

# Employment policies in the EU and in the Member States

Joint report 1998

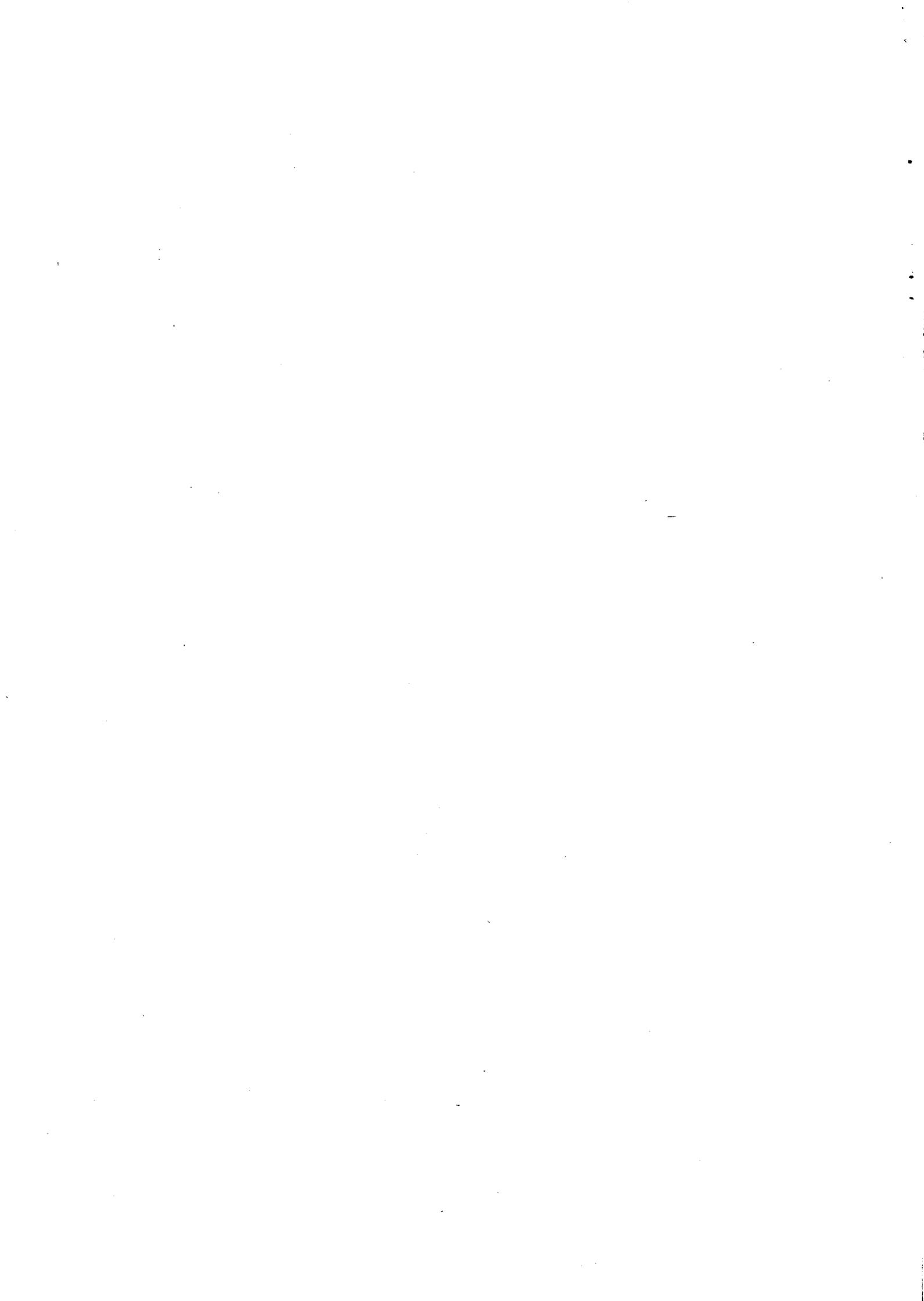
Employment & European Social Fund



Employment & social affairs



European Commission



# **Employment Policies in the EU and in the Member States**

**Joint Report 1998**

**Employment & social affairs**

Employment and European Social Fund

**European Commission**  
Directorate-General for Employment, Industrial Relations  
and Social Affairs  
Unit V/A.2

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This report has been jointly adopted by the Social Affairs Council and the ECOFIN Council on the 1st of December 1998. It represents a common assessment of the Council and Commission on the national action plans for employment, submitted by the Member States in April 1998, which present how Member States are implementing the European Employment Guidelines 1998. The first part deals with the European Union as a whole, the second assesses each Member State separately

A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (<http://europa.eu.int>).

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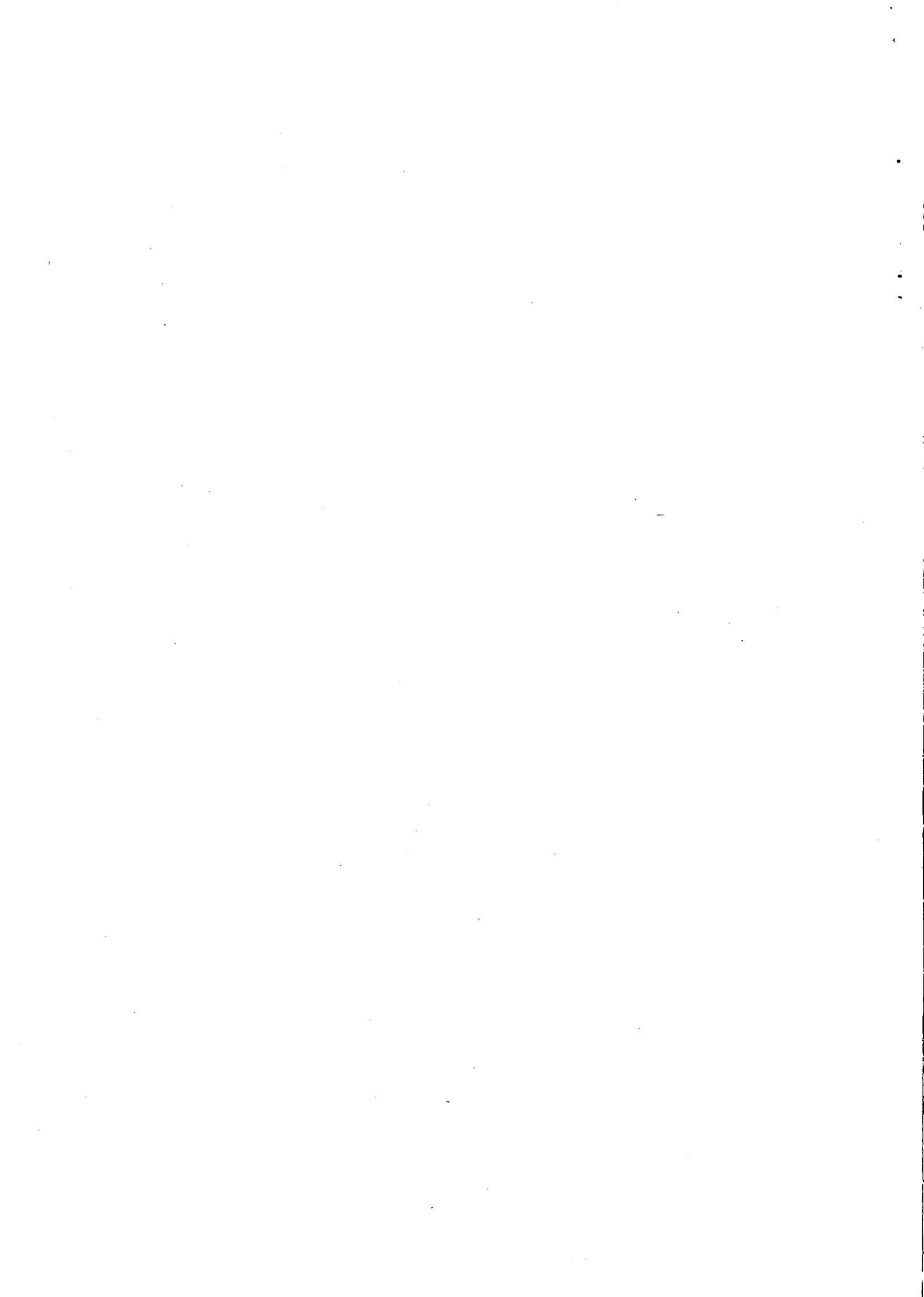
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## Executive Summary

The Joint Report is a progress report. It presents a first assessment of how Member States have implemented into action the 1998 Employment Guidelines and their National Action Plans. The Report is structured in two parts. Part I reports on how the Luxembourg process has got under way and compares the starting positions in the Member States' labour markets. It reviews, across the four pillars of employability, entrepreneurship, adaptability and equal opportunities, the policies followed in the Member States, and highlights ten examples of how the Guidelines have been translated into action. Part II is a first examination on a country-by-country basis.

### I. The main messages

- Maintaining the current macro-economic strategy is essential in the current context of greater uncertainty and downward risks. The EU is not isolated from the effects of economic instability which has spread in other parts of the world in 1998. However, healthy supply and demand conditions and a policy mix favourable to growth justify the belief that the EU can face the worsened international climate with some confidence. Progress in implementing structural reforms and the Employment Guidelines will be a key to the success of the macro-economic strategy through tension-free growth, higher competitiveness, and more labour-intensive growth which is respectful of the environment.
- EU employment performance is markedly worse than that in the USA and Japan. With improved economic growth, encouraging progress has been made since 1996 but much is still to be done in cutting unemployment and raising employment levels. The challenge in terms of raising the employment rate is relatively greater in Italy, Spain, Greece and Belgium.
- The Luxembourg process has gained political momentum at national and EU levels. The Member States have committed themselves to making their strategies systematic and consistent. Shortcomings identified in Cardiff have been corrected in many cases, for instance by making action more concrete and more transparent as far as the budgetary implications of carrying out policies are concerned. Member States should restructure public expenditure to make spending on employment measures more effective and targeted.
- Problematic starting situations should further spur Member States' efforts to switch towards prevention and activation. Differences in interpretation and measurement persist; however, some Member States are still struggling to find an appropriate balance between prevention and re-insertion. Adequate coordination with reforms in tax and benefit systems can contribute to this reshaping of employment policies.
- Member States' support for business, especially SMEs, has still only led to a few concrete measures, often in the absence of an integrated approach. Co-ordination between administrations and strong partnership between local and regional actors are the key to promoting local development and developing sustainable jobs in the social economy.
- In most countries, little progress has been made in restructuring tax systems in the direction of promoting employment. The proposal to reduce the VAT rate on labour-intensive services has found little echo in the majority of Member States.
- In many Member States, work organisation and working time are subject to negotiation between governments and the social partners. The NAPs have favoured an active and comprehensive approach to issues like the balance between flexibility and security, in-house training, re-organisation of working time, and flexible contract regulations. The NAPs should provide the opportunity for social partners to develop new partnerships at all appropriate levels (European, national, sectoral, and enterprise).
- There is considerable awareness of the importance of equal opportunities for women and men and the gender mainstreaming of employment policies as major policy targets, but the echo in real action is often not apparent. Member States will have to combine reconciling work and family life through child-care provision, assistance to elderly and family dependants, training for the female unemployed and support for women entrepreneurs.

- Policies for the disabled need be better integrated with other policies and the integration of ethnic minorities and immigrant populations deserves increased attention by Member States.
- The 1998 Report highlights ten concrete examples of good practice in Member States' employment policies. These have been selected on the basis of the availability of evaluation or early monitoring data. Although it is not yet possible to assess whether these good practices are fully applicable to other Member States, ongoing work in developing common criteria for the identification of good practice and comparable statistics and indicators will contribute to such an assessment in future Joint Reports.

## 2. The overall context of the Luxembourg process

The current macro-economic strategy is the appropriate response to current greater uncertainty and downward risks in the deteriorating international climate. The EU economy has grown strongly since 1996 and important net job creation has allowed some catching-up on the job losses of the past. Unemployment has fallen and more flexible patterns of work are spreading in the labour markets. Despite the economic instability which has spread in other parts of the world in 1998, there are reasons to believe that the EU can face the worsened international climate with confidence.

Yet, many challenges remain. Job creation is insufficient and the employment rate is low, unemployment is only falling slowly and long-term unemployment is high; little progress has been made in combatting youth unemployment. Compared with the USA and Japan, the European Union shows a markedly worse labour market performance. Countries like Denmark, Sweden, UK, Austria, and Portugal were in a relatively better starting position in 1997, the year of launching the Strategy. The challenge, but also the opportunities to improve, are greater, by contrast, in countries like, for example, Italy, Spain and Greece. The other Member States find themselves in intermediate positions.

Between 1992 and 1997, improvements in most indicators have been noted for Ireland, UK, Denmark and the Netherlands. In general, the majority of Member States were able to reduce the gender gap both in relation to employment and to unemployment. However,

the situation as regards long-term unemployment has deteriorated in EU Member States over the five-year period under consideration.

The Luxembourg process has started to gain political momentum and to produce results in 1998. The transparency and political profile of the debate on employment policy has risen in many Member States and at EU level. In the Member States, employment policy co-ordination is improving and new inter-departmental structures, in some cases also at regional level, have been set up. Social partners as well as local and regional authorities are keen to participate and contribute to the formulation and monitoring of the NAPs, and this has led to new joint initiatives involving the social partners.

Despite the very short timescale, all the Member States have committed themselves, in presenting their NAPs (April) and implementation reports (July), to translating the 1998 Guidelines into action. Many of the shortcomings identified by the Commission in its Communication to Cardiff have been corrected. This includes making the strategy more concrete in budgetary terms. However, the picture varies greatly among Member States. France (1.4% of GDP) and Spain (1.2% of GDP) provide an overall and detailed estimate of funding the NAPs, whereas Belgium, the Netherlands and Luxembourg report on additional public spending required (0.7%, 0.55% and 0.35% of GDP, respectively). Ireland has also provided a preliminary estimate of expenditure on the four pillars amounting to 2% of GDP. Other Member States specify the funding only for some measures and initiatives but give no overall estimates. There is, however, still ample room for improvement in this regard, which can be expected following the conclusion of the budgetary process in some Member States or through greater progress in the operational definition of policy instruments, in others.

### 3. The implementation of the NAPs: a horizontal review

#### Pillar I - Employability

Member States have in general shown a high level of commitment to the prevention of long-term unemployment through early intervention and an increased degree of activation in employment policy. This commitment has been followed by legislative and administrative steps including new measures to offer a new start, the adaptation of existing measures to provide a new start at an earlier date and upgrading the capacity of employment services, or has even embraced a thorough reform of employment and labour market policy.

The EU operational targets (the offer of a new start within 6 or 12 months to, respectively, young and adult unemployed, and the participation of 20% of the unemployed in training and equivalent measures) have been taken into consideration in all NAPs. However, there are still important differences persist as to the degree to which Member States have addressed these targets, reflecting their different starting positions as well as differing perceptions of the severity of the long-term unemployment problem.

While Denmark, Spain, France, Luxembourg, Portugal, Finland and Sweden have fully addressed the preventive targets defined in the Guidelines, others have interpreted them more flexibly (Belgium, Ireland, the Netherlands and UK). More focused efforts are needed in countries where the dual training system has been the main instrument for prevention (Germany, Austria). Finally, in those Member States (Italy, Greece) where policy is mainly focused on the social re-insertion of people after long spells of unemployment, there is now a strong political commitment to switch in 1999 to a more preventive approach. A number of countries have pointed to the inherent difficulties of moving towards prevention while maintaining a balance between prevention and re-insertion.

It is somewhat early to assess progress towards the activation of 20% of the unemployed, given the different views among the Member States of what constitute active measures to upgrade the skills of the unemployed. Six countries claim to have already met the 20% target (Denmark, Germany, Sweden, Finland, Ireland and UK); Belgium and the Netherlands set no clear targets, while committing themselves to a more active policy. The other countries (Portugal, Spain, Luxembourg, France,

Austria, Italy, Greece) have set a target in line with or above 20% on the basis of their own estimates.

Agreements between the social partners setting up new conditions for the provision of training and lifelong learning appear to be more the result of negotiations which had already started before the adoption of the Guidelines, than to be a direct consequence of the NAPs. Even if some Member States are well advanced in the development of lifelong learning, increased efforts are required throughout the Union in order to translate this concept into meaningful and concrete action.

All Member States have addressed the need to reduce the proportion of young people leaving basic education and training without a minimum level of qualification, mainly through relatively comprehensive reforms of their basic education systems. The introduction, consolidation or reform of apprenticeship or other work-linked training is an important aspect of reforms in a majority of Member States. Member States still need to show evidence of progress in achieving the policy goal of reducing drop-out rates.

Whilst recognising differences in national circumstances and policy priorities, the Commission underlines the need for efforts to be pursued in the direction of a real switch of labour market policies from passive to active measures and from a curative to a preventative approach in all Member States. More problematic starting situations should not be a justification for inaction, but rather a challenge for more ambitious reform. In such cases, benefits can be expected shortly to become apparent in the form of a cut in the rate of inflow into long-term unemployment. The evaluation exercise to be undertaken in the 1999 Joint Report will provide an opportunity to examine whether actual progress has been achieved in this respect.

## Pillar II - Entrepreneurship

Member States have shown considerable willingness to develop entrepreneurship by making it easier to start up and run businesses. However, despite the commitments made and the large number of initiatives which have been announced, the progress achieved so far is moderate. It can also be questioned whether the individual measures add up to an integrated strategy to promote entrepreneurship. This situation may partly reflect the usually lengthy procedures for the adoption of legislative initiatives, difficulties with budgetary adjustments, or the complex and politically sensitive implications of changes in taxation systems.

The key role played by small and medium-sized enterprises is recognised by Member States. Many initiatives have addressed their specific problems by simplifying administrative procedures for business, promoting business start-ups, enhancing job creation in new services, and facilitating access to capital or innovative projects. One promising course of action is the creation of "one-stop shops" for business start-ups when dealing with the State (Italy, Portugal, Luxembourg, France), support to business start-ups and self-employment (Austria, Belgium, the Netherlands, Sweden and Germany) and financial support for hiring the first employee (France, Spain). In Austria, measures to combat undeclared work are expected to contribute to a climate favourable to enterprise development, preventing unfair competition and raising revenue for the State.

Member States report on initiatives to nurture new services (France, Germany, Denmark) and new-technology sectors (Finland, Austria). Several countries (Finland, Italy, and the UK) have developed partnerships between local authorities and entrepreneurs in exploiting business opportunities and the social economy. However, information is still scarce and increased attention needs to be paid to the involvement of all relevant actors.

Some progress has been made towards reducing social security charges and, more generally, the overall tax burden on labour. Major reforms were announced or have started to be implemented in Denmark, Spain, the Netherlands, Finland, Belgium, UK, Italy, France and Ireland. The approach is somewhat gradual and there is a need to give a new political impulse to restructuring taxation systems. The VAT reduction on labour-intensive services has found no support among the majority of the Member States.

There is room for improved co-ordination between the authorities responsible for employment and other ministries responsible for business support, taxation and local development. The systematic involvement of local and regional actors in policies to promote employment is essential. Efforts are needed to develop feasible alternatives to taxation on labour within the framework of budget consolidation, and to release the potential for job creation in the service sector.

## Pillar III - Adaptability

The framework of work organisation and working time is being reviewed in many Member States. Governments and social partners are in the process of implementing reforms and policy initiatives that have been signposted in the NAPs, in order to bring about a higher degree of flexibility in productive systems and working relations in a changing environment. Human resource development for the updating of skills and the promotion of new competences is receiving particular attention in all Member States. In some countries (Germany, Spain, Italy), the NAPs have encouraged social partners to be more active and to adopt a more comprehensive approach to modernising work organisation, even in the course of often difficult and lengthy negotiations.

Attention has now been focused, partly as a result of the Luxembourg process, on new rounds of negotiations covering key issues such as a more encouraging framework for in-house training (France, Luxembourg, Portugal, Spain, Sweden, Finland, Italy, Greece and the Netherlands), the reduction and re-organisation of working time (France, Luxembourg), and the adaptation of labour legislation to more flexible forms of contracts (Portugal, Finland, Spain, Italy, Luxembourg, Greece). The need to reconcile flexibility and security has been the object of specific reforms in the Netherlands and Spain.

While recognising the specific time-schedule for reform in each Member State, it is necessary to assess the extent to which the NAPs have encouraged more ambitious initiatives on the side of the social partners, and the setting up of a stronger partnership at all appropriate levels (European, national, sectoral, and enterprise).

## Pillar IV - Equal opportunities

Preparing and implementing the NAPs has raised awareness of the importance of equal opportunities policies for women and men, as well as policies addressing the particular needs of people with disabilities. The labour market is highly segregated, even in Member States where employment rates are similar between genders (Sweden, Finland). Both women and men find it difficult to re-enter the labour market after a period of absence, as they may have problems of reduced employability due to outmoded skills. The employment rate among the disabled is low (20-30% below average) and they represent a disproportionate share of the long-term unemployed.

However, the policy content of the fourth pillar in most NAPs is relatively modest (except in Spain, Portugal, Sweden and Austria), and its integration into the other three pillars (gender mainstreaming) has yet to take the form of concrete goals and initiatives. Most initiatives address problems of childcare, with fewer measures aiming at support for female entrepreneurs. In some countries (Spain, UK, Italy, the Netherlands, Portugal), tax subsidies and benefits help to make the costs of childcare affordable, whereas Austria, the Netherlands, UK, and Luxembourg have set concrete targets for the provision of nursery and childcare facilities. Assistance to the elderly and other family dependants receives hardly any attention, which is in clear contradiction to the ageing of the EU's population.

Policies designed to reconcile work and family life require more decisive action by Member States. Also, policies addressing the particular needs of disabled people seem to be insufficiently integrated into other policy fields, in particularly those related to the prevention of long-term unemployment and the adaptation of conditions to facilitate integration in working life. Some progress in this direction is envisaged in Spain, France, Austria, Portugal, Sweden and UK. Several countries have also reported on specific measures to guarantee equal opportunities for immigrant populations.

## 4. The identification and dissemination of good practice

The Joint Report 1998 has drawn, from a list of more than 40 policy actions suggested by Member States, ten examples of good practice for examination by the European Council. Many of these good practices are not new but show how existing policies can be revamped in the direction of a more dynamic and comprehensive approach. The selection of examples was conditional upon the availability of evaluation or, at least, of substantive monitoring data. The examples of good practice are:

- Under Employability:
  - Youth employment policies in Denmark,
  - The New Deal for young people in the UK,
  - Back to Work Allowance Scheme in Ireland,
  - In-company induction traineeships in Luxembourg.
- Under Entrepreneurship:
  - Enterprise Formalities Centres in Portugal,
  - Bridging benefits for promoting self-employment in Germany,
  - Centres for Expertise in Finland,
  - "New services, new jobs" programme in France.
- Under Adaptability:
  - The Social Partners' agreement for employment stability in Spain.
- Under Equal Opportunities
  - Integrated approach to improve women's access to employment in Austria.

Rigorous monitoring and evaluation, as well as the socio-economic environment, are key factors in determining the extent to which a good practice can be implemented in other Member States. Further action is still needed to create the appropriate framework for the identification and dissemination of good practice. Available material on evaluation suggests that the examples selected in the Report have achieved their primary objectives or have the potential for doing so, but the evidence presented does not yet allow an assessment of whether such practices are capable of being directly transposed as a reference for other Member States.

## **5. The Indicators: a crucial condition for the success of the Strategy**

Country-comparable statistics and indicators are crucial. At the EU level, the Commission and the Member States have agreed on a set of basic employment performance indicators which measure the overall outcome of policies. Attention is now being focused on common policy indicators, which measure the policy effort, the outcome and the access of beneficiaries to policy action. This is an ambitious task, for it implies reforming national administrative data sources in order to make register-based data more comparable. Some Member States have already started improving their register-based data in order to meet the new monitoring requirements of the NAPs. The monitoring of the three EU-wide operational targets is of the utmost importance in the short term. With a view to the longer term, the Vienna European Council will be informed, as requested at Cardiff, about the priorities to be tackled in respect of the shortcomings in current EU employment and social statistics.

## **6. The next steps: consolidation, simplification and perseverance**

The Luxembourg process has so far demonstrated that the new European approach to employment policies is well under way. There are also some shortcomings which need resolute action: the need for better co-ordination between economic policies and the employment strategy at EU and national levels, the need for dovetailing of the Luxembourg and national budgetary processes, the lack of appropriate data and common indicators, the need to integrate the European Social Fund into the process, and the need for effective involvement of a greater number of interlocutors at national and EU levels.

The reporting procedures are in need of simplification. In 1999, only one annual report will be submitted by the Member States, by mid-June. The Member States will have more time to involve the key Ministries, social partners and other actors, to deliver the information and data relevant for the monitoring of national strategy in the previous year, and to integrate into the preparation of their next budget the policy and financial implications of the revised Guidelines. At the EU level, the Commission and the Council will undertake an initial examination of these reports in June/July and will feed their conclusions into the 1999 Joint Report which will be negotiated with the Member States in the autumn. The 1999 Joint Report will attempt a first evaluation of the impact of the NAPs on the basis of more complete information and more up-to-date data.

The significant progress achieved to date in the EU labour markets risks being compromised by serious concerns that the deterioration of the international environment in recent months will spread world-wide, and that fears of recession will be confirmed. It is important to underline that the EU is now better prepared to tackle this situation than before. The current macro-economic strategy must be maintained and implemented as set out in the Broad Economic Policy Guidelines, in order to profit from the successful launch of the Euro and the resulting expectations of stable high employment-creating growth in the EU. Member States need some time to reconcile the Stability and Growth Pact commitments with the necessary adjustment of their budgets to the Guidelines.

All Member States are also intensifying reforms to make their product and services and labour markets efficient. Rapid adaptation to new technologies and new services, while developing venture capital markets, is crucial. The integrated approach to action also requires that all Member States should commit themselves to fast, vigorous and resolute implementation of the Employment Strategy. The lessons learned in this respect will be translated into the revised Guidelines for 1999.

**Part I - The European Union**



# I. THE EUROPEAN EMPLOYMENT STRATEGY

## Introduction

This Report is being submitted in anticipation of Article 128 of the new Amsterdam Treaty. In accordance with the Council Resolution of 15 December 1997 on the 1998 Employment Guidelines, the purpose of this Report is to present the employment situation in the Member States and to examine the main measures taken by them to implement the 1998 Employment Guidelines.

The objective of this Report is to assess the quality of the efforts being undertaken in each Member State to implement the National Action Plans for employment. Due to the short time that has elapsed since the adoption of the NAPs, the complexity of the processes involved and the fact that a complete set of indicators and data is not yet available, an evaluation of their impact is not yet possible. This will be done in the Joint Report for 1999. The present Report takes a critical look at what is under way in the Member States, taking into account their starting positions. What are the initiatives being taken? What is the line of policy being pursued? What commitments are being translated into practice?

The Report presents a comparative analysis of the implementation of the Employment Guidelines across the four pillars and goes on to highlight examples of good practice to demonstrate how certain Guidelines have been translated into action by Member States. In addition, the Report presents preliminary results of an assessment of Member States' performance prior to the implementation of the Employment Guidelines on the basis of a set of common performance indicators.

This Report constitutes the basis upon which the Member States and the Commission will agree on the course to be taken to further develop the Guidelines and action required at EU and Member State levels to implement the strategy.

## Luxembourg process

The early implementation of the Employment Title of the Treaty of Amsterdam has already proven to be a watershed in the development of the European employment strategy. Not only have the employment objectives risen to the top of the policy agenda in the Union, but the Extraordinary European Council on Employment in Luxembourg in November 1997 has launched what has become known as the "Luxembourg process", centred around the Guidelines for Member States' Employment Policy and the National Action Plans for their implementation.

The new Luxembourg process builds upon earlier efforts at EU-level in dealing with employment issues through analysis and reporting as well as social dialogue and legislative initiatives, and draws strength from the macro-economic context defined by the Broad Economic Policy Guidelines as well as the Growth and Stability Pact. This process goes much further in strengthening the capacity of the Member States and the European Union to address these issues in a coherent and concerted way in order to converge towards higher levels of employment.

A key feature of this new process is the setting of clearly identifiable and measurable European and national targets. This increases the transparency and accountability of policies and has also initiated a concomitant process of strengthening indicators and statistical monitoring tools.

A continuation and development of a co-ordinated macro-economic policy, underpinned by an efficient internal market, is essential in order to implement the new approach. An integrated framework based on the four pillars of the Guidelines has been created in the Member States and within this framework, all policies should contribute in a mutually supportive way and all actors should be mobilised in promoting employment and combating unemployment. This strategy is also implemented in a multi-annual perspective where action must be coherent and consistent over time to produce the desired impact.

Simultaneously, at EU-level, the emergence of an institutional framework supports a co-ordinated approach to employment policy, facilitates an exchange of best practice and brings together various Community policies in

order to contribute to the employment strategy. The Commission, Council and European Parliament as well as a whole range of other bodies and the Social Partners have their distinct roles and responsibilities within this framework. European level financial instruments can provide a significant underpinning of the employment strategy, including the European Social Fund, the resources made available through the Employment and Growth Initiative, and the Incentive Measures-facility under Article 129 of the Employment Title.

## Progress since the Jobs Summit

The steps taken to implement the employment strategy since the Luxembourg Jobs Summit include the following:

- The Council adopted the first Employment Guidelines on 15 December 1997 on the basis of the political agreement reached at the Summit and on the basis of a revised proposal from the Commission,
- The Member States submitted their National Action Plans to the Commission and the Council by 15 April 1998 in accordance with the procedure agreed by the Employment and Labour Market Committee. The preparation of these NAPs was underpinned by bilateral meetings between the Commission and each Member State;
- The Commission presented its first examination of the NAPs in its Communication "From Guidelines into Action - the National Action Plans for Employment" of 15 May 1998; the Communication was discussed at several Council meetings (Labour and Social Affairs, ECOFIN and Education) and at the Cardiff European Council;
- The Cardiff European Council on 15/16 June reviewed progress in the translation of the Employment Guidelines into action. In welcoming the success of the Luxembourg process, it also called for a strengthening of the strategy in certain areas, as well as for the improvement of the comparability of statistics to enable better monitoring of the process.
- The Ministers of Employment, Labour and Social Affairs and of Equal Opportunities, in their informal meeting of 9/10 July, welcomed the progress in the employment strategy and called for further efforts to be made, notably in the area of mainstreaming equal opportunities in the employment policies.

- Following the submission of their NAPs all the Member States presented implementation reports by the end of July detailing the manner in which policy commitments were being implemented. The Commission had participated actively in this process by organising bilateral meetings with each Member State in which the key aspects of implementation were discussed and by suggesting a questionnaire to underpin the elaboration of the implementation reports.
- These reports, together with other relevant information and work in progress on indicators of performance and policy inputs, serve as the basis of the present Report, which will facilitate an exchange of best practice and an assessment of progress as well as underpinning the revision of the Guidelines for 1999.

## Many strengths .....

The Luxembourg process, as described above, has already demonstrated the potential of the new approach:

- It has contributed to enhancing the political profile of employment policy within an integrated European framework;
- It has demonstrated the enhanced commitment of the Governments and other actors to address seriously the objectives commonly agreed in the Guidelines;
- It has also demonstrated the willingness of all these actors to make a contribution. In particular, all the key Government ministries have been brought together in the preparation of the NAPs. The Social Partners have been involved or consulted although tripartite consensus on all relevant points has not always been achieved. In many cases also the regional authorities have been involved.
- At EU level, the European Parliament, Committee of Regions, Economic and Social Committee, Social Partners, NGOs and a large number of other groups have without exception given their support to the Luxembourg Process. The Employment Guidelines and the NAPs have been discussed at various conferences, including the ESF-Congress in May and the European Social Policy Forum in June.

Key elements of the European Employment Strategy have also been taken on board in many international fora, such as the G-8 meetings in February and May.

## ..... but some shortcomings also

Some problems and shortcomings have also been identified through recent experience with implementation and these must be remedied:

- Short deadlines for the preparation of NAPs on the one hand, and for the reporting on implementation on the other hand, has led to worries that not all those who are concerned by, or responsible for, the action can fully contribute to the process.
- While the increasing involvement of a greater and greater number of interlocutors both at national and European levels must be welcomed, it also risks making the whole process more and more complex and cumbersome. Paperwork, proliferation of reports and bureaucratic procedures must not be allowed to overtake the action itself.
- There is a need to further streamline the inter-linkages of various sector-level policies and the employment strategy. At national level it involves setting up appropriate inter-departmental and cross-sector mechanisms to ensure the effective integration and co-ordination of the strategy. It also requires improving the interplay between overall economic policy and the employment strategy at both EU and national levels.
- It has not been easy in all cases to dovetail the Guidelines and the NAP-process with the budgetary process, in order to establish how the measures envisaged can be translated most effectively into budgetary allocations in a multiannual perspective.
- There remains the challenge to integrate better the contribution of instruments, such as the European Social Fund with the implementation of the NAPs.
- The lack of appropriate data, long delays in their production and problems with their comparability, makes it difficult to monitor and evaluate the achievement of the targets.

## Consolidation of the process

It must be borne in mind that the Luxembourg process in general, and the Guidelines and the NAPs in particular, form part of a pluriannual strategy towards achieving higher employment levels in the European Union. This is only the beginning; the process must be further strengthened; it must be made sustainable.

The conclusion which can be drawn from the encouraging developments and shortcomings identified to date is that there is a need to consolidate the Luxembourg process, both in terms of the content of the strategy and the implementation process itself. Consolidation means:

- KEEPING THE FOUR-PILLAR STRUCTURE AS THE BASIS OF THE 1999 EMPLOYMENT GUIDELINES;

The four-pillar structure of the 1998 Guidelines has commanded wide political support, as it broadly responds to the concerns and policy objectives of the Member States. There is a consensus that the four-pillar structure should remain as the basis of the 1999 Guidelines and that the changes in the number and content of the Guidelines should only reflect the most important new challenges identified by the European Council as well as any gaps and need for clarification identified in the implementation of the NAPs.

- RECOGNISING AND RESPECTING THE MULTIANNUAL NATURE OF THE EMPLOYMENT GUIDELINES AND THE NATIONAL ACTION PLANS;

The multiannual nature of the process implies that while action must be taken immediately, policy interventions have both short-term and longer-term impact. Therefore, sufficient time must be given for the policies to work their way through the employment systems. Some time is also required by Member States to adjust their budgets to the Guidelines and the NAPs, while respecting the terms of the Stability and Growth Pact. Keeping the structure of the Guidelines stable will enhance their transparency and facilitate implementation and monitoring. Furthermore, it will make it easier to adjust the contribution of the European level financial instruments, such as the European Social Fund, to the objectives of the employment strategy.

- STREAMLINING THE REPORTING PROCEDURES

As regards the streamlining of the process, it is desirable that in future only one annual report, instead of the two required in 1998, should be submitted by the Member States. This report should simultaneously look at the implementation of the NAP based on the previous years' Employment Guidelines and address the policy and financial implications of the updated Guidelines. These reports will underpin the Joint Report and the revised Employment Guidelines for the subsequent year.

## ENSURING THE EFFICIENCY OF THE IMPLEMENTATION AND FURTHER DEVELOPMENT OF THE STRATEGY.

In order to ensure the efficiency of the implementation and further development of the Strategy, the Joint Report is pivotal. This Report will be strengthened so that it becomes the key instrument whereby the Commission and the Council agree on the course of action to take in the future, on the basis of an examination of the Member States' policies in implementing the NAPs, an evaluation of the impact of policies, as well as an exchange of best practice.

### National surveillance mechanisms

The majority of Member States have created specific inter-departmental structures for monitoring the implementation of the NAPs. This is the case in Portugal, Finland, Belgium, Greece, Spain, Ireland, Luxembourg, Austria and Italy. In a few cases, social partners will be directly involved in the high-level monitoring structures, at least for some programmes (Luxembourg, Spain, Portugal). New structures have also been foreseen at regional level in Belgium, Spain and Italy.

### Monitoring progress

Developing country-comparable statistics and indicators is a key step towards measuring policy efforts and identifying benchmarks for comparison. The Commission Communication to Cardiff already highlighted the lack of quantified or precise indicators or policy targets as one of the least satisfactory aspects of the NAPs'. In the second semester of 1998, there has been progress in this direction.

Many Member States have reported on efforts to improve their national statistics and to select indicators for monitoring purposes. In particular, efforts aim at collecting data on flows in and out of unemployment and long-term unemployment, participation in active measures, and identification of target populations. In several cases appropriate monitoring of the NAPs requires substantial changes in the way national statistical systems work, and some Member States (Portugal, Greece, Germany), are thoroughly revising the methods applied by the national unemployment registers.

In revising their national statistics, Member States will benefit from close collaboration with the other Member States and the Commission.

The Commission and the Member States, in the framework of the ELC, have agreed on a set of basic employment performance indicators. The common indicators allow an easy-to-read overview of key trends in the labour markets and constitute a mechanism to monitor whether Member States are converging towards reference standards of best overall performance. This set of indicators is used in Section 2 of this Report as well as in the country fiches in Part II to describe the employment situation.

Another step is to develop common policy indicators to monitor how Member States transpose the Employment Guidelines into national policies and to evaluate their effectiveness. Data from national administrative registers are a primary source in this respect. Preliminary work between the Commission and the Member States has already identified several problems such as, for example, the different definitions of target population, the lack of appropriate flow data, the different criteria in classifying 'activated' individuals as unemployed, the different concepts of an "offer" of job or active measure and the range of measures to be monitored under each Guideline. These problems arise due to the different points of departure in each Member State, and call for renewed efforts to make register-based data more comparable.

The need to monitor the EU-wide operational targets is of utmost importance. In the short run, concrete progress could involve making more transparent the criteria and mechanisms put in place by each Member State to monitor policy actions addressed to those targets. This will allow Member States and the Commission to carry out already in 1999, an assessment on a country-comparable basis for some, if not all, Member States.

Reforming EU statistics is also necessary but is an ambitious task which can be envisaged only on a long-term perspective. The European Council of Vienna will be informed, as requested in Cardiff, on major shortcomings in current EU employment and social statistics and the priorities for improvement to allow monitoring of the Guidelines.

### A new timetable

In terms of the timing, a mid-June deadline would be the most suitable for the Member States to submit their annual reports to the Commission and to the Council. This would give Member States sufficient time to involve the key Ministries, social partners and other actors in

any revision of their NAP. It would also allow for the delivery for the monitoring data for the previous year, and the integration of the revised Guidelines with the domestic preparations of the budgets for the subsequent year, which in most cases take place in the Spring. At the European level, this would enable the Commission and the Council in accordance with Treaty provisions to undertake a preliminary examination of these reports in June/ July, feed conclusions into the Joint Report,

which would then be the focus for negotiations and examination in the Autumn in accordance with established practice.

To enable the European Council to assess to what extent employment is taken into account in Community policies, a communication from the Commission to the June European Council meeting is foreseen in accordance with Article 127 of the new Treaty.

## 2. THE EMPLOYMENT SITUATION

### 2.1 THE EU MACRO-ECONOMIC AND EMPLOYMENT CONTEXT

The EU economy has regained a sound and better growth path over the last two years. Real GDP has grown faster (2.7 and 2.9% in 1997 and 1998 respectively, compared with 1.8% in 1996), slightly stronger than forecasted. The recovery was initially driven by strong export growth in a context of buoyant extra-EU demand and improved cost competitiveness in international markets due to the strong US dollar, moderate wage developments, and productivity gains. In 1998, as economic instability has spread in other parts of the world, with the deepening and widening of the Asian crisis, better than expected economic fundamentals in the EU have allowed domestic demand to take the role of locomotive for continued economic growth. The moderate behaviour of nominal wages (2.5-3%) has also favoured price stability, a low rise of unit labour costs (below 1%) and a moderate rise in real wages (about 1%).

Stronger economic growth has fuelled net employment creation in the EU, better than expected in previous forecasts, so allowing to catch up on the job losses of the past. In 1997, employment grew by some 800 000 jobs (0.4%) and this trend has gathered pace in 1998. The EU has already made up half the job losses in 1991-96 (4.6 million jobs) as the cumulated increase in total employment in 1997 and 1998 represented 2.4 million of jobs (1.6%). The unemployment rate has also fallen more than expected, from 10.9% in 1996 to 10% at the end of 1998.

Total employment in the EU in 1997 was around 150 million individuals and the employment rate was 60.5%, the highest since 1992. Women accounted for 62% of

the additional jobs created between 1996 and 1997 (the rate of growth of female employment has been slightly lower than previously: 0.8% compared with 1% in both 1995 and 1996). In contrast, male employment has risen (0.3%) for the first time since 1995. Nevertheless, the employment rate for women has risen to over 50% in 1997, so reducing the gender gap to 20 percentage points (from 26 points in 1990).

The structure of the EU labour markets is changing and new patterns of flexible work are spreading. For the fifth year in the last six, part-time work has grown faster than total employment. This explains some reduction in average working hours per employee observed over the past three years. This fall would have been larger had the growth of part-time work not been compensated by longer hours at work spent by those working full-time. Employment growth in terms of number of people in work (1%) cut by half (1/2% over 1994-97) if measured in full-time equivalents (FTE) i.e. weighting each person employed by the hours worked relative to full-time hours. The FTE employment rate has not changed, however, since working-age population increased slightly over the period.

### Recent developments and forecasts for 1999

The situation may change in 1999. The EU economy is not isolated from the effects of economic instability in other parts of the world. The economic troubles, started in Asia in mid-1997 have progressively extended to other regions which represent roughly one third of world GDP. The downward 'correction' of the record-high levels in the world stock markets has also contributed to make the international environment less favourable than expected.

The process of recovery initiated in 1998, which was fuelled by internal demand, may be hampered by the sharp slowdown in world output growth and trade resulting from the global financial crisis in 1999. The worsening international climate makes it highly probable that domestic demand, especially private investment, will lose strength due to the negative impact on the growth of international trade and the appreciation of the Euro against the US dollar. The negative consequences of the deteriorating external climate will reflect in a sharp swing in the contribution of external demand to growth (from a positive 0.5% in 1997 to a negative one in 1999). This has led to revise downwards the forecast for growth to 2.4% for the EU as a whole in 1999.

The impact of the external financial crisis might tarnish the initially positive employment prospects, as the deteriorating climate of confidence settles in and curtails the dynamism of EU domestic demand, failing to make up for the faltering extra-EU demand. In spite of the forecasted slowdown in growth, net job creation is expected to remain significant in 1999, with a rise of 0.9% (1.3 million of jobs) and a further fall in the unemployment rate down to 9.5%. Under the current macroeconomic forecasts, the total employment in the EU would be higher than the maximum reached in 1991, with an unemployment rate around 9% in the year 2000.

