jobs a year are being added as against the 600,000 jobs a year which are disappearing. In addition

to this a hundred thousand vacancies a year are being created among the stock of existing jobs, and these are being filled.

However, although the downward trend in unemployment is favourable, strenuous efforts will continue to be necessary because the workforce is continuing to expand rapidly. On average there will be seventy thousand new jobseekers a year between now and the year 2000. Since the number of people who remain out of work for the longer term is still unacceptably high, also special attention for the position of this category of unemployed remains necessary, so that they too can benefit from the growth in the number of jobs. The long-term unemployed are helped primarily by jobs paying the minimum wage or slightly above it. There are still not enough such jobs. The long-term unemployed are not always able to find and hold a place in the labour market by themselves. Investment in people is called for here - by setting up reintegration pathways, through intensive supervision or by using benefit money for jobs.

In 1997 the cabinet will continue to stimulate growth in jobs at or just above the minimum wage. The employer's contribution in the case of low-paid work will be further reduced. The present reduction of 1185 guilders in the employer's contribution for the lowest paid workers will be increased to 2000 guilders next year. The arrangement whereby no employer's contribution needs to be paid when a long-term unemployed person is hired at the minimum wage will continue.

As a result of the cabinet's policy, specific agreements have already been made as part of many collective agreements to create jobs at or just above minimum wage level.

It has been agreed that 40,000 extra („Melkert“-) jobs for the long-term unemployed will be created through local authorities and care institutions during the term of the cabinet. Finding the jobs and employees who are suitable for them requires substantial efforts. One of the by-products of the newly-created jobs is a much better understanding of the many problems which have to be overcome before long-term unemployed people come off the unemployment register and start work. Getting back to work is often not just a matter of course. The efforts devoted by executive agency staff and the unemployed to solve these problems are producing ever better results. In spite of an unavoidable delay during the introductory phase, the implementation of the 40,000 jobs plan is by large pretty much on schedule.

New jobs at or just above minimum wage level are also being created in 63 experiments where benefit funding is being used. And this is one of the cabinet's objectives: finding potential employment and testing it out through the use of benefits.

The increase in employment, particularly at or just above minimum wage level, should lead to a drop in the number of people claiming benefits. A more intensive level of service from executive agencies to help jobseekers for whom it is difficult to find work is needed in order to achieve this. The Netherlands cabinet will combine the different regulations aimed at influencing the labour market into a Jobseekers Employment Act; responsibilities will be decentralised to local authorities the cabinet will focus the Sheltered Employment Act more sharply to serve the target groups for which this act is intended. The reintegration of partially incapacitated employees will be better harmonised by means of a Reintegration Act, which will streamline a large number of rules and regulations.

As regards the participation in the work process an improvement of competitiveness is also deemed crucial for the continuation of the positive trend in employment growth. A strong competitive position promotes participation in the work process. Similarly a higher degree of participation contributes to strengthening competitiveness.

The rationalisation of the Netherlands government has created a solid foundation for improving participation in the work process and competitiveness. The dropping cost of social security benefits has also contributed to it, as has the fair income policy, the balance between flexibility and security, the focus on working conditions and, crucially, good labour relations.

A strengthening of the competitive position also requires continuation of the policy of wage restraint. But a quality impulse, through investment in infrastructure, knowledge and innovation, is deemed just as necessary. The Netherlands cabinet has taken a number of initiatives to this end and earmarked funds.

Better education and more training are deemed indispensable for strengthening the innovative capacities of the Netherlands economy and to maintain a competitive expertise level. Moreover education and training also reinforce the position of employees in the labour market and therefore contribute to a limitation of the financial and social cost of unemployment. A further reduction in too early school-leave, a reinforcement of the relationship between learning and working, a strengthening of specific occupational levels of expertise and the development of general knowledge and skills are all concepts which have gained great urgency in the Netherlands.

PORTUGAL

At present European countries are deeply preoccupied with unemployment, and Portugal is naturally no exception.