Much needs to be done to improve the employment performance of the EU. Present rates of net job creation are insufficient to absorb the high stock of the unemployed and provide jobs for the new entrants to the EU labour markets. Europe's employment rate (60.5%) is still clearly lower than the rates of the mid-1970s (64%) and even that of 1991 by two percentage points. Other major challenges ahead are the slow decline in unemployment rates, the persistence of long-term unemployment (some 50%), the widening gender gap (unemployment is falling faster among males than among females for all age brackets), the high level of youth unemployment (twice the average: 19.8% in May 1998), and the skills gap (some half of the stock of unemployed over 25, both males and females, had no educational qualifications beyond basic schooling).

## Facing the Future

There are reasons to believe that the EU can face the worsened international climate with some confidence. The slowdown may be only temporary as: (i) the growth process in an entity such as the EU or the Euro-11 area is mainly, based upon sound internal demand and healthy

supply conditions, and a favourable policy mix (ii) the observed reaction of interest rates in Europe goes in that direction, offsetting a significant part of the negative impact on domestic demand for next year, and (iii) the international crisis will not be permanent and the recovery is expected in many affected areas by late 1999.

While the macroeconomic context is changing, the negative impact on external demand has been more than compensated to date by EU domestic demand stronger than expected. Supply and demand conditions remain excellent in the EU, thanks to the convergence towards stability for EMU and a policy mix in the Euro zone conducive to an endogenous growth process. The EU economy is reaping the fruits of its past efforts in terms of low nominal and real interest rates, stable European currencies in expectation of the Euro, and already well-advanced budgetary consolidation.

It is all the more necessary to preserve the sound growth factors which underpin the potential robust domestic demand. A major reason has been the impressive budget consolidation efforts and the successful convergence process towards the third stage of EMU, which have restored public confidence on a macro-economic policy stance favourable to sustained non-inflationary economic growth. Moreover, private investment has surged in 1998 in response to better prospects for domestic demand and historically good fundamentals. Capital profitability is now higher than in the sixties and close to that of the USA, long term interest rates at historical low and price for oil and commodities to record low levels. Private consumption is growing faster than expected following higher employment, lower inflation, real wage gains, and lower precautionary savings from households more confident in falling inflation.

This has protected the EU economy from the world financial storm to a large extent. Strong positive growth forces remain at play in the EU economy. Despite greater uncertainty concerning the forecast and downward risks, it is reasonable, due to the combination of sound fundamentals with a policy mix favourable to growth, to expect economic activity to re-accelerate in the EU after 1999.

Concerning budgetary policy, the strategy that underlies the Stability and Growth Pact must be consistently pursued. Budgetary positions close to balance or in surplus in normal cyclical positions, are necessary not only for favouring low interest rates but also for spurring investment-led growth and job creation. By curbing faster public debt ratio and thus the debt service burden, the

budgetary consolidation will give leeway for coping with adverse cyclical developments and for implementing structural reforms, so triggering a "virtuous circle" fuelled by market confidence and business expectations.

The benefits in terms of economic growth and job creation from a good macroeconomic performance will be all the greater the more product, service and labour markets work efficiently. Member States have to step up in their efforts to render product, service and labour markets more efficient. Considerable progress has been made in recent years but much remains to be done. Although the competitiveness of the EU industry in global markets is now stronger, Europe has performed relatively poorly with respect to job creation over the last two decades. Improving the business environment faced by companies is crucial. In particular, the faster adaptation of EU's industrial structure to new technology-related goods and services can be spurred by opening up competition in service sectors to reduce costs, enhance national innovation systems and develop risk-capital markets. Resolute action to implement structural reforms is a key contribution to macro-economic policy as it will facilitate tension-free growth, foster competitiveness, raise the labour content of growth and make growth more respectful of the environment.

The launch of the Euro, the implementation of the Broad Economic Policy Guidelines and the Stability and Growth Pact, the downward convergence of short-term interest rates in absence of inflationary pressures, and the fall of long-run interest rates spurred by capital inflows in search of highly-creditworthy debtors, all justify a certain optimism as to re-acceleration of growth after 1999, despite the greater uncertainty and the downward risks of the forecasts. In the long term, the successful launch of EMU will help to 'lock in' sound macro-economic policies, expectations and policy-making processes towards favouring stable high employment-creating growth in the EU. Vigorous and resolute implementation of the Employment Strategy, especially the Employment Guidelines, will also help to bring the employment rates to previously-recorded high levels within the foreseeable future.

## 2.2 THE EMPLOYMENT SITUATION IN MEMBER STATES: A COMPARISON

### Background

The first step in developing a monitoring system for the purpose of assessing the implementation of the Guidelines is to describe the starting position of each Member State, on a comparable basis, with respect to a number of key areas of labour market performance.

This section presents a comparative assessment of Member States' performance in the years preceding the adoption of the 1998 Employment Guidelines. This establishes a frame of reference for future assessment of progress.

The method that is adopted for this purpose is the diamond-chart approach, which is one of a number of tools that have been developed with the purpose of identifying best performance<sup>1</sup>. It consists in the presentation of a set of selected indicators, describing the performance of each country, in the form of a four-axis diamond. The position of each Member State is determined by its relative location vis-à-vis reference standards within the EU, which are defined as the average of the three best performances for each indicator in 1997. Two diamonds are presented portraying respectively the employment and unemployment performances. The larger the diamond, the more favourable the situation for the Member State concerned.

This method provides:

- a simplified presentation of multiple performance indicators regarding employment as well as unemployment;
- a snapshot of the relative weaknesses and strengths of each country's labour market situation, allowing for identification of the major policy challenges;
- the possibility of a comparison over time of labour market performances, allowing for the detection of progress or decline with respect to each individual indicator;

<sup>1</sup> The method as it is presented here draws upon earlier research work carried out by the Employment Observatory. Cf. "Benchmarking employment performance and labour market policies - Final Report", Research Network of the Employment Observatory, 1998.

However, for the reasons described below, this method rests still on an experimental basis, and can therefore be improved.

The annex at the end of Part I of this Report describes in detail the method used in producing the diamond-charts, as well as the diamond charts of the EU, USA and Japan. The full results of the exercise are presented in Part II of this Report, where the diamond charts of each Member State are included in the respective country fiche.

### Selection of indicators and standards

The selection of the diamond axes for inclusion in the analysis is heavily guided by the content of the Employment Guidelines, as well as the basic performance indicators agreed for monitoring them. It is clear that the results obtained with the diamond-chart approach reflect both the choice of indicators and the assumed equal weighting across all indicators.

For the diamond describing the performance in terms of employment, the following four indicators were retained: average employment growth rate over the last five years, employment rate, gender gap between employment rates and the employment rate of workers in the age bracket 50-64.

For the diamond describing unemployment, those selected were the unemployment rate, the youth unem-

ployment ratio (young unemployed as a ratio of young population), share of long-term unemployed (in total unemployment) and gender gap between unemployment rates.

The choice of indicators being largely determined by the political priorities defined in the Employment Guidelines, it is inevitable that they are in some cases correlated between themselves (for instance, the overall unemployment rate will tend to reflect the youth unemployment ratio and vice-versa). While such correlations, where they exist, may affect the comparisons of the size of diamonds across countries, they do not compromise however the three purposes of this methodology as explained above.

### Cross national comparisons

Comparing the actual values of the eight indicators used in the diamonds across all Member States gives an idea of which countries experience relatively more favourable /unfavourable starting situations. Although such a comparison could be done by means of some form of aggregate index summarising the indications provided by all eight indicators all available methods are based on some assumption about the weighting of the indicators. A simpler, albeit less rigorous method of comparison, consists in taking the rankings of Member States for each individual indicator, as represented by bar-charts, and try to infer some general conclusions. This method can be supplemented by analysis

The reference standards for each of the eight indicators are:

| Indicators                | Ref. standards | Member States concerned            |
|---------------------------|----------------|------------------------------------|
| Employment growth 1992-97 | 2.3% p.a.      | (Ireland, Luxembourg, Netherlands) |
| Employment rate           | 73%            | (Denmark, UK, Austria)             |
| Employment gender gap     | 9.7            | (Sweden, Finland, Denmark)         |
| Employment rate 50-64     | 65%            | (Sweden, Denmark, UK)              |
| Unemployment rate         | 4.1%           | (Luxembourg, Austria, Netherlands) |
| Youth unemployment ratio  | 4.1%           | (Luxembourg, Austria, Germany)     |
| Unemployment gender gap   | 6.1            | (Ireland, Sweden, Finland)         |
| Long-term unempl. share   | 32%            | (Denmark, Finland, Austria)        |

of GDP growth across countries to assess the extent to which the differences in labour market performance reflect higher or lower GDP growth rates.

Figure 2 presents the four bar-charts for the indicators representing the employment situation<sup>2</sup>. Three groups of Member States can be distinguished as regards their comparative starting position in 1997:

- Denmark, UK, Austria and Sweden display the most favourable starting situation in terms of the employment indicators selected for analysis; however, Austria and Sweden show relatively poorer performance in terms of employment of older workers, and employment growth, respectively.
- Spain, Italy, Greece and Belgium faced the biggest challenges in terms of employment performance, as they tended to perform poorly in all dimensions in the period 1992-96. Progress has, however, been made in these countries over the last two years.
- The other Member States have experienced more average performances, except in what concerns employment growth, where Ireland, Netherlands and Luxembourg stand out clearly as best performers among the fifteen.

We can therefore conclude that, while the country groupings on the basis of structural employment indicators are remarkably homogeneous, taking into account employment growth does offer a different picture.

When comparing employment performances between 1992 and 1997, Denmark and the UK stand out as both have strengthened their good position overall, while two intermediate countries, Ireland and Netherlands, are improving fast their position in all selected dimensions. In contrast, the employment situation of Germany and Sweden has tended to deteriorate since 1992, reflecting respectively the unification shock (causing severe structural adjustments both in West and East Germany) and a deep recession accompanied by the structural shock of the early-1990s. In general the performance in terms of the employment gender gap has tended to improve for the large majority of countries.

Different employment performances reflect different rates of economic growth only to a limited extent. Fig-

ures 1a and 1b represent GDP growth indices since 1987, respectively for the countries having higher and lower than average GDP growth. It is clear that the good growth performance of Ireland, Netherlands or Luxembourg have contributed to improving employment performance, and vice versa the decline in Sweden's position can be associated to slow growth. However, in a number of countries, favourable growth conditions have not led to an improvement of the employment performance, which suggests the importance of structural factors. Also, it should be highlighted that, of the four best performing countries in terms of employment, only Austria has grown at a faster pace than the EU average.

Taking into account growth rates is also relevant in order to assess eventual biases introduced in the comparison across time by the choice of the base year. The comparison with 1992 is inevitably affected by differences in the business cycle across Member States. In this connection, it is interesting to note that, while the majority of Member States have experienced a recession of economic activity only in 1993, after a slowdown in 1992, in five cases there is a different behaviour in terms of the business cycle: Sweden, Finland and the UK have experienced negative GDP growth in 1992, and Ireland and Luxembourg growth rates above 4%.

As regards the comparative assessment of the unemployment situation, the charts in Figure 3 show that:

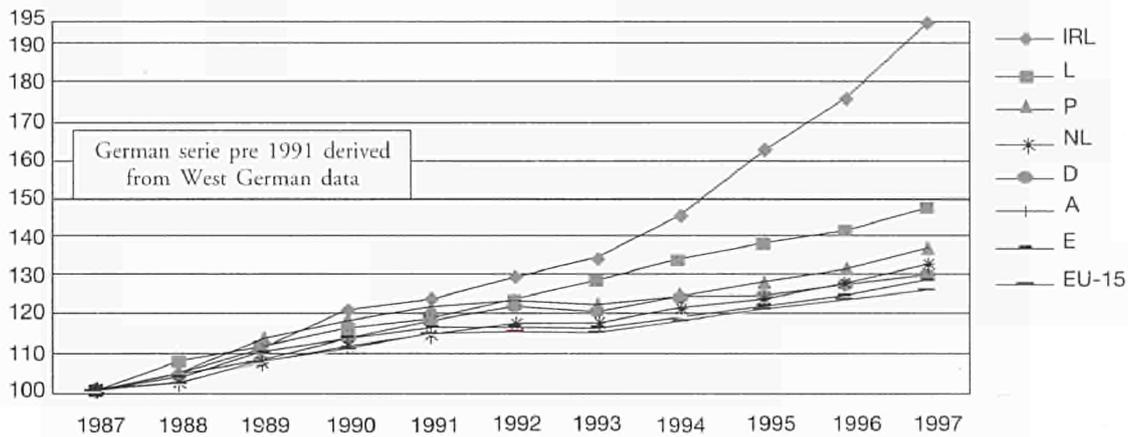
- Three Member States display the most favourable starting position - Luxembourg, Austria and Denmark - despite relatively large gaps between the unemployment rates of women and men.
- Three other Member States - Spain, Italy and Greece - were performing poorly across all dimensions in the period 1992-96, which suggests that these are the countries where more improvements are still expected.
- The other Member States display either average or mixed performances. Netherlands, Portugal and Germany perform well in terms of total or youth unemployment, but experience high long-term unemployment shares, whereas Finland and Sweden have relatively close rates of unemployment for women and men and low long-term unemployment, but fare poorly in terms of youth unemployment.

<sup>2</sup> The bar-charts include an average value for the EU, that reflects its different composition in 1992 and 1997. Therefore the EU values in 1997 do not comprise Sweden, Finland and Austria.

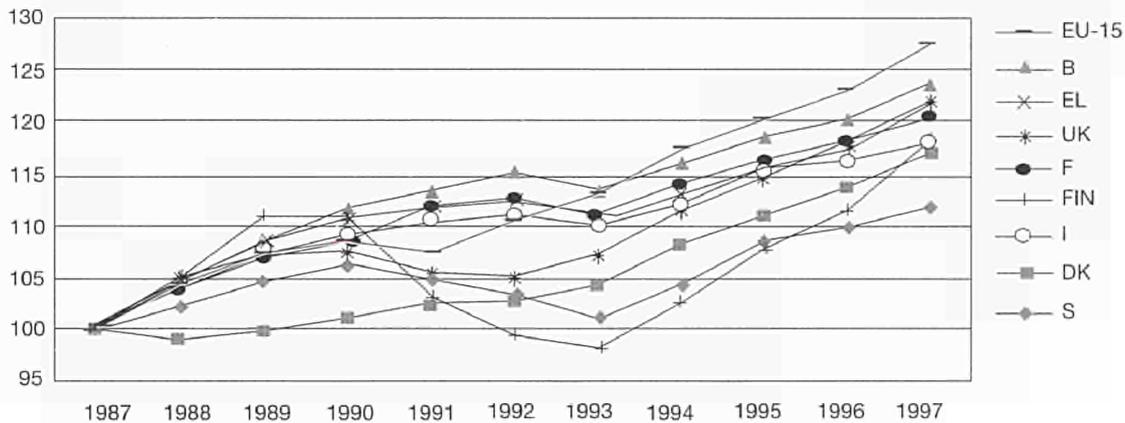
Noticeable improvement in the unemployment situation has occurred over the last five years in Ireland, Netherlands, Denmark and the UK. However, the share of the long-term unemployed has tended to worsen, not

only in these four countries but also across the whole EU. This finding confirms the need for strengthened efforts in order to curb long-term unemployment by a more effective use of the policy means available.

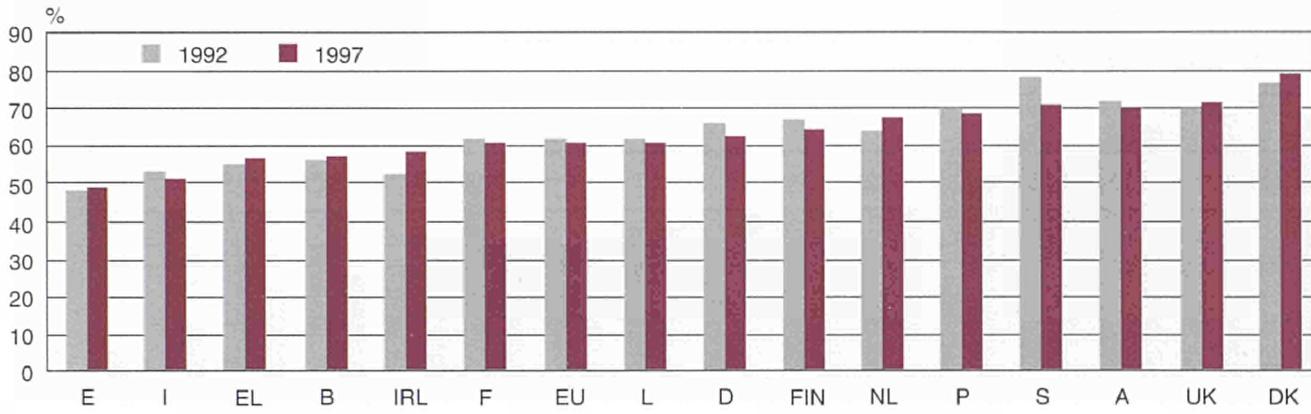
**Figure 1a: Indices of Real GDP**



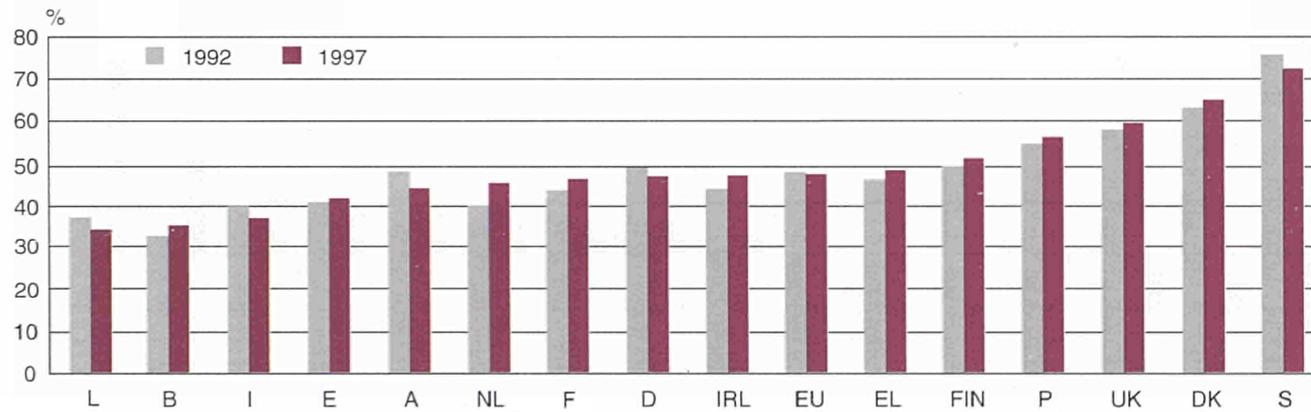
**Figure 1b: Indices of Real GDP**



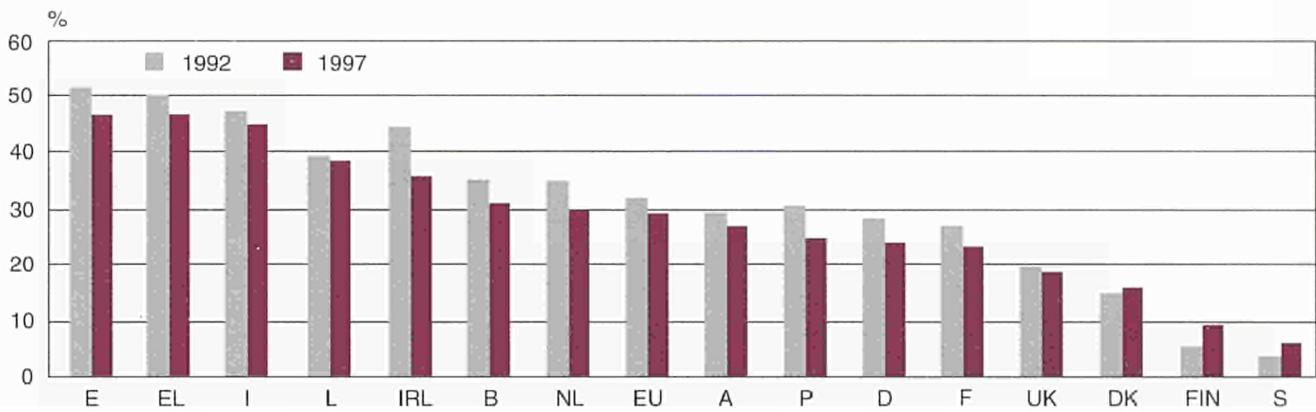
**Figure 2a: Employment Rates**



**Figure 2b: Employment Rates in age group 50-64**



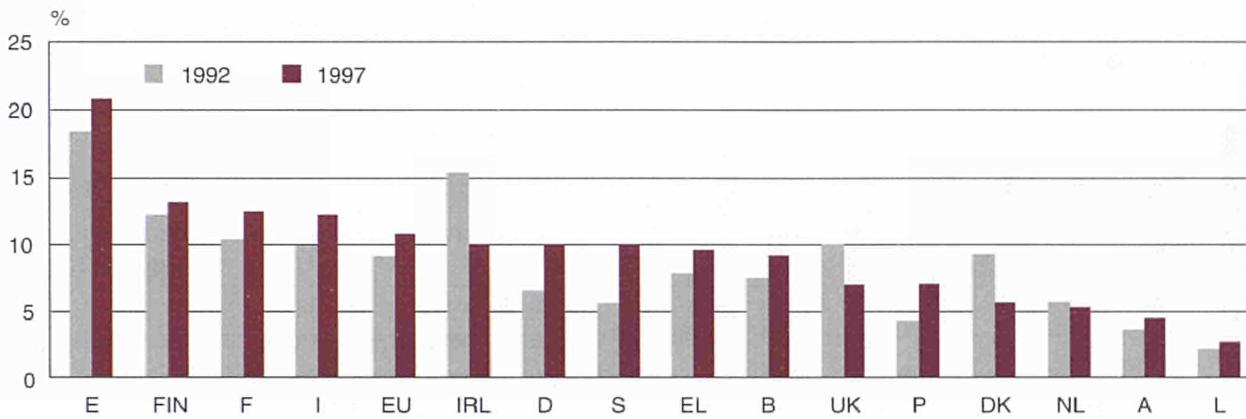
### Figure 2c: Gender Employment Gap



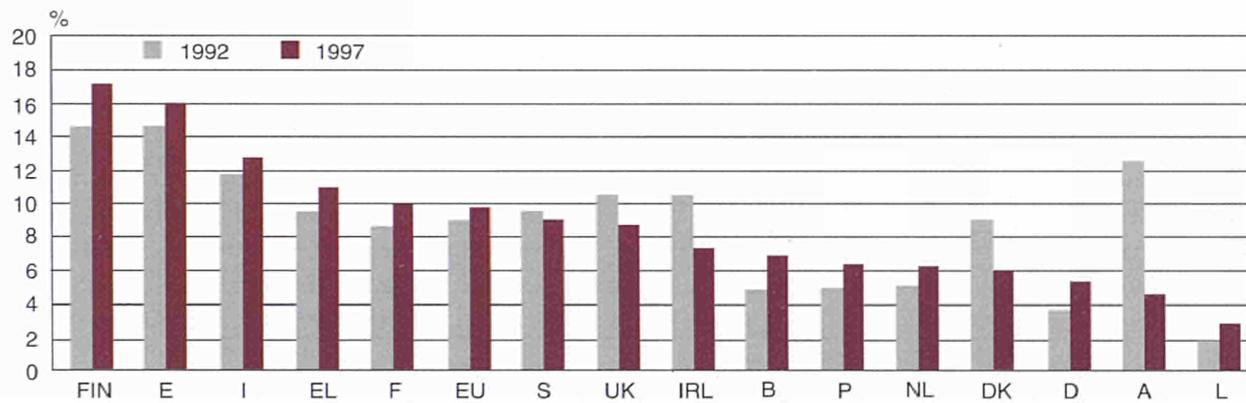
### Figure 2d: Employment Growth



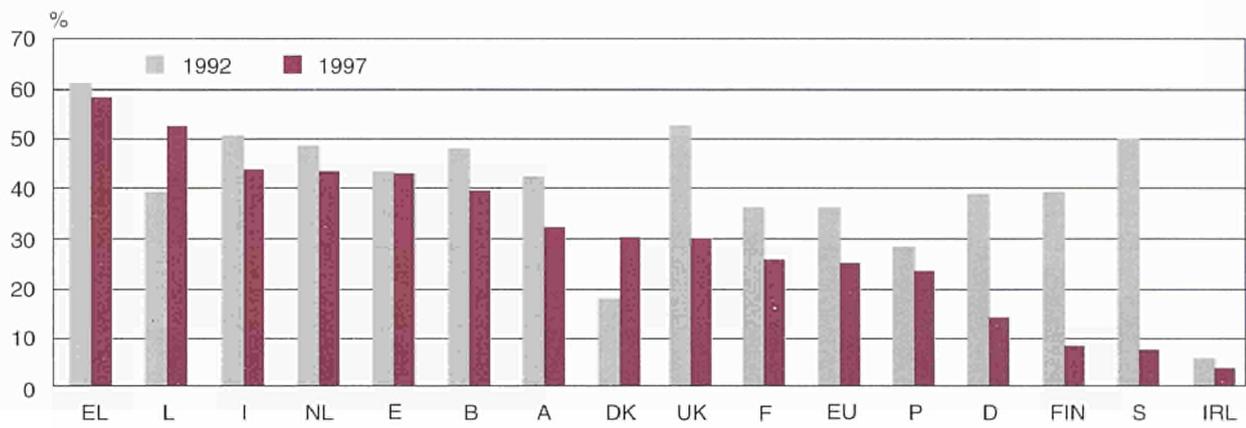
### Figure 3a: Unemployment Rates



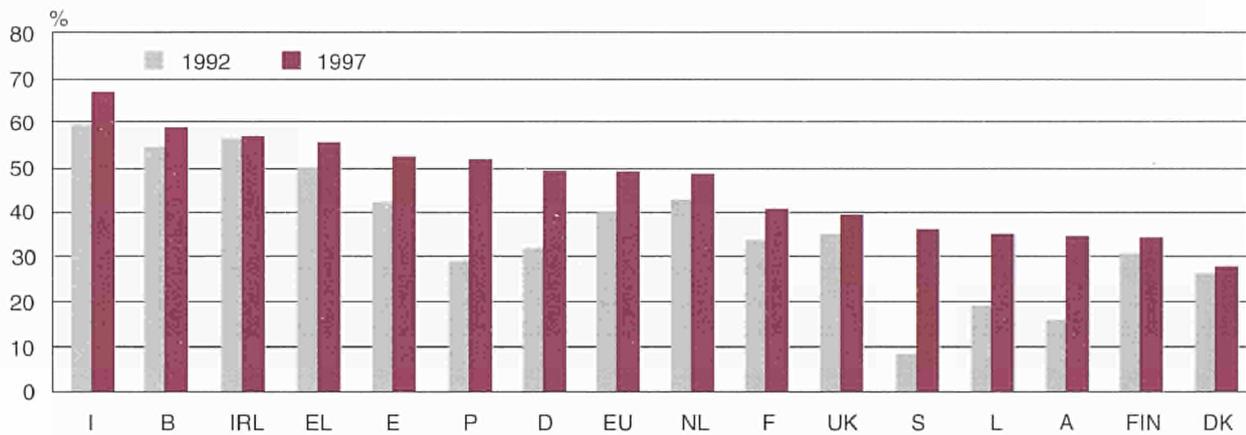
### Figure 3b: Youth Unemployment Ratio



### Figure 3c: Gender Unemployment Gap



### Figure 3d: Share of Long-Term Unemployed



### 3. THE NATIONAL ACTION PLANS COMPARATIVE OVERVIEW

All Member States have submitted reports on how they are implementing the policy commitments made in the NAPs they presented in April.

The implementation reports have represented a significant step forwards as they have allowed many Member States to engage in a catching-up process. Many of the gaps and shortcomings identified by the Commission in its Communication of 13 May 1998<sup>3</sup> have now been closed or corrected to a considerable extent.

It is important to emphasise that the success of the implementation of the Guidelines requires the pursuit of structural reforms in the labour markets, as well as qualitative improvements in the measures and their implementation. Many such reforms are underway or have been launched in the Member States.

But an effective implementation of the National Action Plans also requires transparency and the restructuring of expenditure. Therefore, in its Communication to Cardiff, the Commission invited the Member States to take decisive steps to report on the budgetary implications of the NAPs.

The level of detail in the presentation of budgetary resources committed to the NAPs varies a great deal among Member States. The implementation reports have presented a more transparent picture compared with the original NAPs.

- Spain and France are the only Member States to provide clear information on their overall budgets for the NAPs. Spain reports that the total budget allocation for most measures and initiatives exceeds 1.2% of GDP. France presents a complete table of financial commitments, with a rise of some 10% in 1999, to reach an overall spending of nearly 1.4% of GDP. Both countries give a clear priority to funding measures in Pillar I (81% of the overall NAP budget in Spain; 50% in France). Ireland includes in its NAP a preliminary estimate of expenditure on the four pillars amounting to 2% of GDP.
- Belgium, Netherlands and Luxembourg estimate the additional public expenditure required by the NAPs to reach 0.7%, 0.55% and 0.35% of GDP, respectively.
- Some Member States indicate the budget cost of some actions but fail to provide an overall estimate (UK, Germany, Austria, Portugal, Greece, Sweden, Italy).
- Some Member States, (Denmark, Finland) provide no precise information on budgetary commitments. A mid-term framework exists however for Finland (the budgetary framework 1999-2002), and Denmark (public expenditures on labour market programmes).

Even when they do not provide information on the overall budgetary implication of their NAPs, most Member States specify the funding for some measures and initiatives. This concerns, in particular, the prevention of youth and long-term unemployment and the 'activation' approach. Examples are Austria (with additional funding provision for youth schemes and training), Denmark (allocation of resources to some specific measures), Germany (spending on activating the unemployed), Finland (the cost of some training measures), Italy (resource for youth and adult unemployed and for those measures co-financed by ESF), Netherlands (budget cost of active labour market policy measures), Portugal (resources for the first three guidelines and life-long learning), and Sweden (estimated costs for the preventive schemes).

There is still ample room for improvement. Such restructuring in public spending should be in compliance with the Stability and Growth Pact. Many Member States still fall short of meeting the Commission recommendation to make the action goals more concrete in budgetary terms. This may be explained by the different timing for the national budgets to be adopted in Member States, specific political circumstances (elections in Germany and Denmark, new government in Netherlands), or different degrees of progress towards the operational definition of policy instruments.

<sup>3</sup> "From the guidelines to action: the National Action Plans for Employment".

## Pillar I – Employability

This pillar of action calls Member States to undertake concrete action to attain the following objectives:

- Implementing a preventive approach so as to reduce significantly the inflow of young and adult unemployed persons into long-term unemployment (guidelines 1 and 2)
- Shifting people from welfare dependency to work and training, namely through a more active labour market policy (guideline 3)
- Developing partnership as a framework for the provision of training and lifelong learning (guidelines 4 and 5)
- Facilitating the transition from school to work (guidelines 6 and 7)

## Preventing youth unemployment and long-term unemployment

### GENERAL ASSESSMENT

Overall, Member States demonstrate a high level of commitment towards the prevention of youth and long-term unemployment through early intervention. However, the extent to which national employment policies are actually switching towards a more preventive approach, is variable. This reflects the dominant policy approach in each Member State as well as the different perceptions of the nature of the long-term unemployment problem in each country.

In those Member States where prevention and activation are well established in labour market policies (Sweden, Denmark) or have started to play a major role more recently (UK, Finland), the Guidelines confirmed or consolidated existing policies. In other Member States (Germany, Austria) the preventive approach has traditionally been interpreted in a wider sense involving the education system quite early in the provision of marketable skills to young people.

For the majority of Member States, where resources have traditionally been concentrated on the re-insertion of persons with very long unemployment spells or the socially excluded, the Employment Guidelines have played a significant role in driving policy towards

a more preventive approach. However, rather than a total overhaul of existing policies, most Member States are adapting these so as to introduce early identification mechanisms and bring forward the moment when offers of employability measures are made.

The relative size of the stocks of long-term unemployed clearly exert an influence upon the way Member States perceive the policy trade-off between re-insertion and prevention. Some Member States have kept a balance between prevention and re-insertion (France, Ireland, Spain, Italy, Germany) while others have emphasised the implications of the shift towards preventive policies in terms of reallocation of resources or budgetary constraints (Austria, Belgium).

### DECISIVE STEPS ARE BEING TAKEN TOWARDS THE PREVENTIVE APPROACH ...

In the large majority of cases, actions addressed to the young unemployed are accorded higher priority than those addressed to adults. This is demonstrated by the greater degree of detail of the measures presented, stricter deadlines and larger resources committed. The implementation reports provide several examples of concrete policy measures that were launched with the aim of preventing youth unemployment (Denmark, UK, Luxembourg, Finland, Ireland and Sweden), combining a shift to active policies with tighter rules on benefits as far as enforcement, eligibility and job-seeking requirements are concerned. (The Danish and UK examples is presented in more detail in section 4).

All Member States have taken already legislative and administrative steps since the presentation of the NAPs to implement the preventive approach. However both the extent and nature of progress vary, reflecting their point of departure. In some cases, the implementation of the preventive approach goes together with wider labour market reforms (Netherlands and Finland), the decentralisation of delivery of labour market policies at regional level (Italy, Germany, Denmark) or the implementation of a new model of delivery reflecting a more individualised approach (Spain, Portugal).

Whilst some Member States consider that their public employment services are already well resourced, up-grading the capacities of employment services is a priority for several others. In the cases of France, Italy, Portugal, Finland, Greece and Ireland, additional resources and staff required by the delivery of the new policy measures are being envisaged. Reforms in job brokerage, including the introduction of more competition between

public and private services in some Member States (Italy, Greece, Netherlands) can also contribute to a more effective delivery system.

Some Member States have introduced some of the initiatives envisaged to offer a new start. For example, the UK has already launched its New Deal for young people in the Spring, and the New Deal for adults in the Summer; in July, Portugal launched in some regions its two main initiatives for young and adult unemployed. In Spain and Italy, a systematic process of individual interviews and guidance has been launched. In Ireland, the reform package for young people was launched in September.

#### ... BUT IMPORTANT QUALITATIVE DIFFERENCES PERSIST AMONG MEMBER STATES

Although the concept of early intervention is more or less reflected in all policy measures presented, there are differences in the way they are interpreted and transposed into national policy, in so far as the content of the offer and the moment it is made are concerned. In some cases, it is difficult to distinguish between what is considered by the Member State as the beginning of the individualised intervention (generally, an interview at the employment service or the establishment of an individual integration plan) and the entry of the person concerned into a specific employability measure. This raises significant problems of comparative assessment of efforts and progress.

With this caveat in mind, it is possible to distinguish between four groups of countries, in accordance with the information supplied in the NAPs and implementation reports:

- Countries which have already implemented, or are planning to implement, the preventive approach in the precise terms and deadlines defined by the Guidelines, or in accordance with more ambitious targets set at national level – Denmark, Spain, France, Luxembourg, Portugal, Finland, Sweden.
- Countries which undertake to move towards preventive policies, but have interpreted the formal content of the Guidelines in a flexible way or have provided insufficiently detailed plans (Belgium, Ireland, Netherlands, United Kingdom).
- Countries which already implement preventive policies by involving the education systems early in the prevention of youth unemployment, but have not

set quantified targets or time frames in accordance with the Guidelines, for example Germany.

- Italy and Greece, which commit themselves to the preventive approach, but do not provide sufficiently quantified targets.

## Ensuring a shift from passive to active policies

All Member States state their commitment to reinforce activation, by providing more opportunities for training, work experience or self-employment, and some emphasise also the need to remove disincentives to active job search.

The agreed target of 20% of the unemployed participating in training and other similar measures has been taken into account by each Member State as a reference in order to position itself, and to set national targets. Also in this respect, the implementation reports allowed some Member States to clarify their initial position and their targets.

In establishing common criteria for the achievement of the European level target, it is necessary to ensure that Member States implement real measures that can effectively help people back into jobs. However, the lack of a uniform interpretation by Member States of the type of measures to which this Guideline applies, as well as the existing differences between Member States' definitions of target populations and measures, make its implementation particularly difficult to assess on a comparable basis.

As explained in Section 1 of this Report, a set of common policy indicators needs to be developed on the basis of a common interpretation of the Guideline and of broadly comparable definitions. It is clear that training, work experience and support to business start-ups, specifically targeted to the unemployed, are examples of active measures that upgrade the skills of the unemployed and improve their employability. However, it is also clear that certain actions, however positive they may be, should not be counted for the purpose of this Guideline, either because they are preparatory (interviews with the employment service, vocational guidance) or because they are not sufficiently targeted at the unemployed (e.g. general reductions of labour costs).

Until common criteria are established, it is only possible for the Commission to indicate how Member States

intend to achieve the target of 20% on the basis of their own statements included either in the NAP or in the implementation report.

Three groups can be distinguished in this respect:

- Six Member States consider themselves as already achieving the 20% target (Denmark, Germany, Sweden, Finland, Ireland and UK), and do not feel it necessary to set more ambitious national targets, with the exception of Finland and Ireland;
- A further seven set a target in line with or above 20% and specify how this is to be achieved on the basis of their own estimates (Portugal, Spain, Luxembourg, France, Austria, Italy, Greece);
- Belgium and Netherlands, while committing themselves to a more active policy, do not set clear targets, or set them in a way that fails to meet the European level target. However, it can be reasonably assumed, on the basis of the information supplied by them, that the 20% target will be progressively approached.

### **Encouraging a partnership approach and lifelong learning**

Member States and social partners have addressed these two guidelines with different degrees of consistency. In most Member States, agreements setting up new conditions for the provision of training and lifelong learning appear more as the result of on-going negotiations in their traditional industrial relations framework than as a direct consequence of the NAPs. In Austria, Denmark, Germany, Netherlands, Ireland and Sweden, training or other programmes aiming at increasing employability are being implemented with active involvement of the social partners.

In Belgium and Italy, social partners are discussing and negotiating in their regional frameworks, in the latter case making wide use of territorial pacts, in the former, leaving national negotiation to the end of 1998.

In a number of Member States such as Portugal and UK, there is still no clear evidence of the steps taken to transpose the existing formal commitments made by the social partners in the NAP into concrete action or policy initiatives.

In France, Spain and Finland, the ongoing process of preparation or implementation of Bills regarding vocational training or lifelong learning is accompanied by discussions with the social partners. Luxembourg has prepared a tripartite Employment Plan that will become a law implemented with the social partners.

Even if some Member States, mainly the Nordic countries and Netherlands, are well advanced in the development of lifelong learning, stronger efforts are still required throughout the Union in order to translate this concept into meaningful policies.

### **Facilitating the transition from school to work**

All Member States address the problem of having a too high share of young people leaving initial education and training without a minimum level of qualification. However, depending on the general level of participation in education, the problem of early school leavers covers different realities across Member States. National priorities often go beyond the problem of early drop-outs to address this problem in upper secondary and higher education.

Dropping out is often linked to failing in education. To help prevent this, a number of Member States have introduced positive discrimination measures for young people in danger of failing at school. An early-warning system in secondary schools is being introduced in Austria.

Some specific initiatives are presented concerning, for example, the improvement of vocational guidance, the strengthening of the technical components of education or the acquisition of skills linked with information and communication technology. However, most action takes the form of rather comprehensive reforms of the initial education and/or training systems. The introduction, reform or consolidation of apprenticeship or other work-linked training is an important aspect of such reforms in a majority of Member States with concrete steps already taken in Austria and Germany, but also in Portugal where a target has been set of doubling the present capacity of the apprenticeship system. This reflects the widely shared recognition that adapting curricula and making sure that young people are able to gain basic skills and the competence relevant to the world of work is the most solid approach for enhancing young people's employability.

Only a few Member States report on concrete steps taken towards implementation of specific action or structural reforms along these lines (Austria, UK, France, Finland, Ireland, Denmark). This may be partly due to the time needed for extensive reforms of education and training. It probably also reflects the higher priority given by all Member States to activation and prevention. In some Member States the level of coordination between the education and labour market systems is improving.

## Pillar II - Entrepreneurship

This pillar of action calls Member States to undertake concrete action to attain the following objectives:

- To reduce overhead costs and administrative burdens for business (guideline 8)
- To promote the development of self-employment (guideline 9)
- To promote job creation in the social economy and at local level (guideline 10)
- To reduce the tax burden on labour, in particular on relatively unskilled and low-paid labour (guideline 11)
- To examine ways of reducing VAT in some labour-intensive sectors (guideline 12)

In their NAPs, Member States have shown a considerable will to develop entrepreneurship by making it easier to start up and run businesses. However, in spite of the commitments made, it can be seen that the implementation of the initiatives will be a slow process and the progress achieved so far is at best moderate. The reasons for this are, firstly, that the adoption of legislative initiatives is usually a lengthy procedure. Secondly, budgetary readjustments may be required and, thirdly, changes in the taxation regime are always complex and politically sensitive operations. In some cases there is also clearly room for the improvement of the co-ordination between the authorities responsible for employment and other Ministries whose actions also contribute to job creation in the areas of enterprise promotion, taxation and local economic development. Attention should furthermore be given to possibilities to better co-ordinate the existing business support services and networks.

All Member States are making efforts to implement the Guidelines in the field of entrepreneurship. In many cases such efforts reflect the recognition of the key role played by small and medium-sized enterprises in job creation. However, significant differences in the focus of Member States' initiatives can be observed and only a few consider the full range of areas covered by the Guidelines. The large majority of Member States report initiatives being launched or envisaged in order to simplify administrative procedures for enterprises, to promote business start-ups and to enhance job creation in new services. Some Member States also present initiatives aiming at facilitating access to capital or promoting innovative projects.

Some Member States report on their actions to tap the potential of the social economy. These efforts must be strengthened, in particular by making jobs in this sector sustainable. As regards local development, all relevant partners at the local level should be encouraged to take more responsibility in drawing up integrated local development strategies.

This situation is also rather chequered in respect of the reduction of the overall tax burden, and in particular of the tax burden on labour. Although significant progress has been made in some countries towards reducing the social charges and other taxes affecting labour, there is clearly a need to revamp the objective of restructuring the taxation systems to foster job creation.

## Reducing administrative costs and promoting self-employment

Most of the Member States have taken on board and implemented plans for improving services of public agencies for enterprises in order to encourage the setting up and development of small enterprises. One idea that has attracted attention is the establishment of one-stop shops for the setting up of enterprises when they deal with the State. This concept is being implemented in some Member States with promising results (e.g. Portugal, as outlined in Section 4) and is envisaged in others (Luxembourg, France).

The development of new forms of support to business start-ups and self-employment, or the extension of existing schemes, is being envisaged by Austria, Belgium, Netherlands, Sweden and Germany. Progress has been reported by those Member States that are introducing specific forms of financial support to the recruitment of the first employee (France, Spain).

Among other things, measures to combat undeclared work can be very effective in creating a climate favourable to enterprise development, preventing unfair competition and in raising revenue for the State. Austria is taking action in this area.

### **Exploring the job creation potential in new services, the social economy and local activities**

Partnerships between local authorities and entrepreneurs in the exploitation of business opportunities have been attempted in several countries. Finland offers a good example through the creation of the Centres for Expertise fostering regional co-operation in the exploitation of high-level know-how (see Section 4). Italy has recognised the job creation potential of the new voluntary and co-operative sector which can provide personal and community services. The UK has launched a series of job creation initiatives at local level in the more unemployment-ridden areas.

However, the involvement of local authorities, as well as other important players, such as business organisations and the voluntary sector, in the implementation of the NAPs, particularly in those policy initiatives where they are expected to play a key role remains modest. Information on relevant activities carried out by authorities at levels other than national is scarce.

Many Member States also report on policy initiatives to tap new service sectors with job creation potential. The most significant of these is the French programme on New Services, New Jobs which aims at creating 150 000 jobs in 1998 for young people in social services catering for unfulfilled needs (reported below under Section 4). Denmark expects to create employment by supporting entrepreneurs with innovative ideas. Germany is developing the "private household" sector of employment, and has introduced a special social security regime for the care of the elderly which is expected to trigger demand for new jobs. In the Netherlands, the EWLW scheme has promoted the creation of 40,000 jobs in new services, the social economy and local activities, to which a further 20,000 will be added according to current plans. Ireland has recently produced a strategy worked out with the social partners on the development of the social economy.

A few member States highlight also the importance of new high-technology sectors for job creation, and announce measures with this purpose (Finland, Austria).

### **Making the taxation systems more employment friendly**

As regards the reduction of the overall tax burden, and in particular the tax burden on labour, several Member States have, in the implementation reports, presented supplementary information on the reforms already carried out and/or on new initiatives.

Denmark has adjusted its tax system to provide tax reductions specifically targeted at low-income groups. Spain has introduced a series of incentives for job creation in 1997 and 1998 (in both the tax and the social security systems) for the recruitment of a first employee, as well as on the planned reform of personal income tax. The Netherlands reduced cumulatively the tax burden by 7.7 billion Ecus over the last four years and focused efforts in reducing employers' contributions in order to encourage hiring of low-paid or long-term unemployed workers. Finland reduced income taxation and social security contributions for 1998 and 1999. Ireland has pursued efforts to reduce the tax burden on labour and reform its welfare support with a view to removing disincentives to work. The French implementation report illustrates the main features of the proposed tax reform, which should from 1999 reduce the tax burden on labour (inter alia, the reform of the "taxe professionnelle"). In Italy, a new regional tax on production activities (Imposta Regionale sulle Attività Produttive, IRAP) has been introduced which has replaced a number of taxes and health contributions. The introduction of this new tax has reduced the fiscal burden on labour.

Regarding VAT reduction on labour-intensive services, the majority of Member States oppose the measure or do not recognise that it may lead to an increase in employment, while others are still examining the implications of such a measure in terms of employment and fiscal revenues.

In general, the approach of most countries in implementing taxation reforms is rather gradual and more commitments on reduction of taxation on labour are necessary. Considerations of revenue loss have prevented many Member States from implementing taxation reforms to foster job creation more vigorously. For this purpose, the Finance Ministries should play an active role, namely by developing feasible alternatives to taxation on labour, within the general context of maintaining or reducing the overall tax burden.

## Pillar III – Adaptability

This pillar of action calls Member States to undertake concrete action to attain the following objectives:

- Social partners are invited to negotiate agreements to modernise the organisation of work. These can cover different expressions of working time and forms of work. Flexibility and security should be balanced in these agreements (guideline 13)
- To respond to the increasingly diverse forms of employment, Member States will seek to introduce more adaptable types of contracts, while providing adequate levels of security (guideline 14)
- Member States will encourage the development of in-house training and investment in human resources (guideline 15).

Member States and social partners are now in the process of implementing reforms or policy initiatives that have been sign-posted in the NAPs in order to bring about a higher degree of flexibility in their productive systems and in their working relations.

In general terms, and given the short time available to transpose NAPs into action, social partners and Member States seem to be making some progress on work organisation and working time issues. This appears in many cases to be the outcome of on-going developments in collective bargaining and of the review of labour legislation in Member States, rather than the direct consequence of the NAPs. The framework of work organisation and working time is being reviewed everywhere, and this long-term process seems to be driven primarily by the need to accommodate enterprises and workers to new economic and technological challenges. In some cases, however, the NAPs may have encouraged the social partners to be more active and to adopt a more comprehensive approach to modernising work organisation.

### Promoting modernisation of work organisation

As regards the modernisation of work organisation and working time, social partners are contributing to the process in different degrees, reflecting the nature of the system of industrial relations in each Member State. In Denmark, Finland, Austria, Netherlands and Sweden,

social partners contribute within their well developed system of social dialogue.

Social partners in Germany, Spain and Italy carry out specific nationwide or important sector-wide negotiations which will exert a substantial influence on the way working time and work organisation can be made more flexible. France has introduced a legal framework for reducing weekly working time to 35 hours by 2000 (2002 for small firms). This target should be implemented in each company or sector under flexible modalities which are now being negotiated between the social partners. In Luxembourg the social partners will be obliged to negotiate on work organisation and patterns of working time, firms' training policy, increasing employment, and equal opportunities in the firm or sector concerned.

### Modernising the contractual framework

In response to globalisation and technological developments as well as new patterns of individual preferences on the part of workers (particularly those now entering the labour market), Member States are tending to diversify the legal framework for labour contracts by introducing new models as an alternative to traditional short-term and fixed-for-life contracts. Reform in this direction is crucial in order to avoid a segmentation of the labour market.

Changes in the legal framework are being envisaged in some Member States with the involvement of social partners (Portugal, Spain), but implementation will probably be slow, reflecting similar experience in other countries. Other Member States have adopted recently new legislation on working relations which enhances labour market flexibility by introducing new types of contracts and more flexible working hours (Italy and Luxembourg on a tripartite basis, Greece by parliamentary law, Finland by a government proposal for a parliamentary law) and are currently in the process of full-scale implementation.

However, adaptability through new forms of "non-standard" work have brought the issue of the balance between flexibility and security to the fore. In this respect the Netherlands will enforce a new law aimed at providing more protection for temporary staff and more flexibility for employers, which has been drafted in co-operation with the social partners.

In Spain, a major reform was agreed by the social partners and integrated in the labour legislation, which involves

a reduction in job security provisions for permanent workers, combined with an increase in stability for temporary workers. The early results of this reform indicate a decline in segmentation (see section 4).

## Strengthening training in enterprises

The updating of skills and promotion of new competencies has continued to be regarded as a key issue in this pillar, as a way to ensure that the workforce has the capacity to adapt to new demands resulting from technological advance and new work organisation. Human resource development is receiving particular attention in all Member States, through encouragement of in-house training in firms or enhancement of national systems of vocational training. In Sweden, public support to the improvement of the skill levels at the work place is under study in a tripartite context, Portugal is reinforcing provisions to support on-the-job training in SMEs, whereas in Italy new training regulations are to be approved and funded. In the Netherlands, the social partners take a direct stance in the provision of continuous training through the Agenda 2002 programme. In Ireland, a new Social Partnership-led training initiative for networks of business is being developed.

## Pillar IV – Equal opportunities

This pillar of action calls on Member States to undertake concrete action to attain the following objectives:

- Tackling gender gaps in employment and unemployment (guideline 16)
- Reconciling work and family life (guideline 17)
- Facilitating reintegration into the labour market (guideline 18)
- Promoting the integration of people with disabilities into working life (guideline 19)

Preparing and implementing the NAPs has raised awareness of the importance of equal opportunities policies for women and men. However, the policy content of the fourth pillar in most NAPs remained relatively modest and lacks integration.

The implementation reports show that steps forward are being taken in the area of child care, that will con-

tribute to the overall goal of employment growth by increasing labour supply. However, the internal coherence of the plans could be improved by integrating the equal opportunities objective in the other pillars (gender mainstreaming). Although a growing number of Member States acknowledge the importance of gender mainstreaming, concrete examples of the application of this principle are still rare.

Gender mainstreaming entails the implementation of a co-ordinated set of policies. To achieve that goal awareness of gender employment objectives must be raised among policy makers. Once policy options are selected and implemented, baselines and research plans are needed in order to monitor and evaluate the policy outcomes.

In Spain, Portugal and Austria, a commitment to gender mainstreaming is explicitly formulated, which appears to have influenced the design of employment policies. A commitment in the same direction can also be found in Denmark, France, Italy, Finland, Sweden and UK.

## Tackling gender discrimination in the labour market

The provision of skills to unemployed women and the encouragement of female entrepreneurship are the types of measures most frequently reported in order to promote a higher employment of women. In Germany, it is explicitly set as a policy goal that unemployed women participate in active measures proportionally to their share in unemployment.

Actions aimed at desegregating the labour market are explicitly included in the Employment Guidelines, but most Member States do not seem to consider this as a policy problem and fail to provide evidence about measures in this area. However, the labour market remains highly segregated: women occupy more jobs than men in the public sector, and in a few professions, such as nurses, secretaries, teachers and child minders. This is the case even in countries where women's employment rate is comparable to that of men (Sweden, Finland). This gender segregation may be constraining employment growth by limiting the potential labour supply into particular occupations.

## Reconciling family and working life

One major barrier women face when entering the labour market is the lack of good-quality and affordable child-care. The care of other dependent persons is also, all too often, taken on by women, sometimes forcing them to leave the labour market or work part-time.

The majority of Member States recognise existing gaps in care provision, especially for children, and plan measures to increase the supply of caring services as part of plans to increase employment. Spain, UK, Italy, Netherlands and Portugal mention subsidies through the income tax or benefit systems to contribute to the cost of child care, but the most common method of expanding provision appears to be through the direct provision of nursery and childcare places. Only a few Member States however set targets in terms of childcare facilities: Austria, Netherlands, UK and Luxembourg. Sweden has already an established policy on childcare services in connection with the parental leave system.

Whereas the large majority of measures under this Guideline reinforce childcare provision, older people and other dependants receive little attention. This hardly reflects the expected long-term trend towards increased care needs on the basis of demographic projections.

Parental leave schemes, job rotation schemes and career breaks are examples of measures dealing with the difficulties of reconciling work and family life. The Italian city-regulations liberalisation-scheme also merits particular attention in this context, as it allows office and shop opening times to be adjusted to fit with desired working patterns.

## Facilitating return into active life

Both women and men can face difficulties re-entering the labour market after a period of absence. They may have problems of poor employability due to outmoded skills. Those not registered as 'job-seekers' may also find it difficult to access training opportunities. The emphasis on life long learning in the employability pillar could go some way towards addressing this problem. The implementation reports have allowed a couple of Member States (Belgium and Germany) to present data that quantify the scale of the problem and France and Spain are likely to be able to do so in the future.

## Promoting the integration of people with disabilities in working life

The employment rate of disabled people is considerably lower than amongst the rest of the population. While comparable, or even reliable national data for the majority of Member States are still lacking, available data for some Member States (Sweden, UK) suggest that employment amongst this group is 20-30% below the rate for the whole population, and that disabled people account for a disproportionately high share of the long-term unemployed.

Solutions for the problems facing people with disabilities should be integrated into all aspects of employment policy, but without stigmatising people with disabilities. Often job counselling for disabled people is all that is required to ease the path back into a job, but in some cases help with improving employability may be necessary through active measures such as rehabilitation, or fast-track access to programmes for the unemployed on changes in the workplace. Three major types policy measures are reported by Member States in order to promote the integration of disabled people in employment and throughout the working life: quota systems, sheltered employment and anti-discrimination legislation. However, the majority of the Member States do not integrate this policy dimension in their preventive strategies, despite the presence of some elements in the plans of Spain, France, Austria, Portugal, Sweden and UK.

A number of Member States reflect the need to ensure equal opportunities for immigrant populations by including specific measures for such groups.

## 4. IDENTIFICATION OF GOOD PRACTICE

The identification and dissemination of good practice constitutes one of the major goals of the employment strategy. The reinforced co-ordination of employment and labour market policies in the EU made possible by the Amsterdam Treaty will make it easier to identify and disseminate those policies or measures whose implementation in a given country or region met with good overall results, and that have the potential to be used elsewhere. This dissemination of good practice is of interest not only to national authorities but also to regional and local authorities, social partners and other institutions active in the employment and social areas.

In order to be effective, the identification of good practice requires a sound methodological base. Rigorous monitoring and evaluation research needs to be carried out in the country of origin to determine whether the policy measure in question has reached its original goals in the most cost-effective way. A particular attention must also be given to the socio-economic environment in which the good practice was originally developed. These two elements are central in determining the extent to which a good practice can be implemented in other Member States.

It is clear that substantial progress is still required before proper methodological conditions are met for a fully effective identification and dissemination of good practice:

- Systematic evaluation of employment and labour market policies is still not common practice in many Member States;
- Some measures announced in the NAPs are too recent for a proper ex post evaluation to have been undertaken.
- And where evaluation results exist, they refer in many cases to an earlier period, before the Employment Guidelines.

### Criteria for the selection of examples of good practice

The purpose of this section is to illustrate how the Employment Guidelines are being transposed into concrete policy action across the Union. All Member States have provided examples of good practice in their implementation reports, which are listed at the end of this section. From such a list, that contains more than 40 entries, ten examples were selected for a more detailed description<sup>4</sup>. Many of these policy actions were in fact initiated well before the Luxembourg process began, but their inclusion among the policies to be implemented under the NAPs shows how existing policies can be revamped and enhanced by their inclusion in a more dynamic and comprehensive framework.

The selection of the ten examples for presentation in this Report was conditioned by the availability of evaluation results or, at least, of substantive early monitoring data. While such results suggest that the selected examples have achieved their primary objectives or have the potential for doing so, the amount of evidence in no case is sufficient to assess whether these policies should be adopted as reference models for other Member States. The selection does not imply a value judgement in relation to other policies (such as those indicated in the list at the end of this section).

In order to provide a more informed framework for the identification and dissemination of good practice in relation to the implementation of the Employment Guidelines, the Commission intends to launch by the end of 1998 a series of peer reviews of employment and labour market policies, to be undertaken in cooperation with Member States under the aegis of the Employment and Labour Market Committee.

<sup>4</sup> For the detailed description and analysis of the examples included in this section, use was also made of technical assistance provided by the SYSDÉM network of the Employment Observatory.

## PILLAR ONE - EMPLOYABILITY

### Youth unemployment policies in Denmark

**OBJECTIVES.** In the early nineties Denmark suffered from a severe youth unemployment problem. The young unemployed represented 9% of the corresponding age population, many had no marketable skills and the level of welfare dependency was high. A special action was implemented in April 1996 with the aim of taking this group of young unemployed off passive benefits and get them started on some form of education or on in employment.

**POLICY MECHANISMS.** The action was targeted at young unemployed aged less than 25 years and entitled to unemployment insurance and having not completed formal education or training. After 6 months of unemployment they would have both the right and the obligation to take part in normal educational or special courses for at least 18 months, earning allowances considerably below the level of the unemployment benefit.

**EARLY EVALUATION RESULTS.** A remarkable result of an early evaluation of this policy measure was that only about one third of the young were still unemployed by the time they would actually have to start in the programme. The rest had either found a job or started an ordinary education (one third in each group).

This was interpreted as a clear "motivation-effect" of the programme, in the sense that the prospect of having to follow mandatory education and the corresponding reduction of the economic benefit, led two thirds of the young unemployed to find a solution by themselves.

One might have feared that those becoming employed went into marginal and low-paid work. The evaluation shows, however, that this was not the case. The jobs were similar to normal unskilled work and the young employed were positive as far as their future employment perspectives were concerned.

One might also have feared that, despite positive short-term effects, these were only temporary and that the young would return to unemployment at a later stage.

**RECENT EVALUATION RESULTS.** In order to investigate this possibility, a further evaluation was conducted in the Spring 1998. The most important conclusion from the study was that only 12 to 13% of the group were unemployed in the Spring 1998 compared to 30% in 1996. Of the remainder, 40% were in education, 35% were in ordinary employment, 6% were on leave (mostly parental leave), and 6% were in some form of activation. Thus the participants in the youth programme (many of them with a history of long-term unemployment) have not fallen back into unemployment but have actually reduced their unemployment considerably. Of those in employment, 70% work in the private sector normally as unskilled workers. Most earn more than the minimum wage and expect to keep their job for at least 12 months, which indicates that they have gained a foothold at the labour market.

Thus there are strong indications that the special effort to reduce youth unemployment is a significant factor behind the drastic fall in Danish youth unemployment from 9% to 6% in 1997. For the young unemployed, the special action meant a strong economic incentive to leave passive unemployment and start education or get an ordinary job. Also the special education offered to the young unemployed unable to find work or education by themselves, seems to have shown positive results for many of the participants.

**FRAMEWORK CONDITIONS.** However one must also take into consideration the general boom on the Danish labour market since 1994 which made it possible for the young to shift to ordinary employment. Furthermore, the demographic trends are helping the young in the sense that smaller youth cohorts leave more room also in the educational system.

In Denmark, the success of this programme of early activation combined with strong economic incentives is a strong inspiration for the present plans to reform the activation of the adult unemployed above 25 years of age. The programme can be considered as a good example illustrating the application of the preventive approach in terms that are close to those under guideline 1.

## New Deal for young people in UK

**OBJECTIVES AND DESIGN.** The new UK Government has introduced a range of new active labour market policies, the largest of which is the 'New Deal for Young People'<sup>5</sup>, which was piloted in 12 'pathfinder' areas in January 1998, before being extended nation-wide in April 1998. The New Deal for Young People is the main plank in the UK's strategy for tackling youth unemployment, and aims to offer employment or training with appropriate support to unemployed young people before they flow into long-term unemployment. Its objectives coincide therefore with those of guideline 1.

The elements of the New Deal for young people are variants of existing or previous measures implemented in the UK or elsewhere in recent years. The New Deal is, however, innovative in the UK context for several reasons. In particular:

- it is large-scale (with £3.16 billion planned expenditure over 1997-2002) and comprehensive: all young people aged 18-24 who have been claiming Jobseeker's Allowance (JSA)<sup>6</sup> for 6 months or more are covered. In addition, a number of special groups are eligible for entry to the New Deal before 6 months of unemployment<sup>7</sup>;
- it embodies elements of a 'pathway to integration' approach: all participants enter an initial 'Gateway' programme which lasts for up to 4 months and consists of intensive, counselling, advice and guidance. The Gateway aims to support as many as possible of the participants into unsubsidised jobs on the labour market, and to prepare the remainder for the various options on the main phase of the New Deal itself;

- Following the Gateway, those young people without an unsubsidised job have, depending on an assessment of their skills and needs, a choice between 5 options<sup>8</sup>:
  1. a subsidised job with an employer in the regular labour market (for 6 months)<sup>9</sup>;
  2. 6 months work with the Environment Task Force (a job creation programme in environmental work);
  3. 6 months work with a voluntary sector employer;
  4. (for those without qualifications at NVQ level 2) full-time education and training for up to 12 months without loss of benefit;
  5. entry to self-employment subsidised for 6 months);
- the New Deal incorporates a strong element of 'activation' in that those who refuse to participate in any of the options, may have benefit sanctions applied to them.

**RESULTS OBTAINED TO DATE.** As the programme is very recent, no evaluation results are currently available, although a large scale evaluation is under way. Administrative monitoring data exist, but so far provide only a partial picture (most of the participants on the programme are still in the initial Gateway phase). The most recent statistics cover those entering and leaving New Deal during January-June 1998<sup>10</sup> and show that 10,900 young people have been successful in finding work, 67% of which have gone into unsubsidised jobs, and 3,100 have gone into other options. A total of 92,500 young people had started on the New Deal.

<sup>5</sup> There are in addition 'New Deals' for long-term unemployed adults (implemented from June 1998), for Lone Parents (piloted in July 1997, and extended in April 1998 and October 1998), and for Disabled People (to be piloted in two phases, starting in September 1998 and January 1999).

<sup>6</sup> In October 1996 JSA replaced the previous systems of Unemployment Benefit and Income Support.

<sup>7</sup> Groups eligible for early entry to the New Deal include people with disabilities, ex-offenders, those leaving local authority care and individuals with literacy or numeracy problems.

<sup>8</sup> In the original design of the programme, there were four options: the fifth option (self-employment) was added in July 1998.

<sup>9</sup> Note that options 1, 2 and 3 all include at least one day a week of training towards a recognised vocational qualification.

<sup>10</sup> Department for Education and Employment Press Release no. 409/98, 27 August 1998

The most comprehensive review to date of the early months of the New Deal areas<sup>11</sup> highlighted the following positive points:

- there is evidence that the system of personal advisers offering customised and ongoing support during the Gateway period, is working well;
- the planning assumption that 40% of Gateway participants would enter an unsubsidised job, rather than one of the subsidised options, has been generally met;
- the report noted the encouraging willingness of employers to participate in the programme and offer subsidised jobs to young people;

Evaluation data on the effect of the New Deal is inevitably sparse because of the initiative's recent introduction, but the on-going evaluation study will gather data on:

- the dead-weight element of the flow of young people into unsubsidised employment (i.e. what proportion of young people would have found jobs without the New Deal);
- what proportion of posts offered by employers are now vacancies and what proportion were created as a result of the subsidy; and
- retention rates of participants in subsidised jobs after the subsidy expires.

**FRAMEWORK CONDITIONS.** Whilst it must be stressed that, in the absence of evaluation findings, any analysis of programme impact, and the factors influencing that impact, must be speculative, the following issues emerge from the evidence to date as likely to be important influences on the success of the New Deal:

- The overall state of the economy and labour market. The New Deal was implemented at a time of relatively low and falling unemployment; youth unemployment in particular has been falling prior to, and during the early months of New Deal implementation. A key question for the New Deal will be whether the apparently high rates of outflow into unsubsidised employment can be maintained under less favourable labour market conditions.
- The scale of the programme. There is a question about whether some of the key positive elements (the

high level of employer participation — including by SMEs — and the apparent success of the intensive and customised counselling conducted by the personal advisers) can be maintained as the scheme expands and the numbers eligible increase.

## The Back to Work Allowance Scheme in Ireland

**OBJECTIVES.** This measure was introduced in September 1993 by the Department of Social Community and Family Affairs (DSCFA)<sup>12</sup>. The main aim of the BTWAS is to allow people who have been long-term welfare recipients to test employment options and regain a foothold in the labour market, while at the same time having some financial security during the early years of employment or self-employment. Long-term unemployment in Ireland is traditionally high, and 8.7% of the work force (mostly older workers with few skills) had been in unemployment for more than 12 months in 1992 (subsequently falling to 5.7% in 1997).

Since this measure contributes to taking persons off welfare dependency and encourages them to get a job, it can be considered as a good example of the application of guideline 3.

**POLICY MECHANISMS.** In operational terms the BTWAS allows the long-term unemployed to take up paid employment, or become self-employed, while retaining 75% of their social welfare payments in the first year, 50% in the second, and 25% in the third. In addition to the receipt of an allowance, all participants on the BTWAS retain any established entitlements to secondary benefits (such as fuel allowances, medical card entitlements, rent allowances, etc.).

In order to qualify for the BTWAS a person must be aged 23 years or over and have been in receipt of (or have an underlying entitlement to) Unemployment Benefit or Unemployment Assistance for a minimum of twelve months. The duration criteria are interpreted flexibly; for example qualification can also be attained on the basis of a total of two years unemployment over the previous three years, with periods spent on labour market programmes being counted towards the minimum period of unemployment. The BTWAS is also available to those who have been in receipt of a Lone Parent's Allowance for a period of twelve months.

<sup>11</sup> The New Deal Pathfinders, House of Commons Education and Employment Committee, Session 1997-98, Eighth Report, London, The Stationery Office, August 1998.

<sup>12</sup> Previously the Department of Social Welfare.

The operation of the BTWAS involves full-time DSCFA "Job Facilitators" operating on a regional basis and undertaking a variety of tasks relating to promoting, implementing and monitoring the scheme. They interview persons seeking to become employed or start their own business with BTWAS assistance and provide follow-up help to all of the participants involved (including employers).

They also canvass employers for vacancies that can be filled under the terms of the BTWAS and respond to requests from employers for persons to fill vacancies. Employers are encouraged to participate in the BTWAS by offering jobs that have the potential to become permanent and exceed 20 hours worked per week, to persons who have been long-term unemployed.

**EVALUATION RESULTS.** The number of participants on the BTWAS has increased substantially since its introduction in 1993. By the end of 1994 the total number of participants (in stock terms) was just under 5,000. This had increased to just over 10,000 by the end of December 1995 while by end 1997 the participation level had reached 27,000. Currently just over 60% of the BTWAS participants work on a self-employed basis.

According to the results of an early evaluation of the BTWAS<sup>13</sup>, the measure can be regarded as being reasonably effective in so far as the activation objective is concerned. The substantial increase in participation levels over the period since the scheme commenced can be taken as evidence that it has induced substantial numbers of previously long-term unemployed persons to find a job or enter self-employment. Furthermore, the response of employers can also be considered as positive.

However in this regard, one must bear in mind the question of what would have happened in the absence of the BTWAS (i.e. deadweight). Estimates derived in the course of the evaluation indicate that some 42% of entrants to the measure said that they would have taken up a job or become self-employed in the absence of the BTWAS. The level of deadweight for the self-employment strand (48%) was higher than for employees (27%).

Although the timing of the evaluation study does not allow for assessing the extent to which the long-term unemployed who had been brought back into active

participation in the labour market actually succeeded in becoming securely integrated, the early results suggest that the measure is less effective in sustaining the transition into employment. The post-BTWAS survival rate for any given cohort of employee entrants should be in the region of 30-40%, and that for the self-employed significantly higher at 60%. The decline in participation was most noticeable in the period following the transfer from the 75 to the 50% rate of allowance support.

In the case of employees, the low level of wages received is a significant factor explaining the relatively high drop-out rate. Given additional evidence of a small proportion of employees receiving wage increases while in employment, and the limited size of these increases, questions inevitably arise regarding the long-term sustainability of the employment involved in the absence of continuing income support.

### **The in-company induction traineeship (stage-initiation en entreprise) in Luxembourg**

**OBJECTIVES AND CONTENT OF THE MEASURE.** The aim of the in-company induction traineeships is to improve the employability of young people. It is one of three youth employment measures, the other two being preparatory in-company traineeships (stage de préparation en entreprise) and the division for temporary auxiliaries (division d'auxiliaires temporaires - DAT).

The induction traineeship contract provides for practical training for young unemployed people with private-sector employers, during working hours, the aim being to ease the transition from school to work. The entry conditions are as follows:

- The Administration de l'Emploi (Employment Office) can offer in-company induction traineeship contracts to registered unemployed people aged no more than 30.
- The employer pays an allowance equivalent to 85% of the statutory minimum wage for unskilled workers. The Employment Fund, which is financed primarily by means of a solidarity tax paid by employers, natural persons and corporate bodies and whose role is to cover the costs of implementing the employ-

<sup>13</sup> "Developing an Active Welfare Policy. An Evaluation of the Back to Work Allowance Scheme". The study was carried out by WRC Social and Economic Consultants, Dublin. It was published (by DSCFA) in October 1997.

ment measures, pays the employers' share (around 15% of gross earnings) of the social security contributions and reimburses the employer 25% of the allowance paid to the young trainee.

- The contract may be concluded for a period of at least 26 weeks and at most 52 weeks.
- If a company currently employing, or having employed, young unemployed people on traineeships recruits new employees, the trainee has priority for a post, provided that he carried out the traineeship in the previous three months and has the qualifications required by the employer.

**RESULTS OF THE EVALUATION.** There were 455 participants in in-company induction traineeships in 1997, an increase of 27% on 1996 and 18% on 1995. The total number of participants in the three employability measures for young people grew steadily between 1995 and 1997.

The recruitment rate for young unemployed persons at the end of their in-company induction or preparatory traineeship, either in the business in which they carried out the traineeship or in another business, is around 70%.

The cost of in-company induction traineeships in 1997 was LUF 26.55 million, or 6.37% of Employment Fund expenditure on youth employment measures.

**CHANGES IN HAND.** The national employment plan pro-

vides for a number of improvements to this programme. It was found that there was a tendency among employers in certain sectors to use the in-company induction traineeship formula mainly for manual work. Consequently, a new awareness campaign is to be launched aimed primarily at encouraging employers to allow more secretarial work to be carried out through the traineeships.

To increase the rate of female participation in the programme, the State contribution to the reimbursement of employers will be raised from 25% to 50% for young unemployed men and 25% to 65% for young unemployed women.

**FRAMEWORK CONDITIONS.** Youth unemployment in Luxembourg is relatively low by comparison with older age brackets. The unemployment rate among the under 26s has changed very little recently, continuing to stand at only 25.2% of all unemployed. The fact of being young is therefore no longer the main reason for being unemployed, as it was 15 years ago. It is felt that this is due, at least in part, to the impact of the three youth employment measures introduced in 1978, which contribute to making up for the insufficient qualifications received during formal training and introduce young people into the world of work.

## PILLAR TWO - ENTREPRENEURSHIP

### Enterprise Formalities Centres in Portugal

**OBJECTIVES.** The structure of manufacturing industry in Portugal is heavily dominated by small undertakings (10 to 99 workers) and micro-enterprises (under 10 workers). SMEs currently account for 60% of employment and offer a greater growth potential than large-scale undertakings; they can thus clearly guarantee the creation of new jobs and more sustainable growth of employment.

However, new business start-ups continue to be severely hampered by the amount of red tape involved, particularly in establishing a company and obtaining the authorisation to do so; it can take as long as six months or so to set up a business.

The Enterprise Formalities Centres (EFC) were set up with the aim of speeding up this process, and are part of more general objectives such as aid for job creation and the reduction of red tape in public administration.

**MECHANISMS.** The EFC are information services which help to facilitate the setting up, restructuring or closure of businesses. Based on protocols established between the Ministry of Finance, employers' associations, the chambers of commerce and industry and professional organisations, the EFCs bring together in a single physical space, in this case the premises of IAPMEI (Institute for Support of Small and Medium-Sized Industrial Enterprises), all the bodies which are involved in setting up companies.

The Centres have their own notaries and representatives, or field offices, of the National Register of Legal Persons, the Trade Register, the Directorate-General for Revenue and the Regional Social Security Centres. These bodies continue to work entirely under their respective authorities and are merely coordinated by the EFC.

Their job is thus to make things easier for businesses, to facilitate their creation and to make the most of their job creation potential in a simple, effective and inexpensive way and one which, above all, is appropriate to the economic situation.

**INITIAL RESULTS.** Two EFCs have been set up initially, one in Lisbon and the other in Oporto. The Coimbra EFC was opened in May 1998. A further centre is to be set up in Setúbal in October 1998.

According to the information in the NAP Monitoring Report, approximately 7 200 files for the establishment of new businesses were registered with the three operational EFCs up to May 1998.

The ratio of number of businesses created to number of files registered was 53.6% in Lisbon and 48% in Oporto.

The time taken to set up new companies has been significantly reduced to under four weeks. Consequently, the objective of the NAP is to reduce the average time from six months to 20 days over the next few years. In addition, the continued growth in the number of files registered in the three centres in operation shows strong public support for this measure. Seven new centres and two field offices are planned to supplement those already in existence.

## **Bridging benefits for promoting self-employment in Germany**

**OBJECTIVES.** This programme was first introduced in 1986 with the aim of promoting self-employment among those unemployed persons who are qualified and capable to start their own business. Unemployed persons face particular difficulties at the capital and product markets, resulting in financial barriers to becoming self-employed. The bridging benefit for self-employment provides support to overcome these barriers during the starting period of a new business.

Since this measure removes barriers to self-employment, while at the same time providing an opportunity for the unemployed to engage into an income-generating activity, it can be considered as responding to the policy goals in guidelines 3 and 9.

**POLICY MECHANISMS.** Since January 1 1998, the bridging benefits for self-employment (Überbrückungsgeld) are paid to unemployed persons who:

- received unemployment benefits, unemployment aid or short-time workers' compensation for at least 4 weeks, or were previously employed in a job creation programme,
- present a project for a profitable self-employed activity which was positively evaluated by a professional institution (e.g. chamber of commerce, bank, consulting company),
- are planning to work more than 15 hours per week in the self-employed activity.

These persons receive:

- transition benefits for 6 months amounting to the level of unemployment benefits or unemployment aid paid to them previously,
- complementary payment of social security contributions for the same amount as previously paid by the labour market administration,
- the maintenance of the right to unemployment insurance during a period of up to 4 years.

**EVALUATION RESULTS**<sup>14</sup>. The programme experienced an outstanding expansion during recent years. The number of recipients rose from 13,000 in 1991 to 78,800 in 1997. Almost 1 billion DM was spent for the programme during the year 1997. The number of recipients rose with German unification at the beginning of the nineties, and with the improvement of the benefits in 1994. The average amount of benefits rose from 3,800 DM in 1993 to 12,000 DM in 1997. The programme was "over-subscribed" for several times.

The composition of recipients deviates from the structure of unemployment as regards the level of education and

<sup>14</sup> The programme was evaluated in 1997 by the Institut für Arbeitsmarkt- und Berufsforschung by a postal survey of 4486 beneficiaries who received transition benefits in 1994 and 1995 (Wießner F. [1998]: Das Überbrückungsgeld als Instrument der Arbeitsmarktpolitik – eine Zwischenbilanz. Mitteilungen aus der Arbeitsmarkt- und Berufsforschung, Heft 1). The sample includes recipients in eastern and western Germany and of both regulations before and after August 1994.

training. The recipients were clearly better qualified than the average unemployed: 21% had received university education and two thirds had skilled jobs before unemployment. However, only 8% had any experience in a self-employed job or as master of a handicraft occupation. Only 20% of the beneficiaries were long-term unemployed. About one quarter of the recipients were women. This corresponds with the share of women in other self-employment promotion programmes but is significantly lower than the share of female unemployment.

Many of the new businesses were created in the service sectors: retail trade, transportation, repair and cleaning, but also professional services in the information- and communication sector.

Evaluation results suggests that the programme has achieved sustainable jobs for the beneficiaries, as the drop-out rate has been kept low. 70% of the recipients were still self-employed three years after the support period, most of them in the initial activity. A further 13% were employees, the majority of them in a job with social security protection. Only 11% were unemployed. There are no significant differences in the share of unemployed recipients between men and women or eastern and western Germany.

The income position improved for one third of the recipients and remained unchanged in relation to the previous dependent job for 17%. The remaining 50%, however, achieved lower incomes from their self-employed activity.

The self-employed activity had positive employment effects by extending dependent employment in the newly created businesses. 45% of the recipients who remained self-employed had at least one employee after three years. On average, one additional job was created by every beneficiary.

**FRAMEWORK CONDITIONS.** The main reason for the success of the programme is the positive selection of unemployed persons, who are qualified enough to start a new business. This does not correspond with the average qualification of the unemployed. Nevertheless, the group of highly skilled unemployed gets the chance of becoming self-employed through this programme in an efficient way. The dead-weight effects of the programme appear to be minor.

One of the push-factors for the programme certainly was the decline in dependent employment during the first half of the nineties, in Eastern Länder in particular. This reduced the chance for many unemployed to return to a job in their previous industry. In addition, Eastern Länder provided favourable market conditions for new businesses.

## Centres for Expertise in Finland

**OBJECTIVES.** The Centres of Expertise Programme is a five-year programme for the years 1994 to 1998 aimed at improving the preconditions for internationally competitive industry and business calling for a high level of expertise. The programme was drawn up jointly by representatives from the ministries, local government, the technology centres, the universities and the industrial sector.

**POLICY MECHANISM.** The Programme is being implemented by eight regional and three network-based centres of expertise selected following an application process. Each centre specialises in promoting its own core competence, according to nationally set targets. Their function is to promote co-operation and networking between the various actors involved, and to develop structures and approaches for exploiting high levels of know-how in business activities. The areas of competence covered by the centres include electronics, information technology, biotechnology, environmental technology, machine building and automation.

The Ministry of the Interior grants an annual FIM 14 million in basic funding for the programme. This is largely seed-stage funding and is used for co-ordinating the work of the various centres and implementing the national targets. The funding for actual projects comes from several sources. In 1997 the total amount of project funding came to FIM 260 million, spent on over 100 projects. The funding was contributed by the enterprises concerned, the Technology Development Centre of Finland (Tekes), local authorities and regional councils, various ministries and the EU structural funds.

The ESF supports the national programme in particular by promoting the transition of high-level know-how to SMEs via training, networking and other development actions. The total allocation for this measure was FIM 197 million in 1995-99. By the end of 1997, 45 projects had been launched with ESF support involving 5 300 employees at SMEs.

**EVALUATION RESULTS.** The first four years have brought considerable expansion in internationally competitive business activities based on high levels of know-how. Approximately 8.000 new jobs have been created under the programme and 7.000 existing jobs have been secured for the future. In the areas of competence covered by the programme, 290 new enterprises have been set up, 130 of them around the centres of expertise. The programme has done a great deal to foster regional co-operation in the exploitation of high-level know-how.

It can therefore be considered as a good example of job creation initiative in new sectors, with the involvement of regional authorities, in the terms defined under guideline 10.

## The "New Services, New Jobs" Programme in France

**OBJECTIVES AND MECHANISMS.** The "New Services, New Jobs" programme is a local development programme set up to provide State support for the development of activities designed to meet new or unsatisfied needs. The goals of this measure are in accordance with guideline 10 (promoting job creation at the local level). The activities of services recognised by local authorities (the Prefect) as satisfying this criterion receive support in the form of financial aid for all the jobs they create for young people. This aid now stands at FRF 93 840 (ECU 14 500) per year, or 80% of the minimum wage. It is paid for the first five years of each job's existence.

**INITIAL RESULTS.** The first results show an increasing rate of growth. Between October 1997, date of adoption of the legal document, and July 1998, 105 000 jobs were created through this programme: 56 750 in associations, local authorities and public establishments, 40 000 in national education, 8 250 in the national police force. In July 1998, 74 000 young people had already been recruited through this programme, 33 500 of them in associations, local authorities and public establishments, 35 000 in local State schools and 5 375 as security officers recruited by the Ministry of the Interior.

If this pace continues, this should mean the creation of 150 000 jobs and approximately 130 000 to 140 000 recruitments by the end of 1998. In the course of 1999, a further 100 000 jobs will be created through this programme.

Nearly all jobs are full-time, with 79% on fixed-term contracts, generally earning slightly above the minimum wage (particularly in the associations, where the young people tend to be better qualified). Only the associations use the open-ended contract to any great extent.

In the associations, local authorities and public establishments, the activities are in the family/health/social sector, the environment sector, culture, sport, education, and housing. The type of work involved includes: coordination/organisation (25%), environment and culture (17%), and personal assistants for the elderly or disabled (11%).

In the schools and colleges, two-thirds of the educational assistants are involved in supervision and general organisation, usually in conjunction with more specialised work in the cultural or sports areas. The remaining third are involved in specialised technical activities.

**CONDITIONS FOR SUCCESS.** As the main goal of the programme is to develop activities at local level, the involvement of local players is a deciding factor. Framework agreements have been concluded at national level with the major associations and public bodies which are explored at the local level (e.g.: post office, major adult education associations, housing and social and health sector bodies).

In addition, a large amount of money has been allocated to assistance for the setting up, development and monitoring of the planned activities. After a slow start, this support is now increasingly being sought. 350 general and 240 specialist bodies have concluded agreements and more than 4.400 projects have received support (mainly associations).

**FUTURE OUTLOOK.** One of the prime objectives of the programme is the durability of projects in three respects: the activities need to be given professional status, to ensure that unsatisfied needs can be met in the long term, the jobs created with State support for an emerging activity need to be given professional status, and the young recruit must be properly trained to ensure he stays in employment after the five years, possibly in a job other than the one he has held for the five years of the programme.

Durability is the key success factor for this programme, since it must be ensured that the job and/or the service continues after the initial temporary support provided by the State.

## PILLAR THREE - ADAPTABILITY

### The Social Partners' agreement for employment stability in Spain

**OBJECTIVES AND CONTENT OF POLICY.** Spain suffers not only the highest unemployment rate in EU but also the highest rate of temporary employment, which since 1992 remains more or less stable at around 1/3 of all wage and salary workers.

The social partners reached three agreements in 1997 (the "Social Partners Agreement for Employment Stability", the "Collective Bargaining Agreement" and the "Agreement to fill the gaps in Collective Bargaining"). The aim of these agreements was to develop a more stable model of industrial relations to increase firms' competitiveness, to improve employability and to reduce turnover and the share of temporary employment. The participation of the social partners was considered by the government a fundamental requirement for the effectiveness of the policies adopted. The agreements reached by trade unions and employers' organisations were fully adopted by the government's legislation, and various incentives were added in order to reinforce their effects:

- Incentives to sign new permanent contracts for young unemployed (less than 30 years old) long-term unemployed, older unemployed (older than 45 years old), long-term unemployed women in occupations where they are under-represented, disabled workers and temporary workers.
- Fiscal incentives to transform temporary and fixed-term contracts into permanent ones, in order to decrease the number of temporary contracts.
- Tax/benefit incentives to encourage job creation by for those firms using new permanent contracts.
- New permanent contracts enjoy lower severance pay (in case of unfair dismissals) than the regular ones: 33 days' wages per year of seniority with a maximum of 12 months' wages as opposed to 45 days' wages with a maximum of 42 months.

**MONITORING RESULTS.** Although no evaluation of these agreements and measures has yet been undertaken, recent monitoring information indicates a substantial increase in the number of permanent contracts registered at the INEM (the Spanish PES). From May 1997 to May 1998, there has been almost 1 million new permanent contracts whilst in the previous same period the number was only 350.000, thereby raising the proportion of permanent contracts over total new contracts from 3,8% to 9,1%. However, the net increase in permanent contracts was of less than 400 thousand.

Almost 70% of these contracts have made use of the new incentives, in particular the conversion from existing temporary contracts to permanent contracts, and the majority (59%) have benefited young people.

**EARLY ASSESSMENT.** So far, the balance of the reform is positive as far as employment stability is concerned. In particular, marginalised groups such as women, young workers and long term unemployed have benefited from new permanent contracts and the transformation of temporary contracts into permanent ones. However, no evaluation in terms of the dead-weight and substitution effects which any wage subsidy policy entails has been carried out. Also it will have to be assessed to which extent the new contracts will resist the withdrawal of exemption from social charges after the first two years of contract.

Although part of the positive results obtained so far can be attributed to the general employment expansion in Spain, the use of partnership agreements to enhance involvement of the Social Partners with a principal focus on employability has clearly played a positive role. The agreements and the new incentives have developed mechanisms to improve employability, as shown by the growing number of beneficiaries of active policies, as well as employment stability, while contributing to a reduction of labour costs.