We do consider the fact that our unemployment rate of 7.2% – albeit not among the highest rates – must be reduced and the Government is doing its utmost to institute measures to accomplish this objective.

This is an objective which we find difficult to attain on account of the problematic state of Portugal's economy in the wake of competition brought on by nations more developed industrially and nations with lower incomes and a large export market to Europe.

With respect to efforts made, reference can be made to concrete measures adopted within the scope of social security schemes on the one hand, and those supported in part or in entirety by means of social security contributions on the other, although the latter are administered by autonomous departments.

Among these first measures we can cite those concerning the employers' non-wage-related charges.

This concerns, for example, exemption from or reduction of the employer's share of contributions when hiring young candidates employed for the first time or the long-term unemployed, with this employment having to be accompanied by an increase in the number of job positions.

A similar measure to this one has been instituted which simply has the employment of workers as its objective, while not demanding an increase in the number of jobs.

Moreover, social protection does not come to an end once young people enter an apprenticeship programme. If they take on temporary work during their studies or benefit from unemployment protection, then the protection is only suspended.

Another measure of assistance relates to a 50% decrease in the contribution rate for employers who hire handicapped persons and the existence of a special protection scheme which entails a contribution system for the handicapped employed under sheltered conditions.

Unemployment protection within the general scheme also allows for the one-time payment of unemployment benefits to unemployed persons who submit a credible employment project.

As for measures which are not a direct result of the schemes but are financed by social security, we could provide a long list of these; yet it will suffice to mention the essential aspects of those initiatives stimulating employment:



- Granting a supplementary unemployment allowance to workers who would like to participate in vocational education programmes;
- Various programmes for occupational training;
- Aids for re-training workers within and outside the workplace by setting forth employment measures, guidance and counselling measures and employment training measures;
- Creating centres for integration into working life, reinforced by way of installing and expanding initial training facilities;
- Creating a programme centred on the fight against long-term unemployment, which consists of motivating and handling job offers, personalised training programmes and innovative approaches to occupational integration;
- Creating job incentives under the rubric of preservation of cultural heritage;
- Aids for placement of long-term unemployed on their own by way of granting a financial reward;
- Specific local development programmes which administer jobs for women;
- Measures designed to handle the jobs of older workers at least 45 years of age who have been enrolled in job centres for at least 18 months.

As a final bit of information which seems appropriate to add, technical services offered by social security are now examining, as a result of a Government initiative, the concept of partial unemployment protection set forth by part-time work.

Yet this objective does not only consist of offering the possibility of proportionally reducing the allowance with respect to partial pay but also seeks to integrate incentives for working part time.

A recent law has also approved the minimum income scheme which aims at social integration, and integration into the labour market in particular, for persons over 18.



FINLAND

Background

The present government, which entered into office in 1995, set as its main target cutting unemployment in half by 1999.

In Finland the current rate of unemployment is 15.1 % (September 1996). The rate has been decreasing ever

since it peaked in 1994, reaching a high of 20.6 %. This continuing trend, however, will not quite reach its target of cutting unemployment by half by the year 1999. At the same time, however, there is an ongoing polarisation in the labour force. The younger age groups are being re-employed, but long-term unemployment and the unemployment rates of people aged 50 and over have still been increasing.

The social security schemes have up to now provided for people over 53 (53 years and 1 month) an opportunity to leave the active labour force and remain covered up to age 65: they have been entitled to unemployment benefits up to age 60 and then to an unemployment pension (popularly known as the „pension tube“). During the last recession this opportunity has been widely used as a means of rationalisation by employers. This has resulted in a bulk of people aged 55-60 that are now in this „tube“ and where there is little interest for re-employment This will also keep the unemployment rate high.

Another basic feature that is considered to reduce the willingness to take up employment - especially with younger families and low-paid workers - is the high combined marginal net tax effects of taxation and social security income/dependence.