## PILLAR FOUR - EQUAL OPPORTUNITIES

### An integrated approach to improve women's access to employment in Austria

**OBJECTIVES.** The reduction of the gender gaps in employment and unemployment and the erosion of the labour market segregation are the main goals in order to strengthen the policies for equal opportunities for women and men. To achieve this aim, an integrated approach to improve women's situation at the labour market was developed in Austria, where the gender gap in the employment rate exceeded 21% in 1997.

**POLICY MECHANISMS.** This policy strategy includes different measures such as:

- skill training, especially for women with few qualifications;
- promotion of self-employment in the form of guidance, counselling, hints for handling administrative procedures and creation of business plans; a special fund for financing innovative projects was established;
- wage subsidies for women returning to the labour market;
- foundation-type measures at regional level to help unemployed women to find a new individual job perspective and to acquire the relevant skills.
- distance learning during parental leave to make the future return easier;
- vocational training for young women in occupations traditionally dominated by men;
- provision of childcare facilities, including the creation of 18,000 new places in 1999 and cost reimbursement for low income mothers.

These measures are targeted to groups of women with different employment background conditions. The most important are women who intend to return to work after a period of absence. Another group is constituted by young school leavers in need of vocational training. A third group are employees who need to update qualifications in order to keep their jobs.

**EVALUATION RESULTS.** The majority of measures already started years before, but still play an important role in the Austrian NAP to improve women's access to work. Most of the instruments being evaluated show good integration results:

- An evaluation of the first labour foundation for women (located at Steyr) shows that 60% of all women having left this programme in the last 4 years, got a job.
- The wage subsidy programme for the private sector (Betriebliche Eingliederungsbeihilfe) has been considered as an appropriate instrument for women re-entering the labour market. Over 50% of the subsidised women were still employed 6 months after the subsidy had run out (a higher rate than for men).
- An outcome analysis of ESF co-financed training measures shows that the employment rate of former participants is at 57% for women and 52% for men.
- Child care assistance is an important integration support measure. According to the results from the ESF objective 3 evaluation, 50% of women who received child care assistance kept their jobs for a period of 6 months.
- An evaluation of business start-up schemes for women shows that each new firm, established in the last 5 years, has created 4.7 jobs in average.
- A special programme for women returners led to a 28% increase of female participants in training measures since 1996.

In one Land (Lower Austria) the business foundation programme for women, MINERVA, was implemented successfully. It is a programme to support women who want to run their own business by offering information, counselling, seminars. It is intended to expand this programme to the whole of Austria.

A key aspect of the Austrian strategy is the integrated approach, including vocational guidance and counselling, training and child care assistance. The whole range of measures is arranged as a 'pathway to integration', combining the acquisition of marketable skills with the provision of facilities responding to women's needs.

## Examples of good practice suggested by Member States

### Pillar One - Employability

#### Preventing youth unemployment and long-term unemployment:

Unemployed support plan (B)  
 Pathway to employment in Wallonia (B)  
 SAVE programme in Germanophone community(B)  
 Special youth package (DK)  
 Job Club scheme (GR)  
 Breaking barriers employability scheme (I)  
 Pathfinder employment schemes (I)  
 Measures to promote employment of young people (LUX)  
 Individualised placement and training of the unemployed (LUX)  
 Activation of unskilled young people through labour market support (FIN)  
 New Deal for 18-24 year olds (UK)

#### Shifting from passive to active policies:

Smet jobs (B)  
 WEP- plus scheme in Flanders(B )  
 Local Employment Agencies (B )  
 Co-ordinated social and occupational integration scheme in Brussels(B)  
 Back to Work Allowance Scheme (IRL)

#### Facilitating the transition from school to work

QUAS - Qualifications and work for school-leavers model project (DE)  
 Workshop schools and Linked Work and Training Centres (ES)  
 New apprenticeship contracts (I)  
 Foreign languages teaching at primary school (A)  
 Pre-apprenticeship scheme (A)  
 Early warning system in secondary schools (A)  
 Inforjovem – training in information technology for young unemployed (P)

#### Promoting a partnership for training and lifelong learning:

Pilot programmes for the re-insertion of workers affected by collective dismissal (GR)  
 Manfredonia “area contract” (I)

## Pillar Two – Entrepreneurship

### Reducing administrative costs and promoting self-employment:

Bridging finance for unemployed moving to self-employment (DE)

Support of self-employment (I)

Centres of Formalities for Enterprises (P)

### Exploring the job creation potential in new services, the social economy and at the local level:

“New Jobs/New services” programme (F)

New technologies and innovations programme (F)

Social cooperatives (I)

Finland's Centres of Expertise Programme (FIN)

### Making the tax system more employment-friendly:

Reduction of taxes and social security contributions for low-wage workers (NL)

## Pillar Three – Adaptability

### Promoting a partnership for reform of the contractual framework:

Reduction and re-organisation of working time (F)

### Modernising labour legislation:

Agreement for Employment Stability (ES)

Flexibility and Security Act (NL)

### Strengthening training in enterprises:

National Productivity Programme (FIN)

## Pillar Four – Equal Opportunities

### Tackling gender gaps:

TOTAL E-QUALITY scheme (DE)

Minerva – advice for female entrepreneurs (A)

### Reconciling family and working life:

Career breaks (B)

Parental leave and childcare (SW)

Special training projects for fathers (SW)

### Facilitating return into active life:

New Deal for Lone Parents (UK)

### Promoting the integration of people with disabilities:

Integrated programme for training, employment and insertion of disabled persons (P)

# ANNEX

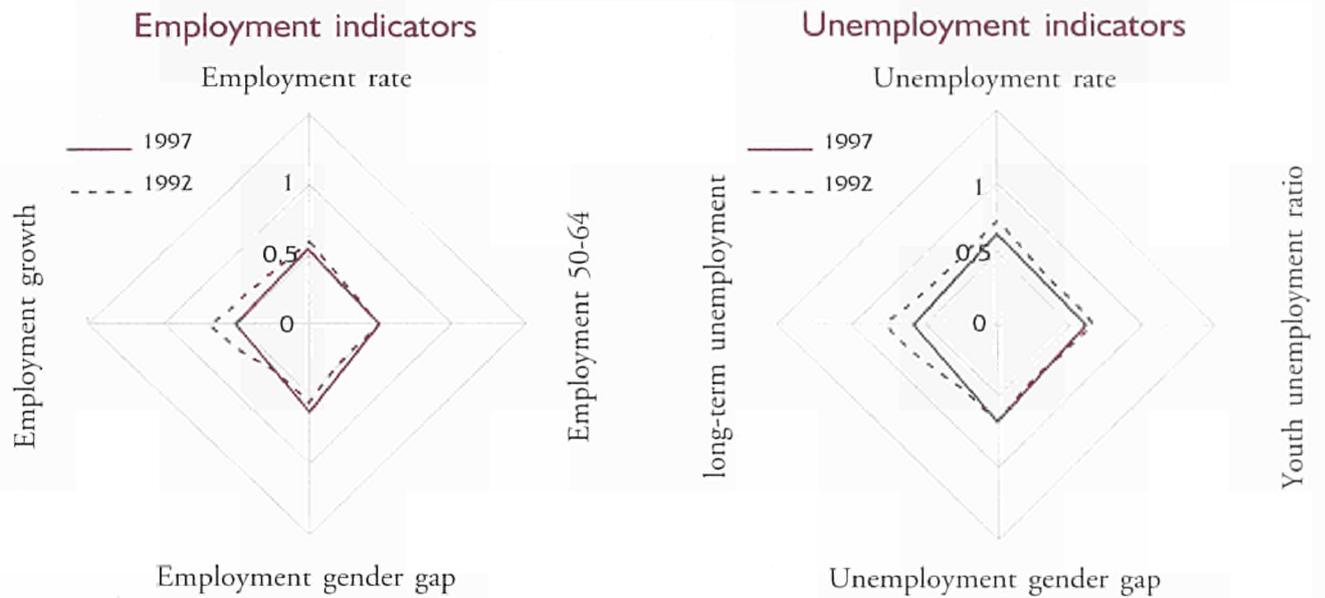
## METHODOLOGY FOR PRODUCING THE DIAMONDS

The original data were transformed in order to make the data suitable for use in the diamond charts. The axes depict performance in relation to reference standards. In each case the underlying labour market indicators for the years 1997 and 1992 are transformed into index values with a common scale in which the highest value corresponds to the average of the three best performing Member States (best practice) and is always equal to "1" and the lowest value is equal to "0.1".

The index values for the other countries reflect their relative position in the field between best and worst practice. Thus a higher score is always indicative of better performance. The country with the best performance will always achieve a score higher than "1", while the two next best performances will achieve scores close to "1". Worst practice receives a score of "0.1", and a score of "0.55" indicates performance at the midpoint of the range defined by best and worst practice, i.e. if the lowest unemployment rate is 5% and the highest 15%, then a country with an unemployment rate of 10% is scored as "0.55" on the index scale for this indicator.

It is important to emphasise that the reference standards here, in contrast to theoretical benchmarks, are always relative to the performance of the other countries included in the comparison (here 15 EU Member States). Thus each of the performance index measures compares the performance of an individual country with the performance of the universe of all other countries included in the exercise in the reference year. In this report the year 1997 was used for the purpose of identifying best practice, because our purpose is to assess performance at the starting point of the Guidelines process.

## European Union

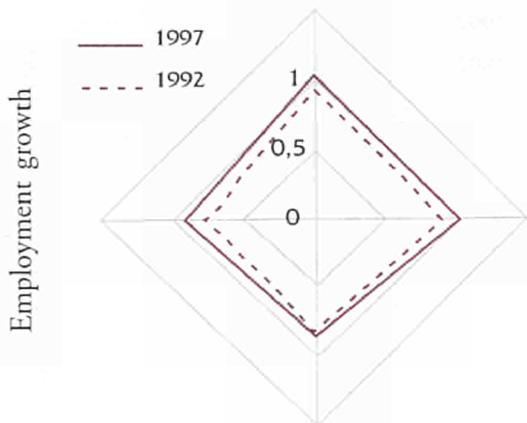


The performance of the EU in terms of employment and unemployment has deteriorated slightly between 1992 and 1997, mainly as a consequence of the lower rate of employment growth over that period, as compared with the previous five year period. The only dimensions which seem to have improved were those related to equal opportunities, as shown by the reduction of both the employment and the unemployment gender gaps.

# United States

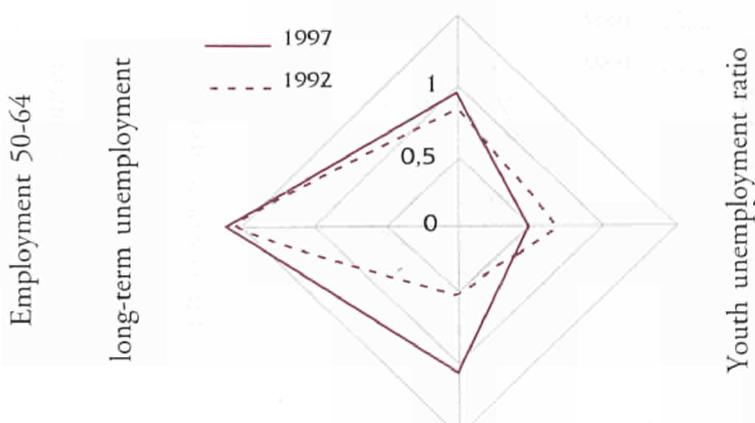
## Employment indicators

Employment rate



## Unemployment indicators

Unemployment rate

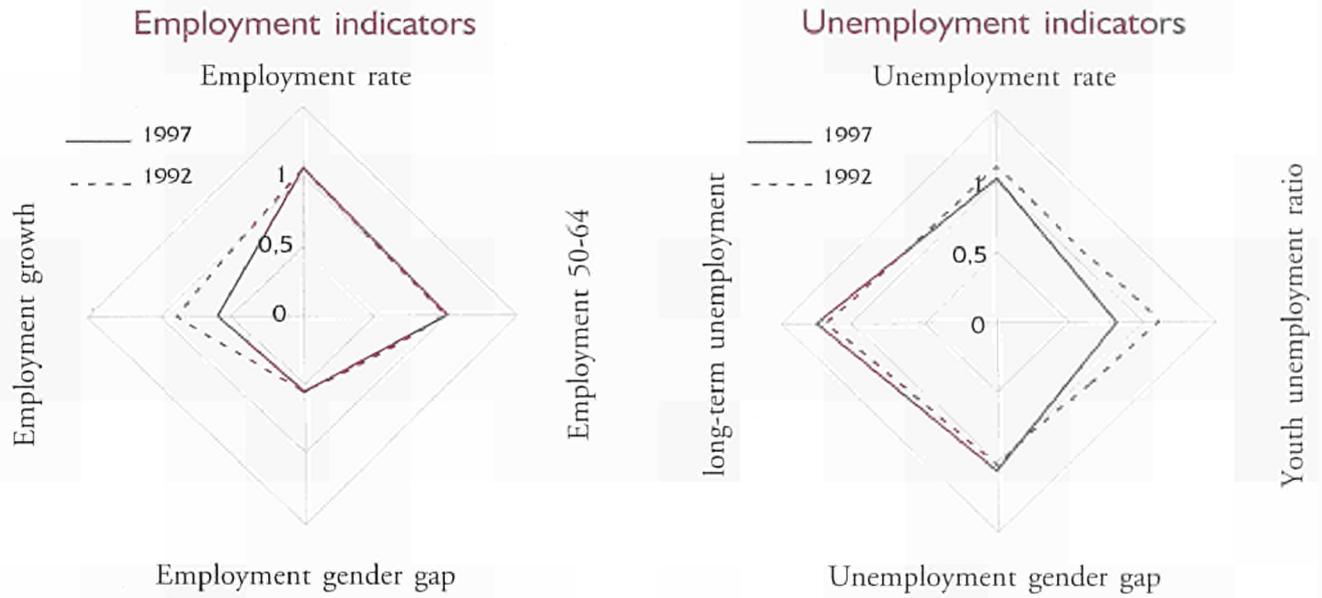


Employment gender gap

Unemployment gender gap

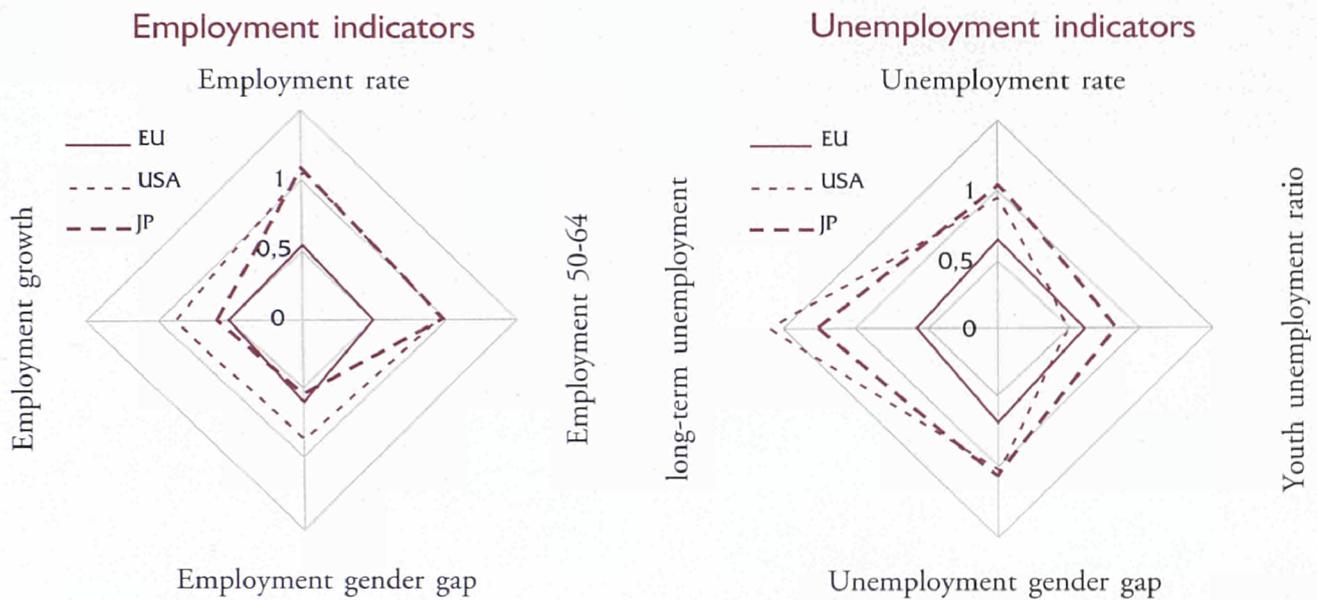
The comparison of the US labour market performance with European reference standards indicates a good overall position. The US exceeds or comes close to the situation of the best performing EU Member States in all dimensions except youth unemployment, where the US situation is less favourable and has worsened since 1992. For all the remaining indicators however, the US situation has clearly improved over the last five years.

## Japan



Much of what has been said about the US applies equally to Japan. This country's performance exceeds or comes close to that of the best performing EU Member States in all indicators, with the exception of the gender gap in employment. Japan has achieved a high employment rate, basically thanks to a long retention of aged people in work and low unemployment, but the level of integration of women in working life is still poor by European standards. The evolution over the last five years has been less favourable than in the US, particularly as regards the rate of employment growth which has slowed down considerably.

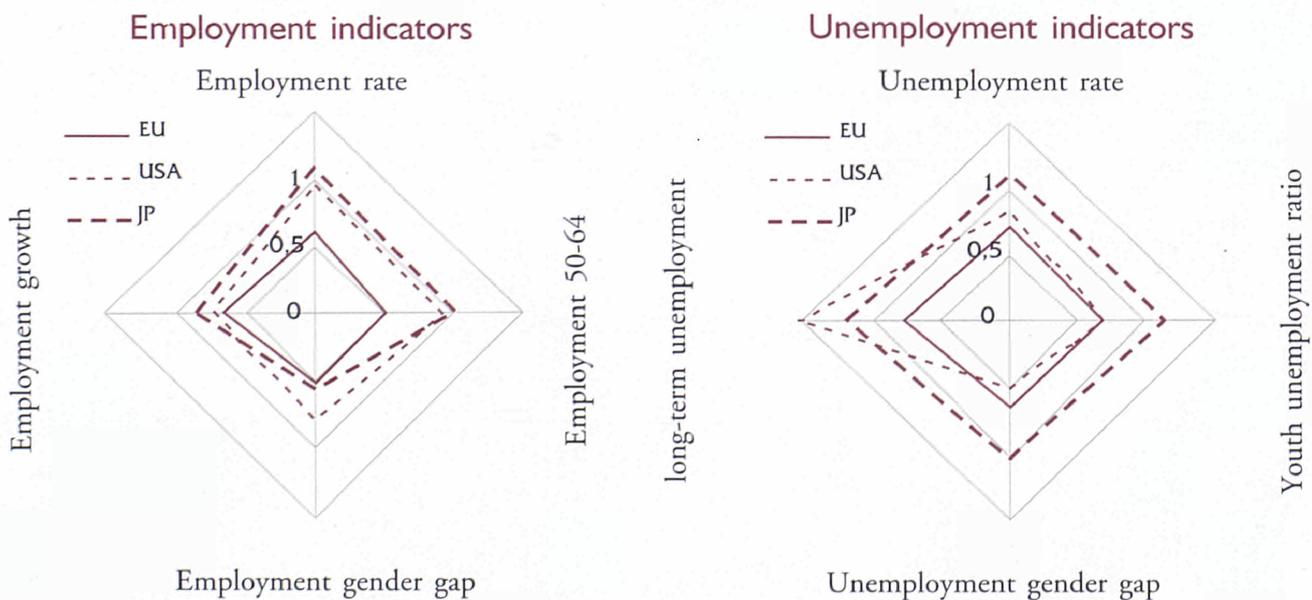
## EU - USA - Japan 1997



For the employment indicators, the performance of the EU is surpassed by that of Japan and the US in all dimensions except for the participation of women in employment, where Japan lags behind.

For the four unemployment indicators examined, the performance of the EU surpasses that of the United States only in youth unemployment and that of Japan in no case. In the other dimensions of unemployment examined (unemployment rate, long-term unemployment, unemployment gender gap) there is a wide performance gap.

## EU - USA - Japan 1992



The relative position of the EU vis-à-vis the US and Japan in 1992 was not fundamentally different from that in 1997. The EU performed worse in relation to Japan (employment) and the US (unemployment), as well as youth unemployment in relation to the US.



## **Part II - Country reports**



## BELGIUM

### Summary

*The Belgian labour market is characterised by persistently high long-term unemployment and a relatively low employment rate. Labour market policies are traditionally dominated by income maintenance measures.*

*The trend towards an active policy, which preceded the NAP has been reinforced by the implementation of the Luxembourg strategy. The Belgian NAP focuses on the first two pillars on employability and entrepreneurship. As far as young people are concerned, there is a clear tendency to take action at an early stage of unemployment. There is no decisive reorientation of measures for adults in favour of prevention of long term unemployment. Adults are not systematically monitored by the employment services during the first year of unemployment.*

*Belgium may approach the 20% activation target. In order to reach this target Belgium is relying heavily on the reinforcement of existing measures. The additional expenditure required by the NAP is estimated at 1 500 MECU, or 0.7% of GDP. On balance there is still a good way to go to address the agreed quantified targets in the Employment Guidelines. As regards entrepreneurship the Belgian Government intends to support self employment and enterprise development by a large number of administrative provisions and by lowering social charges on work.*

*Any assessment of the Belgian NAP must inevitably be made in the context of Belgium's federal structure. In implementing the guidelines, the Federal authority, the Regions and the Communities act with full autonomy within their sphere of competence. As a result, there is a large number of measures and some differences in the choice of policies. Good co-ordination is essential, otherwise this institutional complexity could become a weakness.*

*The major part of the NAP will be implemented before the end of 1998. The Federal Government has concluded a general co-operation agreement with the regions and communities and special co-operation agreements on specific actions to be implemented jointly.*

*The social partners play a pivotal role in labour market policies. They have been involved in the preparations of the NAP. A number of measures foreseen have yet to be negotiated at the multi-sectoral negotiations this autumn.*

*With two thirds of the resources for labour market policies spent on income maintenance measures there is room for a substantial restructuring of expenditure in favour of more active policies. The Commission and the Belgian Government are in agreement that the 1999 National Action Plan will address fully the quantified targets on activation and prevention.*

## I. The employment situation

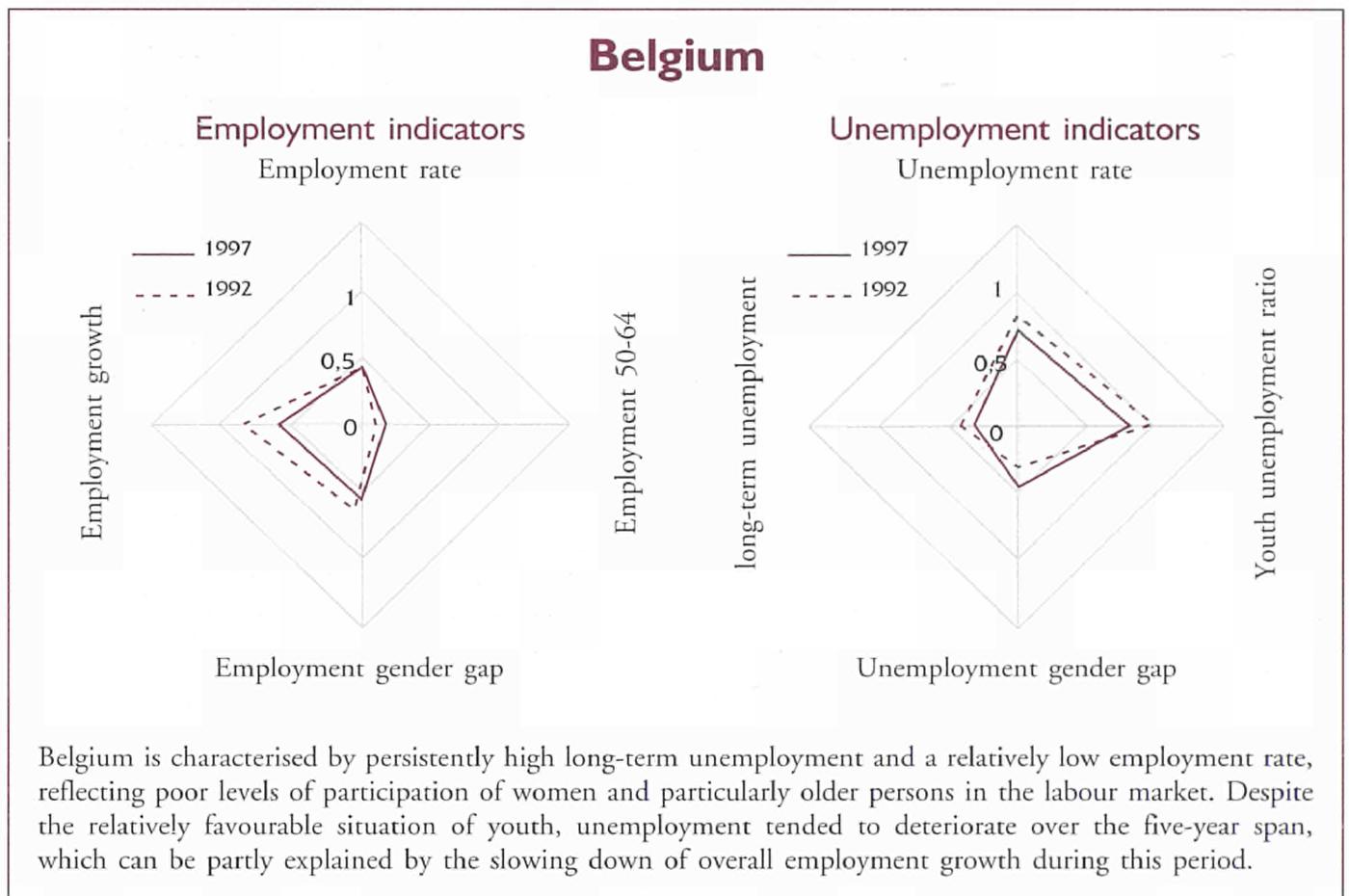
The employment rate in Belgium remains lower than the Community average, and unemployment is 1.5% below the European average. Long term unemployment is higher than the European average.

GDP increased by 2.7% in 1997 and is expected to increase almost at the same pace in 1998 as a result of a more favourable domestic demand situation.

Total employment has been increasing slightly since 1992 and the employment rate improved to 57.3% in 1997. The growth in employment is higher for women than for men, in part due to the increase in part time employment.

The Belgian rate of unemployment increased up to 1994 and has been falling since then. However, in 1997 it was still higher than its 1992 level, 9.2% compared to 7.3%. The figures for the beginning of 1998 confirm a continued drop in the unemployment rate. Women's unemployment rate is still higher than men's, 11.9% compared with 7.2%. There has been an increase in the ratio of youth unemployment; nevertheless, it remains lower than the European average. Long term unemployment has been falling slightly since 1995, but is still higher than the EU average, 58.7% compared to 48.6%.

The labour market policies are dominated by income maintenance measures, one third of public labour market expenditures (4.2% of GDP) are allocated to active measures.



## 2. The NAP

The Belgian NAP covers the first two pillars in greater depth. With regard to *Employability*, the Belgian NAP adopts a range of active policies for example training, guidance, recruitment subsidies, sandwich courses, etc. The trend towards an active policy, which preceded the

NAP, has been reinforced and is in keeping with what was adopted at the Luxembourg Summit.

The Belgian authorities intend to support self employment and enterprise development by a large number of administrative provisions (social identity cards, start up loans, etc.) to lower the social charges on work and to

increase the efforts devoted to continuous training, in order to bring them in line with existing policies in neighbouring countries, this will foster *Entrepreneurship*.

As far as *Adaptability* is concerned, the aim will be to introduce a more flexible work organisation, and to improve the contract status for part time workers.

Access to training is considered the best tool to fight against inequalities and to foster *equal opportunities*. It is foreseen to reinforce the provision of childcare facilities and services for elderly people.

It is difficult to reach a conclusive judgement concerning the respect of European quantified targets set for the prevention of youth and adult long term unemployment, but on balance it appears that there is still a good way to go. Nevertheless, as far as young unemployed people are concerned, there is a clear tendency to take action at an earlier stage of unemployment. Measures for unemployed adults are to a larger extent obligatory after twelve months of unemployment, however the unemployed can avail of these measures before that.

With its recruitment advantage scheme, progression-to-work programme and the activation of social security benefits, the Belgian NAP is on the whole targeted more at reducing the stock of unemployment rather than seeking measures to stem the flow of people as they become unemployed. It is presumed that the number of new additions will decline as a result of the upturn in the economy, recruitment subsidies and reductions in the social charges for employed labour.

Belgium may be expected to approach the 20% activation target. In order to reach this, Belgium is relying heavily on the reinforcement of certain existing measures, (e.g. progression-to-work programmes, etc.) and is supplementing existing policy with some new measures.

### 3. Implementation

The major part of the employment plan will be implemented between now and the end of 1998. Several draft laws and decrees have already been approved by the various competent authorities since it was presented; others are before the respective Parliaments and should follow this Autumn.

Measures taken by the federal authority in this context concern, inter alia, career breaks, the creation of local commercial service sector jobs ("Smet jobs"), simplification of the young person traineeship, Local Employment Development Agencies (ALE-PWA) employment contracts.

The extension of work experience projects (WEP-plus) scheme and the new financing tool for innovative training are just a few examples of new developments in Flanders. In Wallonia the expansion of the concept of pathways to employment and the Program for Professional Transition, illustrate measures which comply fully with the active labour market strategy.

For the purposes of implementing the NAP, the Federal Ministry has concluded a general co-operation agreement with the Regions and the Communities and special co-operation agreements on specific actions to be implemented jointly (e.g. setting up of the new young people's support plan).

This autumn the social partners are being consulted with a view to apply and to update the law on wage policies, employers' costs and working hours.

An ad hoc working party comprising the various governments has been set up at Belgian Federal level. In addition, specific initiatives have been taken with Regional authorities to ensure that the impact of the guidelines is monitored.

The additional expenditure required by the NAP is estimated at 1 500 MECU.

### 4. Contribution from the Social Partners

There is an evident willingness on the part of the social partners to be involved in the NAP's implementation. Some measures in which they are involved have of course yet to be negotiated in the next few months. The establishment of a timetable (as yet incomplete) shows their willingness to actively participate, and in addition, they will contribute around 500 MECU in the framework of their training agreement. A number of the measures foreseen have yet to be negotiated at the multi-sectoral negotiations this autumn.

## 5. The role played by the Structural Funds

In the case of on-going programs, the eligibility criteria applicable to the unemployed in respect of measures supported by the ESF in Belgium under structural objectives 1 and 3 will be extended to facilitate a more preventive approach.

The institutional structure leads to a large number of programmes co-financed by the ESF. This makes an overall co-ordinated approach extremely difficult.

The ESF is providing assistance to all the pillars. However, in financial terms, efforts are concentrated on *Employability*. All measures supported by the ESF in 1998, which may be considered to fall within the sphere of the NAP are estimated to amount to ESF assistance of approximately 150 MECU.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 57,3        | 56,6 | 56,8 | 60,5 |
| Men  | 67,5        | 67,3 | 68,8 | 70,5 |
| Women  | 47,0        | 45,8 | 44,8 | 50,5 |
| Total Employment Rate (full-time equivalent) | 53,8        | 53,3 | 54,4 | 55,5 |
| Men  | 67,1        | 67,0 | 69,7 | 68,7 |
| Women  | 40,5        | 39,7 | 39,3 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 9,2         | 9,7  | 7,3  | 10,7 |
| Men  | 7,2         | 7,6  | 5,3  | 9,3  |
| Women  | 11,9        | 12,7 | 10,2 | 12,4 |
| Youth Unemployment Ratio                     | 6,8         | 6,7  | 4,8  | 9,8  |
| Men  | 6,1         | 6,1  | 4,2  | 9,9  |
| Women  | 7,5         | 7,3  | 5,4  | 9,6  |
| Long-Term Unemployment Rate                  | 5,4         | 5,8  | 4,0  | 5,2  |
| Men  | 4,2         | 4,4  | 2,7  | 4,5  |
| Women  | 7,1         | 7,8  | 5,8  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |       |         | EU   |
|--|--------------|-------|---------|------|
|  | 1997         | 1996  | 1992-97 | 1997 |
| Total Unemployment Growth              | 1,24         | -0,05 | 0,36    | 0,53 |
| Real GDP Growth                        | 2,7          | 1,5   | 1,4     | 2,6  |
| Labour Productivity Growth             | 2,4          | 1,4   | 1,7     | 2,2  |
| Real Unit Labour Costs                 | -0,8         | -1,6  | -0,7    | -0,9 |

Source: Eurostat

## DENMARK

### Summary

*The Danish labour market is characterised by high and growing employment and by an impressive reduction of unemployment over the last few years. The measures included in the NAP represent, largely, a continuation of present policies, as prevention and activation are already the central priority in the Danish labour market policy. Clear targets for the prevention of youth unemployment and long-term unemployment have been set; all unemployed young persons should by 2000 -at the latest - be offered an individual action plan and start on education/training or a job before 6 months unemployment. Similarly, reaching the target of 12 months for the unemployed adults has been set at 2001. The activation rate is about 25%.*

*Denmark is making considerable efforts to support enterprises and has now set clear targets for reducing the tax burden on low-paid work. The modernisation of work organisation is largely viewed as the domain of the social partners who in fact have committed themselves to finding a balance between flexibility and security in the work organisation.*

*As to **equal opportunities**, the public employment services regularly monitor development on the regional labour markets, including initiatives to strengthen the framework conditions for female entrepreneurs. Furthermore, progress is being made in promoting entrepreneurial culture within the educational system.*

*Decentralisation and partnership are cornerstones in the implementation of the Danish labour market policy. This means that the implementation takes place at the regional or local level and is carried out by national, regional and local actors. The social partners are strongly involved in the implementation of the NAP at all levels.*

*Furthermore, the Danish Government has launched an important debate on the encouragement of employees to stay longer in working life by improving their labour market position and on the eventual reduction of the number of persons on transfer incomes by a further 150000 persons from the present 900000.*

### 1. The employment situation

Denmark enjoyed the highest employment rate in the Community in 1997, following a sustained growth in recent years. Unemployment was almost halved between 1993 and 1997 and is now one of the lowest in the EU. Long-term unemployment is also one of the lowest in the Community.

In 1997 GDP growth in Denmark was 2.9%, confirming consistent growth rates well above the EU average since 1992. This growth is expected to continue in 1998.

Since 1994 there has been strong growth in employment. Employment has grown by 2.6% in 1997 and preliminary figures show continued growth in the first quarter of 1998. The employment rate continues to improve and has risen from 75.8% in 1992 to 77.5% in 1997 (the highest in the EU). The employment rate for men in 1997 was 83.9% and for women 71.1%.

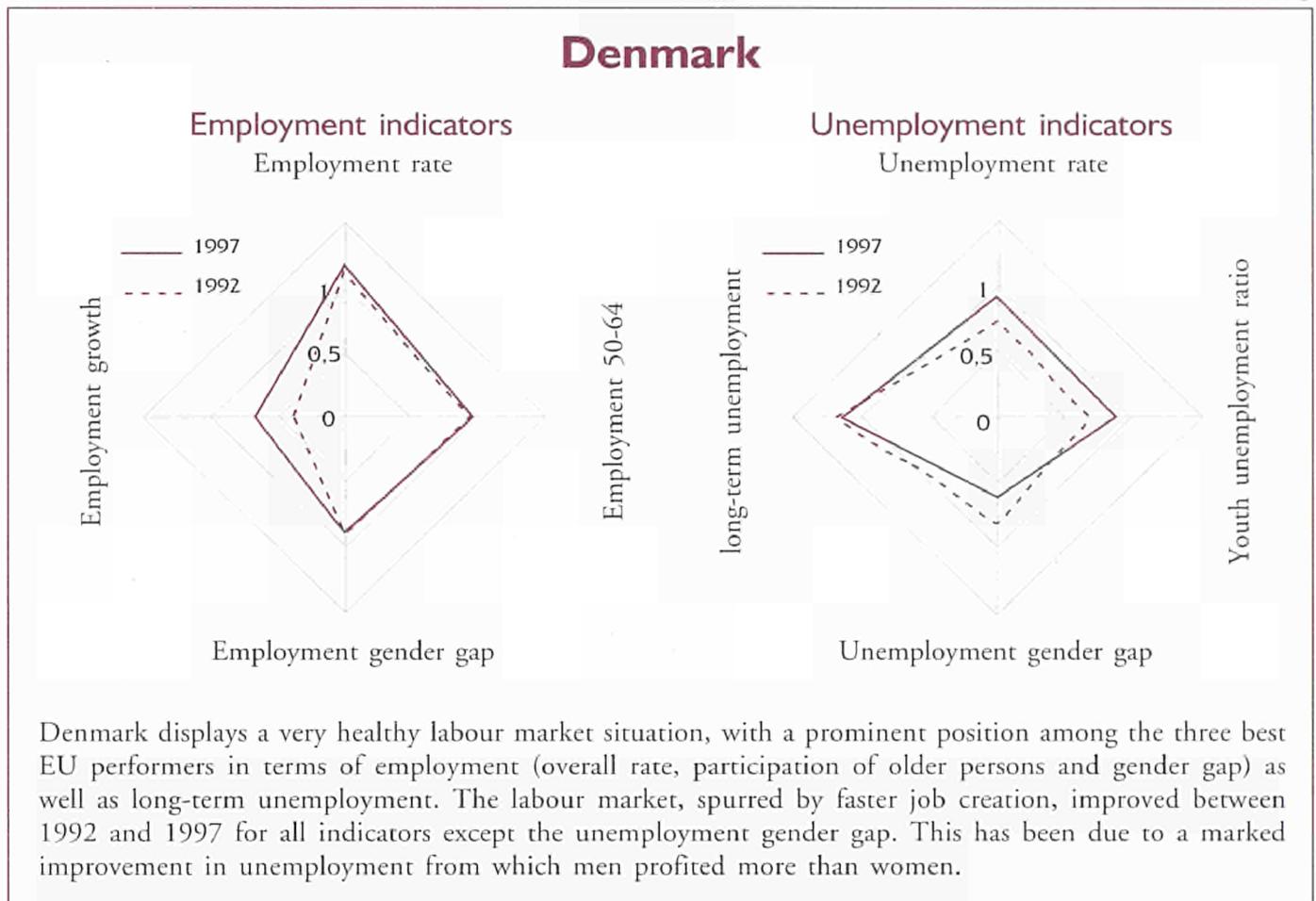
Unemployment in Denmark has been dropping steadily from 10.1% in 1993 to 5.5% in 1997 (one of the lowest in the EU). The fall in unemployment has continued during the first six months of 1998. The strong

fall in unemployment has been shared equally by men and women, however female unemployment stood at 6.6% in 1997 as opposed to 4.6% for men.

Long-term unemployment has been reduced substantially between 1993 and 1997 (from 2.4% to 1.5%). The general fall in unemployment has also been reflected in the

youth unemployment between 1992 (8.9%) and 1997 (6.0%).

Total expenditure in labour market policies was 5.8% of GDP in 1997, the highest level of EU countries. However, just under one third (31%) of labour market expenditure are directed to active measures.



## 2. The NAP

The NAP reflects the present trends in Danish labour market policy and the development goals and measures described in the government paper "Denmark by year 2005". The preventive and activating policy approach is already the central priority in the Danish labour market policy.

On *entrepreneurship*, Denmark is characterised by a widespread effort in the advancement of the concept of enterprise and has set clear targets for reducing the overall tax burden especially on low-paid work. Denmark has also set targets to promote the development

of sustainable enterprises which can foster employment.

Concerning *adaptability*, the modernisation of work organisation is largely viewed as the domain of the social partners and several initiatives are addressed in this field. Also "social chapters" are being introduced in collective agreements. Other measures include job rotation schemes, ongoing upgrading of skills and life-long learning.

On *equal opportunities*, according to the Danish Equal Treatment Act, employers must treat men and women equally in terms of wages, career opportunities etc. In

order to identify further potential gains in an equal opportunities perspective, the public employment services regularly monitor developments on the regional labour markets.

The active measures include primarily education/training, enterprise allowance schemes, job training and the so-called pool jobs (jobs on special terms). All unemployed young persons should by year 2000 -at the latest- be offered an individual action plan and start on education/training or a job before 6 months unemployment. For the unemployed adults the target has been set to complete implementation over a phase-in period of two years.

### 3. Implementation

The Government introduced in June 1998 adjustments in the tax system. The tax adjustments will, among other things, increase the incentive to work for low-income groups. Moreover, proposals for the third phase of the labour market reform are expected to be tabled in October. In Spring, collective bargaining rounds took place in the majority of the private sector.

On *employability*, the time lag before an activation offer is made to both unemployed young persons and unemployed adults have been shortened. Moreover the Danish government will this Autumn initiate negotiations about earlier activation of the remaining group of young unemployed persons who are not yet covered by the scheme of right and duty to activation before 6 months unemployment. Likewise, negotiations will start with a view to activate all unemployed adults before 12 months unemployment; the implementation will probably start in 1999 with an expected phase-in period of 2 years. Also the activation rate of about 25% is estimated to increase due to the bringing forward of activation offers.

Concerning the transition from school to work, the Government will present proposals in 1998 for a new system of credit transfer between the different strands of youth education, as well as a structural reform of the technical vocational education programmes. In October 1998 a Bill on establishing a common evaluation institution for the entire educational system will be tabled. Finally, with effect from 1999, the Government will change the system for admission to higher education. Initiatives to advance young persons' start of their studies will reduce the total time spent in the educational system and this will increase labour supply and employment.

As regards *entrepreneurship*, progress has been made in various fields e.g. under the programme to promote entrepreneurial culture within the educational system, the new concept for business service modules and on the target of a strong reduction in administrative burdens for enterprises over the next three years.

On *adaptability*, in a joint statement the LO (the Confederation of Danish Trade Unions) and the DA (the Danish Employers' Confederation) are committed to achieving a balance between flexibility and security in work organisation. This process continued in the collective agreements in 1998 in a number of fields.

With regard to *equal opportunities*, the gender aspect is mainstreamed. Several initiatives have been taken including a project to develop industrial policy initiatives to strengthen the framework conditions for female entrepreneurs.

The systems involved for the various guidelines are mainly based on indicators and methods already being implemented and in few cases the indicators are in the process of being developed. The focus on monitoring has been strengthened, which is evidenced by the plans for an evaluation institution for the entire educational system.

The public expenditure on labour market programmes is given as an overall frame of reference for the implementation of the NAP. Apart from these figures, little additional information is provided on the allocation of financial resources across the different pillars and guidelines, only in a limited number of cases funds are attributed to specific policy measures. The Danish government did not present figures for the coming year, as the proposal for the Finance Act for 1999 had not yet been presented by the time of the delivery of the implementation report.

### 4. Contribution from the Social Partners

The social partners are strongly involved in the organisation and implementation of regional labour market policies through their representation in the regional labour market councils (tripartite bodies composed of representatives of the social partners and the regional and local authorities). Moreover the social partners participate in preparation of education/training programmes. The social partners in the shape of the LO and the DA have prepared a joint contribution (included in the report) describing their efforts in implementing

the *adaptability* and *equal opportunities* pillars. The social partners are also involved in the implementation of the two other pillars and the roles of the partnership are described under the various guidelines.

## 5. The role played by the Structural Funds

The ESF contributes to the Danish active labour market policy. Measures where the ESF assists include the development of new models for vocational training,

such as Job rotation schemes. Also the ESF supports new methods for reintegrating into the labour market those groups who do not benefit sufficiently from the measures offered in the framework of the Danish activation legislation. Furthermore, the ESF supports the use of additional resources in the effort to reintegrate persons who are experiencing difficulties in accessing the labour market. The ESF contributes about 2% of the spending for active labour market measures.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 77,5        | 75,4 | 75,8 | 60,5 |
| Men  | 83,9        | 81,4 | 81,4 | 70,5 |
| Women  | 71,1        | 69,3 | 70,0 | 50,5 |
| Total Employment Rate (full-time equivalent) | 68,1        | 67,0 | 67,0 | 55,5 |
| Men  | 76,9        | 76,4 | 74,9 | 68,7 |
| Women  | 59,7        | 58,1 | 59,5 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 5,5         | 6,8  | 9,2  | 10,7 |
| Men  | 4,6         | 5,5  | 8,3  | 9,3  |
| Women  | 6,6         | 8,3  | 10,2 | 12,4 |
| Youth Unemployment Ratio                     | 6,0         | 7,8  | 8,9  | 9,8  |
| Men  | 5,1         | 6,9  | 8,9  | 9,9  |
| Women  | 7,0         | 8,8  | 8,9  | 9,6  |
| Long-Term Unemployment Rate                  | 1,5         | 1,8  | 2,4  | 5,2  |
| Men  | 1,2         | 1,6  | 2,1  | 4,5  |
| Women  | 1,8         | 2,1  | 2,8  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | 2,56         | 1,34 | 0,71    | 0,53 |
| Real GDP Growth                        | 2,9          | 2,5  | 2,6     | 2,6  |
| Labour Productivity Growth             | 0,7          | 1,4  | 1,9     | 2,2  |
| Real Unit Labour Costs                 | 0,5          | -0,3 | -0,5    | -0,9 |

Source: Eurostat

## GERMANY

### Summary

*The key weakness in the German labour market has been the very poor job creation over the last five years. The German employment policy mix has focused on a reliance on improving the overall economic conditions: the government's role is to create an enabling environment for businesses by regulatory reforms and by reducing administrative and financial burdens. Active labour market policies underpin these efforts notably by supply side measures, especially in the field of training. The Public Employment Service has traditionally been a strong labour market actor, and this position is being strengthened further.*

*The German NAP focuses on the first pillar. The priority is to keep youth unemployment low by developing further the dual apprenticeship system and action for disadvantaged youth, and by reducing the number of school drop-outs. The whole range of active labour market measures, notably further training, wage subsidies and public employment schemes, is available to address adult long-term unemployment. A compulsory consultation with the unemployed at the employment offices takes place within six months. The NAP priorities have been discussed with the social partners and led to certain common positions. The social partners have been involved notably with combatting youth and long-term unemployment. However quantified targets and timeframes to prevent long-term unemployment among youth and adults in accordance with the guidelines have not been set.*

*Reducing unemployment is on the top of the agenda of the new Government. A tripartite Labour and Training Pact has been announced. New initiatives on taxation reform have been announced with the aim of lowering non-wage labour costs from 42.3% to under 40% of gross wages.*

*With regard to labour market measures, an immediate effort is foreseen to reducing youth unemployment, in particular in the Eastern Länder. The intention is to provide all young unemployed with employability measures as they cross the six months unemployment threshold. Resources will be shifted from passive to active policies. Mainstreaming of equal opportunities between men and women in all policy areas has also been announced.*

*The new Government has the intention to propose a Labour Pact also at European level. The revision of the NAP will provide the new Government with an opportunity to set clear targets in compliance with the Employment Guidelines.*

### 1. The employment situation

The employment rate has been decreasing continuously in recent years, but is still above the EU average. Overall unemployment and long-term unemployment rates increased considerably since 1992, even if they continue to be somewhat below the EU average.

In 1997 real GDP growth accelerated to 2.2% after a modest average improvement since 1992 (1.2%).

Negative employment growth since 1992 continued in 1997 (-1.56%).

In 1997, the labour market was characterised by an increase in the unemployment rate (8.9 to 10.0%) and a further decline in the employment rate (from 62.5% in 1996 to 61.8%), in both cases less so for women than for men. National figures show some recent improvements with regard to employment and unemployment. In both Western and Eastern Länder labour market

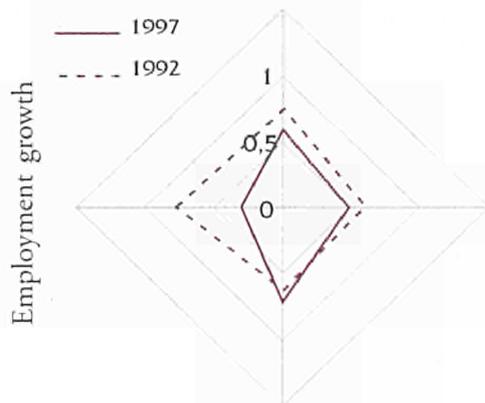
development has recently been positive, in the latter is due in particular to expansive active labour market policies. However, large imbalances persist in the unemployment rates between the Western Länder (9.8%) and the Eastern Länder (18.1%). Over 1996 and 1997, both long-term unemployment and the unemployment ratio of young people continued to increase for men and women (less so for women than for men), even if the latter (5.3%) is well below the EU average (9.8%).

Total expenditure on public labour market policy reached 3.96% of GDP in 1996, 1.45% covered active measures. In 1997 the respective percentages showed a decline to 3.79% and 1.25%. For 1998 an increase is foreseen, reflecting the priority given to active measures by the new Labour Promotion Act.

## Germany

### Employment indicators

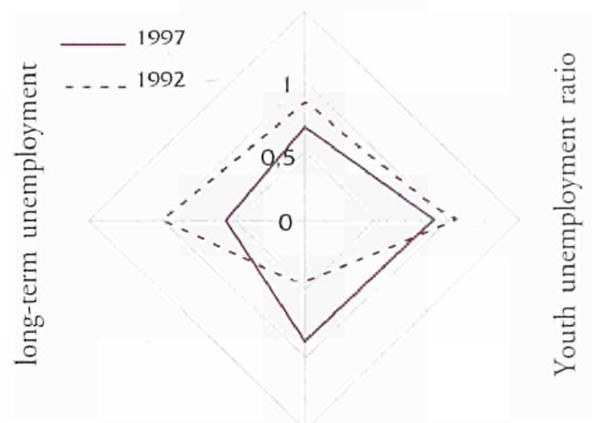
Employment rate



Employment gender gap

### Unemployment indicators

Unemployment rate



Unemployment gender gap

The key weakness in the German labour market has been the very poor job creation over the last five years. This development is behind the clear deterioration of the German position in all performance indicators with the exception of those related with the gender gaps. The situation of long-term unemployment is particularly worrying. Germany retains one of the best positions in the EU context as regards youth unemployment, which can be explained by its traditional reliance on the dual educational system.

## 2. The NAP

The focus of the German NAP is the creation of favourable overall economic conditions, more particularly alleviating businesses of certain constraints and costs in order to increase investment and growth and thereby employment. The implementation of individual guidelines has to be seen in this context.

The *employability* pillar is the centrepiece of the NAP. The reform of the Labour Promotion Act, fully applicable as from 1998, is the most important political devel-

opment in this respect. It seeks to strike an acceptable balance between preventive measures and the treatment of the substantial stock of adult long-term unemployed. The further development of the dual system of apprenticeship, the reduction of the number of school drop-outs and career-enhancing life-long learning are other priorities.

Measures to develop *entrepreneurship* range from reducing costs and administrative burdens for Small and Medium size enterprises, including the relaxation of dismissal protection for small and medium-sized enterprises and of certain other labour law provisions, to the

enhancement of financial incentives for business start-ups and in the "social economy". The abolition of taxes on wealth and business capital aimed at contributing to improving investments. A further reduction of the tax burden for individuals and enterprises is likely to be decided by the new Parliament.

To improve *adaptability* is, within certain legal constraints, largely seen as a task for both sides of industry, in certain cases supported by public financial incentives. In particular, social partners and enterprises are in the process of implementing new working time patterns and fostering in-house training.

Measures in favour of *equal opportunities* between men and women are being "mainstreamed" in some policy areas. For example, the employment agencies have the obligation to take into account the equality issue in all measures and active labour market policy action is geared to promote the position of women in proportion to their share in unemployment. New programmes are being developed for improving the integration of people with disabilities.

Action with regard to the three European targets can be summarised as follows:

The comparatively low overall rate of youth unemployment is largely attributed to the performance of the dual apprenticeship system. However, the emergence of long-term unemployment among youth (about 25% of the total) is strongly correlated with a failure to complete initial training. Therefore, increased efforts in respect of the apprenticeship scheme combined with complementing action by the Federal Labour Office and the Länder, as well as the social partners is expected to further prevent unemployment among young people and to develop the necessary occupational skills. The National Development Plan for Initial Vocational Training foresees, i.a., an increase in apprenticeship places in the Eastern Länder.

The prevention of adult long-term unemployment is mainly supported by a policy to implement, as soon as unemployment occurs, a whole range of Active Labour Market measures, notably further training, public employment schemes (often including elements of training/work experience) and the obligatory consultation with the unemployed within six months to establish tailor-made steps to avert long-term unemployment. Major efforts also are undertaken to combat the stock of the long-term unemployed, notably by way of public employment schemes and the national programme

to support the recruitment long-term unemployed by wage subsidies, and, recently, by reintegration contracts and specific training measures.

Within this overall context, direct quantitative targets and time-frames to prevent long-term unemployment among youth and adults in the sense of the respective guidelines have not been set.

In 1997, 31.5 persons per 100 registered unemployed took part in training or other active measures. Details are given as to the types of measures, numbers of persons in 1997 and financial expenditure for 1997 and 1998.

### 3. Implementation

Many actions reflecting the spirit of the guidelines are being implemented by combined efforts of key labour market policy actors. Co-operation between the Federal Labour Office and bodies responsible for social assistance is being intensified. NGOs continue to play a large role as providers of training and employment measures for the unemployed. The regional authorities (Länder) play an important role in the management and development of active labour market policies, as well as the social partners, who are represented in the board of the Federal Labour Office.

The situation of the German labour market is monitored and assessed by a number of research bodies. In 1999 the Federal Labour Office will seek to improve indicators relevant to the Luxembourg process.

The implementation of the *employability* pillar is carried out in the existing frameworks. The recently introduced process to decentralise decision-making for active labour market measures means, that the local employment offices receive budgetary resources which they can use freely, according to regional and local requirements, for various measures for active labour market policies. In addition, the local employment offices have the possibility – since the beginning of 1998 – to try out innovative measures and fix priorities for action not laid down by law. For these innovative measures 10% of the resources for active measures can be used annually. In 1998 these are some 2.5 billion DM. One interesting innovation is a pilot project concerning qualifications and work for disadvantaged school-leavers which is now being extended geographically with the assistance of ESF resources.

In the framework of the entrepreneurship pillar, emphasis is put on the promotion of business start-ups. In

particular, a number of incentive measures are offered to unemployed people wishing to set up a business (transition funding, Training, Coaching).

Action concerning the *adaptability* pillar continues to consist mainly of a variety of agreements by the social partners, increased efforts by employers to improve the skill composition of the workforce, and measures to develop continuing training and career enhancement.

#### 4. Contribution from the Social Partners

Collective agreements on wage moderation and working time arrangements have contributed to a decrease in unit labour costs, greater adaptability and employment stability. The social partners are strongly involved in mobilising the enterprise sector to make training places available,

reducing the number of school drop-outs, developing apprenticeship training, (re-)integrating disadvantaged groups and enhancing continuing training.

#### 5. The role played by the Structural Funds

A total of 7.542 billion ECU is available for Germany from the European Social Fund over the period 1994-1999.

While representing a small proportion of the overall effort for active labour market policies, the European Social Fund is especially an important partner at Länder level and frequently supports innovative action.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 61,8        | 62,5 | 65,9 | 60,5 |
| Men  | 69,8        | 71,0 | 76,2 | 70,5 |
| Women  | 53,6        | 53,9 | 55,4 | 50,5 |
| Total Employment Rate (full-time equivalent) | 57,9        | 58,7 | 62,0 | 55,5 |
| Men  | 70,6        | 71,7 | 76,4 | 68,7 |
| Women  | 45,2        | 45,8 | 47,6 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 10,0        | 8,9  | 6,6  | 10,7 |
| Men  | 9,3         | 8,2  | 5,2  | 9,3  |
| Women  | 10,8        | 9,8  | 8,5  | 12,4 |
| Youth Unemployment Ratio                     | 5,3         | 4,9  | 3,5  | 9,8  |
| Men  | 6,4         | 5,6  | 3,3  | 9,9  |
| Women  | 4,2         | 4,1  | 3,7  | 9,6  |
| Long-Term Unemployment Rate                  | 4,9         | 4,2  | 2,1  | 5,2  |
| Men  | 4,3         | 3,6  | 1,8  | 4,5  |
| Women  | 5,6         | 4,9  | 2,5  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |       |         | EU   |
|--|--------------|-------|---------|------|
|  | 1997         | 1996  | 1992-97 | 1997 |
| Total Unemployment Growth              | -1,56        | -1,14 | -1,09   | 0,53 |
| Real GDP Growth                        | 2,2          | 1,3   | 1,2     | 2,6  |
| Labour Productivity Growth             | 3,6          | 2,6   | 2,5     | 2,2  |
| Real Unit Labour Costs                 | -2,4         | -1,1  | -1,3    | -0,9 |

Source: Eurostat

## GREECE

### Summary

*The Greek labour market is characterised by a low employment level and increasing unemployment. More than half of the unemployed are long term unemployed. Despite the efforts made to date in the NAP, the existing measures and programmes should be incorporated in a truly articulated employment strategy.*

*The intentions expressed in the NAP reflect a willingness to address the key employment problems of the country and a particular effort has been made for young people. However, structures and mechanisms, including adequate human resources, for the development and implementation of an effective and integrated employment strategy need to be strengthened. A general undertaking to comply with the prevention of youth and adult long-term unemployment guidelines is contained in the implementation report but only partial targets have been specified for the year 2000.*

*The implementation report shows some improvement in the coverage of the Guidelines, in particular as regards the **entrepreneurship** and **adaptability** pillars.*

*The resources allocated to labour market policies and small income maintenance measures continue to receive almost two thirds of overall resource and the NAP does not introduce real change. A new law on labour relations, recently adopted by the Parliament, will enhance significantly labour market flexibility. This is an important element in the major effort undertaken by the Greek government to modernise the country's economy.*

*In the discussions with the Commission, the Greek Government has agreed to better comply in the next NAP with the preventive approach in labour market policies, in order to avoid a further inflow into long-term unemployment. There is also agreement to develop a more comprehensive employment strategy and improve the implementation arrangements in the 1999 NAP.*

### 1. The employment situation

The unemployment rate in Greece, although lower than the EU average, has been continuously rising through the 1990s. Long-term unemployment has been increasing in recent years and is currently in line with the EU average.

GDP has grown at the same pace as the EU average over the period 1992-1997, accelerating significantly in 1996 and 1997 (2.4% and 3.2% respectively). This trend is expected to continue in 1998.

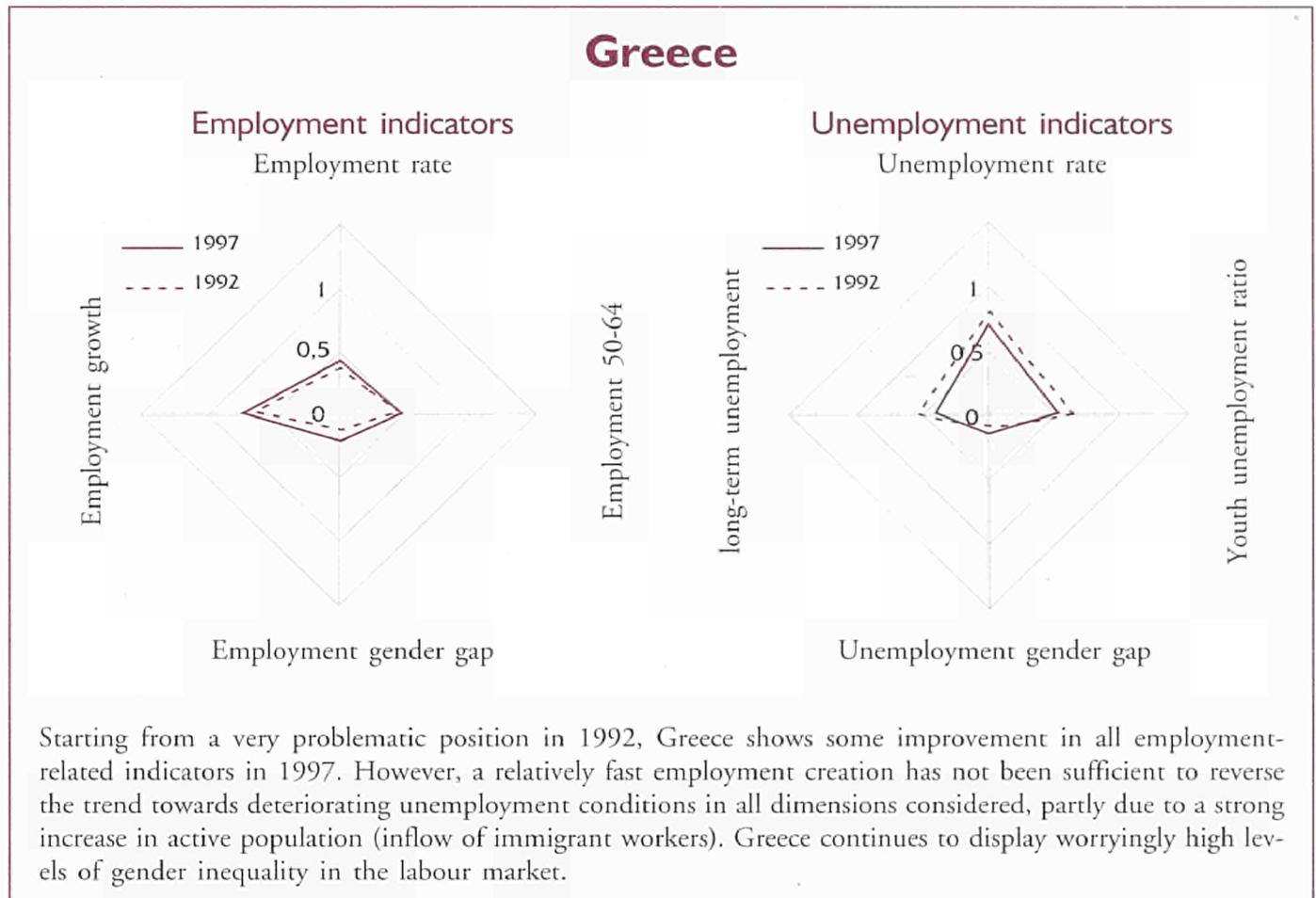
Despite good economic performance, the employment growth rate slightly decreased in 1997 after a steady

average annual increase over the period 1992-1997. The employment rate (56.7%) is lower than the EU average (60.5%). Employment was significantly lower for women (40.1%) than for men (74.8%) and even if slightly increasing in the last five years, female employment rate ranks among the lowest in the EU.

While still below the EU average, the unemployment rate rose from 7.9% to 9.6% between 1992 and 1997, due mainly to the increase of female participation in the labour force, and the restructuring of the primary sector. The unemployment rate is significantly higher for women (14.9%) than for men (6.2%). Unemployment among young people has risen from 9.5% in 1992 to 11% in 1997 (EU average: 9.8%), while the share of

this age group in total unemployment has fallen from 44.1% in 1991 to 36.7% in 1997, due mainly to the rise of enrolment of youngsters to education and training schemes. Long-term unemployment rose from 3.9% in 1992 to 5.3% in 1997 and is at the same level as the EU average. It represents more than half of the total unemployment rate.

Public expenditure for labour market policies as a percentage of GDP was 0.71% in 1996 and labour market policies are dominated by income maintenance programmes (0.45%).



## 2. The NAP

The Greek NAP concentrates mainly on *employability* measures. In addition, legal arrangements adopted in 1998 (i.e. law on labour relations, law on vocational training, regional development law) are expected to promote interventions in the area of *entrepreneurship* and *adaptability*.

Particular emphasis has been put on developing measures destined to promote the *employability* of unemployed young people and adults.

The NAP contains a general undertaking to reduce the inflow into long-term unemployment but lays

down only intermediate targets both for youth and adults.

The programme "Young into Active Life" targets young beneficiaries before they reach six months in unemployment; up to 200.000 persons are expected to be covered by 2000. The measures aimed at supporting unemployed adults continue to focus on the stock of long-term unemployed, although the intention is stated to give priority to those within the first year of unemployment and a target is set for the year 2000 (60 000 adults).

The NAP undertakes to reach the activation target progressively by the year 2000.

Despite the commitment explicitly expressed to move towards a more activating and preventive approach, only some of the measures proposed give substance to that commitment. Due to the absence, so far, of an appropriate system that would identify, report and monitor the flows into and out of unemployment, most of the measures tend to focus mainly on the stocks of the unemployed.

For the majority of measures, an indication regarding the implementation timetable is provided. As to the financial, staff and technical resources, information is provided mainly as far as *employability* and *equal opportunities* measures are concerned.

### 3. Implementation

The action undertaken so far pertains mainly to three initiatives designed to address for the first time the flows into and out of unemployment and facilitate the implementation of measures aimed at improving the *employability* of young and adult unemployed. This is a first positive move towards a more preventive approach.

A new statistical system for monitoring the flows into and out of unemployment on an individual basis is being set up and first figures will be available by the end of 1998. The adopted individualised approach will make it possible to offer tailor-made combinations of measures ranging from vocational guidance to training and work experience. The system of employment cards has been put in place in Spring 1998. In addition, an obligation is introduced for all unemployed persons to be registered at the public employment services, as a prerequisite for their participation in any labour market programme. However, there is insufficient detail concerning the start-up of these initiatives or their current implementation phase. The effective operation of the new statistical system is closely related to the completion and operation of the public employment service's Integrated Computerised System. Information regarding its progress and completion is not available.

A new law on labour relations has been recently adopted by the Parliament as part of a major effort to modernise the economy. The law enhances labour market flexibility by introducing new types of work contracts (e.g. teleworking, part-time work), flexible working hours and by setting up private employment offices in certain sectors. Furthermore, a new regional development law has been adopted, boosting indirectly *entrepreneurship* (e.g. tax rebates to promote investments in certain areas, pref-

erential treatment of investments promoting employment). Moreover, new institutional arrangements concerning upper secondary technical education have been adopted by the Parliament.

Various Ministries, Public Agencies, Local Authorities and Social Partners are involved in the implementation of the NAP. However, clear information is provided only on the involvement of the social partners in financing certain training programmes for the employed and the unemployed.

A Monitoring Committee under the supervision of a special Ministerial Committee has been set up in order to follow-up the NAP implementation, comprising representatives of Ministries, relevant bodies and the social partners.

### 4. Contribution from the Social Partners

The active participation of the social partners in the implementation of a number of training and work experience programmes reflects their willingness to pursue the attainment of the objectives of, at least, the *employability* measures. As to work organisation and working time arrangements, differences and disagreement between the social partners and the government still persist.

### 5. The role played by the Structural Funds

The European Social Fund acts as a driving force for the development and implementation of national labour market policies and measures. The Greek NAP relies heavily on financial support from the ESF, which provides 2 750 MECU for the period 1994-1999. A large number of the NAP *employability* measures are co-financed by the European Social Fund.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 56,7        | 56,9 | 55,4 | 60,5 |
| Men  | 74,8        | 75,4 | 74,9 | 70,5 |
| Women  | 40,1        | 39,7 | 37,2 | 50,5 |
| Total Employment Rate (full-time equivalent) | 54,3        | 54,6 | 53,7 | 55,5 |
| Men  | 72,3        | 73,2 | 73,4 | 68,7 |
| Women  | 37,8        | 37,4 | 35,3 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 9,6         | 9,6  | 7,9  | 10,7 |
| Men  | 6,2         | 6,1  | 5,0  | 9,3  |
| Women  | 14,9        | 15,2 | 13,0 | 12,4 |
| Youth Unemployment Ratio                     | 11,0        | 11,5 | 9,5  | 9,8  |
| Men  | 8,6         | 8,6  | 7,4  | 9,9  |
| Women  | 13,2        | 14,1 | 11,3 | 9,6  |
| Long-Term Unemployment Rate                  | 5,3         | 5,4  | 3,9  | 5,2  |
| Men  | 2,8         | 2,8  | 1,9  | 4,5  |
| Women  | 9,2         | 9,6  | 7,3  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | -0,39        | 1,23 | 0,92    | 0,53 |
| Real GDP Growth                        | 3,2          | 2,4  | 1,6     | 2,6  |
| Labour Productivity Growth             | 3,0          | 1,4  | 0,5     | 2,2  |
| Real Unit Labour Costs                 | 0,7          | 1,8  | 0,7     | -0,9 |

Source: Eurostat

## SPAIN

### Summary

*The NAP is well structured and addresses the main problems of the Spanish labour market. However, Spain has the most difficult starting point of all Member States. Besides high rates of youth, long term and female unemployment, the Spanish labour market suffers from a high rate of temporality, a low rate of part-time working and a low rate of female participation in the labour market. The main challenge for Spain is to implement a comprehensive policy addressing at the same time all these problems.*

*The NAP represents a significant move towards activation and prevention. The Spanish authorities have committed themselves very strongly to achieve the targets set in the three European guidelines within the first year of implementation. To implement the preventive approach, the NAP includes actions leading to an early identification of individual needs. In this sense intensive placement and counselling is foreseen. Appropriate resources for **employability** measures as well as monitoring and coordination of action by different actors, is to be ensured. The present level of passive expenditures gives further room for activation of labour market policies.*

*The Luxembourg process has relaunched the employment debate in Spain. Social partners, as well as regional authorities, have been consulted actively on the elaboration of the NAP. Three negotiation structures have been created with the social partners to continue discussion on the issues of part-time work, incentives to employment creation and active/passive policies.*

*The implementation of the NAP is linked to a new approach in the management of active employment policies in which collaboration with regional and local authorities and social dialogue plays an important role. The new model, which should improve the efficiency of the implementation of active policies, means a major change in the management of labour market policies. Achieving a coordinated set up of this new model constitutes an important challenge for the near future.*

### 1. The employment situation

Although the employment situation has shown a favourable trend during the last years, Spain still suffers from the highest unemployment rate and the lowest employment rate among the EU countries. Youth, long-term and female unemployment are higher than the European average.

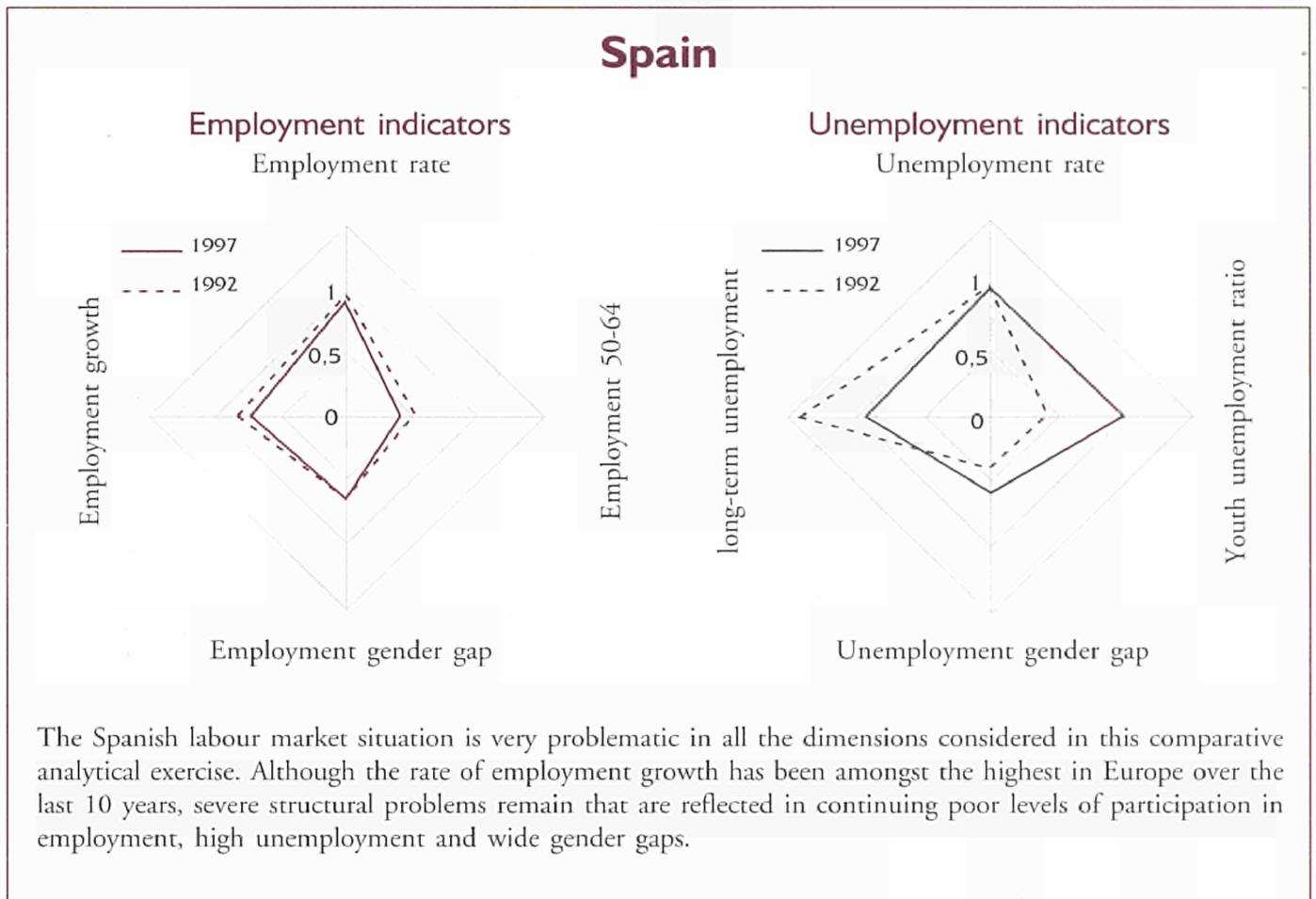
Real GDP has grown by 2.3% in 1996 and 3.4% in 1997. This trend is expected to be confirmed in 1998.

Employment has grown by 2.9% in 1996 and 3% in 1997, well above the European average. According to recent national year-on-year data (second quarter of 1998), the employment growth showed an increase of 454.200 new jobs (3.6%).

The unemployment rate has fallen from 22.2% in 1996, to 20.8% in 1997 and 18.9% in the second quarter of 1998. Although female unemployment rate has also decreased (from 29.5% in 1996 to 26.7% in the second quarter of 1998) it is almost twice as high as the male unemployment rate (13.9% in the second quarter of 1998). Even though female employment rate is still very low (33.9% in 1997), there is an increasing participation of women in the labour market. The long term unemployment rate slightly decreased between 1996 and 1997; nevertheless it remains very high (10.8% in 1997), with a significant gap between men (7.5%) and women (16.1%). On the other hand, the youth unemployment ratio decreased from 16.9% in 1996 to 15.9% in 1997.

The part-time working rate is low at 8%. The Spanish labour market suffers from a very high rate (32.8%) of temporality - workers under temporary contracts - and one of the Government and Social Partners objectives is to encourage permanent employment contracts.

The evolution of the labour market policy shows an evolution towards active policies. Total expenditure in labour market policies in terms of GDP was 2.37% in 1997. Labour market active policies expenditure was 0.50% of GDP.



## 2. The NAP

The NAP is well structured between the different pillars and guidelines although there is a clear emphasis on the *employability* pillar. Nearly one million unemployed will benefit from employability measures in 1998, which means a very important increase compared to previous years. *Entrepreneurship*, is covered, especially through fiscal measures aiming to encourage self-employed workers to hire their first employee, and through reductions in the social security contributions in order to foster permanent contracts, part-time work and to encourage self employment. On *adaptability*, the NAP focuses on promoting an adequate regulation of voluntary and stable part time work in close co-operation with the social partners. In the field of *equal opportunities* the NAP concentrates on raising the levels of access to care ser-

vices and on partial exemption of the social security contributions for women, those workers replacing women on parental leave, and disabled workers. More than 60% of unemployed concerned by measures related to prevention of youth and adult long term unemployment are women.

The NAP represents a significant move towards activation and prevention.. It is worth noting that the Spanish authorities have committed themselves to achieve the 3 European targets within the first year of implementation of the NAP. Spain has decided to follow a policy-mix which combines preventive and curative approach. The whole flow and 20% of LTU will benefit from employability measures. Concerning activation, 21.6% of registered unemployed job seekers will benefit from training or from measures combining job and training in 1998.

### 3. Implementation

A set of actions have been taken in order to implement the NAP. These actions concern mainly the *employability* pillar. A key element is the progressive introduction of a new model of management involving Central Government, Regional and Local authorities. The plan to give in-depth career guidance interviews to approximately 2.8 million unemployed job-seekers is being implemented. Some already existing instruments of the employment policy as the FIP Plan (Formación e Inserción Profesional/Vocational Training and Employment) have been reoriented in order to enable the implementation of the preventive approach and to support at the same time the reintegration of the long term unemployed. The Regulation for a new programme, Talleres de Empleo, (Employment workshops) has already been drafted and gives priority to employability measures for women and unemployed over the age of 25. A new Regulation to reinforce the training component of the training contracts has been adopted.

As for measures on *adaptability*, some initiatives concerning Small and Medium sized enterprises have been launched ("one stop shop" and "SME - Information Area") and new regulations developing risk-capital markets and facilitating SME's access to finance are being prepared. Changes in the legislation for enterprises working on social insertion have been introduced.

Other new measures to be adopted before the end of the year are, notably, the "first employee" initiative (to encourage self employed workers to hire their first employee) and a new Regulation to foster part-time working. As far as *equal opportunities* is concerned, the "zero cost" initiative (partial exemptions of the social security contributions for workers replacing women on parental leave) has been adopted in September 1998. Also the list of occupations in which women are under-represented has been enlarged. Recruitment of women in these sectors will benefit from partial exemptions of social security contributions.

For the monitoring and evaluation of the NAP, an inter-ministerial working group has been created. The NAP's total budget amounts to some 5.718 Mio ECU for 1998 which is about 1.2% of GDP. In addition there is a credit line for SME's at the "Instituto de Crédito Oficial" for a total amount of 1796 Mio ECU. There are no further estimations for the following years. Most of the measures and initiatives announced are explicitly supported with financial resources. Financial resources concentrates on *employability* (81% of total budget) although

some of this resources (for example those allocated to continuous training) might also be considered as supporting *entrepreneurship* and employability. About 1/3 of the total budget relates to measures for prevention and activation. It is worthwhile mentioning that this latter budget has been reinforced with 210 mio ECU (+13%) to achieve the 3 European targets in 1998.

### 4. Contribution from the Social Partners

Social partners have been consulted on several occasions during the process of the NAP elaboration. They play a very important role in implementing some measures concerning employability. Three negotiation structures have been created within the frame of the social dialogue: part-time working, incentives to employment creation and active policies/ passive policies. The social consensus achieved through social dialogue should provide stability and social acceptance of the measures adopted.

### 5. The role played by the Structural Funds

Spain is the main beneficiary of the ESF (more than 8.500 mio ECU for the current programming period). It represents a significant share of the total budget allocated to active policies in Spain for the same period. In that sense there is an important potential for the ESF to contribute to the implementation of the NAP. Already in the current programming period, ESF support to the preventive approach has been reinforced.

The NAP identifies the financial participation of the ESF in the budget allocated to *employability* measures (including Social Security benefits for priority groups) managed by the INEM. This contribution goes from 19.1% for actions related to employment measures to 27% with respect to training measures and to 60.1% for guidance measures. On average, the contribution of the ESF to employability measures included in the 1998 NAP amounts to 22.9%.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 48,6        | 47,2 | 48,4 | 60,5 |
| Men  | 63,5        | 62,2 | 65,7 | 70,5 |
| Women  | 33,9        | 32,6 | 31,6 | 50,5 |
| Total Employment Rate (full-time equivalent) | 46,0        | 44,7 | 46,9 | 55,5 |
| Men  | 62,0        | 60,7 | 65,4 | 68,7 |
| Women  | 30,3        | 29,2 | 29,0 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 20,8        | 22,2 | 18,5 | 10,7 |
| Men  | 16,1        | 17,6 | 14,5 | 9,3  |
| Women  | 28,3        | 29,5 | 25,6 | 12,4 |
| Youth Unemployment Ratio                     | 15,9        | 16,9 | 14,7 | 9,8  |
| Men  | 14,9        | 16,0 | 13,8 | 9,9  |
| Women  | 17,0        | 17,7 | 15,5 | 9,6  |
| Long-Term Unemployment Rate                  | 10,8        | 11,8 | 7,8  | 5,2  |
| Men  | 7,5         | 8,1  | 4,7  | 4,5  |
| Women  | 16,1        | 17,5 | 13,2 | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | 2,98         | 2,94 | 0,64    | 0,53 |
| Real GDP Growth                        | 3,4          | 2,3  | 1,9     | 2,6  |
| Labour Productivity Growth             | 0,5          | 0,7  | 1,4     | 2,2  |
| Real Unit Labour Costs                 | 0,1          | -0,2 | -1,2    | -0,9 |

Source: Eurostat

## FRANCE

### Summary

*Employment is lower and unemployment higher in France, as compared to EU averages. The French NAP is well structured and meets the main objectives of the Employment Guidelines.*

*France has developed a good combination between activation and prevention in the labour market policies. The prevention of youth employment and long term unemployment is clearly addressed as well as the integration of those who were left to drift into long term unemployment. In addition, the short-term measures (job-creation measures and training measures for young people and adults) dovetail well with the long-term measures (modernisation of the education system and systematic use of information and communication technologies).*

*Different initiatives have been taken or are under preparation. Provision for a negotiated reduction of the working time has been the focus of the government's policies on adaptability. Furthermore attention has been put on the "New Services/New Jobs" initiative and the Information and Communication Technologies development. Also the law on social exclusion was adopted on 29 July. The initiative to simplify the procedures for the creation of a business is particularly interesting. New initiatives on life long learning are under preparations. Equal opportunities are on the agenda and the policy framework is under discussion. The question of reconciliation of working life and family life has not yet been put at the top of the agenda.*

*The French NAP is supported by a restructuring of public expenditures and the allocation of additional means in terms of programme funding and personnel. The delivery system is given additional staff and restructuring is taking place. However, while their share is increasing, the active labour market programmes will still account for less than half of the total resources spent on employment.*

*The social partners were consulted on drawing up of the NAP and have been invited to participate actively in the implementation of certain measures. The role of the social partners has been spelled out more clearly in the implementation report. A more substantial contribution from the social partners is expected for the 1999 NAP.*

### I. The employment situation

In comparison with Community averages, the employment rate in France is lower and the unemployment rate is higher. Long-term unemployment is just below the European average.

In 1997 GDP increased by 2.2% and is expected to increase by 3.1% in 1998 as a result of a more favourable domestic demand situation.

The employment rate fell from 61.4% in 1992 to 60.1% in 1997. However the economic upturn since the sec-

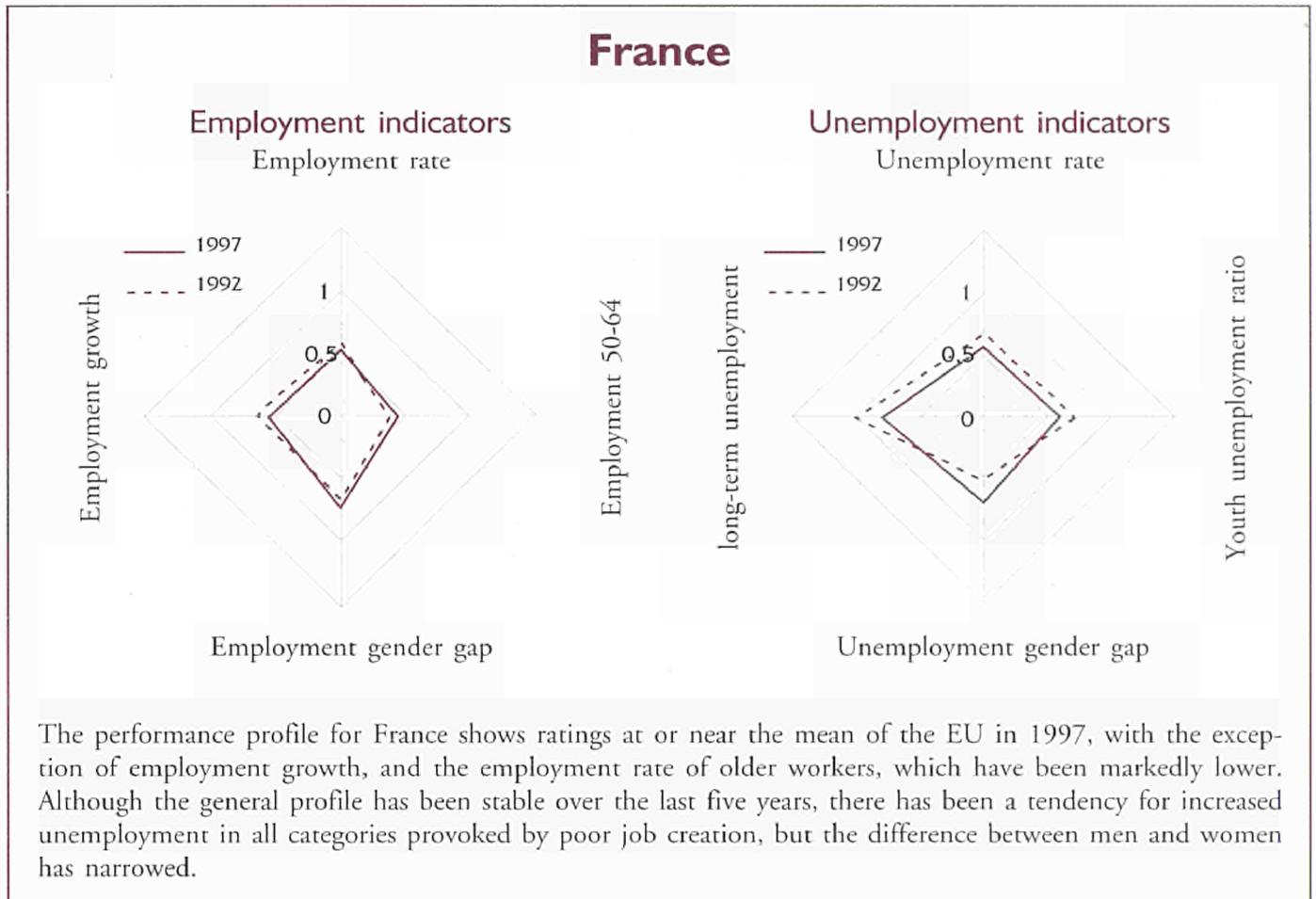
ond half of 1997 resulted in an increase of 1.8% in employment in the private sector over one year (23 000 jobs). It is expected that, overall, 380 000 jobs will be created in 1998.