Measures

There are no easy strategies. The basic strategy is based on the following, which means combining various measures:

- the general economic policy is solid and favours investments etc.
- the whole social security and labour market benefits are reviewed in order to change all schemes so that they always encourage people to take up work
- targeted measures for different groups.

Unemployment insurance has been reviewed e.g. by tightening the entitlement rules for unemployment benefits (the employment period required was raised from 6 to 10 months) and by changing the benefit formula for unemployment benefits paid in case of part-time employment so that the co-ordination rules take into account a smaller amount of the salary. In addition the age of entitlement for the „tube“ will be raised by 2 years from 1997.

The net taxation margin (the combination of taxes and reduced social benefits) is lowered by reducing the taxation of small income and lowering some of the basic benefit amounts and reviewing the co-ordination formulas. This combined package is partially under negotiation still. The taxation of low income is lowered by raising the basic deduction for income in state taxation and limiting it to only salary income (or similar income from self-employment).

Targeted measures to special groups

The benefits paid to young people have been reduced where not enrolled in training or educational programmes. The start-up grant scheme was initiated in 1984 to encourage unemployed people to enter the labour market through self-employment. A registered unemployed jobseeker who has a feasible business idea receives counselling and financial assistance when setting up his new business. The jobseeker is required to have had previous business experience and/or training. Training can be provided during the payment period of assistance. FIM 2,500 to 4,500 can be granted for a maximum period of ten months. This constitutes taxable income.

Other measures

At present an employer who employs a long-term unemployed is entitled to a subsidy (covering part of the social security premiums) for 10 months.

Job-sharing (temporary legislation):

1. In case an employee wants to take up temporary part-time employment he is entitled to a temporary job allowance (a labour market benefit) provided that an unemployed is employed to share the work. This benefit has proved rather popular.

2. An employee can take out temporary leave and be paid 60 % of normal unemployment benefit, however with a maximum amount of FIM 4500 /month (this is called a job rotation benefit) in case an employed is entered instead.

A general lowering of social security premiums of the employers is not being planned. Several studies have been carried out on the effects of non-wage labour costs on the employment. Possible ways to restructure the contributions to enhance employment are being studied further.

Improving the employment opportunities of private persons (households) is being planned: the basic target is to lower the double margin tax that in practise affects these types of employment. Here both the „Danish model“ and other solutions are still under discussion.

Entitlement to unemployment benefits have been re-defined so that an unemployed can now also take part in long-term training or study where earlier only special training courses were accepted. There are also discussions going on about whether to introduce and education insurance (targeted at older employees) that would partly replace unemployment benefits and allow retraining for new jobs.

SWEDEN

The Swedish labour market authorities' guidelines for 1995 and 1996 are the following.

1. Give top priority to filling vacancies and cultivating productive company contacts.
2. Counter long-term unemployment - stimulate activity and new employment opportunities.
3. Help more immigrants and disabled persons find employment or participate in labour market measures.

Labour market policy in Sweden

Labour market policy in Sweden puts a great deal of emphasis on work strategy, which means that active measures for giving the unemployed individual a job, training, work experience or access to other forms of vocational preparation, take priority over passive handouts of unemployment benefits whenever this is suitable and economically possible.

One important element in the maintenance of the work strategy is the duty of remaining at the disposal of the labour market. Labour market policy programmes must be designed so as not to immobilise labour and delay entry into the regular labour market. Another element is the short duration of unemployment insurance benefits. The benefits are combined with a duty to accept a suitable job or policy programme when it is offered.

Training, Retraining and Occupational Mobility

- Employment training (Arbetsmarknadsutbildning)
- On-the-job training (Företagsutbildning)
- Introduction to the workplace (Arbetsplatsintroduktion)
- Trainee temporary replacement scheme (Utbildningsvikariat)
- Jobseeker activities (Jobb-sökaraktiviteter)

Job Creation

- Public temporary employment (Beredskapsarbete)
- Recruitment subsidy (Rekryteringsstöd)
- Work experience scheme (Arbetslivsutveckling)
- Start-up grants (Starta eget bidrag)
- Rehabilitation projects and state utility investments (ROT projekt)

Special Categories of Workers

Youth

- Youth Training Scheme (Ungdomspraktik)
- Introduction to the workplace, youth induction (Arbetsplatsintroduktion-ungdomsintroduktion)



- Municipal follow-up for young persons (Kommunalt uppföljningsansvar för ungdomar)
- Computer centres / Activity centres (Datortek)

Disabled

- Wage subsidies (Lönebidrag)
- Sheltered work (Offentligt skyddat arbete)
- Vocational rehabilitation (Arbetsmarknadsinstitut, AMI)



UNITED KINGDOM

The UK Government believes that helping people into work is the most effective way to raise their living standards and its policies aim to provide maximum opportunity and incentive for individuals to support themselves in work. Social security policies are framed both to help and encourage people to take jobs, and in the awareness that excessive cost and administrative burdens on employers can stifle job creation.

Active measures in social security are key to the UK approach. The comprehensive strategy of work incentive measures in place is expected to help three quarters of a million people during the course of a year.

These measures have a number of objectives:

To increase the gain from work

A range of incentive measures seek to ensure that unemployed people find it worthwhile to take up work and, having done so, to remain in it and increase their earnings. In-work benefits are an important tool here. Research confirms that the benefit Family Credit has been very successful in helping people take up and remain in work, providing help for over 690,000 working families. A refinement to this scheme has been the introduction of an increased benefit threshold for those working 30 hours or more per week, so that people are not deterred from increasing their hours of work. Of particular help to lone-parents, is the recognition of childcare costs in the formula for calculating Family Credit, and the recent increase of this allowance by 50 per cent. The value of a scheme similar to Family Credit, but for those without children, will be assessed over the next three

years with the experimental piloting of a new benefit Earnings Top-Up in eight areas of the country.

To help and encourage individuals to make the transition from unemployment to work

Jobseeker's Allowance (JSA), the new benefit for unemployed people, is explicitly conditional on people genuinely trying to get back to work. As a basic condition of entitlement claimants are required to enter into an individually tailored „Jobseeker's Agreement“ which sets out, for example, the steps they intend to take to find work, and explains the services available to help them to do this. Close monitoring and support for an individual's search for employment is provided by an integrated administration of employment service and social security staff working in partnership.

Another example of the social security and employment authorities working in partnership is Parent Plus. This new pilot scheme starts in April 1997 and will offer help with jobsearch and training - on a voluntary basis- to lone parents on Income Support.

Other measures smooth the actual transition from dependency into work by removing financial uncertainty. Special administrative arrangements ensure that most new claims to Family Credit are dealt with particularly speedily. Housing benefit - which can be paid to people in or out of work- can continue giving maximum help with rent for four weeks for those who take up work after six months dependency on income-related support. A tax free bonus of up to £1000 can be paid on starting work for those who have previously worked part-time whilst receiving income-related support.

To encourage employers to look more favourably on the long-term unemployed

Administrative burdens on business are lightened wherever possible, and the rate of employers' National Insurance (NI) contributions has been steadily reduced over years - particularly for lower paid workers - and will be reduced again in April 1997. A NI contribution „holiday“ allows employers a year's exemption from contributions where the new employee has been out of work and claiming benefit for two years or more. The employment service offers a range of work experience schemes, and rules allowing employment on trial without risk of benefit sanctions to give employers the opportunity to notice the abilities and value of individuals who have been out of work long-term.