The total unemployment rate increased from 10.4% in 1992 to 12.4% in 1997; for men unemployment grew from 8.3% to 10.7% and for women from 13% to 14.4% in the reference period. The unemployment ratio for the young grew from 8.6% to 9.9%, while long-term unemployment also increased from 3.5% to 5.0%. Between June 1997 and June 1998 unemployment fell by a total of more than 160 000. Young people and

men benefited from this improvement more than adults and women respectively. However, the proportion of long-term unemployed among job-seekers rose from 37% in June 1997 to 40% in June 1998.

In 1996 public labour market expenditure represented 3,13% of the GDP, active measures amounting to 1,32%

and passive ones to 1,81%. The part of active measures in relation to the total labour market expenditure increased from 38% in 1993 to 42% in 1996.



## 2. The NAP

As far as the *employability* pillar is concerned, the NAP fulfils the criteria of targeting beneficiaries satisfactorily, tackling flows and stocks, adopting a more preventive approach and activating policies. The activation approach is based on an individualised follow-up scheme and an increased role of the public employment services. 526 000 job-seekers are expected to benefit from the active measures.

Regarding *entrepreneurship*, the programme "New services, new jobs", which aims at promoting the creation of 150.000 new jobs for youngsters in 1998 in the

emerging collective services is particularly important. France is committed to a policy of an increasing reduction of the tax burden on labour, notably by the reduction of the non-wage labour costs for low skilled workers and a reform of the wage tax.

On *adaptability*, the French NAP intends to modernise the work organisation including the reduction and distribution of working time.

Concerning *equal opportunities*, a new multi-annual scheme, aiming to increase the hiring of disabled people within companies and to increase their level of qualification will be launched in 1998.

### 3. Implementation

Implementation of the NAP is well under way. Implementing laws and decrees have been published and the measures to strengthen job creation initiated (for example, the schemes to reduce working time and to provide young people with jobs).

On *employability*, measures were taken to modernise the State employment and training services and to provide them with more resources in order to implement the "new start" measures for 80 000 people in the third quarter of 1998 (e.g. reinforcement of public employment services by 1 000 agents). The Act on combating exclusion was adopted on 9 July; this marks the launch of the "Trace" (Pathways to employment) programme which should benefit 10 000 people in 1998. Qualification contracts, which were previously restricted to young people, will be extended to adults. Other implemented measures concern: the work of drafting - in association with social partners - the new Act on vocational and lifelong training, the increasing of the number of "remedial classes" and the use of the new ICT at school.

Under *entrepreneurship* the measures concern: the simplification of formalities for employers concerning social contributions and the recruitment of new workers as well as the reduction to one day of the time taken to create a business; the creation of a public risk-capital fund; the creation of 120 000 jobs by September 1998 (out of a total of 350 000 planned for the year 2000) under the "New jobs/new services" programme. The Government has commissioned a report on the reduction of the tax burden in order to promote employment, which has triggered the debate both in Parliament and among the social partners.

On *adaptability*, following the adoption of the legislation setting up a negotiated reduction of weekly working time to 35 hours until 2000 (2002 for SMEs), an information campaign was launched in order to mobilise the social partners. By end September 1998, 320 agreements had been signed concerning 45 500 workers and involving the creation of 3 500 subsidised jobs. Other measures concern the recruitment of workers by groupings of employers and the drafting of a law designed to enhance cooperation between schools and businesses, especially Small and Medium sized enterprises.

Concerning *equal opportunities*, mention should be made of the planned discussion of the constitutional bill on *equal opportunities* for men and women in the coming Autumn, the creation of an equal opportunities obser-

vatory and the establishment of the Higher Council for Equal Opportunities at Work, which will provide appropriate backup for the implementation of the main strategies of the future NAP.

The number of people benefiting from the active measures will be increased by giving greater responsibility to the local branches of the State employment service. The involvement of the local players is also considered crucial to the implementation of the "New jobs/new services" programme and the "Trace" programme. Finally, Departmental Councils for Integration and Employment have been set up for facilitating personalised pathways to employment at municipal level and bringing together all the public and private players in the local area.

Monitoring focuses on the preparation of monitoring and evaluation indicators, which are listed in the annex to the NAP.

The overall funding of the NAP measures is ECU 17 billion in 1998 and ECU 19 billion in 1999.

### 4. Contribution from the Social Partners

On top of their direct contribution to the implementation of the law on the reduction of the working time, the social partners have given an undertaking to discuss together the content of the NAP with a view to the Vienna European Council and the drafting of the next NAP for 1999. A Social Dialogue Committee will be set up in the second half of 1998. In addition, an ESF advisory committee, bringing together all the players (social partners, associations, local authorities and administrations), will be responsible for links between the ESF and the NAP and for follow-up. Lastly, the social partners will be closely involved in the preparation of the bill on life-long training.

### 5. The role played by the Structural Funds

The NAP specifies the contribution of the ESF to the various measures, including the corresponding levels of funding. It is worth noting that the ESF co-finances the 'Loi d'Exclusion Sociale'. The ESF will contribute ECU 493 million in 1998 and ECU 678 million in 1999, which represents 2.9% of the total funding of the NAP in 1998 and 3.6% in 1999.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 60,1        | 60,3 | 61,4 | 60,5 |
| Men  | 67,7        | 68,0 | 70,8 | 70,5 |
| Women  | 52,7        | 52,8 | 52,3 | 50,5 |
| Total Employment Rate (full time equivalent) | 56,4        | 56,7 | 57,4 | 55,5 |
| Men  | 67,2        | 67,4 | 69,3 | 68,7 |
| Women  | 46,1        | 46,4 | 46,1 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 12,4        | 12,4 | 10,4 | 10,7 |
| Men  | 10,7        | 10,6 | 8,3  | 9,3  |
| Women  | 14,4        | 14,5 | 13,0 | 12,4 |
| Youth Unemployment Ratio                     | 9,9         | 9,7  | 8,6  | 9,8  |
| Men  | 9,9         | 9,4  | 7,9  | 9,9  |
| Women  | 9,9         | 10,0 | 9,3  | 9,6  |
| Long-Term Unemployment Rate                  | 5,0         | 4,7  | 3,5  | 5,2  |
| Men  | 4,2         | 3,8  | 2,6  | 4,5  |
| Women  | 5,9         | 5,8  | 4,7  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | 0,09         | 0,01 | -0,03   | 0,53 |
| Real GDP Growth                        | 2,2          | 1,4  | 1,4     | 2,6  |
| Labour Productivity Growth             | 2,5          | 1,5  | 1,6     | 2,2  |
| Real Unit Labour Costs                 | -1,1         | 0,1  | -0,5    | -0,9 |

Source: Eurostat

## IRELAND

### Summary

*The Irish economy has grown by 45% over the period 1992 to 1997. This has impacted strongly on labour market conditions, in particular through significant employment growth, as well as a marked reduction in the rate of long-term unemployment. A specific target is set in the NAP to reduce the total unemployment rate to 7% by end 2000, while maintaining the trend reduction in long-term unemployment.*

*The Irish NAP places most emphasis on the **Employability** pillar. Ireland has a high percentage of active labour market policies. While policy is moving towards the preventive strategy, the NAP seeks to achieve a balance between a preventive and a curative approach. Preventive measures focus on engaging first with the young unemployed crossing the sixth month unemployment threshold and later with older workers as they pass the twelfth month unemployment threshold. While Ireland is already attaining the 20% target on the basis of a broad definition of active policies, a commitment is made to raise the participation level of the long term unemployed in mainstream training from 11 to 20%. These initiatives show a change of course towards the preventive approach, but do not address fully the preventive targets in the Guidelines. Ireland will benefit from a decisive policy of prevention, combined with traditional efforts to reintegrate the high number of current LTU. In addition, the effectiveness of the instrumentation in this area will be determined by the extent to which resources are made available*

*The Commission and the Irish Authorities are in agreement that Ireland should demonstrate in the 1999 report on the NAP how the agreed targets will be reached.*

*Under the **Equal Opportunities** pillar institutional and legislative reform has been far-reaching. This is a significant policy shift and future Naps will have to report on the implementation of this reform.*

*Since 1987, social partnership has become an integral and institutionalised dimension of Irish economic and social policymaking, a basis for the successful economic growth policy. Many of the substantive issues identified in the NAP have already been addressed in Partnership 2000. A regular reporting of progress to social partners will be organised.*

### I. The employment situation

In sharp contrast to the EU as a whole, Ireland has generated large and continuous job gains over the years 1993-1997 and into 1998. At the same time the rate of unemployment has been reduced by one third over the corresponding period.

The Irish economy has exhibited exceptional growth throughout the 1990s. Real GDP increased by 45% between 1992 and 1997. There has been no sign of any slackening in the pace of activity this year, with the

GDP growth rate for 1998 having recently been revised upwards to 8.7%.

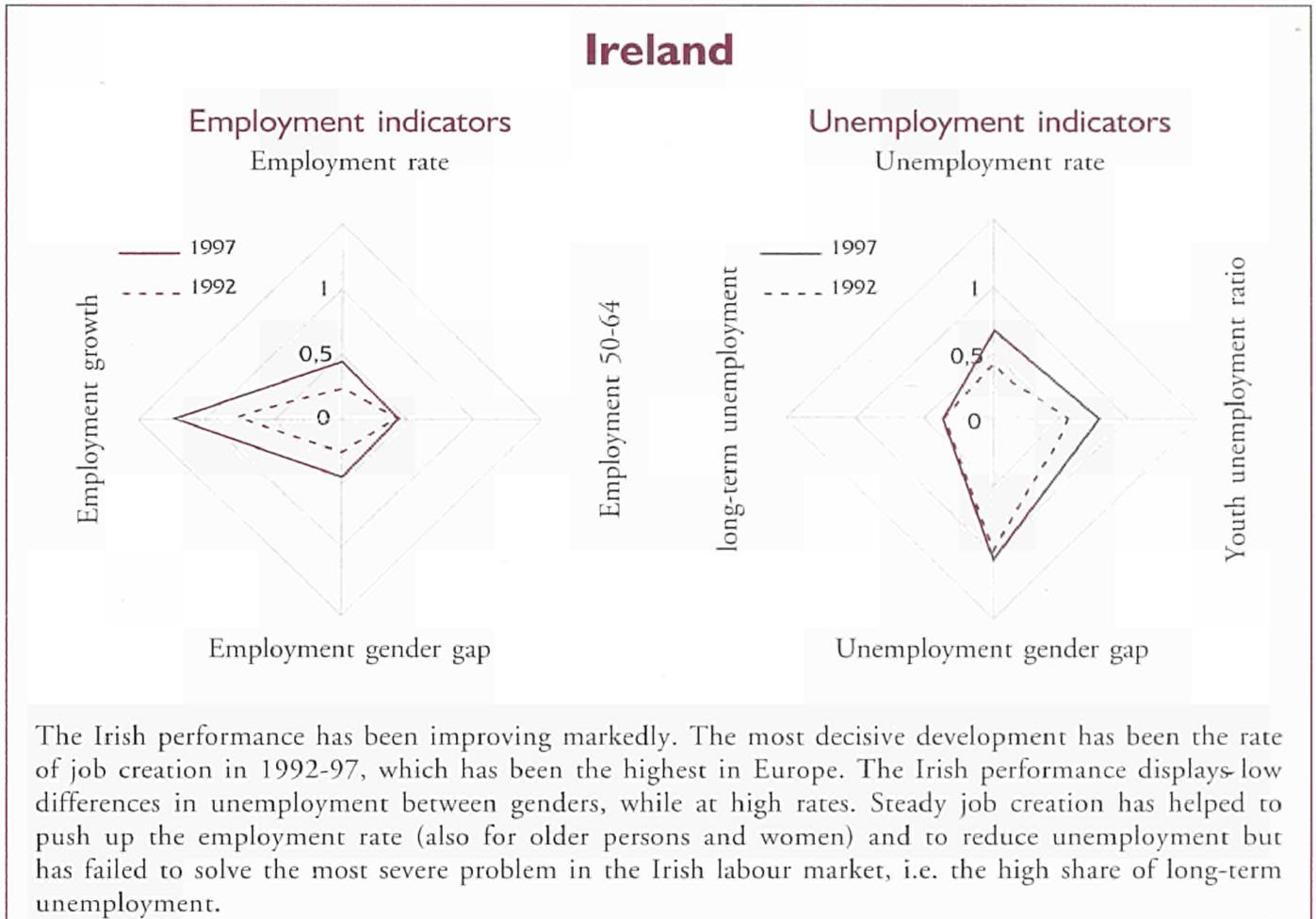
Sustained growth has raised employment and has been sufficient to bring about a significant reduction in unemployment despite rapid labour force expansion between 1992 and 1997, employment growth averaged 3.6% annually between 1992 and 1997, powered by an annual average decline of 2% in real labour unit costs.

The unemployment rate fell by one-third between 1992 and 1997, declining from 15.4% to 10.1%, with a

further cut to 9% by August 1998. Long-term unemployment rates have contracted sharply since 1994: between 1992 and 1997 the long-term unemployment rate fell from 8.7% to 5.7%. However, as a share of total unemployment, long-term unemployment remains high, especially for men. In the same period, the youth unemployment ratio tightened from 10.5% to 7.2%.

Total unemployment rates are similar amongst men and women.

At 1.75% of GDP in 1996, Irish public expenditure on active labour market measures was amongst the highest in the EU. Total expenditure on labour market policy accounted for 4.1% of GDP.



## 2. The NAP

The Irish NAP places most emphasis on the *Employability* Pillar. It seeks both to diminish flows into longer-term unemployment and to reduce the existing stock of long-term unemployed. A specific target is set to reduce the total unemployment rate to 7% by end 2000, while maintaining the trend reduction in long-term unemployment.

Preventive measures focus on engaging first with the young unemployed crossing the six-month unemployment threshold, and later with older workers as they pass the twelve-month unemployment threshold. These initiatives show

a new orientation in labour market policy, if not yet a decisive shift towards the preventive approach. Irish Authorities will be required to demonstrate that they have the capacity to satisfy the quantitative dimension which is fundamental to these guidelines.

As far as the activation target is concerned, Ireland already has one of the highest level of expenditure on active labour market measures as a proportion of GDP and considers that it is already attaining the 20% target. Increased participation by the long-term unemployed on both temporary employment schemes and recruitment support has, in conjunction with the buoyancy in the labour market, contributed to the sharp fall in long-term unemployment

referred to above. There has been a particular problem relating to levels of participation by LTU in training programmes. Ireland undertakes to raise such participation in mainstream training from 11 to 20%. Ireland signals a need to increase the nature and scope of such participation and to address the current financial obstacles and disincentives affecting participation by the long-term unemployed.

The NAP tries to strike a balance between preventive and curative activities. However, given that the long-term unemployed still account for more than half of total unemployment, a stronger impetus on prevention would be beneficial.

Mobilisation of people and resources on the scale required to meet the commitments given will not be easy. When systems are fully operational for engaging with both the younger and older unemployed groups, this will mean counselling and placing between 70,000 and 100,000 people a year. Front-line staff in the national Training and Employment Authority has been increased by 200 to meet this new client base.

In relation to the *Entrepreneurship* pillar, policy focus in the NAP is already shifting towards an easing of the administrative burden particularly as it relates to Small and Medium size enterprises. In addition, the employment potential of the Social Economy is being assessed as well as fiscal reform aimed at rewarding the financial returns from work. At a wider level, the operationality of the new Enterprise Ireland agency must be awaited in order to obtain a clearer indication of the wider policy direction being pursued in relation to *entrepreneurship* (particularly indigenous) as a whole. Under the *Equal Opportunities* pillar institutional and legislative reform has been far-reaching. There is a clear recognition in the NAP of the strategic relevance of Childcare provision as an important instrument in improving access to the labour market. However, it is recognised that the policy focus must now shift towards a more effective implementation of this reform process.

### 3. Implementation

In policy terms, primacy has been accorded to *Employability*. Systematic engagement with the unemployed is a novel approach in Ireland. As a result, detailed implementation strategies have been concentrated on the prevention of youth and adult unemployment. To date, efforts have centred on mobilising resources and preparing organisationally for the launch of new ini-

tiatives. Structural Funds have been provided to seed joint systems of information exchange between the Training and Employment Authority and the Department of Social, Community and Family Affairs. A Memorandum of Understanding and a series of Protocols on co-operation have been concluded between these two key actors. The Training and Employment Authority have mobilised additional front-line staff to engage with the unemployed and the National Employment Service is being overhauled to meet its new tasks.

Implementation of the new preventive strategy for young people commenced in September 1998. Given that instrumentation has been historically weak in this area, this represents an important re-orientation of Irish labour market policy. In relation to adults, it is proposed to phase in the relevant measures within the 5 year time-frame but to balance this approach with on-going programme support for those already in long-term unemployment. However, it is unclear from the stated strategy when such measures will be initiated although it is intended to draw on the experience gained from the young persons' measure.

Continuing progress has been made in developing *Entrepreneurship* and encouraging *Adaptability*. In relation to *Entrepreneurship* this is reflected in the 1998 budgetary provisions to cut income taxes (thus increasing the financial return from work) and to reduce corporation taxes. Further progress is envisaged on reducing taxes on lower-paid jobs. While a strategy and development framework for promoting the Social Economy has also been worked out in conjunction with the Social Partners. Under the *Adaptability* pillar new policy initiatives (a National Competitiveness Council and a National Centre for Partnership) will ensure that organisational structures have the capacity to better respond to changing human resource development needs in the workplace.

The Equality pillar has been supported principally by institutional and legislative reforms. An Employment Equality Act was enacted in June 1998, and a Parental Leave Act followed in July, while an Equality Authority is also proposed.

Monitoring the implementation of the NAP is provided for at a number of levels. In the first instance, under the Partnership 2000 structures, provision has been made for regular reporting of progress to the Social Partners. At administrative level, progress is also monitored through the Inter-Departmental Strategy Group on Employment chaired by the Office of the Taoiseach (Prime Minister). In addition, a dedicated

Performance Monitoring Group has been established to monitor progress and performance in relation to the 'preventive' strategy. Finally, in view of the fact that many of the components of the NAP are in receipt of Structural Fund support, there will be regular reporting of performance to the various Operational Programme Monitoring Committees.

#### 4. Contribution from the Social Partners

The ICTU/IBEC Joint Statement on Partnership and *Adaptability* formed an integral part of the NAP. Many of the substantive issues identified in the NAP have already been addressed in Partnership 2000. As indicated under Section 3, there will be regular reporting of progress under the NAP to the Social Partners.

#### 5. The role played by the Structural Funds

Information on the impact of the ESF contribution has been provided for 1998. Given its importance in the Irish context, the symmetry and complementarity between European Social Fund funded measures and the NAP is recognised although the strategic dimension remains somewhat weak. This is due in part to the fact that commitments under European Social Fund programmes were developed before the NAP was formulated.

Also crucial from the perspective of the ESF in Ireland context, is the strategically important role of the Department of Education and Science in copper-fastening the overall preventive labour market orientation being pursued under the NAP (e.g. improvements in pre-school and primary-level education, provision of alternative options for Early School Leavers and second-chance educational opportunities for the unemployed).

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 57,8        | 56,3 | 52,4 | 60,5 |
| Men  | 70,2        | 69,1 | 67,3 | 70,5 |
| Women  | 45,3        | 43,3 | 37,3 | 50,5 |
| Total Employment Rate (full time equivalent) | 53,2        | 51,5 | 48,4 | 55,5 |
| Men  | 67,0        | 65,1 | 63,4 | 68,7 |
| Women  | 39,2        | 37,8 | 33,1 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 10,1        | 11,6 | 15,4 | 10,7 |
| Men  | 10,0        | 11,5 | 15,1 | 9,3  |
| Women  | 10,3        | 11,8 | 16,0 | 12,4 |
| Youth Unemployment Ratio                     | 7,2         | 7,9  | 10,5 | 9,8  |
| Men  | 8,2         | 8,9  | 12,1 | 9,9  |
| Women  | 6,2         | 6,8  | 8,8  | 9,6  |
| Long-Term Unemployment Rate                  | 5,7         | 6,9  | 8,7  | 5,2  |
| Men  | 6,4         | 7,5  | 9,2  | 4,5  |
| Women  | 4,6         | 5,9  | 7,7  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | 4,97         | 3,65 | 3,63    | 0,53 |
| Real GDP Growth                        | 10,6         | 8,3  | 8,5     | 2,6  |
| Labour Productivity Growth             | 5,7          | 3,5  | 4,4     | 2,2  |
| Real Unit Labour Costs                 | -0,8         | -0,3 | -2,0    | -0,9 |

Source: Eurostat

## ITALY

### Summary

*The Italian labour market is characterised by low employment and high unemployment, one of the highest rates of long-term unemployment in the EU and severe imbalance between the North and the South.*

*The recent adoption of a tailor made approach vis-à-vis the newly unemployed shows that efforts are being made towards preventing the drift into long-term unemployment. The announced adjustment of the eligibility criteria and the cleared targeting of **employability** measures are also expected to improve their effectiveness. However, **employability** policies are still mainly based on a curative approach. Even though preventive measures are being introduced, a large number of interventions are not available until a person has become long term unemployed. This falls short of addressing fully the prevention targets set by the Guidelines.*

*According to the implementation report the activation target will be exceeded in 1998. There is a commitment to make available the financial resources for this effort.*

*The Commission and the Italian Government are in agreement that the preventive approach in the next NAP needs to be strengthened in order to avoid further inflow into long term unemployment and to make a further restructuring from passive to active measures. Given the continued big inflow into long-term unemployment Italy will benefit from a decisive policy of prevention.*

*As far as the other three pillars are concerned, while proposing a consolidation of existing policies, the NAP introduces some new measures. Policies to encourage **entrepreneurship** are traditionally strong in Italy. Recent reforms of labour law, based on the 1996 tripartite Labour Pact will allow substantial improvements as far as **adaptability** is concerned. Further action to reduce the wide gender gap is still needed. The involvement of the social partners in the implementation of the employment policies is systematic through social dialogue.*

### 1. The employment situation

The employment rate remains lower than the EU average, and unemployment is two points above the Community average. Long-term unemployment is higher than the EU average.

After a modest average growth (1.2%) in the period 1992-1997, GDP is expected to increase more in 1998 and 1999.

Employment decreased sharply (-1.36% on average) between 1992 and 1997 with a marginal rise in 1996 and 1997, largely due to female employment. Over the same time-span the employment rate fell steadily and is

currently only 51.3% (36.7% for women), well below the EU average of 60.5%.

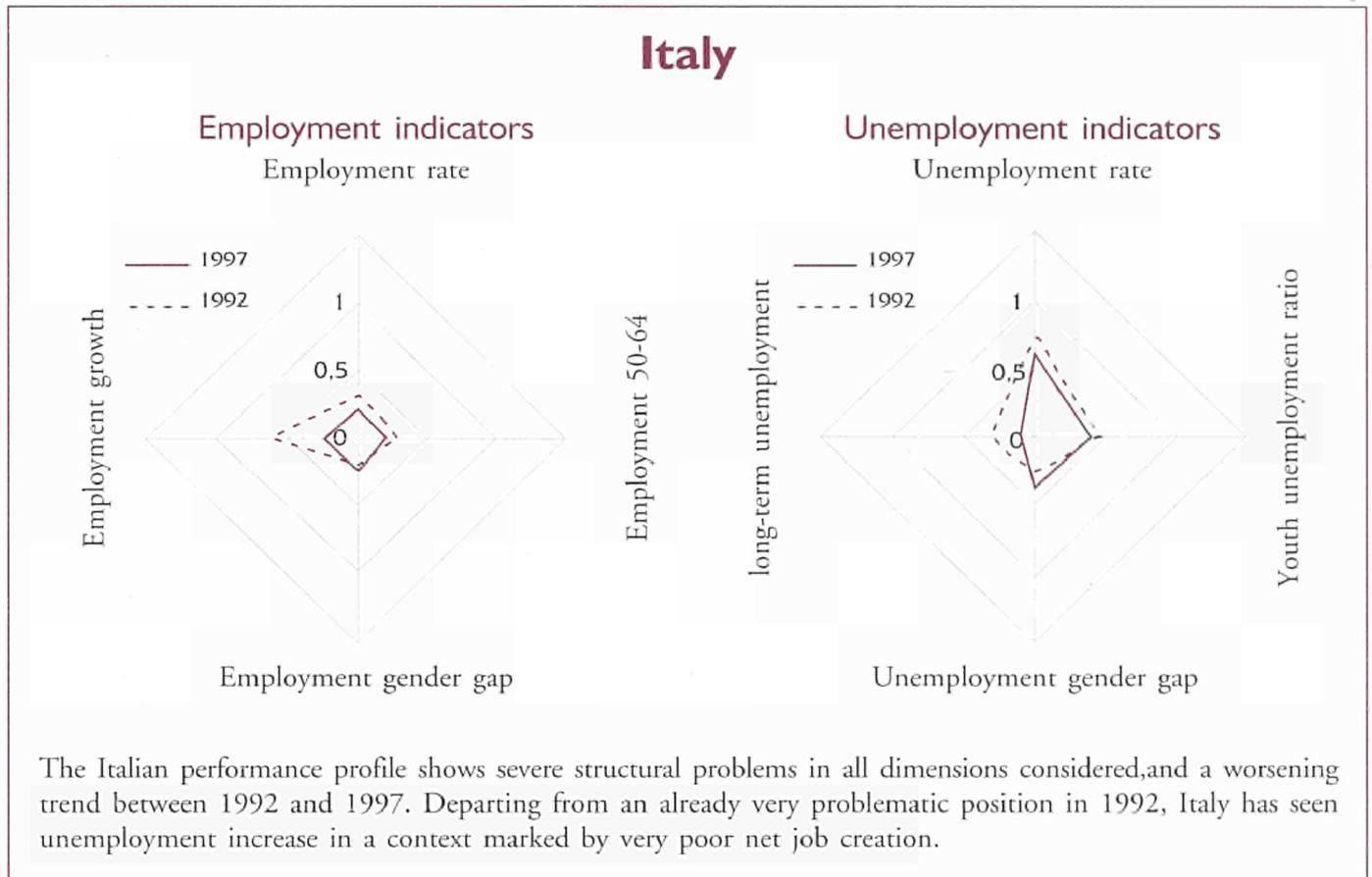
The labour supply increased, so that the unemployment rate confirmed its upward trend in 1997, reaching 12.1%. The long-term unemployment rate rose continuously between 1992 and 1997 (from 5.3% to 8.1%), representing two-thirds of total unemployment (as against an EU average of 50%) and the lowest performance rating in the EU. The high unemployment rate among young people slightly decreased in 1997 (12.8%) after a constant upward trend since 1992 (11.8%).

The gender gap is amongst the highest in the EU. Female employment has been growing, but is still only about

half of male employment. Though, female activity rate has been increasing all over the period 1992-1997 (+1.1%).

The national policy priority remains the high unemployment levels in the South where long-term unemployment is mainly concentrated.

Total expenditure in labour market policies in terms of GDP was 2% in 1996 slightly lower than the EU average according to OECD data. Spending for active measures (1.08%) exceeded that for passive measures (0.88%).



## 2. The NAP

The Italian NAP places particular emphasis on the *employability* pillar. In Italy high levels of unemployment affect the Southern regions, where long-term unemployment is particularly concentrated. Measures targeted to reintegrate this group into work have been largely promoted, also in order to relieve particularly difficult social conditions. By and large interventions do not take fully into consideration the 6 and 12 months unemployment thresholds and stronger emphasis on prevention would be beneficial. With regard to the activation target, the jobless participating in training, or other active labour market policy measures with a training content, should increase from 18% in 1997 to 30% in 1998.

A first attempt to switch towards a more preventive approach is being introduced. A pathway approach enhancing *employability* may be identified following recent reforms adopted in 1997. New, reshaped employment and placement services are being shifted to regions. For the first time the 'Guidance and Information Plan', run by regional Public Employment Services, introduces a tailor-made pro-active approach in delivering job-search assistance and training to all unemployed. Several measures may apply as soon as the school cycle is completed, or from the first day of unemployment (e.g. new apprenticeship, work-training contracts).

In line with the European preventive strategy, a re-orientation of measures aimed at integration or re-integration into the labour market, including the changing

of the eligibility criteria and clearer targeting of young people and adults, has also been proposed. Moreover, the simplification and re-targeting of the main employment incentives and the gradual reduction in the number of measures with short-term impact has been proposed in the last budget law.

As regards education, it is intended to improve actions aimed at enhancing life-long learning, reducing drop-out rates and increasing skill delivery.

Insofar as the other three pillars are concerned the NAP proposes essentially a consolidation of existing policies.

Efforts aimed at boosting *entrepreneurship* consolidate measures facilitating business start-ups. Services to enterprises are coupled with reduction of administrative and tax burden, and of labour costs, in particular for Small and Medium-sized Enterprises. Links with University and scientific research will be reinforced. The number of tripartite local agreements in less developed areas is increasing. These introduce wage flexibility in line with the lower labour productivity of the South, thus allowing a substantial reduction in labour costs (up to 25-30%). In this context, the Manfredonia area contract, mentioned in the implementation report amongst the examples of good practice, is the most advanced experiment in negotiated planning at local level.

On *adaptability*, the 1996 tripartite Labour Pact is being implemented through enabling legislation introducing flexibility in work organisation and working time arrangements (temporary work, fixed-term contracts, apprenticeship, seasonal contracts, part-time work, tele-working, job-sharing). Early results are encouraging as the proportion of flexible forms of contracts is increasing.

As to the policies for *equal opportunities*, beyond some measures targeted at specific disadvantaged beneficiaries, the reduction of the gender gap is mainly pursued by greater integration between improving *adaptability* and developing *entrepreneurship* (e.g. adapting employment contracts to female labour supply, liberalising the trade sector). Recent administrative acts aim at mainstreaming initiatives to tackle the gender gap.

Overall information on financial resources is provided, even if only the 1999 Budget law will set forth the precise allocations for the NAP's action. As to specific targets (young and adult unemployed), financial details are given regarding apprenticeship, work-training contracts, insertion plans. Also, clear financial details are

given with regard to measures co-financed by European Social Fund.

Initiatives are scheduled to reinforce public employment services staff and technical resources. In the framework of the regionalisation of active labour market policy, new public employment service officers will be trained (about 7.000 employees), and the prototype for an integrated information system and a computerised monitoring of all measures and projects promoted by the central Government will be set up.

The timetable for the implementation of the measures is indicated in some cases, including for measures that have not yet been adopted (draft laws on undeclared work and tele-work, reform and simplification of the incentives system).

### 3. Implementation

On *employability*, the new initiative aimed at enhancing the preventive approach has been launched: the 'Guidance and Information Plan' is being implemented with roughly 17% of young unemployed receiving job-search assistance as soon as they register as job-seekers and regardless of the length of their unemployment spell. All regions are adopting the necessary legislative initiatives concerning the setting-up of the new placement services. New forms of apprenticeship (pilot projects in the building and engineering sector) are starting. In order to facilitate the reintegration into work and to support poor social conditions a minimum income subsidy for the unemployed has been introduced. This requires recipients to be participating in training measures.

Given the high stock of adult unemployment, a number of measures for adults continue to concentrate mainly on activation after long spells of unemployment. However, a reorientation of measures focused on the reemployability of adults has been promoted. Priority has been given to back-to-work action for long-term unemployed and to reintegration of workers on Socially Useful Jobs schemes by means of self-employment, micro-entrepreneurship and co-operatives.

As to *entrepreneurship*, a Solidarity Pact was signed between the Prime Minister and the permanent forum of the voluntary and co-operative sector, thus recognising the role played by NGO's in job creation.

For *equal opportunities*, between women and men an inter-governmental agreement was reached to enhance

female entrepreneurship. The Observatory on the impact on female employment of flexibility measures was set up. In relation to the involvement of key institutional actors in the implementation of the NAP, the role of the regional and local authorities is clarified. Non-Government Organisations are playing an increasingly important role in job creation in the social economy. The social partners are active in implementing all measures where their involvement is pertinent. In some cases, the labour legislation itself calls for this involvement (i.e. apprenticeship, in-house training, continuing training, local agreements).

Monitoring of the NAP at central level is spearheaded by a new inter-ministerial committee. A monitoring task-force has been set up at the Ministry of Labour and Works in close contact with regions and social partners. The European Social Fund autonomous monitoring mechanism covers many NAPS measures included in the NAP.

#### 4. Contribution from the Social Partners

Tripartite social dialogue is based on the Incomes Policy Protocol (1993) and on the Labour Pact (1996). The former allowed strong wage moderation and labour cost reductions over years, the latter paved the way for increased labour market flexibility. The implementation of most NAP measures takes places systematically through social dialogue.

#### 5. The role played by the Structural Funds

The European Social Fund plays an important role in the implementation of almost all guidelines. The information on the Fund contribution in comparison with overall financial resources is not provided. Nevertheless, it can be roughly estimated that, over a global spending in active labour market measures of 1.8 billion ECUs, the ESF contribution is 1.2 billion.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 51,3        | 51,4 | 53,7 | 60,5 |
| Men  | 66,2        | 66,5 | 70,8 | 70,5 |
| Women  | 36,7        | 36,6 | 37,2 | 50,5 |
| Total Employment Rate (full time equivalent) | 49,3        | 49,5 | 51,5 | 55,5 |
| Men  | 64,8        | 65,1 | 69,0 | 68,7 |
| Women  | 34,3        | 34,3 | 34,7 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 12,1        | 12,0 | 9,0  | 10,7 |
| Men  | 9,3         | 9,4  | 6,5  | 9,3  |
| Women  | 16,6        | 16,4 | 13,2 | 12,4 |
| Youth Unemployment Ratio                     | 12,8        | 13,1 | 11,8 | 9,8  |
| Men  | 12,1        | 12,9 | 11,1 | 9,9  |
| Women  | 13,5        | 13,3 | 12,4 | 9,6  |
| Long-Term Unemployment Rate                  | 8,1         | 7,9  | 5,3  | 5,2  |
| Men  | 6,4         | 6,1  | 3,8  | 4,5  |
| Women  | 11,0        | 11,0 | 7,9  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | 0,03         | 0,48 | -1,36   | 0,53 |
| Real GDP Growth                        | 1,5          | 0,7  | 1,2     | 2,6  |
| Labour Productivity Growth             | 1,5          | 0,5  | 2,1     | 2,2  |
| Real Unit Labour Costs                 | 0,4          | 0,0  | -1,9    | -0,9 |

Source: Eurostat

## LUXEMBOURG

### Summary

*Luxembourg has a good record in terms of job creation and low unemployment, but has a big gender imbalance in the labour market.*

*Luxembourg distinguishes itself from the other Member States insofar as its NAP is the result of a tripartite agreement. From the outset, the social partners have been fully involved and are equal partners through a tripartite committee in the development, implementation and monitoring of the NAP. Luxembourg also chose an original way to implement the NAP; a draft law covering the entire plan now is before Parliament.*

*A new start will be provided within 3 and 6 months well before deadlines set for youth and adult long-term unemployment. The activation target of 20% unemployed will be exceeded, as the aim is to achieve a figure of 25% within 18 months time.*

*The improvement of the employment rate of long-term unemployed will be achieved by strengthening existing procedures and by providing on-the-job training in firms.*

*The Luxembourg authorities will develop policies to ease the access of women to the jobs' market, to reform parental leave, and to create additional childcare facilities. This should result in a positive effect on women's employment rate.*

*The Public Employment Services are well developed and in partnership with all actors involved are very important in the early identification of labour market needs. Each individual receives a personal interview setting out his or her own integration plan and is monitored during the whole process and even after placement in an enterprise.*

*As Luxembourg is at the centre of an Euro-region that has about half a million frontier workers who are out of work at the present time, a proportion of the jobs created in Luxembourg will be filled from across the frontier.*

### 1. The employment situation

The employment rate in Luxembourg is at the Community average, and although the overall unemployment rate and that for youth are the lowest in Europe, the overall rate has more than doubled over the last 10 years.

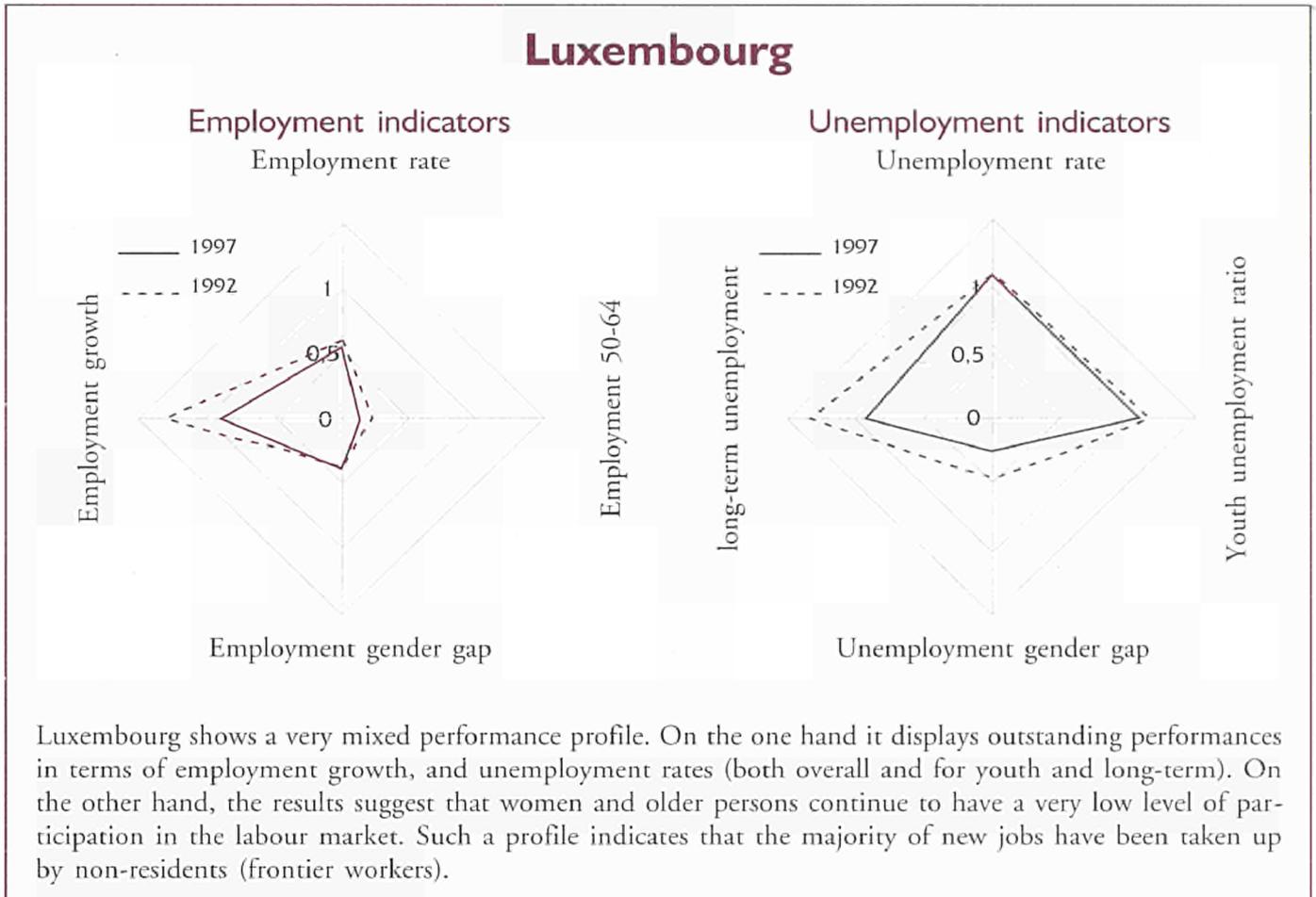
Luxembourg's economy has enjoyed continuous growth over the last decade including 4.1% in 1997.

This continuous growth is behind a net increase in employment, which gave a yearly average of 2.8% over the period 1985 to 1997. Frontier workers, from the Saar/Lorraine/Rheinland-Pfalz region and the Belgian province of Luxembourg, account for 31% of employment. Those frontier workers take more than 80% of the newly created jobs. This explains the paradox between a decreasing national employment rate and a high continuous employment growth.

The total number of people out of work rose to around 6 300 in 1997 (representing a jobless rate of 2.6%). The latest figures show this negative trend being reversed. The rise in youth unemployment, the relatively high level of long-term unemployment and the high number of inactive persons in the over-50 age group are matters of concern for the authorities and social part-

ners alike. In addition, the rate of employment among women, at 46.5% is in the lower band of the EU average.

Total public expenditure for labour market measures amounts to 1% of GDP, and about one-third of this is spent on active measures.



## 2. The NAP

The measures announced with respect to employability are basically aimed at prevention, in particular at stopping young people joining the ranks of the unemployed. This new approach sets out to identify needs at an early stage and to provide close individual counselling and which will be underpinned by an increase in highly qualified public employment service staff. The Luxembourg NAP goes beyond the Guidelines, since the intention is to provide a new start by the third or the sixth month of unemployment.

The objective is to activate 20% of the unemployed; this will certainly be exceeded in that the Luxembourg

NAP aspires, from 1999 onwards, to achieve a figure of 25%. It establishes various measures to ease access to jobs, for establishing firms and developing risk-capital markets, to encourage *entrepreneurship*. It should be stressed that the authorities are determined to co-ordinate the simplification of administrative procedures across the board.

Numerous measures and incentives are envisaged to improve *adaptability*. The tripartite agreement on working-time patterns and work organisation deserves special mention in that it places responsibility on the social partners within a new legislative framework. The Luxembourg authorities are making a considerable effort on the *equal opportunities* front. The principle of main-

streaming is used throughout the NAP and introduces the idea of parental leave. The parental leave (6 months leave for each of the parents paid at 1.500 ECU per month with a guarantee of reintegration in their job) should have a significant impact on the labour market. The ambitious aim, namely the creation of 1 000 additional nursery places for children, merits a special mention.