EVOLUTION OF SOCIAL PROTECTION

AUSTRIA

Insured persons

It is also possible to identify an increasing number of **atypical working conditions** in Austria. Austrian social insurance laws, however, have up until now been based on the principle that only "classic" employees and certain types of self-employed persons are covered by compulsory insurance. Those working under the conditions of a **contract for services/Werkvertrag** (for example interpreters, speakers at seminars, consultants) were the most likely to fall through the social net. July 1, 1996 saw the so-called "free contracts of employment" (German: *frei Dienstverträge*) and other agreements generally termed "contracts for services", made liable for social insurance. Due to the fact that they are concluded in an economically dependent manner, these types of contracts can generally be considered as contracts of employment. This change was implemented to stop employees and employers from escaping social insurance. The Austrian Constitutional Court later ruled, however, that to include these contracts for services is unconstitutional - to go into effect 24 April 1997 - so that only free contracts of employment are included from now on for compulsory social insurance. The main constituents of free contracts of employment are: obligation to provide a service for a client without the existence of a personal dependency, free organisation of work and, as the case may be, free choice of the place where the service is performed, payment for the service.

Persons, therefore, employed under so-called "free" working conditions and earning an amount exceeding the insurance limit from this activity now become liable for compulsory insurance. This means that the insured public enjoys the benefits of additional contributions and those affected by the new legislation receive the social protection offered by health, accident and pension insurance.

Although it is true that this new legal situation was established with the Structural Adjustment Law of 1996 (therefore on 1.7.1996), the reactions on the part of the insured parties made it necessary for two subsequent amendments to stipulate certain details. The amendments stipulated that these persons were only obliged to insure when the earnings from the activity (in relation to one contractor) exceeded the monthly insurance limit set at S 7,000 (the lower limit for compulsory insurance in relation to "normal" employees amounts to S 3,740).

According to certain high-ranking Austrian politicians, this is intended as a first step towards a long-term redefinition of insured persons. The objective is that all earnings, regardless of their origin, fall under compulsory insurance, meaning that the total working population will be able to enjoy Austria's social security system.

Changes in relation to benefits and contributions

The following changes have been agreed upon in the health sector in order to avoid that **Austrian insurance funds** are thrown into economic difficulty especially due to cost developments in this sector:

- Increasing **prescription fees** (amount paid by the patient for each prescribed drug) from S 35 to S 42 as of 1.8.1996.
- Introduction of a health insurance **certificate fee** as of 1.1.1997: a fee amounting to S 50 is to be paid for each medical and dental health insurance certificate (except in the case of transferrals from one doctor to another); pensioners and their relatives, children and needy persons are exempt from paying this fee. The health insurance certificate fee must be paid to either the employer or the office responsible for issuing the health insurance certificates.
- Increasing the health insurance contribution rates for pensioners by 0.25%: the contribution rates for pensioners will be minimally increased. This will be the pensioners' contribution towards financially securing the health insurance system; pensioners have, however, been exempt from paying the health insurance certificate fee.
- 70% of **maternity cash benefits** are to be funded from the *Familienlastenausgleichsfond* (Fund for the Compensation of Family Expenses) - up until now this figure was 50%.
- If a patient chooses to visit a **physician of free choice** (i.e. a doctor who is not aligned to an insurance fund and for whose treatment the patient must pay in cash) only 80% of the amount which would have been incurred had the patient visited a doctor aligned to an insurance fund will be refunded. Up until now this figure was 100%.

Similarly the costs incurred for equivalent medical treatment (e.g. physiotherapy) when a patient chooses to visit a therapist or **institution of free choice** will be refunded at a rate of 80% of the costs which would have been incurred had the patient visited an accepted therapist or institution. This is designed to cover the relatively high administration costs of health insurance funds resulting from the processing of refunds for a treatment with a physician who is not aligned to an insurance fund.

- The time period for which a patient is entitled to **sickness benefits** will amount to a maximum of 52 weeks (previously 26 weeks) as of 1.8.1996, provided a certain period of insurance can be proven; the maximum period over which a patient is entitled to sickness benefits can be extended to up to 78 weeks through the insurance fund's statute. The background to this regulation can be found in the fact that several health insurance funds, motivated by their financial difficulties, had decided to implement their right to generally discontinue the extension of sickness benefits. This would have caused a general reduction of benefits entitlement to the legally stipulated 26 weeks.