The implementation of the various measures will require additional direct budgeting of 60 MECU per year, representing 0.4% of GDP.

### 3. Implementation

The path chosen by the Luxembourg authorities for implementing the new provisions devised under the NAP by the tripartite committee is both original and innovative. The Government placed before Parliament (on 3 August 1998) a draft bill covering the entire plan. In Parliament the examination of this bill by an ad hoc commission will be given priority in Parliament, and a vote is due by the end of the year so that the essential provisions can take effect on 1 January 1999.

Apart from the amendments already introduced elsewhere, almost all the provisions required to achieve the aims of the NAP are contained in the bill. Although its structure deviates slightly from the four-pillar, entitled "Bill for the implementation of the National Action Plan for employment"; it adheres strictly to the solutions agreed by the tripartite co-ordination committee when the NAP was submitted.

Government departments have not yet completed their evaluation of the financial implications of the various measures. The *entrepreneurship* measures will probably absorb 25 MECU principally via the fiscal incentive measures in favour of Small and Medium sized enterprises and self-employed, whereas the introduction of parental leave can also be estimated at a cost of 25 MECU per year. The creation of 140 additional jobs in the public sector to manage and implement the NAP will cost 3.7 MECU annually. The total expenditure will be partly covered from within the national budget and partly generated from an additional tax of 1 franc on petrol, a step that should channel some 20 MECU into the employment fund.

The standing committee on employment (tripartite committee) will be responsible for the follow-up work. It will regularly review progress made, and a comprehen-

sive impact assessment is to be carried out as from the third year or, at the latest, in five years. The employment authorities have been publishing a monthly bulletin on the jobs market since January 1998.

Over the first five months of 1998, the number of people benefiting from existing active employment-promotion measures increased by 50% in year-on-year terms.

### 4. Contribution from the Social Partners

The measures described in the NAP were agreed jointly with the social partners. The contents of the guidelines adopted at the Luxembourg European Council were included in the Collective Agreements Act as compulsory components of collective negotiations: employment will thus become one of the central issues for industrial relations in Luxembourg.

The social partners will be obliged to negotiate on work organisation and patterns of working time, firms' training policy, increasing employment, and *equal opportunities* in the firm or sector concerned.

### 5. The role played by the Structural Funds

The Luxembourg NAP attaches considerable importance to broadening and intensifying "innovative" measures launched with the support of the ESF over the last few years, which include:

- early identification of needs and individual counselling,
- promotion of continuing vocational training in firms (by use of Objective 4);
- the creation of special centres to handle SME-related formalities (i.e. a single office for dealing with administrative procedures).

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 60,6        | 59,6 | 62,0 | 60,5 |
| Men  | 75,6        | 75,0 | 76,8 | 70,5 |
| Women  | 46,5        | 43,0 | 46,6 | 50,5 |
| Total Employment Rate (full time equivalent) | 58,4        | 57,3 | 59,4 | 55,5 |
| Men  | 75,6        | 74,5 | 76,5 | 68,7 |
| Women  | 41,0        | 40,3 | 42,0 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 2,6         | 3,0  | 2,1  | 10,7 |
| Men  | 1,8         | 2,2  | 1,7  | 9,3  |
| Women  | 3,8         | 4,3  | 2,8  | 12,4 |
| Youth Unemployment Ratio                     | 2,7         | 3,8  | 1,9  | 9,8  |
| Men  | 2,2         | 4,3  | 2,2  | 9,9  |
| Women  | 3,2         | 3,2  | 1,6  | 9,6  |
| Long-Term Unemployment Rate                  | 0,9         | 0,9  | 0,4  | 5,2  |
| Men  | 0,6         | 0,7  | 0,3  | 4,5  |
| Women  | 1,3         | 1,2  | 0,5  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth*             | n.a.         | 2,58 | 1,86    | 0,53 |
| Real GDP Growth                        | 4,1          | 2,6  | 3,6     | 2,6  |
| Labour Productivity Growth             | 1,8          | 0,0  | 1,2     | 2,2  |
| Real Unit Labour Costs                 | -1,5         | 1,3  | -1,0    | -0,9 |

Source: Eurostat

\*LU average=92-96

## NETHERLANDS

### Summary

*The Dutch labour market has performed relatively well in terms of job creation and reduction of unemployment. However, the Netherlands still has one of the lowest rates of participation of persons above 55 in employment. The Dutch NAP provides a solid basis for tackling the key problems of the labour market. Following the recent elections, the new government has put forward a revision of its employment strategy, which clarifies to a large extent the general policy framework laid down in the NAP.*

*Personalised integration plans are to be the major tools to prevent youth unemployment and long-term unemployment. They also have their place in reintegrating those who have slipped into long-term unemployment. The new Dutch government is planning to implement a preventive approach according to the second guideline. The Commission and the Dutch government are in agreement that the next NAP will give the detailed plans on this approach.*

*Different initiatives are being taken or are under preparation by the new Dutch government to implement the four pillars. To encourage entrepreneurship and boost job creation the VAT will be increased by 1.5 and the energy tax on households will be doubled in order to contribute to finance the reduction in direct taxation. The total tax burden will be lowered by at least 2 billion ECU.*

*The measures announced in the Dutch employment plan concerning the increased provision of childcare facilities and the further development of part-time work will play an important part in improving the participation of women in employment.*

*The social partners have played a decisive role in the improvement of employment and the reduction of unemployment over a number of years. They have been consulted for the NAP and they have negotiated several collective agreements that include specific measures to promote training and/or employment. A new law has been passed by the Parliament, giving employers greater flexibility while at the same time ensuring greater protection for temporary staff.*

### I. The employment situation

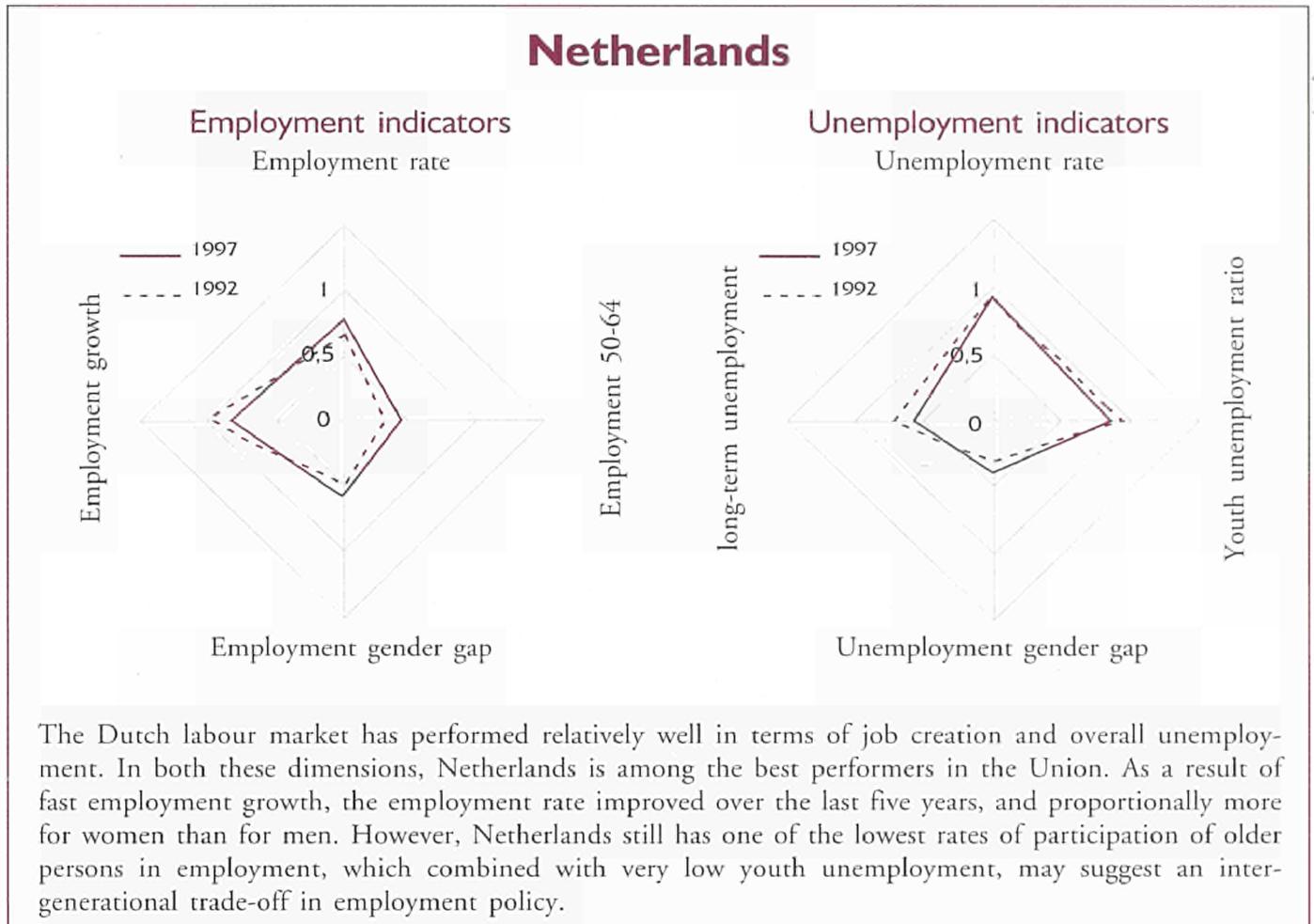
The employment rate for men and women is well above the Community average, though in full time equivalents, the rate for women is lower than the EU average as is that for persons over 55. Two thirds of all working women have part-time jobs, of which 91% did not want a full-time job. The unemployment rate went down to 5.2% in 1997, which is about half the Community figure.

In 1997 the real Dutch GDP growth was 3.4%, compared to an average of 2.6% for the period 92-97. Economic growth for 1998 as a whole is expected to come out at 4%.

The most recent figures on employment from the first quarter of 1998 show trends in vacancies and unemployment suggesting a continuing strong growth of employment. The employment rate increased from 63.7% in 1992, to 67.5% in 1997 and is expected to attain 69% in 1998.

The unemployment rate dropped from 6.3% in 1996 to 5.2% in 1997. Dutch youth have benefited most from the economic upswing and this can be seen in the sharp decline in youth unemployment.

In 1997 active employment measures represented 1.53% of GDP, which is higher than in the 3 previous years. However, passive measures account for 3.33% of GDP.



## 2. The NAP

It should be noted that the Dutch NAP was prepared in the run-up to the elections in the Netherlands. It conforms to the EU guidelines, while leaving the room for manoeuvre needed by the new government.

The establishment of the Centres for Work and Income, linking together social security and the employment and social benefit services, constitutes an important element in *employability*. Priorities for the life-long learning principle are laid down in the "life-long learning" action programme and focus on a closer co-operation between training providers, employers and vocational training institutions.

A reform of the tax system has been announced, with reductions planned in the tax burden on employees.

Furthermore, reduction in the tax or administrative burden for small and medium sized enterprises will be implemented. These will be some of the cornerstones to encourage *entrepreneurship*.

The new "Flexibility and security" law, giving employers greater flexibility and *adaptability* while at the same time ensuring greater protection for temporary staff.

Concerning *equal opportunities*, several measures are foreseen to improve the reconciliation of work and family life. An important effort has been planned to ensure a considerable expansion in childcare facilities and after-school supervision.

An integration plan will be drawn up for every young unemployed person signing on at the Employment Office. Substantial extra funds have been set aside for per-

sonalised integration plans to provide all unemployed persons with a new start before the end of the first year of unemployment. As regards the activation target, it is anticipated that half of the jobseekers with a reasonable potential for integration in the labour market will be offered an individualised reintegration programme. In view of this, the Dutch authorities could comply with the 20% activation target. Further clarification is required as it is unclear whether or not the Dutch NAP will achieve the targets set for youth and adult long-term unemployment.

### 3. Implementation

The progress achieved in implementing the measures announced in the Dutch NAP varies considerably depending on the measure in question. For some, the legislative framework is already in place, while others are included in the policy framework adopted by the new government, for which the operational instruments still need to be developed.

In August, the new government presented its policy guidelines for the next four years. Particular attention has been devoted to employment measures, reflecting the importance attached to the European employment strategy. In addition to the budget already available for active employment measures, the government has set aside additional funds for supporting measures under the employment guidelines, which will amount to 1 600 MECU in 2002, which represents 0.55% of GDP.

The new government has decided on a reduction of the tax burden amounting to at least 2 000 MECU over the period 1998-2002. The tax reform, to be implemented in 2001, will produce a shift from direct to indirect taxation. The combined effect of the increase of the VAT (from 17.5% to 19%) and the doubling of the energy tax for households will raise about 3 400 MECU. When the economic growth exceeds 2.25%, a part of the additional revenues in taxes and social premiums will be used for a further reduction of the tax burden.

Since the publication of the NAP, the social partners have continued to play an important role and already have negotiated several collective agreements that include specific measures to promote training and/or employment. Likewise, the social partners have been consulted on the action programme "Lifelong Learning".

Before the end of 1998, a new law aimed at better reconciling work and family life will be presented to Par-

liament. Moreover, major improvements in childcare facilities have also been announced.

The new "Flexibility and security" law giving greater protection for temporary staff has been passed by Parliament and will enter into force at the start of 1999.

The reform of the tax system and the reorganisation of social security and the employment services are key elements in the employment strategy of the Dutch authorities. These measures will not be fully operational until 2001. Nevertheless, the description given in the implementation report provides a picture of the lines of action envisaged and enables a prior assessment to be made of their potential impact.

In view of the increased decentralisation in the Netherlands, the local and regional authorities will be involved in the execution on the ground of many of the proposed measures and will play a key role in the implementation of the Plan.

The Dutch government has put in place specific mechanisms and procedures at national level to monitor and evaluate the implementation of the NAP and its impact. Further reflection on the choice of indicators will be necessary in the framework of this exercise.

For the first two policy guidelines, an evaluation of the impact on the duration of unemployment is planned.

### 4. Contribution from the Social Partners

The Netherlands has traditionally seen a very active involvement on the part of the social partners, particularly on the Socio-economic Council and the Joint Industrial Labour Council. The social partners have been consulted for the NAP, in particular on those guidelines where they have direct responsibility.

Documents such as "Agenda 2002" and the new "Flexibility and security" law are excellent examples of the involvement of the social partners in defining a new policies.

## 5. The role played by the Structural Funds

In the period 1994-1999 the ESF will provide 1 450 MECU for the funding of employment programmes. The important role of the ESF is emphasised particularly in the implementation of measures encouraging *employability* and *equal opportunities*.

The ESF is financing measures under all the pillars, however the weight of funds is concentrated on *employability*.

It is generally recognised that the ESF will be a major instrument for the further development of the employment strategy laid down in the NAP.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |         | EU   |
|--|-------------|------|---------|------|
|  | 1997        | 1996 | 1992    | 1997 |
| Total Employment Rate                        | 66,7        | 65,1 | 63,5    | 60,5 |
| Men  | 78,1        | 76,7 | 76,7    | 70,5 |
| Women  | 54,9        | 53,2 | 50,1    | 50,5 |
| Total Employment Rate (full time equivalent) | 54,1        | 52,1 | 51,9    | 55,5 |
| Men  | 71,7        | 69,7 | 70,5    | 68,7 |
| Women  | 36,6        | 34,5 | 33,3    | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |         |      |
| Total Unemployment Rate                      | 5,2         | 6,3  | 5,6 (1) | 10,7 |
| Men  | 3,9         | 5,0  | 4 (1)   | 9,3  |
| Women  | 6,9         | 8,1  | 7,8 (1) | 12,4 |
| Youth Unemployment Ratio                     | 6,1         | 7,0  | 5,0     | 9,8  |
| Men  | 5,9         | 6,9  | 4,7     | 9,9  |
| Women  | 6,4         | 7,1  | 5,2     | 9,6  |
| Long-Term Unemployment Rate                  | 2,5         | 3,0  | 2,4     | 5,2  |
| Men  | 1,9         | 2,6  | 1,8     | 4,5  |
| Women  | 3,2         | 3,5  | 3,1     | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | 2,79         | 2,13 | 1,47    | 0,53 |
| Real GDP Growth                        | 3,4          | 3,3  | 2,6     | 2,6  |
| Labour Productivity Growth             | 1,0          | 1,5  | 1,5     | 2,2  |
| Real Unit Labour Costs                 | -0,3         | -0,7 | -0,8    | -0,9 |

Source: Eurostat

# AUSTRIA

## Summary

*The Austrian NAP, together with the implementation report, aims at a comprehensive approach, with a clear emphasis however on the **employability** measures. The policy mix includes a wide range of individual measures, the overall effects of which however is yet difficult to assess. The NAP also includes a package of additional measures, extending beyond the existing guidelines, ranging from moves to combat undeclared work, through investment in research and technology, to infrastructure policy.*

*The NAP represents a further move towards a more active labour market approach, supported by a substantial increase in budgetary resources. The Austrian government has announced its intention to achieve the target of halving the inflow into youth and adult long-term unemployment in five years time and to find appropriate financial resources on a yearly basis to support this process. The NAP contains an undertaking to raise to 20% the number of unemployed taking part in activation measures by the year 2002. Thus, the Austrian Government will comply with the activation target in the agreed timeframe. Concerning the prevention targets, Austria has chosen to formulate an output goal for the labour market policies. The Commission and the Austrian Government are in agreement that Austria should demonstrate in the 1999 report on the NAP how the targets included in the Guidelines will be reached.*

*A further impetus lies on gender mainstreaming actions in favour of **equal opportunities** in the labour market. Childcare facilities are strengthened significantly. Under **entrepreneurship**, business start-ups are being facilitated. There are welcome efforts of improving the transition from school to work, adjusting the apprenticeship systems to new needs in the labour market as well as preventing and reducing school failure, but stronger efforts to firmly establish the principle of life-long learning are needed.*

*The traditional Austrian partnership is omnipresent, covering both social partners and regional actors. Beyond the involvement of the social partners, a strength of the implementation of the NAP is the setting up of observation and evaluation structures, the clear allocation of responsibilities and the development of elaborate statistical data*

### I. The employment situation

Despite a slight deterioration in recent years, the Austrian labour market ranks well compared to most EU countries and displays very low rates of unemployment.

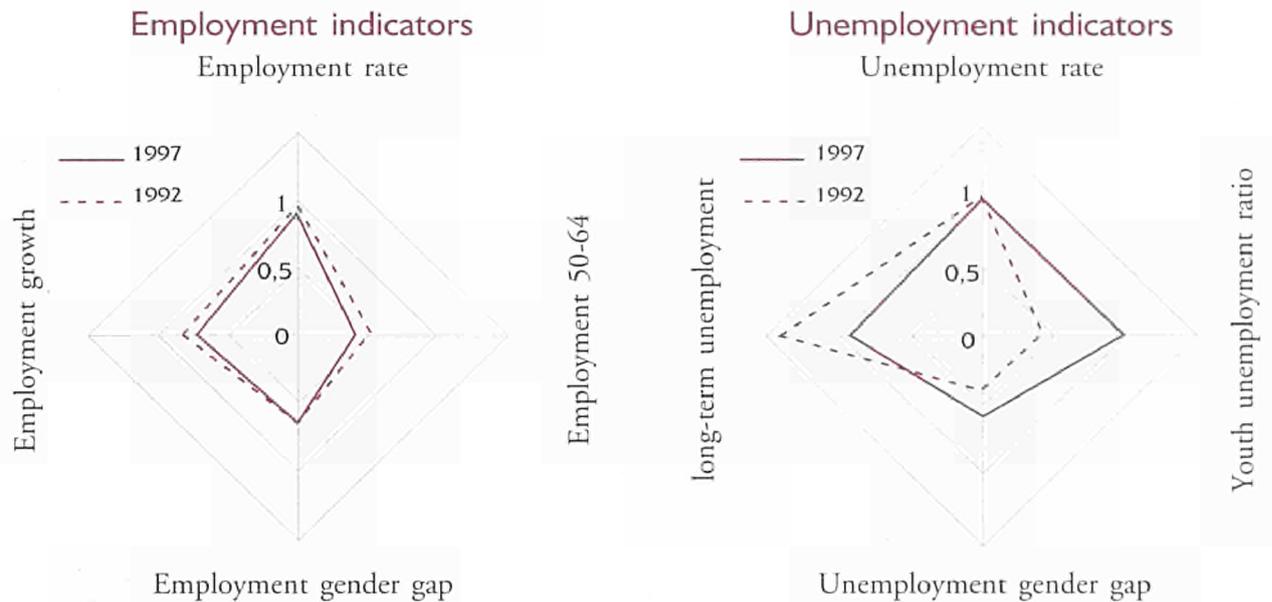
GDP growth (2.5%) in 1997 was in line with the EU average and up on the previous year.

The overall rate of unemployment was 4.4% in 1997, the second lowest level of EU countries after Luxembourg. Like in most other EU countries, unemployment is somewhat higher for women (5.3%) than for men

(3.6%). Austria enjoys one of the lowest unemployment ratios among young people (4.4%), again outperformed only by Luxembourg. The share of long-term unemployed (1.5%) is significantly below the EU average. The country is also a top performer in terms of the overall employment rate (69.9%, women 59.5%, and men 80.4%). When measured in full-time equivalents, Austria comes in second after Denmark.

Total expenditure in labour market policies in terms of GDP is 1.73%. In 1997, three quarters of the resources (1.29%) were spent for passive and only one quarter (0.44%) for active measures.

## Austria



Austria displays one of the strongest labour market performances in the Union, being among the three best performers in terms of the overall employment rate, and of indicators on overall unemployment, including youth and long-term unemployment. The very low youth unemployment reflects the dual-use system. However, Austria's main weakness lies in the difficulty of retaining older workers in employment, suggesting an inter-generational trade-off maintained by relatively generous early retirement conditions.

## 2. The NAP

Clear emphasis is put on the *employability* pillar, but all the guidelines receive due attention. In general, the NAP represents a significant move towards a more preventive and activating labour market policy approach. Relying on their well established experience, the Public Employment Services will be the main actor in implementing the envisaged programmes. There is a clear indication that other parties will be involved as well (Social Partners, the Länder and municipalities, other regional bodies, "Territorial Pacts"). The NAP also endorses a set of specific short-run temporary measures to help school leavers with difficulties to find apprenticeship positions.

Ambitious objectives are set regarding the quality of the school system. Here the goal is to reduce the share of 20-24 year old without further education or training from 20% to 15% in the medium term and to less than 10% in the long run.

With regards to the two prevention targets, the goal is to cut in half the number of young people and of adults

moving into long-term unemployment. There is a commitment to meet the activation target by the year 2002.

With regard to *entrepreneurship* there is a focus on measures to promote start-ups of new businesses and to reduce administrative and regulatory barriers for employment, in particular in Small and Medium size enterprises. In general, the employment potential in the sector of business-related services and in the social services ("third sector") will be more fully utilised.

Regarding the *adaptability* pillar, most actions fall within the responsibility of the Social Partners. Several problem areas have been correctly identified, but it remains to be seen where agreement on appropriate action can be reached. Little information is available as to fostering in-firm training and upgrading workforce skills.

Policies for *equal opportunities* between women and men focus on further improvements in the supply of childcare facilities (with additional resources amounting to 87 MECU ringfenced for 1998 and 87 MECU for 1999) and on mainstreaming gender targets in labour

market programmes. Back-to-work programmes for disabled will be expanded.

Additional funds have already been provided both for 1998 and 1999. However, very little information is provided as to the required financial, staff or technical resources regarding the years 2000-2002.

### 3. Implementation

Action is concentrated on improving the labour market situation for youngsters in general, including several measures in the field of education and training. Short-run actions aimed at avoiding expected bottlenecks in apprenticeship training were introduced. A temporary safety net has been devised for up to 4000 school leavers who may fail to obtain an apprenticeship position in the months to come.

Several legal and administrative preparatory steps have been taken regarding the strategic goals of active labour market policy as conducted by the Public Employment Service.

Regarding *entrepreneurship*, several measures have been implemented to improve conditions for business start-ups. A reform of unemployment insurance allowing people to retain their acquired benefit claims is intended to encourage taking up self-employment. A special programme, MINERVA, which provides information and advice for women setting up their own businesses, has been extended geographically.

As to *equal opportunities*, additional facilities and budgetary allocations for child care have been provided. The preventive approach was also strengthened for disabled people threatened by unemployment, offering them special vocational rehabilitation.

The partnership in shaping and implementing the NAP is not confined to the social partners, but extended to other actors as well. Territorial Employment Pacts are seen as the principal instrument to achieve better co-ordination and joint implementation of employment policy measures at the regional level.

With regard to initiatives aimed at monitoring the NAP implementation, adequate structures for continuous administrative follow-up, assessment and intervention have been set up. A governmental steering committee was set up with a comprehensive mandate. Statistical databases offer the possibilities to monitor in detail the

development of stocks and flows in the labour market and the transitions between different states.

Additional budgetary means for all youth measures amounting to 100 MECU in both 1998 and 1999 are foreseen under the heading of fighting youth unemployment. As far as additional measures in the NAP are concerned the budget for active labour market policies has been significantly increased from 1997 to 1998 by 36 MECU for 1998 and from 1998 to 1999 by 144 MECU.

### 4. Contribution from the Social Partners

Given their role, particularly in economic policy making, the involvement of the social partners in drawing up and implementing the NAP is comprehensive.

Beyond their role in modernising work organisation, with a view to responding to structural changes, the social partners contribute to the development of framework conditions and training curricula for the various apprenticeship occupations. They are actively involved in the implementation of the safety net scheme for the young.

### 5. The role played by the Structural Funds

The ESF represents an integral part of overall active labour market policy. Nevertheless, partly because of the broad variety of policy interventions and the decentralised implementation process of specific instruments, apart from providing overall figures no details are given for the European Social Fund contributions under the policy measures announced in the NAP.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 69,9        | 69,8 | 70,7 | 60,5 |
| Men  | 80,4        | 80,1 | 82,5 | 70,5 |
| Women  | 59,5        | 59,5 | 58,9 | 50,5 |
| Total Employment Rate (full time equivalent) | 63,5        | 63,6 | n.a. | 55,5 |
| Men  | 75,9        | 76,0 | n.a. | 68,7 |
| Women  | 51,3        | 51,2 | n.a. | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 4,4         | 4,3  | n.a. | 10,7 |
| Men  | 3,6         | 3,6  | n.a. | 9,3  |
| Women  | 5,3         | 5,3  | n.a. | 12,4 |
| Youth Unemployment Ratio                     | 4,4         | 4,1  | n.a. | 9,8  |
| Men  | 4,8         | 4,5  | n.a. | 9,9  |
| Women  | 4,1         | 3,7  | n.a. | 9,6  |
| Long-Term Unemployment Rate                  | 1,5         | 1,4  | n.a. | 5,2  |
| Men  | 1,4         | 1,2  | n.a. | 4,5  |
| Women  | 1,5         | 1,5  | n.a. | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |       |         | EU   |
|--|--------------|-------|---------|------|
|  | 1997         | 1996  | 1992-97 | 1997 |
| Total Unemployment Growth              | 0,24         | -1,30 | 0,95    | 0,53 |
| Real GDP Growth                        | 2,5          | 1,6   | 1,8     | 2,6  |
| Labour Productivity Growth             | 2,6          | 2,1   | 2,0     | 2,2  |
| Real Unit Labour Costs                 | -2,3         | -2,5  | -1,4    | -0,9 |

Source: Eurostat

## PORTUGAL

### Summary

*The NAP is a coherent response to the labour market situation in Portugal, characterised by higher employment and lower unemployment than the EU average, but also by hidden structural problems. The NAP deals with the problem of accumulated shortcomings in the schooling of the population and the qualification of workers, namely through enhanced education and vocational training and an increased co-ordination between the education and training systems.*

*Concerning the prevention of youth and adult long-term unemployment there is the commitment to offer to every young or adult unemployed in the framework of a "Personal Employment Plan", an **employability** measure, before reaching 6 months (youngsters), or 12 months (adults) of unemployment. A territorial approach is being implemented in order to cover all the country by the end of year 2000. On the activation target it is established that the objective of having 20% of the unemployed attending training actions should be achieved by 2002 and on lifelong training it is foreseen to increase the training of the employed population to cover 10% of the total employed active population in the year 2002. Portugal is strengthening the Public Employment Service's capacities in the organisation and management of the employment policy, namely in the individualised and personalised follow up that those services must perform in the context of **employability**.*

*The Portuguese Government is already dealing with the risk of a mismatch between the skills of the labour force and the jobs available, supporting the retraining of unemployed young graduates. The reinforcement of workers' qualification is important in order to confront an eventual downturn in the labour intensive sectors that could increase unemployment among less qualified workers with a low potential of **adaptability**.*

*The existence of a very large number of measures in the Portuguese NAP will require the use of strong co-ordination mechanisms and a close monitoring of the interaction between them.*

*The signature by the Social Partners of a Joint Statement to the NAP is a significant step forward in relaunching the social dialogue in Portugal.*

### 1. The employment situation

The employment rate in Portugal is higher than the EU average. Total unemployment rate, youth unemployment ratio and long-term unemployment rates are below the European average.

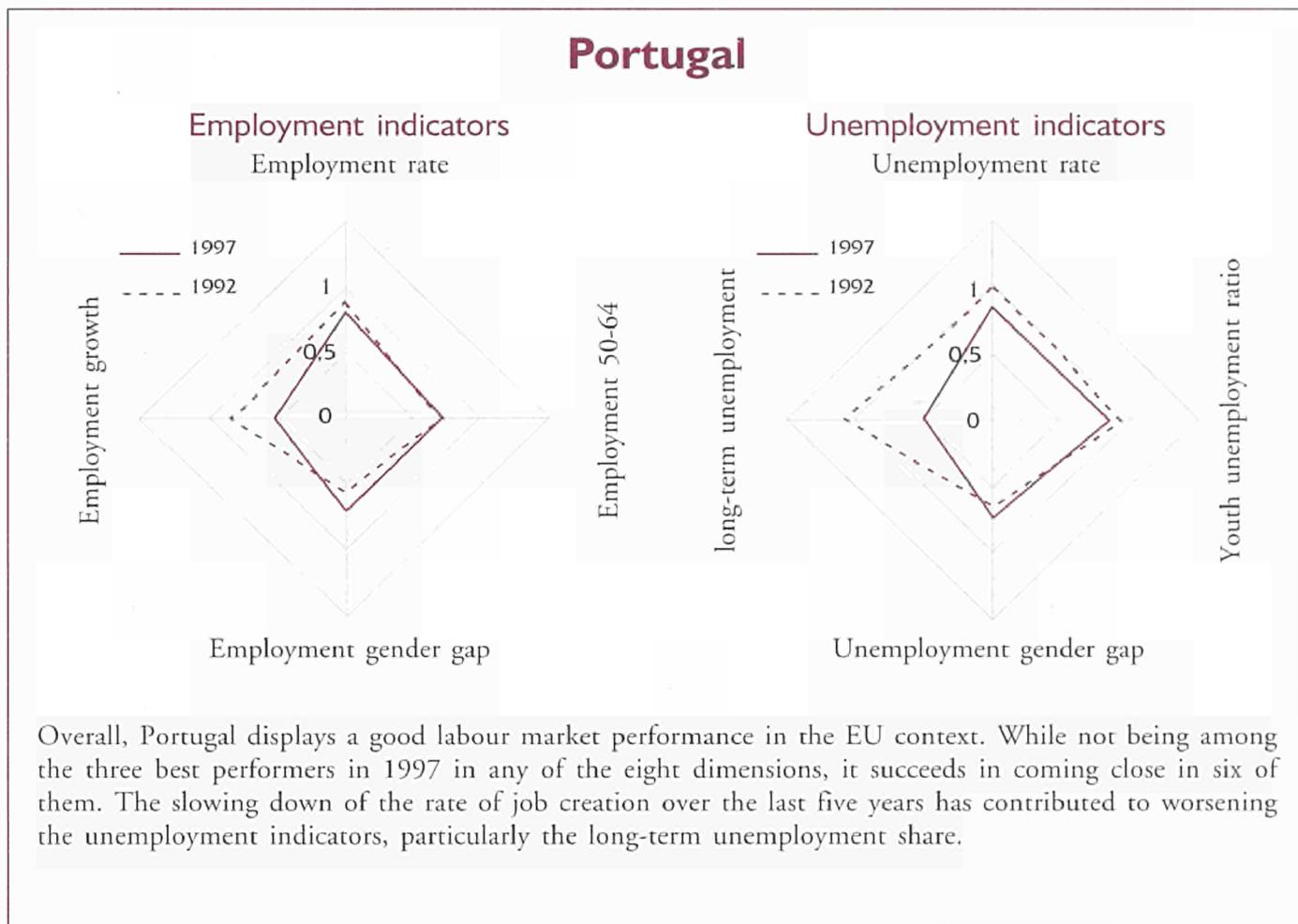
After the 1993 recession and a slow recovery in 1994-1995, the Portuguese economic and labour market situation has improved steadily throughout the last three years, with a GDP growth of 3.7% in 1997.

The total employment rate grew slightly from 1996 (66.0%) to 1997 (67.5%), but is lower than in 1992 (68.7%). The unemployment rate went down from 7.3% in 1996 to 6.8% in 1997 and is substantially lower than the EU average. The female unemployment rate (7.8% in 1997) is higher than that for males (6.0%). The youth unemployment ratio has fallen from 7.2% in 1996 to 6.2% in 1997. The rate of long-term unemployed has been reduced slightly (from 3.6% in 1996 to 3.5% in 1997). These trends are confirmed in 1998 by the national data presented in the implementation report.

However, some of these improvements hide structural problems: accumulated shortcomings in the schooling of the population; a high level of underemployment; a large number of unstable and atypical jobs; poorly qualified workers with low potential to adapt; and a sectoral structure in which labour intensive

activities with low average wages are still predominant.

Expenditure for public labour market policies in Portugal is 1.97% of GDP (1996), with active measures amounting to 0.95% and passive to 1.02%.



## 2. The NAP

The NAP is a coherent response to the labour market situation in Portugal. It focuses on improving overall qualifications of the labour force particularly of young people.

The Portuguese implementation report contained important additional information, namely the quantification of the targets for the three first guidelines, the introduction of some budget estimates, the clarification of the relationships between new and on-going initiatives, and the explanation of the institutional changes required by the NAP implementation concerning the Employment Public Service.

Priority is given to *employability* reflecting the intention of the Portuguese Government to move towards activation and prevention. Important commitments are made as regards the period targets fixed in the two first guidelines. Concerning the guideline on activation it is established that the objective of reaching 20% of the unemployed attending training actions should be achieved by 2002 (65.000 trainees). On lifelong training it is foreseen to increase the training of the employed population to cover 10% of the total employed active population in the year 2002. Particular importance has been given to the promotion of the Apprenticeship System. To this end, Portugal has established a target by which the number of youngsters benefiting from apprenticeship schemes will be doubled in a 5- year period.

On *entrepreneurship*, three guidelines are practically not considered: Encouraging the Development of Self-Employment, Making the Taxation System more Employment Friendly and Reduction of VAT on Labour-intensive services). However, reasonable explanations are given for this based on the Portuguese labour market, and concerning the reduction on non-wage labour costs a reform of the social security system is being proposed by the Government to the Parliament. Some measures related to this reform, namely a flexible approach to retirement age, are expected to be adopted by the Government by the end of 1998. The social integration enterprises measure is being launched in order to combat poverty and social exclusion.

Under the *adaptability* pillar, priority has been given to on-the-job training in Small and Medium Size Enterprises. The social partners confederations signed an agreement related to the modernisation of work organisation. The Government is committed in revising the labour legislation, encouraging the use of new types of contracts more adjusted to new types of employment (part-time work, telework).

On *equal opportunities*, measures are foreseen to support the care of trainees' dependants and pre-school services for trainees' children. The expansion of the pre-school network with the provision of better care for children is supporting women's and men's entry and continued participation in the labour market. The NAP establishes an increase of 25% in the degree of *employability* of people with disabilities.

The Portuguese NAP was built up mainly from a combination of short-term objectives (for 1998) and medium-term objectives (the coming five years). The NAP objectives will be integrated in the Plan and Budget for 1999 and the National Economic and Social Development Plan for 2000-2006 will adapt the national employment priorities according to the European guidelines.

### 3. Implementation

During the first half of 1998 the Portuguese government adopted several new measures or revised existing ones in order to ensure the objectives defined in the NAP.

The main initiatives concerning the prevention of youth and adult long-term unemployment were launched on 1st July 1998. They involve the preparation of the

Employment Public Services and adopt a territorial approach. There is an ambitious commitment to offer, by the year 2000, to every young or adult unemployed, in the framework of a personal employment plan, an *employability* measure (Placement/employment, training/education, traineeship/ professional experience, third level guidance), before reaching 6 months (youngsters), or 12 months (adults) of unemployment. The personal employment plan will be set until 3 months after young people register as unemployed and until 6 months after adults do so.

Other new initiatives foreseen in the NAP are still under preparation. An important one is the implementation, through the Public Employment Services, of flexible training paths, which can offer to the trainees the conditions to manage their own process of acquiring skills.

The Portuguese NAP will be monitored and evaluated at different levels: at social dialogue level through the Permanent Committee of Social Dialogue; at governmental level via the NAP Monitoring Commission; at Ministry of Labour and Solidarity level, a specific structure was created; and at local level through officials to be appointed by the Employment Local Centre. The involvement of other partners is foreseen, namely in the Regional Employment Networks and Territorial Pacts.

The NAP does not contain a complete budget estimate. However, there is an indication of significant resources to be mobilised on prevention of youth and adult long term unemployment, on the activation target and on promotion of lifelong training.

### 4. Contribution from the Social Partners

The most relevant social partners signed a joint Declaration on the NAP. The Government prepared and submitted to the social partners a first Monitoring Report concerning the first quarter of the implementation of NAP. The participation of social partners in the discussion of the new role of the Employment Public Service and in the implementation of Regional Employment Networks and Territorial Pacts, is already under way.

## 5. The role played by the Structural Funds

The implementation report states that the employment, education and training policies presently framed by the CSF have a transversal nature, making it difficult to budget the contribution of structural funds, namely the ESF, to each guideline.

Nevertheless the Portuguese CSF (1994-1999) is the NAP's main source of financing, and additional national resources seem scarce. In general, all the programmes

are co-financed by the ESF. In the current year a participation of ECU 560 millions (80% of CSF allocation in 1998) is foreseen for the implementation of employment and training measures and initiatives. Other financial contributions are not fully calculated at this moment. For instance, a contribution of 60 millions ECU to support the social security exemptions for job creation projects is expected.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 67,5        | 66,0 | 68,7 | 60,5 |
| Men  | 77,2        | 75,8 | 81,8 | 70,5 |
| Women  | 58,6        | 56,9 | 56,9 | 50,5 |
| Total Employment Rate (full time equivalent) | 62,5        | 61,8 | 65,5 | 55,5 |
| Men  | 72,8        | 72,1 | 78,3 | 68,7 |
| Women  | 53,1        | 52,2 | 54,1 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 6,8         | 7,3  | 4,2  | 10,7 |
| Men  | 6,0         | 6,5  | 3,6  | 9,3  |
| Women  | 7,8         | 8,3  | 5,0  | 12,4 |
| Youth Unemployment Ratio                     | 6,2         | 7,2  | 4,9  | 9,8  |
| Men  | 5,4         | 6,7  | 4,9  | 9,9  |
| Women  | 7,1         | 7,7  | 4,9  | 9,6  |
| Long-Term Unemployment Rate                  | 3,5         | 3,6  | 1,2  | 5,2  |
| Men  | 3,0         | 3,1  | 0,8  | 4,5  |
| Women  | 4,1         | 4,3  | 1,7  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | 1,92         | 0,68 | 0,00    | 0,53 |
| Real GDP Growth                        | 3,7          | 3,0  | 2,1     | 2,6  |
| Labour Productivity Growth             | 1,4          | 2,4  | 2,3     | 2,2  |
| Real Unit Labour Costs                 | 0,5          | 0,4  | -0,9    | -0,9 |

Source: Eurostat

## FINLAND

### Summary

*The NAP is explicitly based on Finland's convergence programme approved in 1997, and aims at a policy mix integrating macroeconomic and structural policies with a view to reducing unemployment. The active labour market policies are undergoing a reform partly preceding the NAP but considerably strengthened by it. This includes revising the rules for unemployment compensation and employment subsidies, renewing work practices and additional resourcing of the employment services, as well as reforming regional structures of the labour administration.*

*The three EU-wide operational targets have been addressed properly. In addition to quantitative targets, there are plans to assess the quality and impact of the action by research and monitoring structures. The consistency and comparability of employment and unemployment statistics poses a problem. The Commission and the Finnish authorities will collaborate in the further development and exchange of experience on the appropriate monitoring tools.*

*The Finnish NAP is a combination of preventive and curative action. There is a move towards more prevention, but attention is also paid to the stock of the unemployed to promote an improvement of the employment rate. Job-search plans with regular interviews are introduced for all unemployed job seekers and new activation periods for those out of work for very long periods. In 1997, active measures covered 22.7% of the unemployed job seekers, and will further rise to 25% this year. All active measures include an element of training. The proposals made under the **adaptability** pillar are built on agreements between social partners and public administration, aiming at modernising the working life and introducing life-long learning. The social partners are also involved in the implementation of many equality measures. The NAP contains a strong emphasis on measures ensuring the availability of skilled labour force and at the same time on preventing polarisation in the labour market. Extensive training programmes have been launched to meet the demands of the growing electronic and information sectors. The proposals to ensure a balanced economic growth, to activate those under greatest risk of exclusion, and to encourage ageing workers to remain at work until they have reached their retirement, are being given priority in the implementation.*

### I. The employment situation

Finland is recovering from a severe structural shock in the early 1990s which prompted cuts in public sector expenditure and employment as well as reforms in various sectors of the economy.

The employment rate in Finland is rising steadily, being in 1997 about three percentage points higher than the Community average. Unemployment, in particular for young people, is still one of the highest, but is falling at an even rate.

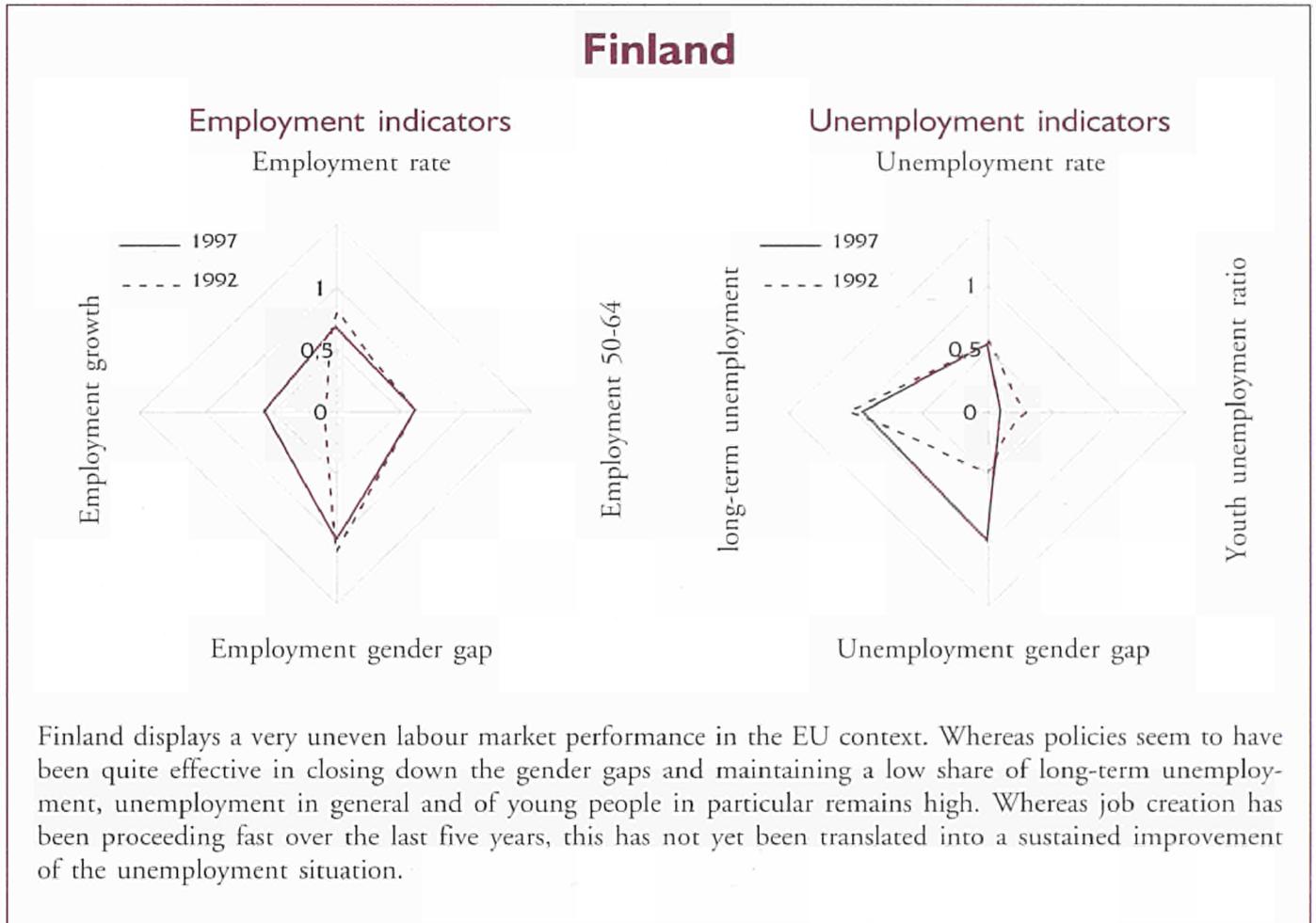
Total GDP increased by 6.0% in 1997 and has continued to grow very rapidly also in 1998. Economic growth is mainly supported by export and manufacturing. For example, manufacturing output increased in January-June by more than 9% from the same period last year.

The total employment rate increased to 63.9% in 1997, but is still behind the rate of 1992 (66.2%). The goal set by the Finnish Government is to reach 68% by the year 2002. Employment is improving more quickly for men than for women.

The total unemployment rate rose to 18.4% in 1994, but has since then fallen to 13.1% in 1997. Next year, according to national authorities, the unemployment rate is expected to drop to 9%. Youth unemployment in 1997 was one of the highest in the Community, but is decreasing as labour market demand for young skilled workers is increasing. Long-term unemployment is declining at a slow rate. During the economic upswing, the structural features of unemployment have become more

apparent: the average length of the unemployment spell has increased, aged workers have greater difficulty in finding jobs and regional disparities are growing.

Public labour market expenditure was 4.79% of GDP in 1997; however active labour market policies amount to only one-third of all labour market policy expenditure. In 1998 a total of ECU 1.1 billion was set aside for active labour market measures.



## 2. The NAP

A special emphasis is given to *employability*. The labour market reform put in place in January 1998 constitutes probably the most important element in the Finnish NAP. Each registered job searcher will be offered an *employability* and job-search plan, which is based on his/hers individual needs. Finland has already achieved the 20% target, but has committed itself to maintain the present level of active measures. The labour market policy reform will notably increase expenditure for active measures.

Under *entrepreneurship*, several measures to ease the administrative burden on businesses are introduced. The principles of developing Small and Medium size enterprises include developing the business environment and working life alongside with promoting growth and competitiveness. Concerning *adaptability*, the social partners have been actively involved in designing the various proposals. As to *equal opportunities*, the public administration will get guidelines on how to prepare government proposals with equal opportunities approach. An effort to support woman entrepreneurship can also be found in the NAP.

### 3. Implementation

A special emphasis is given to the *employability* pillar. The labour market policy reform ensures that a job-seeking plan is drawn up for all registered unemployed before 5 months of unemployment. This individualised service calls for adequate staff resources on the ground. The PES staff was increased for this purpose with 170 qualified counsellors, equivalent to an 8-9% increase. With the provision of new staff, there are now 175 registered unemployed per PES official.

In education and training policies several new legislative reforms are being prepared. New legislation concerning the vocational training will enter into force in January 1999, which for example links apprenticeship training closely to other vocational training. At the same time, the pedagogic elements in apprenticeship training will be reinforced. All vocational training will after 1999 be extended to three years, and each examination will include a practical work experience of 6 months minimum.

Due to a growing demand for highly trained personnel in electronics and information technology, an extensive training programme for electronic and information technology industries was initiated at the beginning of the year. It will be implemented during 1999-2002, and will cost about 130 MECU. It is worth noting that the ESF co-finances this programme.

Under *entrepreneurship*, proposals to simplify administrative procedures concerning businesses will be made before the end of 1998. In addition, the government is further reducing taxes on labour, a total of ECU 0.91 billion in 1998 and 1999. The cuts are equivalent to about 2.0% of the total payroll. To ensure the growth of knowledge-intensive sectors, public funding for technology will grow by 25% between 1997 and 1999. The overall target for R&D investment has been set to 2.9% of GDP.

To promote *adaptability* in businesses and their employees, the discussions with the social partners on modernising work organisation have continued. Research projects on atypical work and its implications for employment have been initiated. The Ministry of Labour started to implement its lifelong learning strategy in June 1998 covering such areas as work organisation and personnel development, work sharing and anticipation of labour market trends. An extensive information campaign was launched to keep the ageing workforce in the labour market.

As to strengthening policies for equal opportunities, a study on the equal opportunities work organisation was initiated, covering 12 work places. Parental leave has been made more flexible in June 1998 with an intention to encourage more fathers to use such leave.

The Government has set up a high-level working group to monitor the implementation. The implementation of the labour market policy reform is carried out by the regional and local public employment offices and their partners. Statistical follow-up systems are under design to monitor the implementation. In addition to quantitative monitoring, there are plans to assess the quality and effectiveness of the job-seeking plans; national quality criteria are to be defined to ensure the even quality of the plans. Research funds are heavily allocated to evaluate the reform from this year on.

By approving the NAP, the Government of Finland simultaneously made the decision to allocate the necessary financial resources. The budgetary framework for 1999-2002 is the reference for the implementation.

### 4. Contribution from Social Partners

The social partners, actively involved in the design of the NAP, have also taken responsibility in the implementation of certain measures. Especially under the *adaptability* pillar, the social partners are preparing the implementation of several measures. To ensure easy execution, labour market reforms are negotiated with the social partners before they come into force. During the spring the Government engaged in close and constructive dialogue with the social partners to find concrete solutions to questions like reforming the working life, promoting life-long learning and working time policy.

### 5. The role played by the Structural Funds

The structural funds play an important role in the realisation of the NAP. A total of 532.8 MECU will be used implement ESF programmes in Finland during 1995-1999 (equalling approximately 10% of all resources used for active labour market policies). The ESF resources are used to support the implementation of most guidelines, and can be explicitly found in the action plan. The ESF is used as an innovative tool to improve and shape the labour market policies. The role of the ESF is visible, and can be evaluated together with the other actions. The ESF is presented as an important complementary element in the NAP.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 63,9        | 62,4 | 66,2 | 60,5 |
| Men  | 66,9        | 64,6 | 67,7 | 70,5 |
| Women  | 60,8        | 60,2 | 64,7 | 50,5 |
| Total Employment Rate (full time equivalent) | 59,5        | 57,5 | n.d. | 55,5 |
| Men  | 63,5        | 60,5 | n.d. | 68,7 |
| Women  | 55,5        | 54,3 | n.d. | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 13,1        | 15,3 | 12,3 | 10,7 |
| Men  | 12,6        | 14,9 | 14,2 | 9,3  |
| Women  | 13,7        | 15,8 | 10,2 | 12,4 |
| Youth Unemployment Ratio                     | 17,2        | 19,7 | n.d. | 9,8  |
| Men  | 17,9        | 20,6 | n.d. | 9,9  |
| Women  | 16,5        | 18,8 | n.d. | 9,6  |
| Long-Term Unemployment Rate                  | 4,4         | 5,1  | n.d. | 5,2  |
| Men  | 4,6         | 5,6  | n.d. | 4,5  |
| Women  | 4,1         | 4,5  | n.d. | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | 3,98         | 1,36 | 0,06    | 0,53 |
| Real GDP Growth                        | 6,0          | 3,6  | 3,6     | 2,6  |
| Labour Productivity Growth             | 3,8          | 2,6  | 4,2     | 2,2  |
| Real Unit Labour Costs                 | -3,6         | -0,4 | -3,2    | -0,9 |

Source: Eurostat

## SWEDEN

### Summary

*Sweden has an employment rate well above the Community average, a better gender balance than other Members States, but the employment situation has weakened as a consequence of the deep recession in the early 1990s and the restructuring of the economy.*

*The 1998 National Action Plan is based largely on already established Swedish labour market policy. Since the submission of the NAP, however, some additional initiatives have been launched. This policy puts emphasis on investment in human capital enhancement, in particular through the Adult Education initiative, with wide ranging inputs in basic education, employment training and skills development at the workplace. As regards the activation of the unemployed, Sweden is applying stricter criteria for the young (activation before 100 days of unemployment) and long-term unemployed (activation before 6 months. During Spring 1998, about half of the unemployed were covered by active measures.*

*The Swedish labour market policy has been successful in breaking unemployment spells for both the young and adult unemployed. However, the long-term unemployed - in particular those who relapse into unemployment spells after training - constitute groups which require further attention.*

*Different initiatives have been taken or are under preparation in the other three pillars. The low rate of job creation points to the need of enhancing action in the field of **entrepreneurship**. Financial room has been created for further tax reductions and measures to increase the supply of venture capital. A tripartite agreement has been made on upgrading of skills of employees, but the incentives to organise training have not yet been agreed. The work on **equal opportunities**, the involvement of the disabled in working life and reconciliation of work and family life are highly developed in Sweden. The Swedish National Action Plan has been the subject of discussions with the social partners and they are actively involved in the implementation of some of the guidelines.*

### I. The employment situation

Sweden is recovering from the deep recession and the structural problems of the early 1990s which led to a cut in government expenditure and employment in the public sector.

Despite a slight decrease in 1997, the employment rate in Sweden is still well above the Community average. The unemployment rate is also less than one percentage point lower than the EU average. The long-term unemployment rate in 1997 is still lower than the Community average.

GDP increased by 1.8% in 1997 which was below the EU average, but growth rates are forecasted to raise to 3% for this and next year.

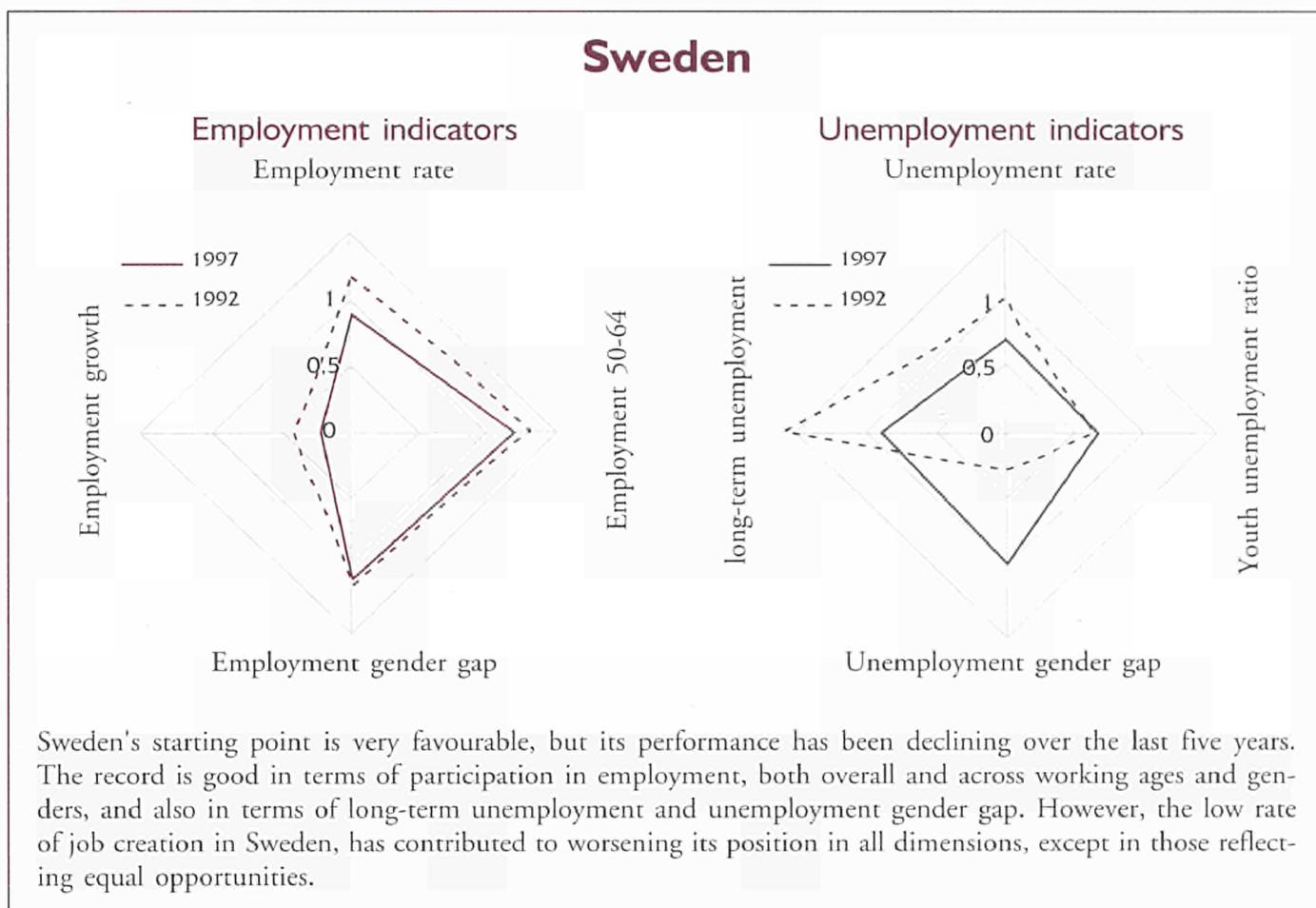
The total employment rate of 68.3% is one of the highest in the EU. The total employment rate for men exceeded that for women by 3.0 percentage points, which constitutes the lowest employment rate gender gap in the Community. The part time element among women is substantial, 38% among the employed compared to 9.3% among men in 1997.

The unemployment rate has increased since 1992 and stood at 9.9% in 1997. In 1992 the unemployment rate for men was higher than for women, but rates have converged since, and in 1997 they were 10.2% for men and 9.5% for women. Since August 1997, the unemployment rate has fallen due to the economic upturn and a large number of entrants into the Adult Education Initiative. The youth unemployment ratio decreased slightly by 0.3 percentage points during the same period.

The long-term unemployment rate increased between 1996 and 1997, according to Eurostat data.

The Swedish labour market policy contains a substantial element of active measures. In 1997 the total labour market expenditures amounted to 4.25% of GDP, of

which almost half (2,1% of GDP) was used for active measures. In addition, the expenditure of the Adult Education Initiative directed towards the unemployed is estimated at 0.35% of GDP.



## 2. The NAP

The Swedish labour market policy is well in line with the 1998 Employment Guidelines and the Swedish NAP does not contain any significant changes to the labour market policies pursued during the past years. Sweden complies with all three of the EU-wide targets. The cornerstone of the Swedish policy is to boost education and skills development at all levels with wide ranging inputs in basic education, employment training and skills enhancement at the workplace.

On *employability*, the NAP provides for continuation of the existing labour market policies, as activation and prevention have been priorities in Sweden. During the last year however, a stronger emphasis has been put on

education and training. The Swedish authorities are applying stricter definitions concerning youth and long-term unemployed: young persons between 16-24 years old are regarded as long term unemployed already after 100 days and adults after 6 months respectively. In Spring 1998 about 51% of unemployed were covered by active labour market measures.

As regards *entrepreneurship*, emphasis has been given to creating a favourable business environment - especially for Small and Medium size Enterprises - and fostering a business culture.

All guidelines under *adaptability* have been addressed. The development of a modern and flexible work organisation is an important element under this pillar

As to *equal opportunities*, needs relating to childcare are well covered in Sweden, and an extensive parental leave scheme has already been put in place. The Act on Equality between Men and Women has been amended. Legislative proposals for elderly care and anti-discrimination measures against people with disabilities are announced.

### 3. Implementation

Concerning *employability*, the target is to eliminate long-term unemployment for all young people in the Autumn 1998. The total estimated cost for the youth scheme is ECU 0.6 billion. At the beginning of 1998 a youth guarantee for 20-24 years old was introduced. During 1998-2001 an average of 8.000 persons, corresponding to 1,5% of the youth population, are estimated each month to be covered by this scheme. The estimated cost for 1998 is 39 MECU.

The number of long term unemployed should not exceed 73,000 as a monthly average in 1998. For all job seekers, who are in long term unemployment or risk lapsing into it within 30 days, individual action plans should be drawn up. So far, the coverage rate is about 80% for the target group.

During the first half of 1998, the Adult Education Initiative has comprised 105,000 full-time places within municipal upper-secondary education, corresponding to approximately 125,000 persons. Ten thousand full-time places at the Folk High Schools can be added to this figure. The labour market training programme has been expanded to include a 25 weeks training programme in modern information technology for 10.000 students. Emphasis has also been put in reshaping apprenticeship training. Pilot projects to develop the post-upper-secondary vocational training have been launched, which will increase student places to 12.000 by Spring 1999.

In the 1999 budget, the Swedish government has set a new target to increase the employment rate. The share of people employed in the total population aged 20-64 should increase from 74% to 80% in the year 2004.

Under *entrepreneurship*, the unemployed or those at risk of becoming unemployed, or living in regions entitled to regional support, can obtain a six months start-up grant. Since women and immigrants are under-represented, the grant period for them was extended to 12 months. In addition, several measures have been taken to encourage female entrepreneurship. Further-

more, the Government proposes that ECU 0.33 billion should be used annually in the period 1999-2001 for further tax reductions and venture capital purposes.

To encourage *adaptability*, the Government appointed in February this year a tripartite working group to discuss government support to the labour market parties to upgrade the skills level at the individual workplace. The group proposed a tripartite agreement on a Government intervention to upgrade the skills for all employees.

On *equal opportunities*, amendments were made in the Act on Equality between Men and Women to increase obligations for employers to prevent and take action against sexual harassment at the workplace. In addition, a Commission was appointed in July 1998 to review of the law on e.g. indirect discrimination at work and the right to claim for damages. The labour administration combats gender segregation by investing 3 MECU in 1998.

In 1998 a minimum of 53.000 disabled persons will be employed on a monthly average. The resources available for achieving this target are estimated to be ECU 1.1 billion. The physically disabled are also given priority in other employment schemes. Furthermore, a draft statute against discrimination of the physically disabled in working life has been submitted to the Parliament.

The implementation report does not include a complete monitoring or evaluation plan for the whole NAP, but plans for monitoring the Adult Education Initiative and the fixed-term employment agreement are included. A reference group has been appointed to review the impact of the fixed-term employment agreement. Advanced Vocational Training will also be evaluated.

### 4. Contribution from the Social Partners

The pilot projects on vocational training schemes are carried out in collaboration between the social partners and the employers. The IT-training was also drawn up in co-operation with the federation of Swedish Industries. Since January 1998 employees are entitled to leave to start up their own business which the Swedish Trade Union will survey. The employers' federation will carry out a similar survey later this year.

## 5. The role played by the Structural Funds

The ESF contributes to the Swedish active labour market policy and reduces the regional differences. Under Objective 3, skills development projects and setting up new business are the most common type of measures. A common goal for all projects is the equality of oppor-

tunities between men and women, including the physically handicapped. The main goal for Objective 4 is the skills development in Small and Medium sized Enterprises. More than 12.000 enterprises covering 200.000 employees have been involved since 1995. About 45% of the participants have been women.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 69,5        | 70,3 | 77,2 | 60,5 |
| Men  | 71,2        | 71,9 | 78,2 | 70,5 |
| Women  | 67,7        | 68,7 | 76,2 | 50,5 |
| Total Employment Rate (full time equivalent) | 61,9        | 62,8 | n.a. | 55,5 |
| Men  | 67,3        | 67,9 | n.a. | 68,7 |
| Women  | 56,7        | 57,8 | n.a. | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 9,9         | 9,6  | 5,6  | 10,7 |
| Men  | 10,2        | 10,1 | 6,6  | 9,3  |
| Women  | 9,5         | 9,0  | 4,4  | 12,4 |
| Youth Unemployment Ratio                     | 9,0         | 9,3  | n.a. | 9,8  |
| Men  | 9,6         | 9,8  | n.a. | 9,9  |
| Women  | 8,3         | 8,8  | n.a. | 9,6  |
| Long-Term Unemployment Rate                  | 3,5         | 1,8  | n.a. | 5,2  |
| Men  | 3,8         | 2,2  | n.a. | 4,5  |
| Women  | 3,1         | 1,4  | n.a. | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |       |         | EU   |
|--|--------------|-------|---------|------|
|  | 1997         | 1996  | 1992-97 | 1997 |
| Total Unemployment Growth              | -1,04        | -0,58 | -1,40   | 0,53 |
| Real GDP Growth                        | 1,8          | 1,3   | 1,6     | 2,6  |
| Labour Productivity Growth             | 2,8          | 1,8   | 2,9     | 2,2  |
| Real Unit Labour Costs                 | 0,0          | 3,4   | -0,7    | -0,9 |

Source: Eurostat

## UNITED KINGDOM

### Summary

*The employment performance of the UK looks favourable in relation to EU average. The UK NAP reports on the on-going efforts to reform employment policies in line with the activation approach. The main planks of this approach are the Job Seekers Allowance regime and the New Deal initiative for young and adults. The activation approach for dealing with unemployment has been widely adopted in the UK and according to the Implementation report, the 20% activation target has been exceeded. As regards prevention of long-term unemployment, the unemployed are not eligible in the new measures until they have crossed the threshold of long term unemployment. The New Deal alone does not strictly address the prevention criteria. However, the activation approach includes a number of other measures, available from the first day of unemployment in order to avoid continued inflow into long-term unemployment.*

*The Commission and the UK Government are in agreement that the UK should demonstrate in the 1999 report on the NAP how the agreed targets will be reached.*

*For the **entrepreneurship, adaptability and equal opportunities** pillars, a considerable number of new initiatives have been implemented or are under development. In particular, there is a strong policy emphasis on local measures for job creation through self-employment. Despite this, the regional partners have not participated significantly in the development of the NAP. There are several new measures aimed at raising the skills level of the workforce, most notably through individual learning accounts. This represents a major improvement in an area where action in the past has been limited. Further initiatives are aimed at strengthening the policies for **equal opportunities** (through action on childcare measures and the introduction of a national minimum wage).*

*The social partners have contributed with a special declaration attached to the NAP, in which they show the extent of their participation in the process and their willingness to enhance their role in the future.*

### 1. The employment situation

The employment rate in the UK is well above the EU average while both the unemployment rate and long-term unemployment rate are considerably below the Community average.

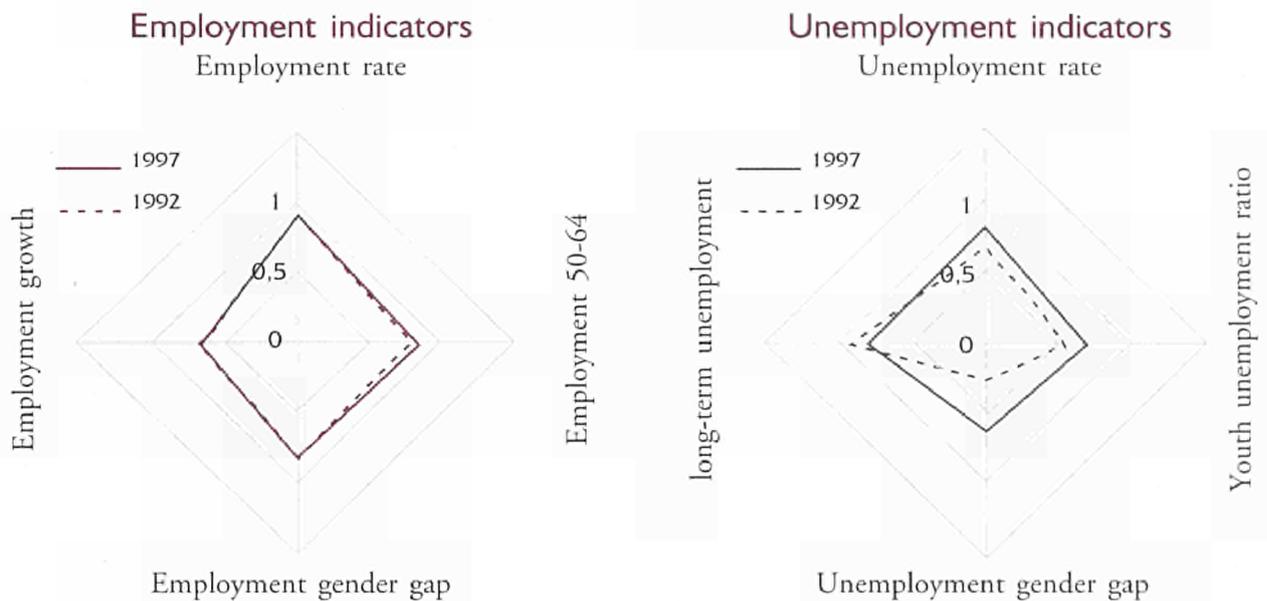
The UK GDP has increased by 3.5% in 1997 but is expected to increase at a slower pace in the next two years.

Total employment has increased from 69.4% in 1992 to 70.8% in 1997. The growth in women's employment is twice that for men due, in part, to the increase in part-time employment.

Unemployment has fallen from 10.1% to 7.0% between 1992 and 1997. The male unemployment rate exceeds that for women (7.8% compared to 6.0% in 1997) and male youth unemployment ratio exceeds the EU average (10.7% compared to 9.9% in 1997). Long-term unemployment is substantially concentrated among older male workers, some ethnic minorities, lone parents and people with a disability and is highly concentrated in a relatively small number of deprived communities. According to national data 4.6 million women of working age are economically inactive because they are lone parents, carers or not actively looking for work.

Total expenditure in labour market policies in terms of GDP is around 1.5%. In 1997, spending for passive measures (1.05%) still exceeded that for active (0.42).

## United Kingdom



The UK employment performance profile has been quite stable, and looks particularly favourable from a comparative point of view in terms of the employment rate, and of the participation of older persons in employment, where it stands among the three best performers. Except for the long-term unemployment share, the performance has improved in all unemployment dimensions. The strong narrowing of the gender gap reflects the fact that men benefited more than women from the cyclical upswing.

## 2. The NAP

The UK NAP places a clear emphasis on the *employability* pillar. The introduction of the New Deal programme for young people in April 1998, the New Deal for adults long-term unemployed in June 1998, the New Deal for Partners (which offers help, particularly to women to retrain or regain contact with the labour market), underline the trend towards the activation approach.

As regards *entrepreneurship*, the UK seeks to create a positive climate that encourages job creation and self-employment. This is achieved, on the one hand, through a series of job creation initiatives especially at the local level (Employment Zones, Single Regeneration Budget, and New Deal for Communities), and, on the other, with fiscal and other measures to reduce the financial and administrative burdens on small and medium sized companies.

On *adaptability*, extensive contractual flexibility allows a great variety of working arrangements, thus enhancing part-time work, career breaks, job sharing and family friendly policies.

The recent White Paper on "Fairness to Work" aimed at improving the rights of employees in the workplace. UK fiscal policy already treats training costs as a tax-deductible expense.

Concerning *equal opportunities*, the introduction of a minimum wage will benefit women who are over-represented amongst the lowest paid. Similar benefits will also accrue to ethnic minorities. Reconciling work and family life is expected to be improved through the promotion of family-friendly policies and the National Child-care Strategy which aims to promote good quality, affordable childcare. The Working Family Tax Credits will help parents meet childcare costs. The New Deal for Disabled People is a voluntary programme designed especially for those people on incapacity benefits who want to get into or remain in work. The New Deal for Lone Parents is aimed at helping lone parents get back into the workforce.

New Deal alone does not meet the preventive approach as set out in the guidelines. Young people are only eligible once they have crossed the 6 months unemployment threshold and adult long-term unemployed

once they have crossed the 24 months threshold (although pilot projects have been introduced for 70,000 people unemployed for 12 and 18 months). For some categories of job seekers perceived to be most at risk of becoming long-term unemployed eligibility starts from the first day of unemployment.

The activation approach of the New Deal is complemented by the Job Seeker's Allowance regime, the foundation of labour market interventions in the U.K. This, together with employability measures provided by the Employment Service, ensures that all Job Seeker's Allowance recipients are offered a comprehensive series of interventions (interviews, guidance, job placing) from the first day of unemployment, designed to prevent long-term unemployment.

The UK has a broad understanding of activation. The target of 20% has been exceeded if coupling both "active benefit regime" measures (Job Seeker's Allowance, Employment Service measures, programmes for people unemployed for 3 and 6 months) and New Deal. However it is not possible to determine the exact proportion of long-term unemployed who benefit from such measures.

The timetable for the implementation of the new measures is clearly defined together with the commitment to provide the necessary financial resources for each guideline. Whilst considerably more financial resources are allocated through the New Deal for young people than for the adult unemployed, that is balanced by extensive assistance for the adult unemployed through other programmes delivered by the Employment Service and Training and Enterprise Councils. No information has been provided on whether sufficient capacity building has taken place within the organisations responsible for the implementation of the wide range of new programmes.

### 3. Implementation

The major new initiative for the activation of UK labour market policies - Welfare to Work ("New Deal") has been fully implemented for Young People from April 1998 and will be implemented for long term unemployed adults from June 1998. Ways of developing the Life Long Learning approach are set out in the Green Paper, The Learning Age, and include measures such as the setting up of the University for Industry and Individual Learning Accounts. Education Action Zones have been activated and are intended to improve educational standards, create links with local industry and tackle

social exclusion. The review of the Single Regeneration Budget and New Deal for Communities will enhance job creation and access to it at the local level.

A range of other initiatives foreseen in the NAP (payment of interest on outstanding bills to companies, reduction in social security contributions and assistance for self employment in employment action zones) aim at achieving the goals of the *Entrepreneurship* Pillar.

Finally, progress has been made in implementing the initiatives foreseen for strengthening the policies for *equal opportunities* (the New Deal for Lone Parents and for Disabled People; comprehensive and enforceable civil rights for disabled people against discrimination in society and at work, through the Disability Rights Task Force, a Disability Rights Commission and the Disability Discrimination Act 1995; minimum wage legislation, improved childcare provision).

The NAP and Implementation Report describe in general terms the considerable involvement of the national and local organisations (employers, local authorities, Training and Enterprise Councils, voluntary organisations, education and training providers) in the drawing up and implementation of the various programmes set out in the NAP. The role of local/regional authorities is expected to increase after the setting up of the Regional Development Agencies, to be completed by April 1999.

Monitoring of the NAP takes place at the level of the constituent programmes. Detailed monitoring and evaluation mechanisms have been put in place by the Employment Service and other government departments and agencies to measure the outputs of the programmes. However, no integrated monitoring is foreseen at the national level.

### 4. Contribution from the Social Partners

Whilst the role of the social partnership in the UK is substantially different than in most other EU countries, they are involved in the NAP implementation. The Trades Union Congress and Confederation of British Industry co-operate in reaching sectoral agreements to provide training to recognised qualifications. Both are involved in delivering modern Apprenticeships and national Traineeships for young people.

## 5. The role played by the Structural Funds

European Social Fund financial contribution to the NAP and its role in developing initiatives to correspond more closely with the guidelines is clearly indicated. The Euro-

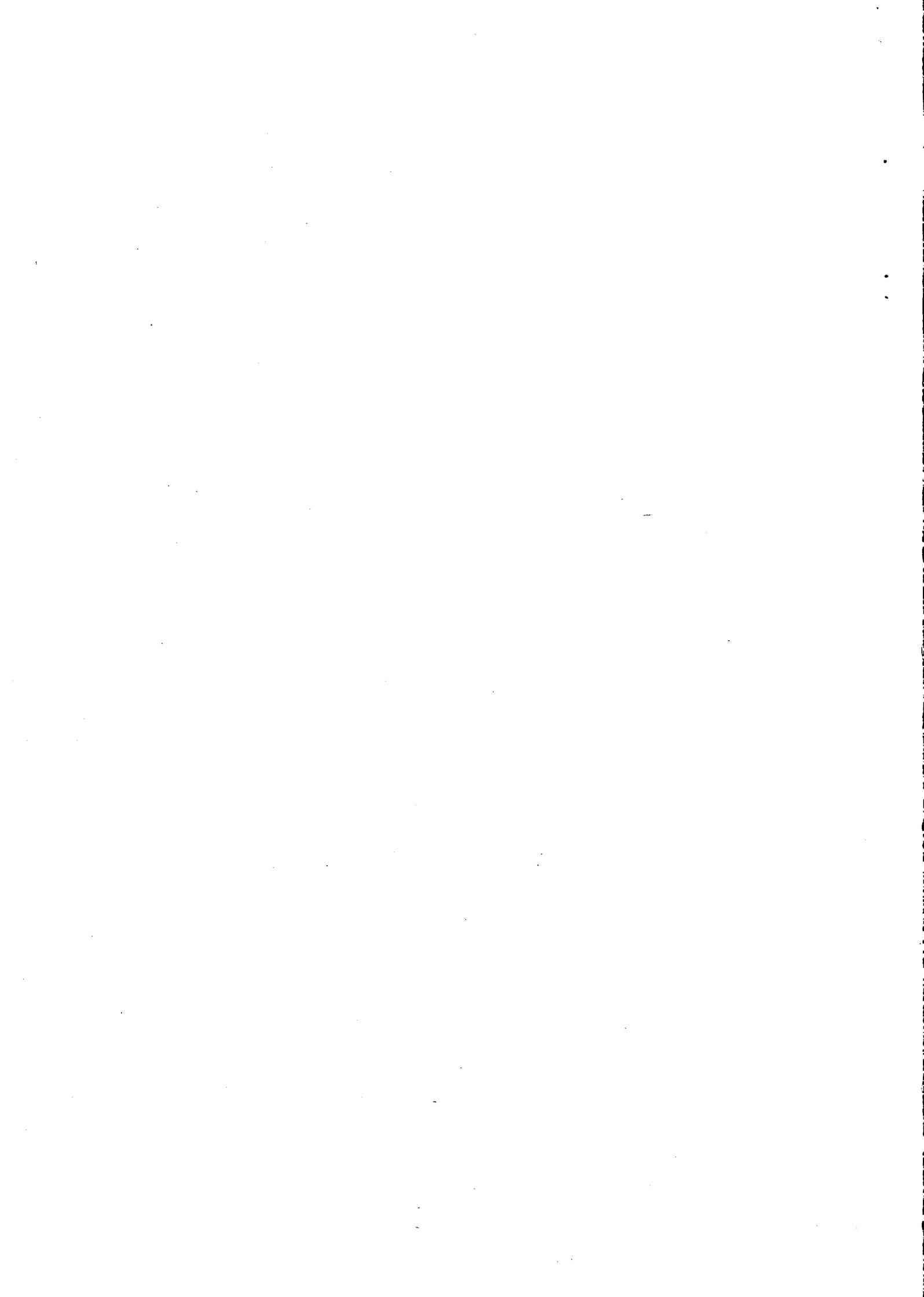
pean Social Fund resources enhance in many cases the basic provision of a particular initiative and funding is used to extend the period of work experience of New Deal beneficiaries.

| EMPLOYMENT INDICATORS                        | ANNUAL DATA |      |      | EU   |
|--|-------------|------|------|------|
|  | 1997        | 1996 | 1992 | 1997 |
| Total Employment Rate                        | 70,8        | 69,8 | 69,4 | 60,5 |
| Men  | 77,7        | 76,4 | 76,8 | 70,5 |
| Women  | 63,9        | 63,1 | 62,0 | 50,5 |
| Total Employment Rate (full time equivalent) | 60,2        | 59,4 | 59,3 | 55,5 |
| Men  | 73,1        | 72,1 | 73,0 | 68,7 |
| Women  | 48,1        | 47,4 | 46,4 | 42,6 |
| UNEMPLOYMENT INDICATORS                      |             |      |      |      |
| Total Unemployment Rate                      | 7,0         | 8,2  | 10,1 | 10,7 |
| Men  | 7,8         | 9,5  | 11,9 | 9,3  |
| Women  | 6,0         | 6,5  | 7,8  | 12,4 |
| Youth Unemployment Ratio                     | 8,7         | 9,6  | 10,6 | 9,8  |
| Men  | 10,7        | 12,2 | 13,8 | 9,9  |
| Women  | 6,7         | 6,8  | 7,3  | 9,6  |
| Long-Term Unemployment Rate                  | 2,7         | 3,3  | 3,5  | 5,2  |
| Men  | 3,6         | 4,4  | 4,6  | 4,5  |
| Women  | 1,6         | 1,8  | 2,1  | 6,2  |

| EMPLOYMENT RELATED ECONOMIC INDICATORS | GROWTH RATES |      |         | EU   |
|--|--------------|------|---------|------|
|  | 1997         | 1996 | 1992-97 | 1997 |
| Total Unemployment Growth              | 1,66         | 0,93 | 0,65    | 0,53 |
| Real GDP Growth                        | 3,5          | 2,2  | 3,0     | 2,6  |
| Labour Productivity Growth             | 1,9          | 1,8  | 2,5     | 2,2  |
| Real Unit Labour Costs                 | -0,2         | -0,7 | -1,2    | -0,9 |

Source: Eurostat





European Commission

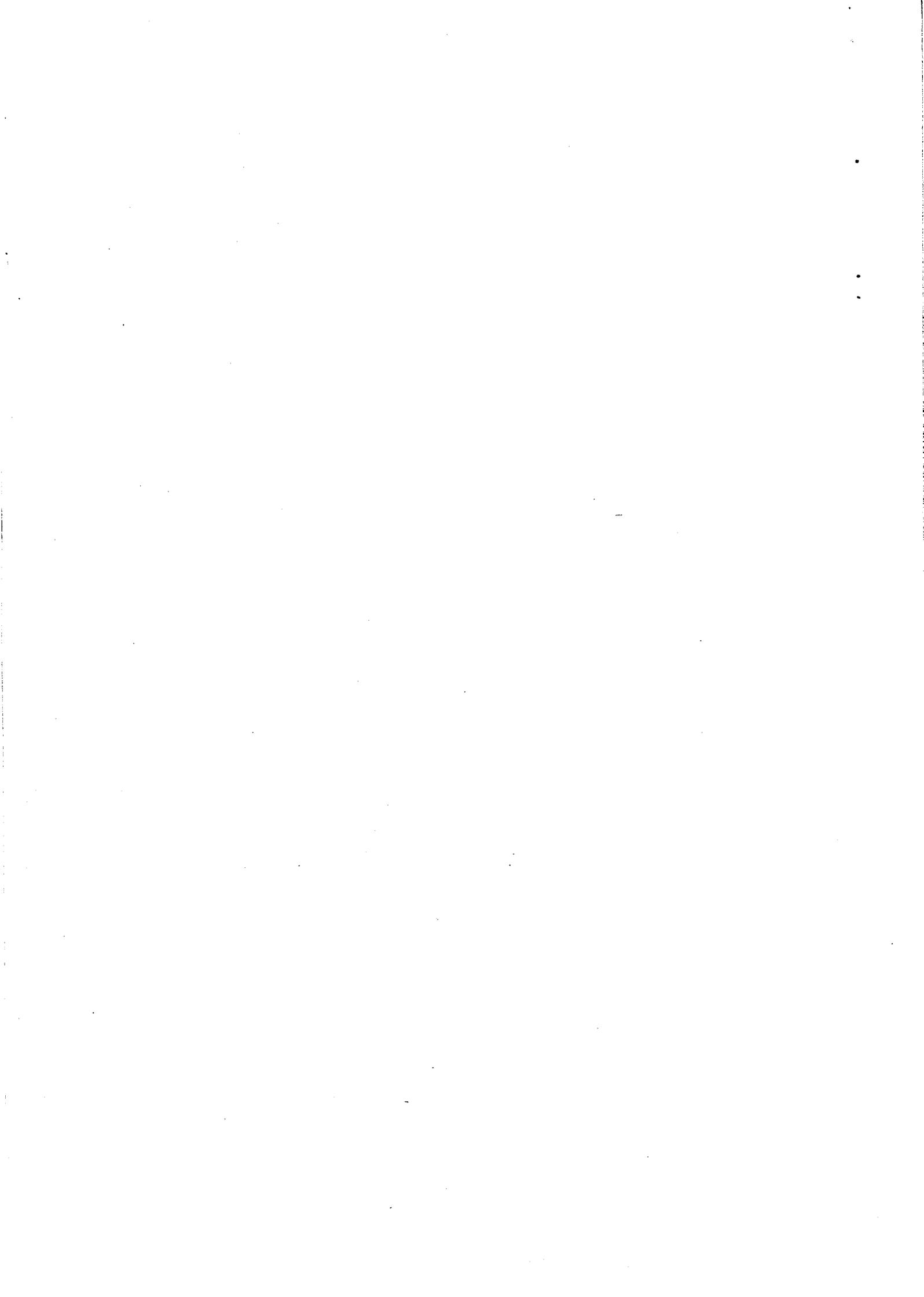
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