Sources of additional savings

Agreements made with the health insurance funds' partners have been designed to reduce the costs for medication, curative measures, and medical devices and equipment: in short, the aim is to avoid an increase in the costs incurred for medical assistance. In addition it has been planned to **cut back administration costs** on the part of health insurance funds. One method employed to this effect is analogue to the cost reducing steps undertaken in the public sector (e.g. employment freeze). In order to realise these steps, a single **controlling board** will be set up for all insurance funds at the "Hauptverband der österreichischen Sozialversicherungsträgern" (the Principal Association of Austrian Social Insurance Funds), which will conduct a long-term running analysis of the developments of earnings and expenditure.

Changes in organisation

Up until now the following legal situation has applied to **medical institutions**: the federal government has the power to set the basic policy lines whereas the 9 state governments are responsible for defining the details as to the running of the institutions. In this sector the federal government has virtually no influence on cost development. This is a matter primarily controlled by the bodies running the medical institution (generally the state or local authorities).

Until July 1, 1997 the financing of medical institutions could be divided in the following way:

Austrian medical institutions (financing volume amounting to S 80,000 million) were basically financed from two sources (for the sake of simplicity, rounded percentages will be provided):

- Funding from social insurance funds: amounting to 50%. Roughly 75% of this originated from direct funding and 25% from the KRAZAF (Medical Institutions Co-operation Fund);
- Funding from local communities (especially those state or local authorities running medical institutions): amounting to approximately 50%. Of this roughly 15% originated from the KRAZAF and the rest from their position as the "owner", covering any remaining costs which could not be funded by other sources.

In detail this means:

- **Direct funding** had to be covered by the **social insurance fund** for each day an insured patient spent in a medical institution. The relationship between social insurance funds and medical institutions has been dictated by contracts under private law.
- **KRAZAF** was primarily responsible for financing the following costs incurred by medical institutions:
 - * costs incurred through running treatment conducted within the institution
 - * subsidising investment within the medical institution, for example for the purchase of medical equipment
 - * structural measures
- **Funds originating from the bodies running** the medical institutions covered the total of the remaining costs.

This situation was especially dissatisfying for the Austrian health insurance system. Due to the above mentioned structure, it had no direct influence on the development of costs within Austrian medical institutions. Despite this fact, it was still forced to contribute to the ever increasing costs because of its role as joint financier. In order to resolve the problems ensuing from this current situation, the following extensive changes have been agreed upon at a political level:

In place of the KRAZAF, **nine state funds** have been set up (one for each state) with effect on 1.1.1997. Social insurance wholly transfers its responsibility for offsetting the treatments and benefits enjoyed by insured patients in hospitals to these state funds. In this respect an annual lump sum based on an estimation of Austrian health insurance expenditure -amounting to approximately S 37,000 million - is paid out to the state funds. This simultaneously transfers all obligations previously carried by social insurance for treatment in a medical institution over to the state funds. This translates into the fact that these state funds have become social security institutions in Austria. Individually this means that a hospital will no longer settle its accounts with social insurance, as has been the case until now, rather with its respective state fund. A further important change is that payment is no longer based on flat rates, independent of actual treatment, but rather on efficiency oriented criteria. This measure is primarily designed to contribute to the planning of further financial developments.

In summary we can say that these changes bring about far reaching consequences for the social insurance system. The nine state funds, instead of the social insurance funds, are now responsible for ensuring benefits within Austrian hospitals. This implies a substantial change in respect to the structure of social security institutions in Austria. However, it is important to point out that the new regulation has initially been limited to a period of four years (from 1997 to 2000).



MISSOC is the Mutual Information System on Social Protection in the Member States of the European Union and has been established upon the initiative of the European Commission, Directorate-General V. Its aim is to provide an exchange of information between the member states as well as to provide information for all relevant institutions responsible for the administration of social protection, the social partners and the interested public.

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